CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI

Petition No. 706/GT/2025

Coram:

Shri Ramesh Babu V., Member
Shri Harish Dudani, Member

Date of Order: 15th October, 2026

In the matter of:

Petition for revision of tariff of Jhanor Gandhar Gas Power Station (657.39 MW) for the period from 1.4.2019 to 31.3.2024 after the truing up exercise.

And

In the matter of:

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

Vs.

1. Madhya Pradesh Power Management Company Limited,
   Shakti Bhawan, Vidyut Nagar, Rampur, Jabalpur (MP) – 110 003

2. Maharashtra State Electricity Distribution Company Limited,
   Prakashgad, Bandra (East), Mumbai (Maharashtra) – 400 051

3. Gujarat Urja Vikas Nigam Limited,
   2nd Floor, Sardar Patel Vidyut Bhawan,
   Race Course, Vadodara (Gujarat) – 390 007

4. Electricity Department,
   Government of Goa, 3rd Floor, Vidyut Bhawan,
   Panaji (Goa) – 403 001

5. Dadra and Nagar Haveli and Daman and Diu Power Distribution Corporation Limited,
   1st and 2nd Floor, Vidyut Bhawan, 66 kV Road
   Dadra and Nagar Haveli and Daman and Diu – 396 230 **...Respondents**

Parties present:

Shri Adarsh Tripathi, Advocate, NTPC
Shri Ajitesh Garg, Advocate, NTPC
Shri Rajiv Naik, Advocate, MSEDCL
Shri Anup Jain, Advocate, MSEDCL
Shri Shaswat Dubey, Advocate, MSEDCL

ORDER

This Petition has been filed by the Petitioner, NTPC Limited, for the truing up of the tariff of Jhanor Gandhar Gas Power Station (657.39 MW) (hereinafter referred to as 'the generating station') for the period 2019-24 in accordance with Regulation 13 of the Central Electricity Regulatory Commission (Terms & Conditions of Tariff) Regulations, 2019 (in short "the 2019 Tariff Regulations").

2. The generating station with an installed capacity of 657.39 MW comprises of three units of 144.30 MW each and one unit of 224.49 MW. The dates of commercial operation of the units of the generating station are as follows:

	Capacity (MW)	**Actual COD**
GT Unit-I	144.30	1.3.1995
GT Unit-II	144.30	1.7.1995
GT Unit-III	144.30	1.3.1995
ST Unit-IV/Generating Station	224.49	1.11.1995

3. The COD of the generating station is 1.11.1995 and the useful life of the generating station (i.e. 25 years) expired in 2020-21. However, due to extension of life in 2015-16 and 2016-17 vide order dated 19.2.2019 in Petition No. 32/RP/2017 in Petition No.325/GT/2014, the balance extended useful life of the generating station is 8.40 years as on 1.4.2014, 9.60 years as on 1.4.2015, 10.79 years as on 1.4.2016, 9.79 years as on 1.4.2017 and 8.79 years as on 1.4.2018. Accordingly, the balanced extended useful life of the generating station, as on 1.4.2019, is 7.79 years.

4. The Commission, vide its order dated 13.5.2022 in Petition No. 301/GT/2020, had trued up the tariff of the generating station for the period 2014-19. Aggrieved by the said order, the Petitioner had filed Review Petition No. 32/RP/2022 on certain counts and the Commission, vide its order dated 12.10.2023, rejected the Petitioner's claims and disposed of the Review Petition. Subsequently, the Commission, vide order dated

4.6.2022 in Petition No. 420/GT/2020, had determined the tariff of the generating station for the period 2019-24. The capital cost and annual fixed charges approved vide the aforesaid order is as under:

Capital Cost allowed

(Rs. in lakh)

	2019-20	2020-21	2021-22	2022-23	2023-24
Opening capital cost	285567.84	285567.84	285567.84	285567.84	285567.84
Add: Additional capital expenditure	0.00	0.00	0.00	0.00	0.00
Closing capital cost	**285567.84**	**285567.84**	**285567.84**	**285567.84**	**285567.84**
Average capital cost	285567.84	285567.84	285567.84	285567.84	285567.84

Annual Fixed Charges allowed

(Rs. in lakh)

	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	5678.90	5678.90	5678.90	5678.90	5678.90
Interest on Loan	1673.06	1269.19	796.73	324.28	43.62
Return on Equity	24504.28	24504.28	24504.28	24504.28	24504.28
Interest on Working Capital	4965.97	4667.79	4369.01	4386.19	4405.17
O&M Expenses	13160.66	13851.27	14272.00	14705.88	15159.47
Total	**49982.86**	**49971.43**	**49620.92**	**49599.53**	**49791.44**

5. Aggrieved by the above order dated 4.6.2022 in Petition No. 420/GT/2020, the Petitioner had filed Review Petition No. 9/RP/2023 on the issue of 'Disallowance of Additional Capitalization for Zero Liquid Discharge Scheme' for the period 2019-24 and the Commission, vide order dated 18.4.2024 granted liberty to the Petitioner to claim the said additional capital expenditure along with all the relevant documents at the time of truing up of the tariff of the generating station for the period 2019-24.

Present Petition

6. Regulation 13(1) of the 2019 Tariff Regulations provides as under:

> *"**13. Truing up of tariff for the period 2019-24:** (1) The Commission shall carry out the truing up exercise for the period 2019-24 along with the tariff petition filed for the next tariff period, for the following:*
>
> *a) the capital expenditure including additional capital expenditure incurred up to 31.3.2024, as admitted by the Commission after prudence check at the time of truing up:*
>
> *b) the capital expenditure including additional capital expenditure incurred up to 31.3.2024, on account of Force Majeure and Change in Law."*

7. In terms of the above Regulation, the Petitioner has filed the present Petition vide affidavit dated 18.11.2024, for truing up of the tariff for the period 2019-24, based on

the actual additional capital expenditure incurred for the aforesaid period. The capital cost and the annual fixed charges claimed by the Petitioner are as under:

Capital cost claimed

(Rs. in lakh)

	2019-20	2020-21	2021-22	2022-23	2023-24
(a) Claimed to be eligible for ROE at base rate of 15.50%					
Opening capital cost	285567.84	285471.66	285748.26	286358.14	286296.92
Add: Additional capital expenditure	(-) 96.18	276.60	609.88	(-) 61.23	(-) 5.26
Closing capital cost	**285471.66**	**285748.26**	**286358.14**	**286296.92**	**286291.66**
Average capital cost	285519.75	285609.96	286053.20	286327.53	286294.29
(b) Claimed to be eligible for ROE at base rate of WAROI					
Opening capital cost	0.00	0.00	0.00	0.00	0.00
Add: Additional capital expenditure	0.00	0.00	0.00	0.00	0.00
Closing capital cost	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Average capital cost	0.00	0.00	0.00	0.00	0.00
(c) Total capital cost claimed (a+b)					
Opening capital cost	285567.84	285471.66	285748.26	286358.14	286296.92
Add: Additional capital expenditure	(-) 96.18	276.60	609.88	(-) 61.23	(-) 5.26
Closing capital cost	**285471.66**	**285748.26**	**286358.14**	**286296.92**	**286291.66**
Average capital cost	285519.75	285609.96	286053.20	286327.53	286294.29

Annual Fixed Charges claimed

(Rs. in lakh)

	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	5681.94	5718.32	5807.22	5868.52	5915.54
Interest on Loan	1605.66	1059.35	667.94	346.04	67.36
Return on Equity	24498.14	24497.36	24518.92	24529.22	24518.75
Interest on Working Capital	5693.77	5361.67	2958.10	19190.89	30287.84
O&M Expenses	14436.53	14998.22	14244.73	21570.61	15787.90
Total	**51916.03**	**51634.93**	**48196.90**	**71505.29**	**76577.40**

8. The matter was listed for hearing on 28.8.2025, and the Commission, vide its Record of Proceedings (RoP), sought certain additional information from the Petitioner. The Respondent, Madhya Pradesh Power Management Company Limited (MPPMCL), filed its reply to the Petition on 12.9.2025. In compliance with the RoP, the Petitioner filed the additional information vide affidavit dated 10.10.2025.However, no response has been filed by the Respondents. The Respondent, Maharashtra State Electricity Distribution Company Limited (MSEDCL), filed its reply to the main Petition vide affidavit dated 14.11.2025. The Petitioner filed its rejoinders to the said replies vide affidavits dated 8.12.2025. Subsequently, the matter was listed for hearing on 11.12.2025. The Commission, vide RoP, sought certain additional information from the Petitioner and

reserved its order in the Petition, while granting liberty to the Respondents to file their reply and to the Petitioner to file its rejoinder thereto. In compliance with the RoP, the Petitioner filed the additional information vide affidavit dated 2.2.2026. The Respondent, MPPMCL, filed its reply to the said additional information vide affidavit dated 10.2.2026, and the Petitioner filed its rejoinder vide affidavit dated 26.2.2026.

9. Based on the submissions of the parties and the documents available on record, we proceed to examine the claims of the Petitioner, in this Petition, on a prudence check, as stated in the subsequent paragraphs.

Capital Cost

10. Regulation 19 of the 2019 Tariff Regulations provides as under:

> *"**19. Capital Cost:** (1) The Capital cost of the generating station or the transmission system, as the case may be, as determined by the Commission after prudence check in accordance with these regulations shall form the basis for determination of tariff for existing and new projects.*
> *(2) XXX*
> *(3) The Capital cost of an existing project shall include the following:*
> *(a) Capital cost admitted by the Commission prior to 1.4.2019 duly trued up by excluding liability, if any, as on 1.4.2019;*
> *(b) Additional capitalization and de-capitalization for the respective year of tariff as determined in accordance with these regulations;*
> *(c) Capital expenditure on account of renovation and modernisation as admitted by this Commission in accordance with these regulations;*
> *(d) Capital expenditure on account of ash disposal and utilization including handling and transportation facility;*
> *(e)Capital expenditure incurred towards railway infrastructure and its augmentation for transportation of coal up to the receiving end of generating station but does not include the transportation cost and any other appurtenant cost paid to the railway;*
> *(f) and Capital cost incurred or projected to be incurred by a thermal generating station, on account of implementation of the norms under Perform, Achieve and Trade (PAT) scheme of Government of India shall be considered by the Commission subject to sharing of benefits accrued under the PAT scheme with the beneficiaries.*
> *(4) XXX*
> *(5) The following shall be excluded from the capital cost of the existing and new projects:*
> *(a) The assets forming part of the project, but not in use, as declared in the tariff petition;*
> *(b) De-capitalised Assets after the date of commercial operation on account of replacement or removal on account of obsolescence or shifting from one project to another project: Provided that in case replacement of transmission asset is recommended by Regional Power Committee, such asset shall be decapitalised only after its redeployment; Provided further that unless shifting of an asset from one project to another is of permanent nature, there shall be no de-capitalization of the concerned assets.*
> *(c) In case of hydro generating stations, any expenditure incurred or committed to be incurred by a project developer for getting the project site allotted by the State Government by following a transparent process;*

(d) Proportionate cost of land of the existing project which is being used for generating power from generating station based on renewable energy; and
(e) Any grant received from the Central or State Government or any statutory body or authority for the execution of the project which does not carry any liability of repayment."

11. The Commission, vide its order dated 13.5.2022 in Petition No. 301/GT/2020, had allowed the closing capital cost of Rs.285567.84 lakh, as on 31.3.2019. Accordingly, as per Regulation 19(1) of the 2019 Tariff Regulations, the capital cost of Rs.285567.84 lakh has been considered as the opening capital cost as on 1.4.2019 for the purpose of truing up the tariff of the generating station for the period 2019-24.

Additional Capital Expenditure

12. Regulations 25 and 26 of the 2019 Tariff Regulations provide as follows:

*"**25. Additional Capitalisation within the original scope and after the cut-off date:***
(1) The additional capital expenditure incurred or projected to be incurred in respect of an existing project or a new project on the following counts within the original scope of work and after the cutoff date may be admitted by the Commission, subject to prudence check:
(a) Liabilities to meet award of arbitration or for compliance of the directions or order of any statutory authority, or order or decree of any court of law;
(b) Change in law or compliance of any existing law;
(c) Deferred works relating to ash pond or ash handling system in the original scope of work;
(d) Liability for works executed prior to the cut-off date;
(e) Force Majeure events;
(f) Liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments; and
(g) Raising of ash dyke as a part of ash disposal system.
(2) In case of replacement of assets deployed under the original scope of the existing project after cut – off date, the additional capitalisation may be admitted by the Commission, after making necessary adjustments in the gross fixed assets and the cumulated depreciation, subject to prudence check on the following grounds:
(a) The useful life of the assets is not commensurate with the useful life of the project and such assets have been fully depreciated in accordance with the provisions of these regulations.
(b) The replacement of the assets or equipment is necessary on account of change in law or Force Majeure conditions;
(c) The replacement of such assets or equipment is necessary on account of obsolescence of technology; and
(d) The replacement of such assets or equipment has otherwise been allowed by the Commission.
26. Additional Capitalisation beyond the original scope
(1) The capital expenditure, in respect of existing generating station or the transmission system including communication system, incurred or projected to be incurred on the following counts beyond the original scope, may be admitted by the Commission, subject to prudence check:
(a) Liabilities to meet award of arbitration or for compliance of order or directions of any statutory authority, or order or decree of any court of law;

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

(c) Force Majeure events;

(d) Need for higher security and safety of the plant as advised or directed by appropriate Indian Government Instrumentality or statutory authorities responsible for national or internal security;

(e) Deferred works relating to ash pond or ash handling system in additional to the original scope of work, on case to case basis:

Provided also that of any expenditure has been claimed under Renovation and Maintenance (R&M) or repairs and maintenance under O&M expenses, the same shall not be claimed under these Regulations;

(f) Usage of water from sewage treatment plant in thermal generating station.

(2) In case of de-capitalisation of assets of a generating company or the transmission licensee, as the case may be, the original cost of such asset as on the date of decapitalisation shall be deducted from the value of gross fixed asset and corresponding loan as well as equity shall be deducted from outstanding loan and the equity respectively in the year such de-capitalisation takes place with corresponding adjustments in cumulative depreciation and cumulative repayment of loan, duly taking into consideration the year in which it was capitalised."

13. The additional capital expenditure allowed on projected basis for the tariff period 2019-24, as per order dated 4.6.2022 in Petition No. 420/GT/2020, and the actual expenditure claimed by the Petitioner in this Petition are as follows:

(Rs. in lakh)

	2019-20	**2020-21**	**2021-22**	**2022-23**	**2023-24**
Projected additional capital expenditure allowed in order dated 4.6.2022 in Petition No. 420/GT/2020	0.00	0.00	0.00	0.00	0.00
Additional capital expenditure claimed in this Petition	(-) 96.18	276.60	609.88	(-) 61.23	(-) 5.26

14. The Petitioner has submitted that there are certain additional capital expenditures which were not projected earlier but had been incurred due to site-specific requirements which were essential for safe, secure, successful and efficient operation of the generating station and the same is required to be included as part of the capital base for the purpose of the tariff.

Reconciliation of additional capital expenditure (ACE) claimed with the audited books of accounts

15. The reconciliation of additional capital expenditure claimed by the Petitioner with the audited books of accounts, for the tariff period 2019-24, is as under:

(Rs. in lakh)

		2019-20	**2020-21**	**2021-22**	**2022-23**	**2023-24**
A	Closing Gross Block as per IND AS	121964.78	128889.36	138451.89	146030.75	155403.82
B	Opening Gross Block as per IND AS	**117541.93**	**121964.78**	**128889.36**	**138451.89**	**146030.75**

C	**ACE during the year as per IND AS (A-B)**	**4422.85**	**6924.58**	**9562.53**	**7578.87**	**9373.06**
D	IND AS Adjustments	**792.84**	**763.18**	**116.09**	**1163.46**	**250.58**
E	**ACE during the year as per IGAAP (C-D)**	**3630.01**	**6161.40**	**9446.43**	**6415.40**	**9122.48**
F	ACE pertaining to other Stages	0.00	0.00	0.00	6065.90	3704.09
G	**ACE pertaining to the generating station (E-F)**	**3630.01**	**6161.40**	**9446.43**	**349.50**	**5418.39**
H	Exclusions	2642.34	5750.30	8803.51	434.22	5401.67
I	**ACE claimed on accrual basis (G-H)**	**987.67**	**411.11**	**642.93**	**(-) 84.71**	**16.72**
J	Undischarged liabilities	1101.63	166.55	145.43	33.30	38.34
K	**ACE claimed, on cash basis, before discharges of liabilities (I-J)**	**(-) 113.96**	**244.55**	**497.50**	**(-) 118.01**	**(-) 21.62**
L	Discharges of liabilities	17.77	32.05	112.38	56.78	16.36
M	**Net ACE Claimed on cash basis (K+L)**	**(-) 96.18**	**276.60**	**609.88**	**(-) 61.23**	**(-) 5.26**

16. The additional capital expenditure claimed by the Petitioner, duly supported by the Auditor's Certificate, for the tariff period 2019-24, is as under:

(Rs. in lakh)

S. N.	**Head of Work /Equipment**	**Regulation**	**ACE Claimed (Actual)**				
			2019-20	**2020-21**	**2021-22**	**2022-23**	**2023-24**
1	**2**		**3**	**4**	**5**	**6**	**7**
A	**Normal Rate**						
1	Land Compensation	25(1)(a)	0.00	0.00	0.00	0.00	0.00
2	Other Office Equipment	25(2)(a)	1.56	4.41	24.61	21.98	16.67
3	EDP, WP Machines & SATCOM Equipment	25(2)(a)	33.83	7.54	0.00	48.82	63.22
4	Communication Equipment	25(2)(a)	1.73	3.36	0.38	0.00	1.09
5	Construction Equipment	25(2)(a)	0.00	19.55	0.00	0.00	0.00
6	Electrical Installations	25(2)(a)	0.00	9.32	0.00	0.00	0.00
7	Hospital Equipment	25(2)(a)	0.00	1.51	2.51	0.00	0.00
8	Software	25(2)(a)	0.00	0.80	0.00	1.65	3.67
9	Furniture & Fixtures	25(2)(a)	0.00	0.00	1.36	0.00	0.35
	Sub-Total (A)		**37.12**	**46.47**	**28.87**	**72.45**	**85.01**
B	**WAROI**						
1	Real Time Data Transmission Solution	26(1)(b)	0.26	0.00	0.00	0.00	0.00
2	Inert Gas Fire Extinguishing System	26(1)(b)	3.04	0.00	0.00	0.00	0.00
3	Replacement of Conventional fittings with LED based fittings	26(1)(b)	6.15	0.47	0.00	0.00	0.00
4	Lining in Reservoir No. 2	26(1)(b)	0.00	266.40	42.40	0.00	0.00
5	Upgradation of ABT Metering System	26(1)(b)	0.00	0.00	0.00	16.38	0.00
6	CCTV camera system in Plant Area	26(1)(d)	22.14	0.00	0.00	0.00	0.00
7	Zero Liquid Discharge Scheme	26(1)(b)	0.00	13.13	1.27	0.00	0.00
8	Safety Park	26(1)(b)	0.00	19.84	0.89	0.00	0.39
9	50 kWp Solar PV System Over RCC Cooling/CW Channel	26(1)(b)	0.00	27.60	0.00	0.00	0.00

S. N.	Head of Work /Equipment	Regulation	ACE Claimed (Actual)				
			2019-20	2020-21	2021-22	2022-23	2023-24
1	2		3	4	5	6	7
10	Automatic Generation Control System	26(1)(b)	0.00	0.00	26.70	0.00	0.00
11	Chlorine Dioxide (ClO2) Plant	26(1)(b)	0.00	0.00	449.75	15.22	0.00
12	Optical fiber network for AAQMS	26(1)(b)	0.00	0.00	0.00	0.00	128.66
	Sub-Total (B)		**31.59**	**327.43**	**521.02**	**31.60**	**129.05**
	Total ACE (A+B)		**68.71**	**373.91**	**549.89**	**104.05**	**214.06**
C	**Decapitalization**						
1	Decapitalisation of Capital Spares		(-) 182.67	(-) 129.35	(-) 51.91	(-) 218.79	(-) 182.10
2	Decapitalisation of MBOA		0.00	0.00	(-) 0.48	(-) 3.27	(-) 53.57
	Total (C)		(-) 182.67	(-) 129.35	(-) 52.39	(-) 222.06	(-) 235.67
D	**Discharge of Liabilities (D)**		**17.77**	**32.05**	**112.38**	**56.78**	**16.36**
E	**Total Capital Expenditure (A+B+C+D)**		**(-) 96.18**	**276.60**	**609.88**	**(-) 61.23**	**(-) 5.26**

17. The Respondent, MSEDCL, vide its reply dated 16.2.2026, stated that several items claimed for the tariff period 2019-24, including Reservoir No. 2 lining, LED fittings, CCTV installation and MBOAs, had already been disallowed by the Commission vide its order dated 4.6.2022 in Petition No. 420/GT/2020, and thus, could not be claimed again. The Respondent, MPPMCL, vide its reply dated 12.9.2025, has submitted that certain expenditure claimed required strict prudence verification and argued that works such as reservoir lining, LED fittings and CCTV systems did not demonstrably fall under Regulation 26(1)(b) or 26(1)(c) of the 2019 Tariff Regulations. The Respondents have further submitted that operational necessity and supporting documentation must be established before approval.

18. The Petitioner, vide its rejoinders, has submitted that the Commission had not rejected the said additional capital expenditure on merits but had granted liberty to file justification, which the Petitioner has fulfilled through the truing up petition for the tariff period 2019-24. The Petitioner has further submitted that all additional items capitalized for the tariff period 2019-24 were supported by Form-9 details, Auditor's certificates and justification documents. The Petitioner has added that earlier disallowances related only to projected expenditure and that the present claims reflected actual capitalization and

that the Respondent's objections were general in nature.

19. It is noticed that the order dated 4.6.2022 in Petition No. 420/GT/2020 disallowed certain claims, subject to proper justification and submission of relevant documents being furnished at the time of truing-up.

20. Accordingly, based on the submissions of the parties, we proceed to examine the claims of the Petitioner for the period 2019-24 as follows:

(i) Land Compensation

21. The Petitioner has claimed total additional capital expenditure of Rs 1186.48 lakh (i.e. Rs.1066.31 lakh in 2019-20 and Rs.30.04 lakh in each subsequent year till 2023-24) under Regulation 25(1)(a) of the 2019 Tariff Regulations, towards land compensation. The said claim of the Petitioner is on accrual basis and the corresponding claim on cash basis is 'Nil'.

22. The Petitioner has submitted that several land oustees of the generating station had filed cases seeking higher compensation, and subsequently, in LAR No. 2384/1997, the Principal Senior Civil Judge, Bharuch, vide order dated 6.1.2018, awarded compensation with interest and solatium. As other cases are pending and the Petitioner has challenged the said order in the appellate court, the Petitioner, in accordance with the law, has booked liability in the year 2019-20 for all such pending land compensation cases based on similar compensation as per the said order. Relevant extracts and detailed calculations were submitted by the Petitioner as Annexure-A/1 of the Petition. The Petitioner has further submitted that the Commission had already allowed additional capitalisation for compensation paid during the tariff period 2014-19, vide its order dated 13.5.2022 in Petition No. 301/GT/2020.

23. The Respondent, MPPMCL, vide its reply, requested the Commission to carry out a prudence check of the claimed expenditure before allowing the same. The Respondent MSEDCL, has submitted that the Petitioner's claim of Rs.1066.31 lakh for

land compensation in the year 2019-20, being on an accrual/estimated basis for pending court cases, should not be allowed and may be considered only upon actual payment in line with final court orders, subject to a prudence check. Further, the recurring claims of Rs.30.04 lakh for each year from 2020-21 to 2023-24 require detailed prudence verification, with supporting documentation, before any allowance is granted.

24. The Petitioner, vide its rejoinder, has submitted that the land compensation amounts capitalised and claimed for the tariff period 2019-24 were recorded on an accrual basis. in line with accounting provisions and the Court's order dated 6.1.2018 for pending compensation cases. Further, the Petitioner has furnished the justification of the response in Form-9 and detailed computations in Annexure-A-1

25. We have noted the submissions of the parties. The additional capital expenditure submitted by the Petitioner is towards payment of land compensation in compliance with the final judgment dated 6.1.2018 of the Principal Senior Civil Judge, Bharuch in LAR No. 2384/97. However, the Petitioner has not incurred the expenditure and has claimed it as an undischarged liability as per the amount to be paid during each year of the 2019-24 tariff period. Hence, the Petitioner is directed to submit the claim, once the expenditure is incurred. Accordingly, the claim for land compensation is **not allowed**.

(ii) Real Time Data Transmission Solution

26. The Petitioner has claimed total additional capital expenditure of Rs.0.26 lakh under Regulation 26(1)(b) of the 2019 Tariff Regulations, towards 'real time data transmission solution' for the year 2019-20. The Petitioner has submitted that the Commission, vide its order dated 13.5.2022 in Petition No. 301/GT/2020, had allowed capitalisation for the Effluent Quality Monitoring System (EQMS) at Gandhar GPS in line with CPCB Guidelines dated 5.2.2014, mandating online effluent monitoring. Further, the video streaming of effluent to CPCB/SPCB servers through industrial-grade PTZ IP cameras was completed in the year 2019-20. The Petitioner has submitted the

extracts of the CPCB guidelines as Annexure-A2 of the Petition.

27. We have noted the submissions of the Petitioner. The Petitioner has submitted that the CCTV system is integral to the monitoring system, necessary for statutory compliance, and the proof submitted is in compliance with Regulation 26(1)(b) of the 2019 Tariff Regulations. Accordingly, the additional capital expenditure of Rs.0.26 lakh is **allowed**.

(iii) Inert Gas Fire Extinguishing System

28. The Petitioner has claimed an additional capital expenditure of Rs 3.04 lakh under Regulation 26(1)(b) of the 2019 Tariff Regulations, towards 'inert gas fire extinguishing system' for the year 2019-20. The Petitioner has submitted that the Commission, vide its order dated 13.5.2022 in Petition No. 301/GT/2020, had allowed capitalisation of Rs.150.33 lakh for the year 2018-19 for an inert gas fire extinguishing system as a statutory compliance under the National Fire Protection Association Standard on Clean Agent Fire Extinguishing Systems (NFPA-2001). The Petitioner has further submitted that while major works were put to use in the year 2018-19 and the capitalisation claimed in the year 2019-20, pertains to minor works related to the System put to use in the year 2019-20.

29. The Respondent, MSEDCL, in its reply dated 18.11.2025, has submitted that the Petitioner must demonstrate that the expenditure towards 'Inert Gas Fire Extinguishing System' was actually incurred in the year 2019-20 and that the corresponding assets were used for power generation. The Respondent has further submitted that in the absence of work completion certificates, asset capitalisation details, and proof of actual utilisation, the expenditure could not be admitted in the tariff and should be considered only after a detailed prudence check.

30. The Petitioner, vide its rejoinder, has submitted that the claim was incurred in the year 2019-20 as residual works after the major system was completed and put to use

in the year 2018-19, which had been duly allowed by the Commission, and the Respondent had not disputed the regulatory requirement or any part of the justification.

31. We have noted the submissions of the Parties. The expenditure pertains to residual works of the inert gas fire extinguishing system. The Commission had allowed the additional capitalisation of this asset vide order dated 13.5.2022 in Petition No. 301/GT/2020, on the ground that the same is required for statutory compliance under the NFPA-2001. Accordingly, the expenditure is **allowed** under Regulation 26(1)(b) of the 2019 Tariff Regulations.

(iv) CCTV camera system in Plant Area

32. The Petitioner has claimed an additional capital expenditure of Rs.22.14 lakh under Regulation 26(1)(b) and 26(1)(d) of the 2019 Tariff Regulations, towards the installation of a CCTV camera system in the plant area in the year 2019-20. The Petitioner has submitted that a CCTV camera system was installed in the plant area pursuant to CISF directions, issued vide letter dated 28.11.2018, following a survey to enhance the plant's safety and security. The Petitioner has further stated that the claimed capitalisation pertains to the installation on account of such directions and submitted the CISF letter as Annexure-A3 of the Petition.

33. The Respondent, MPPMCL, in its reply, requested the Commission to carry out a prudence check of the claimed expenditure before allowing the same.

34. The Petitioner, in its rejoinder, submitted that it had produced the CISF directive dated 28.11.2018 mandating CCTV installation in the plant area, as the requirement arose from the security needs of a critical installation, and the work fell under Regulation 26(1)(d) of the 2019 Tariff Regulations. The Petitioner has further submitted that since the Respondent did not dispute the factual basis, the claim was fully justified.

35. The Respondent, MSEDCL, in its reply, has submitted that the Petitioner must furnish appropriate documentary evidence for the CCTV Camera System and that the

claim requires detailed prudence verification. The Respondent has further submitted that, since the Petitioner has also claimed Rs.143 lakh for a CCTV system in Petition No. 707/GT/2025 for the year 2024-25, the Commission should ensure that there is no duplication or double benefit across tariff periods. The Respondent has also pointed out that a similar claim was disallowed vide order dated 13.5.2022 in Petition No. 301/GT/2020 for want of evidence of a mandated policy change, and therefore, the previously disallowed expenditure should not be permitted again in this true up Petition.

36. The Petitioner, in its rejoinder, has submitted that it had claimed additional capitalisation for CCTV system in the year 2019-20 based on the actual expenditure incurred. The installation was to comply with the CISF directions dated 28.11.2018, a copy of which was submitted by the Petitioner at Annexure-A-3. The Petitioner has further submitted that the expenditure was supported by an audited balance sheet filed with the Petition and by the audited additional capitalisation statement at Annexure-P-1, has submitted vide affidavit dated 21.10.2025. The Petitioner has submitted that the expenditure disallowed in the tariff period 2014-19, as cited by MSEDCL, pertained to CCTV server upgradation and had been rejected for lack of documentary evidence, whereas in the present case, the CISF directions necessitating the CCTV system installation had been furnished. The additional capitalization towards CCTV claimed in the year 2024-25 arose from a separate CISF letter dated 11.11.2024.

37. We have noted the submissions of the parties. It is observed that the CCTV system is required for the safety and security of the plant and the proof submitted by the Petitioner is in compliance with Regulation 26(1)(d) instead of Regulation 26(1)(b) of the 2019 Tariff Regulations. Accordingly, the expenditure is **allowed** under Regulation 26(1)(d) of the 2019 Tariff Regulations.

(v) Replacement of Conventional fittings with LED based fittings

38. The Petitioner has claimed additional capital expenditure of Rs.6.15 lakh (net of

undischarged liabilities of Rs.35.32 lakh) and Rs.0.47 lakh, on cash basis, under Regulation 26(1)(b) of the 2019 Tariff Regulations, towards the replacement of conventional fittings with LED-based fittings for the years 2019-20 and 2020-21, respectively. The Petitioner has submitted that the Prime Minister of India had launched the National LED programme on 5.1.2015 to reduce energy consumption through energy-efficient lighting, under which UJALA and the Street Lighting National Program were being implemented by M/s EESL. Accordingly, the Ministry of Power (MoP) had mandated that all old bulbs in the buildings, including compound/street lighting, be replaced with LED bulbs. Further, the directions of the Government of India (GoI) had the force of law and were required to be implemented. Accordingly, to comply with the directions issued by the GoI, the work of replacing old inefficient lights with energy-efficient LED lighting in the station compound/buildings owned and operated by the Petitioner's Company was initiated, and that the claim was, therefore, liable to be allowed under Change in Law pursuant to Regulation 26(1)(b) of the 2019 Tariff Regulations.

39. The Respondent, MPPMCL, has submitted that the Petitioner's claim does not fall within the scope of Regulation 26(1)(b) of the 2019 Tariff Regulations and hence may be disallowed.

40. The Petitioner, in its rejoinder, has submitted that the earlier disallowance was based on the justification and documents then available. In the instant truing up Petition, the Petitioner has submitted a detailed justification with supporting documents and additional grounds substantiating the expenditure. The expenditure was undertaken pursuant to the directions of the Ministry of Finance and MoP, and under the Energy Conservation Act, 2001.

41. The Respondent, MSEDCL, has submitted that the Petitioner's claim for LED replacement expenditure (Rs.41.47 lakh in 2019-20 and Rs. 0.47 lakh in 2020-21) had

already been considered and disallowed by the Commission, vide its order dated 4.6.2022 in Petition No. 420/GT/2020, on the ground of the MoP letter being only recommendatory and did not qualify as Change in Law. The Respondent has submitted that the Petitioner had earlier claimed Rs.30 lakh for the same head in the year 2019-20. The Respondent has contended that raising the same expenditure again amounts to a repetition of an already disallowed claim and would effectively seek a review of the MYT order without invoking review jurisdiction.

42. The Petitioner, in its rejoinder, has submitted that the above-mentioned objection of the Respondent overlooked the fact that the earlier claim had been for projected expenditure, whereas the present claim pertained to actual expenditure that had been incurred, capitalized, and put to use during the years 2019-20 and 2020-21. The earlier disallowance had been based on the justification and documents then available, whereas in the instant truing up Petition, detailed justification with supporting documents has been submitted. Further, the disallowance of a projected claim could not extinguish entitlement of the Petitioner to claim actual expenditure supported by complete documentation and fresh grounds at truing up, noting that the Commission had on several occasions permitted such claims at truing up when properly justified and supported. The Petitioner has submitted that the present claim was based on actual execution of works and was fully supported by statutory forms and documentary evidence.

43. We have noted the submissions of the parties. It is observed that the additional capital expenditure incurred towards the installation of ‘LED lights’ is in terms of the MoP, letter dated 2.8.2017, recommending replacement of existing old bulbs with LED bulbs, resulting in a reduction of about 50% to 90% in energy consumption by lighting. In our view, the said MoP letter, is recommendatory in nature and cannot be construed as a ‘Change in Law’ event or for compliance to an existing law, in order to consider the

additional capital expenditure claimed by the Petitioner. Moreover, the benefits of replacement of incandescent light with LED lighting system, accrues to the benefit of the Petitioner. It is also noticed that the Commission in its order dated 13.5.2022 in Petition No. 301/GT/2020 and order dated 4.6.2022 in Petition No. 420/GT/2020 had disallowed the additional capital expenditure claimed by the Petitioner towards for installation of LED in this generating station. Accordingly, the additional capital expenditure claimed by the Petitioner is **not allowed**.

(vi) MBOA Capitalisation

44. The Petitioner has claimed additional capital expenditure for Rs.269.92 lakh [Rs.37.12 lakh for the year 2019-20, Rs.46.47 lakh (net of undischarged liabilities of Rs.18.34 lakh) for the year 2020-21, Rs.28.87 lakh (net of undischarged liabilities of Rs.2.39 lakh) for the year 2021-22, Rs.72.45 lakh (net of undischarged liabilities of Rs.3.25 lakh) for the year 2022-23 and Rs.85.01 lakh (net of undischarged liabilities of Rs.8.30 lakh) for the year 2023-24] towards capitalization of MBOA under Regulation 25(2)(a) of 2019 Tariff Regulations and corresponding de-capitalisation of Rs.57.32 lakh (Rs.0.48 lakh in 2021-22, Rs.3.27 lakh in 2022-23 and Rs.53.57 lakh in 2023-24) towards de-capitalisation of MBOA under Regulation 26(2) of 2019 Tariff Regulations.

45. The Petitioner has submitted that certain miscellaneous assets (MBOA) were procured and capitalised to replace de-capitalised assets whose life was not commensurate with the plant's useful life. The Petitioner has requested that capitalization of these minor assets be allowed under Regulation 25(2)(a) of the 2019 Tariff Regulations, in lieu of the compensation allowance.

46. The Respondent, MPPMCL, has submitted that the expenditures were minor in nature and formed part of O&M expenses, and therefore should not be allowed.

47. The Respondent, MSEDCL, has submitted that the Petitioner's MBOA capitalization during the tariff period 2019-24 is in the nature of routine O&M expenditure

and should not be included in capital cost, and, requested that these items be disallowed under additional capital expenditure and, instead, be examined under O&M after a detailed prudence check with supporting records.

48. The Petitioner has submitted that the Respondent's contention ignored Regulation 25(2)(a) of the 2019 Tariff Regulations, which explicitly allowed capitalization of minor replacement assets. The Petitioner asserted that the MBOAs had been purchased to meet station needs and had been capitalized strictly as per accounting provisions. Therefore, MPPMCL's contention that these items were part of O&M expenses was misplaced. The Petitioner has further submitted that under the 2019 Tariff Regulations, the station did not receive any normative allowance to meet such capital expenditure. The corresponding de-capitalization of MBOAs retiring from service had been carried out and has placed on record in Form-9. Accordingly, the Petitioner prayed that the expenditure claimed for MBOAs, in compliance with the terms of Regulation 25(2)(a) of the 2019 Tariff Regulations, be allowed by the Commission.

49. The submissions have been considered. Considering the bifurcation of MBOAs submitted by the Petitioner, it is observed that the Petitioner has only submitted generic details and majority of the assets are of minor nature including, office equipments and EDP, WP Machines & SATCOM Equipment, etc. Due to inadequate justification and minor nature of the claimed expenditure, the Petitioner's claim is **not allowed**.

(vii) Lining in Reservoir No. 2

50. The Petitioner has claimed additional capital expenditure of Rs.308.81 lakh [Rs.266.40 lakh (net of undischarged liabilities of Rs.97.07 lakh) for the year 2020-21 and Rs.42.40 lakh for the year 2021-22] towards the Reservoir Lining work for Reservoir-2 under Regulation 26(1)(b) of the 2019 Tariff Regulations.

51. The Petitioner has submitted that the station faced persistent water scarcity due to reduced releases from the Narmada River and salinity ingress, necessitating reliance

on stored water in two raw water reservoirs. Studies indicated high percolation losses, particularly in Reservoir No. 2 (about 220 cu.m/hr versus 60 cu.m/hr in Reservoir No. 1), leading to the temporary isolation of Reservoir No. 2 and use of Reservoir No. 1 to conserve water. To arrest losses and secure water availability, Reservoir No. 2 was lined with HDPE and precast concrete blocks, with works executed during the years 2019-20 to 2021-22, after which it was put into continuous service. The Petitioner has stated that the lining substantially reduced percolation and evaporation and improved reliability. Accordingly, capitalisation of the reservoir lining works was sought under Regulation 26(1)(c) and Regulation 26(1)(b) of the 2019 Tariff Regulations.

52. The Commission, vide its ROP of the hearing dated 11.12.2025, had sought clarification on the execution status of the ACE works earlier addressed in the order dated 4.6.2022 in Petition No. 420/GT/2020 and directed the Petitioner to justify the inclusion of the additional capital expenditure claim in the truing up Petition, along with details of execution, completion, delays, and liability discharge.

53. In compliance thereof, the Petitioner, vide affidavit dated 30.1.2026, has submitted that only the Lining of Reservoir-2 had been executed and completed during the years 2020-21 and 2021-22 at an actual cost of Rs.405.87 lakh, and that the other works were not required based on operational assessment. The Petitioner has further submitted that since the work had been completed and all liabilities discharged within the tariff period 2019-24, inclusion of the expenditure in the truing up Petition was appropriate. Further, delays were attributable to excessive rainfall, non-availability of HDPE liner, and COVID-19-related disruptions, without any cost overrun or IDC.

54. The Respondent, MPPMCL, has submitted that reservoir lining work is to separate the contact of water with soil. Thus, the work to be carried out by the Petitioner is to defeat the very purpose of conservation of water, i.e., this work may reduce the discharge of water into the ground, and therefore, it should not be allowed. Further, the

Respondent contended that the any notification/ circular/ order of the competent authority is not placed on record necessitating such expenditure for the generating station. The Respondent has also submitted that the Petitioner's claim does not fall within the scope of Regulation 26 (1)(b) or 26(1)(c) of the 2019 Tariff Regulations.

55. The Respondent, MSEDCL, has submitted that the expenditure for lining works of the reservoir was already rejected earlier and should not be admitted.

56. The Petitioner, in its rejoinder, has submitted that the Respondent MPPMCL's claim that reservoir lining defeated groundwater conservation was misplaced, as the lining was undertaken to conserve water sourced from the Narmada River for use at the Station by preventing percolation losses from the reservoir and ensuring industrial water availability. The Petitioner has further submitted that the Respondent MPPMCL had, without any grounds, contended that the claim did not fall within Regulation 26(1)(b) and 26(1)(c), whereas the works were necessitated by salinity issues in the Narmada River and to avoid substantial capital expenditure for alternative water sourcing infrastructure under the directions of the Sardar Sarovar Dam Authority, bringing the claim within both provisions of the 2019 Tariff Regulations. Furthermore, the work had been disallowed by the Commission, vide its order dated 4.6.2022 in Petition No. 420/GT/2020, whereby the Commission had granted liberty to re-approach with relevant documents and proper justification, which had been complied with in the instant truing up Petition.

57. The Commission, vide its ROP of the hearing dated 11.12.2025, directed the Petitioner to explain the reasons for not complying with its direction in the order dated 4.6.2022 in Petition No. 420/GT/2020, wherein the Petitioner was granted liberty to approach the Commission through a separate petition with all relevant documents and proper justification for consideration of the additional capitalization claim towards Lining in Reservoir No. 2. The Commission further directed the Petitioner to furnish complete details regarding the scope, timeline, total expenditure incurred and projected, and

detailed justification for delays, if any.

58. The Petitioner, vide affidavit dated 30.1.2026, has submitted that by the time the order was issued on 4.6.2022, the Lining work in Reservoir No. 2 had already been completed and put to use in the year 2020-21 and 2021-22, and based on operational experience, the remaining two works were no longer necessary. Accordingly, only one work was actually executed at an actual expenditure of Rs.405.87 lakh, within the awarded PO value of Rs.486.11 lakh, and the Petitioner chose to include this claim in the present truing up Petition instead of filing a separate Petition, citing judicial economy. Regarding delays, the Petitioner attributed the 14-month delay in completion (original scheduled completion by 17.2.2020, actual completion on 28.4.2021) to uncontrollable factors including heavy rainfall in Bharuch district during the years 2019 and 2020, non-availability of HDPE liner in India necessitating international procurement from Thailand, and the COVID-19 pandemic which caused disruptions in material supply, testing, and on-site execution, while emphasizing that there was no cost overrun or IDC on account of the time overrun.

59. We have noted the submissions of the parties. At the outset, it is noted that the Commission had specifically directed the Petitioner to file a separate Petition with all relevant documents and justification. The implementation carried out, and the results achieved are required to assess the effectiveness of the project. Besides, the submitted reasons and supporting documents fail to support the Petitioner's claim of force majeure and Change in Law. The Petitioner has incurred expenditure for conservation of water through the lining of Reservoir No. 2, however, at the same time, it has also been subjected to under-drawl penalties under water charges. Thus, the expenditure should have resulted in reducing water expenses. Hence, the Petitioner's claim under this head, is **not allowed**.

(viii) 50 kWp Solar PV System Over RCC Cooling/CW Channel

60. The Petitioner has claimed an additional capital expenditure of Rs. 27.60 lakh (net of undischarged liabilities of Rs.1.54 lakh) on cash basis towards '50 kWp Solar PV System Over RCC Cooling/CW Channel', under Regulation 26(1)(b) of the 2019 Tariff Regulations for the year 2020-21.

61. The Petitioner has submitted that a 50 kWp Solar PV system was installed over the cooling water channel in line with the GoI policy promoting rooftop solar to enhance renewable capacity. The Petitioner has stated that the installation reduces evaporation losses, thereby lowering make-up water requirements and benefiting beneficiaries through reduced water charges. The Petitioner has also submitted that electricity generated from the Solar PV is used to power Plant installations thereby reducing APC of the Station, the benefit of which is also passed on to the beneficiaries in terms of provisions of the Tariff Regulations through sharing of gains. Accordingly, the Petitioner requested approval for capitalization of the said works.

62. The Respondent, MPPMCL, has submitted that the Petitioner's claim was rejected vide the order dated 13.5.2022 in Petition No. 301/GT/2020 and does not fall within the scope of Regulation 26(1)(b) of the 2019 Tariff Regulations and hence may be disallowed.

63. The Petitioner, in its rejoinder, has submitted that MPPMCL has wrongly alleged that the work had already been claimed during the truing up proceedings of the 2014-19 tariff period and did not fall under Regulation 26(1)(b) of the 2019 Tariff Regulations. The Petitioner clarified that the expenditure claimed during the 2014-19 tariff period pertained to a 100 kW rooftop solar PV installation, whereas the present truing up claim related to a distinct 50 kWp solar PV system installed over the RCC Cooling/CW Channel of the generating station. The Petitioner stated that the work had been undertaken in furtherance of the GoI's 175 GW renewable energy target for the year 2022, with roof-mounted solar PVs being an integral component, and that the salient

benefits being passed on to beneficiaries. The Petitioner has requested that MPPMCL's contentions be rejected and that the instant expenditure be allowed.

64. The Respondent, MSEDCL, has submitted that the Petitioner's claim of Rs. 29.4 lakh for the year 2020-21 for a 50 kWp Solar PV system over the CW channel had already been disallowed by the Commission vide its order dated 4.6.2022 in Petition No. 420/GT/2020, since no documentary evidence was provided to establish Change in Law/compliance with existing law and the benefits to beneficiaries were not demonstrated. The Respondent has further pointed out that a similar rooftop solar claim had also been disallowed earlier by the order dated 13.5.2022 in Petition No. 301/GT/2020, and, accordingly, contended that the present claim is a repetition of previously disallowed expenditure and cannot be entertained in this truing up Petition, as doing so would amount to a review without invoking review jurisdiction.

65. The Petitioner, in its rejoinder, has submitted that earlier disallowance of a projected claim could not extinguish the entitlement to claim actual expenditure supported by complete documentation and fresh grounds in the present truing up Petition. The Petitioner has pointed out that the Commission had, on several occasions, granted liberty to claim works at the time of truing up, based on proper justification and supporting documents, and, present claim is based on actual execution of works, supported by statutory forms, pertinent justification, and supporting documents.

66. The matter has been considered. It is observed that the Petitioner has not placed on record any documentary evidence indicating that the projected additional capital expenditure claimed is on account of 'change in law' or for 'compliance of any existing law'. It is also not clear from the submissions of the Petitioner, as to the extent of benefits/ advantages, which the beneficiaries would derive on account of the installation of the Rooftop Solar system by the Petitioner. It is also noticed that the claim of the Petitioner for Rooftop Solar system was disallowed by the Commission vide its order

dated 13.5.2022 in Petition No. 301/GT/2020 and order dated 4.6.2022 in Petition No. 420/GT/2020. In this background, the projected additional capital expenditure claimed by the Petitioner is **not allowed.**

(ix) Automatic Generation Control (AGC)

67. The Petitioner has claimed additional capital expenditure for Rs.26.70 lakh (net of undischarged liabilities of Rs.4.32 lakh) on cash basis towards AGC under Regulation 26(1)(b) of the 2019 Tariff Regulations for the year 2021-22. In justification for the same, the Petitioner has submitted that the Commission, in its order dated 28.8.2019, had directed all thermal Inter State Generating Stations (ISGS) that are regional entities with installed capacity of 200 MW and above and whose tariff is determined or adopted by the Commission, to install the required software and firmware for implementation of AGC at the unit control rooms for transferring the required set of data for AGC. In order to comply with the directions, the Petitioner has taken on the work of the AGC system installation.

68. The Respondent, MPPMCL, has submitted that a prudence check of the expenditure shall be carried out before allowing the same. Respondent MSEDCL, has submitted that the Petitioner's claims for AGC system implementation and upgradation of the ABT Metering System should be subjected to a detailed prudence check with verification of supporting documents. The Respondent has sought item-wise scope, OEM communications, work completion and commissioning certificates, capitalisation details, and evidence of actual utilisation before any allowance.

69. The Petitioner, in its rejoinder, has submitted that a detailed justification for AGC has already been submitted along with the Petition. The work was carried out in compliance with the Commission's order dated 28.8.2019 in Petition No 319/RC/2018, thus satisfying the claim under Regulation 26(1)(b) of the 2019Tariff Regulations.

70. We have noted the submissions of the parties. Considering the Petitioner's

compliance with the referenced CERC order, the claim under this head is **allowed** under Regulation 26(1)(b) of the 2019 Tariff Regulations.

(x) Zero Liquid Discharge Scheme

71. The Petitioner has claimed an additional capital expenditure of Rs.14.40 lakh [Rs.13.13 lakh (net of undischarged liabilities of Rs.6.46 lakh) for the year 2020-21 and Rs.1.27 lakh for the year 2021-22), on cash basis, under Regulation 26(1)(b) of the 2019 Tariff Regulations towards 'zero liquid discharge scheme'.

72. The Petitioner has submitted that a Zero Liquid Discharge (ZLD) scheme was implemented at generating station to comply with the Consent to Operate issued by the Gujarat Pollution Control Board (GPCB) and to meet the Gujarat Government's May 2018 Policy for Reuse of Treated Waste Water. The Petitioner has referred to the order dated 18.4.2024 in Petition No. 9/RP/2023, which granted liberty to claim the additional capitalization on this account at the time of truing up for the tariff period 2019-24, to be considered in accordance with law. The Petitioner has filed detailed justification and supporting documents at Annexure-A6 of the Petition.

73. The Respondent, MSEDCL, has submitted that the Petitioner's claims for the ZLD Scheme had already been disallowed vide order dated 4.6.2022 in Petition No. 420/GT/2020, as the Petitioner had not demonstrated a Change in Law or compliance with existing law. The Respondent noted that the Commission had, in that order, granted liberty to approach, through a separate Petition with relevant documents, rather than through the present truing up.

74. The Petitioner, in its rejoinder, has submitted that the Commission, vide its order dated 4.6.2022 in Petition No. 420/GT/2020, granted liberty to the Petitioner to approach the Commission, along with relevant documents and proper justification for consideration of the claim. The Petitioner has duly complied with the said directions and has provided detailed justification, duly supported by data and pertinent documents.

75. We have noted the submissions of the parties. The letter issued by the GPCB to the Petitioner doesn't comply with the requirements under Regulation 26(1)(b) of the 2019 Tariff Regulations. Besides, the provisions in the GPCB guidelines doesn't outline the requirement for ZLD system explicitly. The Petitioner has also not submitted any benefits achieved by the implementation of ZLD system. Accordingly, the additional capitalization claimed by the Petitioner on this count is **not allowed**.

(xi) Safety Park

76. The Petitioner has claimed an additional capital expenditure of Rs.21.12 lakh [Rs.19.84 lakh (net of undischarged liabilities of Rs.13.10 lakh) for the year 2020-21, Rs.0.89 lakh for the year 2021-22 and Rs.0.39 lakh for the year 2023-24), on cash basis, under Regulation 26(1)(b) of the 2019 Tariff Regulations for the Safety Park.

77. The Petitioner has submitted that a Safety Park was established to disseminate safe working practices and inculcate a safety culture among workers at the Station. The initiative was undertaken in compliance with the Occupational Safety, Health and Working Conditions Code, 2020, which mandates employers to provide the necessary information, instruction, training, and supervision, with penalties for contravention. The Petitioner further cited the CEA (Safety Requirements for Construction, Operation and Maintenance of Electrical Plants and Electric Lines) Regulations, 2011, which require a sound safety management system and adequate training for all employees. The Safety Park was stated to be critical for induction, regular training, and safety tests covering work at height, electrical and fire safety, confined spaces, etc., thereby enhancing plant safety and security.

78. The Respondent, MPPMCL has submitted that the Petitioner has not provided the details of the work mentioned along with any justification, and, the claim cannot be covered under Regulation 26(1)(b) of the 2019 Tariff Regulations, as the said expenditure has already been disallowed by the Commission vide its order dated

4.6.2022 in Petition No. 420/GT/2020.

79. The Petitioner, in its rejoinder, has clarified that MPPMCL had alleged absence of work details, inapplicability of the Regulations 26(1)(b) of the 2019 Tariff Regulations, and relied on a prior disallowance. Annexure-A-7 submitted by the Petitioner, provides detailed justification, work particulars, and supporting documents, wherein the safety park enabled regular safety training and testing at the generating station. Further, the work complied with the CEA (Safety Requirements for Construction, Operation and Maintenance of Electrical Plants and Electric Lines) Regulations, 2011 and the Occupational Safety, Health and Working Conditions Code, 2020 and thus, fell under Regulations 26(1)(b) and 26(1)(d) of the 2019 Tariff Regulations. The Petitioner has also submitted that the earlier disallowance was due to the Occupational Safety, Health, and Working Conditions Code not having been notified at the time, which was notified later in September 2020. The Petitioner requested approval of the expenditure and rejection of MPPMCL's objections.

80. We have noted the submissions of the parties. The Petitioner has furnished the occupational safety health and working conditions code, 2020 in compliance with Regulation 26(1)(b) of the 2019 Tariff Regulations. However, the nature of expense incurred towards training and safety planning at plant should be covered under operation & maintenance expenses. Accordingly, the additional capital expenditure claimed in respect of the Safety Park is **not allowed.**

(xii) Chlorine Dioxide (ClO2) Plant

81. The Petitioner has claimed additional capital expenditure of Rs. 464.97 lakh [Rs.449.75 lakh (including undischarged liabilities of Rs.108.67 lakh) for the year 2021-22 and Rs.15.22 lakh for the year 2022-23) under Regulation 26(1)(b) of the 2019 Tariff Regulations for the chlorine dioxide plant.

82. The Petitioner has submitted that the earlier chlorine gas dosing used in water

treatment was highly hazardous and has been replaced with a safer Chlorine Dioxide (ClO2) system that generates ClO2 on-site from HCl and sodium chlorite, thereby avoiding storage and handling risks. The Petitioner has cited the National Policy on Safety, Health and Environment at Workplace (2009) and the Occupational Safety, Health and Working Conditions Code, 2020, which mandates the employers to ensure a safe, hazard-free workplace. The Petitioner has also relied on NDMA's Chemical Disaster Management Guidelines advocating engineering measures and process changes to less hazardous alternatives, supported by documented chlorine accident cases. It has been contended that the ClO2 installation is a compliance- and safety-driven change of process to protect workers, equipment, and nearby communities. Accordingly, the Petitioner has sought approval for capitalization of the ClO2 system under Regulation 26(1)(b) of the 2019 Tariff Regulations.

83. The Respondent, MPPMCL has submitted that the Petitioner has not provided any documents/report regarding how existing process become obsolete and has also failed to submit supporting documents towards disadvantages/hazardousness of existing process and has failed to establish that the said expenditure falls within the scope of Regulation 26(1)(b) of 2019 Tariff Regulations. The Respondent has further submitted that the Petitioner has not provided adequate justification to establish that the claim under Change in Law or compliance with existing law. The Respondent has stated that no specific directions or orders from any appropriate Indian Government instrumentality or statutory authority were placed on record to demonstrate that the expenditure was mandated for enhanced safety and security of the plant. Consequently, the Respondent argued that the claim should not be allowed.

84. The Respondent, MSEDCL has submitted that the Petitioner had not provided proper justification or supporting evidence to show that the chlorine dioxide plant expenditure arose from Change in Law or was mandated for compliance with any

existing law. The Respondent has further submitted that no directions or notifications from any appropriate Government instrumentality or statutory authority were placed on record to substantiate that the work was essential for safety or security of the generating plant, and, pointed out that a similar claim was disallowed vide order dated 13.5.2022 in Petition No. 301/GT/2020 and therefore the claim should be rejected.

85. Per contra, the Petitioner has submitted that Annexure A-9 in the present Petition provided detailed justification and supporting documents, as, the work was carried out in compliance with the National Policy on Safety, Health and Environment at Workplace, the Occupational Safety, Health and Working Conditions Code, 2020 notified on 29.9.2020, and the NDMA National Disaster Management Guidelines: Chemical Disasters. The Petitioner, has submitted that the work therefore fell under Regulation 26(1)(b) and 26(1)(d) of the 2019 Tariff Regulations.

86. We have noted the submissions of the parties. It is noted that the Petitioner has not placed on record any binding statutory direction or enforcement notice, to demonstrate that the expenditure was mandated, and the references to general policies/guidelines did not establish Change in Law or a specific compliance obligation under Regulation 26(1)(b) of the 2019 Tariff Regulations. The Petitioner has also not furnished technical justifications such as safety audit non-compliance, obsolescence reports, or risk assessments towards necessity for additional capitalization. Accordingly, the claim for capitalization of the Chlorine Dioxide (ClO2) system is **not allowed**.

(xiii) Upgradation of ABT Metering System

87. The Petitioner has claimed additional capital expenditure of Rs.16.38 lakh, on cash basis, under Regulation 26(1)(b) of the 2019 Tariff Regulations towards 'upgradation of ABT Metering System' for the year 2022-23. The Petitioner has submitted that capitalization was claimed for upgradation of the ABT meter software at Gandhar GPS. As per the OEM, M/s Schneider Electric's communication dated

14.7.2022, the existing software (Power Logic ION Enterprise 6.0) has become obsolete with end of commercialization in the year 2018, and backend support no longer available. The OEM recommended an immediate upgrade, and the Petitioner has enclosed the communication and obsolescence certificate as Annexure A-10 of the Petition. Accordingly, the Petitioner has sought approval for capitalization of the software upgradation.

88. The Respondent, MPPMCL requested the Commission to carry out a prudence check of the claimed expenditure before allowing the same.

89. The Petitioner, in its rejoinder, has submitted that the said upgradation has been carried out to comply with the mandatory CEA (Cyber Security in Power Sector) Guidelines, 2021, thus falling within the ambit of Regulation 26(1)(b) of Tariff Regulations 2019.

90. We have noted the submissions of the parties. The expenditure was incurred as a result of obsolescence and cessation of support, with a direct bearing on the operations of the plant. Accordingly, the expenditure and de-capitalisation (assumed deletion in the present case) are **allowed** under Regulation 25(2)(c) of the 2019 Tariff Regulations.

(xiv) Optical fiber network for AAQMS

91. The Petitioner has claimed additional capital expenditure of Rs.128.66 lakh, on cash basis, for the year 2023-24 under Regulation 26(1)(b) of the 2019 Tariff Regulations towards optical fiber network for AAQMS (Ambient Air Quality Management System). The Petitioner has submitted that AAQMS stations at Gandhar GPS were earlier connected via telephone cable modems, which frequently became unresponsive over long distances, causing intermittent data transmission to CPCB. The Petitioner has further submitted that the CPCB guidelines dated 30.4.2015 mandate internet connectivity with 99.9% uptime at all AAQMS stations. To ensure reliable compliance,

the Petitioner laid a fiber optic cable network to connect the AAQMS stations and eliminate the data transmission issues. The Petitioner has placed on record a copy of the CPCB guidelines as Annexure A-11 along with the Petition.

92. The Respondent, MSEDCL has submitted that the Petitioner had not furnished proper justification or supporting evidence demonstrating that the optical fiber network for AAQMS arose from Change in Law or was mandated for compliance with existing law. The Respondent has further submitted that, if considered, the claim should undergo a detailed prudence check to verify that there is no duplication or double benefit across previous or subsequent tariff petitions.

93. The Petitioner, in its rejoinder, has submitted that the said work had been carried in compliance with the CPCB Guidelines dated 30.4.2015 to ensure 24x7 basis internet connectivity for data transmission from AAQMS stations installed at various locations in the Station. Accordingly, the Petitioner requested the Commission to approve the expenditure.

94. We have noted the submissions of the parties. The expenditure was incurred to meet mandatory connectivity and uptime requirements for continuous transmission and was directly linked to ensuring statutory compliance. The solution had addressed persistent reliability issues, constituted a fit-for-purpose network upgrade and the proof submitted by the Petitioner is in compliance with Regulation 26(1)(b) of the 2019 Tariff Regulations. Accordingly, the additional capital expenditure of Rs.128.66 lakh for the year 2023-24 towards the optical fiber network for AAQMS is **allowed** under Regulation 26(1)(b) of the 2019 Tariff Regulations.

De-capitalization

95. Regulation 26(2) of the 2019 Tariff Regulations states as follows:

> *"(2) In case of de-capitalization of assets of a generating company or the transmission licensee, as the case may be, the original cost of such asset as on the date of de-capitalization shall be deducted from the value of gross fixed asset and corresponding loan as well as equity shall be deducted from outstanding loan and*

the equity respectively in the year such de-capitalization takes place with corresponding adjustments in cumulative depreciation and cumulative repayment of loan, duly taking into consideration the year in which it was capitalised."

96. The Petitioner has claimed the de-capitalisation of a total of Rs.822.14 lakh for the period 2019-24, as follows:

(Rs. in lakh)

Decapitalization	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Decap of Capital Spares	182.67					**182.67**
Decap of Capital Spares		129.35				**129.35**
Decap of Capital Spares			51.91			
Decap of MBOA			0.48			**0.48**
Decap of spares (part of capital cost)				218.79		**218.79**
Decap of MBOA (part of capital cost)				3.27		**3.27**
Decap of spares (part of capital cost)					182.10	**182.10**
Decap of MBOAs (part of capital cost)					53.57	**53.57**
Total	**182.67**	**129.35**	**52.39**	**222.06**	**235.67**	**822.14**

97. In justification, the Petitioner has submitted that these assets were de-capitalized as these became unserviceable and replacement of those assets were done through additional capital expenditure. The Petitioner has claimed de-capitalisation of spares of Rs.764.82 lakh for the 2019-24 tariff period under Regulation 26(2) of the 2019 Tariff Regulations. In justification of the same, the Petitioner has submitted that these capital spares are a part of capital cost and have become unserviceable. Regulation 26(2) of the 2019 Tariff Regulations provides that in case of de-capitalisation of assets, the original cost of such asset shall be removed from the admitted capital cost of the generating station. Accordingly, the Petitioner's claim for de-capitalisation of spares is allowed. The Petitioner also claimed de-capitalisation of MBOA's amounting to Rs.57.32 lakh, claimed for the tariff period 2019-24. Since, these MBOA's has been de-capitalised and are not in use, the Petitioner's claim for de-capitalisation of MBOA's is allowed under Regulation 26(2) of the 2019 Tariff Regulations. Accordingly, the de-capitalization allowed to the generating station is as under:

(Rs. in lakh)

	2019-20	2020-21	2021-22	2022-23	2023-24

De-cap claimed	(-) 182.67	(-) 129.35	(-) 52.39	(-) 222.06	(-) 235.67
De-cap allowed	(-) 182.67	(-) 129.35	(-) 52.39	(-) 222.06	(-) 235.67

Assumed Deletion

98. As discussed in Paragraph 95 of this order, the Commission has considered assumed deletion for the assets (Upgradation of ABT Metering system), whose corresponding de-capitalisation has not been provided by the Petitioner.

99. As per the consistent methodology adopted by the Commission in its orders, the expenditure on replacement of assets, if found justified, is allowed for the purpose of tariff provided that the capitalization of the said asset is followed by de-capitalization of the gross value of the old asset. However, in certain cases, where the de-capitalization is proposed to be affected during the future years to the year of capitalization of the new asset, the decapitalization of the old asset for the purpose of tariff, is shifted to the very same year in which the capitalization of the new asset is allowed. Such de-capitalization which is not a book entry in the year of capitalization is termed as “Assumed Deletion”.

100. Further, in the absence of the gross value of the asset being de-capitalised, the same is calculated by de-escalating the gross value of the new asset at a rate of 5% per annum till the year of capitalisation of the old asset. The aforesaid methodology has been adopted for computing the Assumed Deletion of Upgradation of ABT Metering System. Thus, the assumed deletion considered for the period 2019-24 are as under:

(Rs. in lakh)

Particulars	**2019-20**
Upgradation of ABT Metering System	4.39
Assumed deletion allowed	**4.39**

101. Accordingly, the total decapitalization allowed for the tariff period 2019-24 is as under:

	2019-20	**2020-21**	**2021-22**	**2022-23**	**2023-24**
De-capitalization	(-) 182.67	(-) 129.35	(-) 52.39	(-) 222.06	(-) 235.67
Assumed Deletion	0.00	0.00	0.00	(-) 4.39	0.00
Total	**(-) 182.67**	**(-) 129.35**	**(-) 52.39**	**(-) 226.24**	**(-) 235.67**

Exclusions

102. The details of exclusions claimed by the Petitioner is as under:

(Rs. in lakh)

	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Capitalisation of assets not claimed	0.12	0.00	0.00	2.07	0.00	**2.18**
Loan ERV	151.27	(-) 24.99	28.36	69.88	0.00	**224.52**
Reversal of liabilities	(-) 0.03	(-) 1.58	0.00	0.00	0.00	**(-) 1.62**
Capitalisation of capital spares	2539.48	5792.08	8811.95	448.25	5466.85	**23058.60**
De-cap of capital spares	(-) 29.50	(-) 2.96	0.00	0.00	0.00	**(-) 32.45**
De-cap of MBOA	(-) 12.72	(-) 4.80	(-) 35.51	(-) 85.72	(-) 65.18	**(-) 203.94**
De-cap of other assets not part of capital cost	0.00	0.00	0.00	(-) 0.25	0.00	**(-) 0.25**
Price adjustment corresponding to earlier disallowed items	(-) 5.84	(-) 5.88	0.00	0.00	0.00	**(-) 11.73**
Inter-unit transfer of assets	(-) 0.43	(-) 1.57	(-) 1.30	0.00	0.00	**(-) 3.30**
Total exclusions claimed	**2642.34**	**5750.30**	**8803.51**	**434.22**	**5401.67**	**23032.03**

103. We now examine the exclusions claimed by the Petitioner for the tariff period 2019-24, as under:

Capitalization of assets not claimed

104. The Petitioner has claimed exclusion of assets amounting to Rs.2.18 lakh during the tariff period 2019-24. Since these assets/expenditures are not admissible under the provisions of the 2019 Tariff Regulations, the claim for exclusion of the said amount is allowed.

Loan ERV

105. The Petitioner has claimed exclusion of loan ERV amounting to Rs.224.52 lakh during the tariff period 2019-24. In terms of the provisions of the 2019 Tariff Regulations, the Petitioner is entitled to recover the loan ERV incurred after the COD of the generating station on year to year basis directly from the beneficiaries. Accordingly, the Petitioner's claim for exclusion under this head is allowed.

Reversal of liabilities

106. The Petitioner has claimed exclusion of reversal of liabilities of (-) Rs.1.62 lakh during the tariff period 2019-24. In terms of the provisions of the 2019 Tariff Regulations,

the tariff is allowed on cash basis. Accordingly, the Petitioner's claim for reversal of liabilities under exclusion is allowed.

Capitalization of capital spares

107. The Petitioner has claimed exclusion of capital spares amounting to Rs.23058.60 lakh during the tariff period 2019-24. Since, the capitalization of spares procured after the cut-off date of the generating station is not allowed for the purpose of tariff, the Petitioner's claim for exclusion under this head is allowed.

De-capitalization of capital spares (not part of allowed capital cost)

108. The Petitioner has claimed exclusion of de-cap of capital spares amounting to (-) Rs.32.45 lakh during the tariff period 2019-24. In justification, the Petitioner has submitted that the said capital spares do not form part of the capital cost allowed for the generating station. Since, the capital spares under consideration are not forming part of the capital cost allowed for the purpose of tariff, the corresponding de-capitalization shall not impact the admissible capital cost. Accordingly, the Petitioner's claim for exclusion under this head is allowed.

De-capitalization of MBOA (not part of allowed capital cost)

109. The Petitioner has claimed exclusion of de- capitalization of MBOA amounting to (-) Rs.203.94 lakh during the tariff period 2019-24. In justification of its claim, the Petitioner has submitted that the said MBOA's do not form part of the capital cost allowed for the generating station. Since, the MBOA's under consideration are not forming part of the capital cost allowed for the purpose of tariff, the corresponding de-capitalization shall not impact the admissible capital cost. Accordingly, the Petitioner's claim for exclusion under this head is allowed.

De-capitalization of other assets (not part of allowed capital cost)

110. The Petitioner has claimed exclusion of de-capitalization of other assets amounting to (-) Rs.0.25 lakh during the tariff period 2019-24. In justification, the

Petitioner has submitted that the said assets do not form part of the capital cost allowed for the generating station. Since, the assets under consideration are not forming part of the capital cost allowed for the purpose of tariff, the corresponding de-capitalization shall not impact the admissible capital cost. Accordingly, the Petitioner's claim for exclusion under this head is allowed.

Price adjustment corresponding to earlier disallowed items

111. The Petitioner has claimed exclusion of price adjustment corresponding to earlier disallowed items amounting to (-) Rs.11.73 lakh during the tariff period 2019-24. In justification, the Petitioner has submitted that the assets corresponding to these adjustments do not form part of the capital cost allowed for the generating station. Since, the assets under consideration are not forming part of the capital cost allowed for the purpose of tariff, the corresponding price adjustment shall not impact the admissible capital cost. Accordingly, the Petitioner's claim for exclusion under this head is allowed.

Inter-unit transfer of assets

112. The Petitioner has claimed exclusion of inter-unit transfer of assets of (-) Rs.3.30 lakh during the tariff period 2019-24. In justification, the Petitioner has submitted that since the Commission is not considering the temporary inter-unit transfer of assets for the purpose of tariff, the same has been kept under exclusions. The Commission has consistently excluded assets transferred on temporary basis between the generating units from the capital cost considered for tariff determination. Accordingly, the Petitioner's claim for exclusion under this head is allowed.

113. In view of the above, the total exclusions claimed and allowed for the tariff period 2019-24 is as under:

(Rs. in lakh)

	2019-20	**2020-21**	**2021-22**	**2022-23**	**2023-24**
Exclusions claimed	2642.34	5750.30	8803.51	434.22	5401.67
Exclusions allowed	2642.34	5750.30	8803.51	434.22	5401.67
Exclusions disallowed	0.00	0.00	0.00	0.00	0.00

Discharge of liabilities

114. The discharge of liabilities claimed by the Petitioner for the tariff period 2019-24 is as under:

(Rs. in lakh)

2019-20	2020-21	2021-22	2022-23	2023-24
17.77	32.05	112.38	56.78	16.36

115. Considering the details of liabilities submitted by the Petitioner, the admissible discharges, corresponding to allowed capital cost, for the tariff period 2019-24 works out as under:

(Rs. in lakh)

2019-20	2020-21	2021-22	2022-23	2023-24
17.77	0.00	0.00	0.00	4.32

116. Further, the flow of un-discharged liabilities corresponding to allowed capital cost for the period 2019-24, is as under:

(Rs. in lakh)

	2019-20	2020-21	2021-22	2022-23	2023-24
(a) Eligible for ROE at Normal Rate					
Opening liabilities	29.20	11.43	11.43	11.43	11.43
Add: Addition during the year	0.00	0.00	0.00	0.00	0.00
Less: Discharges during the year	17.77	0.00	0.00	0.00	0.00
Less: Reversal during the year	0.00	0.00	0.00	0.00	0.00
Closing liabilities	**11.43**	**11.43**	**11.43**	**11.43**	**11.43**
(b) Eligible for ROE at WAROI					
Opening liabilities	0.00	0.00	0.00	4.32	4.32
Add: Addition during the year	0.00	0.00	4.32	0.00	0.00
Less: Discharges during the year	0.00	0.00	0.00	0.00	4.32
Less: Reversal during the year	0.00	0.00	0.00	0.00	0.00
Closing liabilities	**0.00**	**0.00**	**4.32**	**4.32**	**0.00**
(c) Total Liabilities (a+b)					
Opening liabilities	29.20	11.43	11.43	15.75	15.75
Add: Addition during the year	0.00	0.00	4.32	0.00	0.00
Less: Discharges during the year	17.77	0.00	0.00	0.00	4.32
Less: Reversal during the year	0.00	0.00	0.00	0.00	0.00
Closing liabilities	**11.43**	**11.43**	**15.75**	**15.75**	**11.43**

Net Additional Capital Expenditure allowed for the tariff period 2019-24

117. Accordingly, the net additional capital expenditure allowed for the tariff period 2019-24 is as under:

(Rs. in lakh)

	2019-20	2020-21	2021-22	2022-23	2023-24
(a) Eligible for ROE at Normal Rate					
Additional capital expenditure	0.00	0.00	0.00	16.38	0.00
Less: De-capitalisation	182.67	129.35	52.39	226.45	235.67
Add: Discharges of liabilities	17.77	0.00	0.00	0.00	0.00
Add: Exclusions disallowed	0.00	0.00	0.00	0.00	0.00
Net ACE allowed (on cash basis)	**(-) 164.90**	**(-) 129.35**	**(-) 52.39**	**(-) 210.07**	**(-) 235.67**
(b) Eligible for ROE at WAROI					
Additional capital expenditure	25.44	0.00	26.70	0.00	128.66
Less: De-capitalisation	0.00	0.00	0.00	0.00	0.00
Add: Discharges of liabilities	0.00	0.00	0.00	0.00	4.32
Add: Exclusions disallowed	0.00	0.00	0.00	0.00	0.00
Net ACE allowed (on cash basis)	**25.44**	**0.00**	**26.70**	**0.00**	**132.98**
(c) Total Liabilities (a+b)					
Additional capital expenditure	25.44	0.00	26.70	16.38	128.66
Less: De-capitalisation	182.67	129.35	52.39	226.45	235.67
Add: Discharges of liabilities	17.77	0.00	0.00	0.00	4.32
Add: Exclusions disallowed	0.00	0.00	0.00	0.00	0.00
Net ACE allowed (on cash basis)	**(-) 139.46**	**(-) 129.35**	**(-) 25.68**	**(-) 210.07**	**(-) 102.70**

Capital Cost allowed for the period 2019-24

118. Based on the above, the capital cost allowed for the 2019-24 tariff period for the generating station is as under:

(Rs. in lakh)

	2019-20	2020-21	2021-22	2022-23	2023-24
Opening capital cost	285567.84	285428.38	285299.03	285273.35	285063.28
Net additional capital expenditure	(-) 139.46	(-) 129.35	(-) 25.68	(-) 210.07	(-) 102.70
Closing capital cost	**285428.38**	**285299.03**	**285273.35**	**285063.28**	**284960.58**
Average capital cost	285498.11	285363.71	285286.19	285168.31	285011.93

Debt-Equity Ratio

119. Regulation 18 of the 2019 Tariff Regulations provides as follows:

> *"**18. Debt-Equity Ratio**: (1) For new projects the debt-equity ratio of 70:30 as on date of commercial operation shall be considered. If the equity actually deployed is more than 30% of the capital cost equity in excess of 30% shall be treated as normative loan:*
> *Provided that:*
> *i. where equity actually deployed is less than 30% of the capital cost actual equity shall be considered for determination of tariff:*
> *ii. the equity invested in foreign currency shall be designated in Indian rupees on the date of each investment:*
> *iii. any grant obtained for the execution of the project shall not be considered as a part of capital structure for the purpose of debt: equity ratio.*
> ***Explanation**-The premium if any raised by the generating company or the transmission licensee as the case may be while issuing share capital and investment of internal resources created out of its free reserve for the funding of the project shall be reckoned as paid up capital for the purpose of computing return on equity only if such premium*

amount and internal resources are actually utilised for meeting the capital expenditure of the generating station or the transmission system.

(2) The generating company or the transmission licensee as the case may be shall submit the resolution of the Board of the company or approval of the competent authority in other cases regarding infusion of funds from internal resources in support of the utilization made or proposed to be made to meet the capital expenditure of the generating station or the transmission system including communication system as the case may be.

(3) In case of the generating station and the transmission system including communication system declared under commercial operation prior to 1.4.2019 debt: equity ratio allowed by the Commission for determination of tariff for the period ending 31.3.2019 shall be considered:

Provided that in case of a generating station or a transmission system including communication system which has completed its useful life as on or after 1.4.2019 if the equity actually deployed as on 1.4.2019 is more than 30% of the capital cost equity in excess of 30%shall not be taken into account for tariff computation;

Provided further that in case of projects owned by Damodar Valley Corporation the debt: equity ratio shall be governed as per sub-clause (ii) of clause (2) of Regulation 72 of these regulations.

(4) In case of the generating station and the transmission system including communication system declared under commercial operation prior to 1.4.2019 but where debt: equity ratio has not been determined by the Commission for determination of tariff for the period ending 31.3.2019 the Commission shall approve the debt: equity ratio in accordance with clause (1) of this Regulation.

(5) Any expenditure incurred or projected to be incurred on or after 1.4.2019 as may be admitted by the Commission as additional capital expenditure for determination of tariff and renovation and modernisation expenditure for life extension shall be serviced in the manner specified in clause (1) of this Regulation."

(6) Any expenditure incurred for the emission control system during the tariff period as may be admitted by the Commission as additional capital expenditure for determination of supplementary tariff, shall be serviced in the manner specified in clause (1) of this Regulation."

120. The Commission, vide its order dated 13.5.2022 in Petition No. 301/GT/2020, had considered the gross normative loan and equity amounting to Rs.155101.02 lakh (i.e. 54.31% of the admitted capital cost as on 31.3.2019) and Rs.130466.82 lakh (i.e. 45.69% of the admitted capital cost as on 31.3.2019), respectively, as on 31.3.2019. Accordingly, in terms of Regulation 18(3) of the 2019 Tariff Regulations, the gross normative loan and equity to be considered as on 1.4.2019 works out to Rs.155101.02 lakh and Rs.130466.82 lakh, respectively.

121. Further, considering the COD of the generating station as 1.11.1995, the original useful life of the generating station expired during the year 2020-21. Accordingly, as per the first proviso to Regulation 18(3) of the 2019 Tariff Regulations, the net equity to be considered as on 1.4.2021, works out to Rs.85589.71 lakh (after adjustment of equity

amounting to Rs.44726.43 lakh).

122. Further, the additional capital expenditure approved above, has been allocated to debt and equity in the ratio of 70:30. However, for the assets originally allocated to debt-equity in the ratio of 50:50 and de-capitalised now during the tariff period 2019-24, the debt allocation of 50% and equity allocation of 50% have been considered for assets de-capitalised during the period 2019-21 and the debt allocation of 50% and equity allocation of 30% have been considered for assets de-capitalised during the period 2021-24, as the total equity earning tariff has already been adjusted to 30% as on 1.4.2021.

Return on Equity (ROE)

123. Regulations 30 and 31 of the 2019 Tariff Regulations provide as follows:

> *"**30. Return on Equity:***
>
> *(1) Return on equity shall be computed in rupee terms on the equity base determined in accordance with Regulation 18 of these regulations.*
>
> *(2) Return on equity shall be computed at the base rate of 15.50% for thermal generating station transmission system including communication system and run-of river hydro generating station and at the base rate of 16.50% for the storage type hydro generating stations including pumped storage hydro generating stations and run-of river generating station with pondage:*
>
> *Provided that return on equity in respect of additional capitalization after cut-off date beyond the original scope, excluding additional capitalization on account of emission control system, shall be computed at the weighted average rate of interest on actual loan portfolio of the generating station or the transmission system or in the absence of actual loan portfolio of the generating station or the transmission system, the weighted average rate of interest of the generating company or the transmission licensee, as the case may be, as a whole shall be considered, subject to ceiling of 14%.*
>
> *Provided further that:*
>
> *i. In case of a new project the rate of return on equity shall be reduced by 1.00% for such period as may be decided by the Commission if the generating station or transmission system is found to be declared under commercial operation without Commissioning of any of the Restricted Governor Mode Operation (RGMO) or Free Governor Mode Operation (FGMO) data telemetry communication system up to load dispatch centre or protection system based on the report submitted by the respective RLDC;*
>
> *ii. in case of existing generating station as and when any of the requirements under (i) above of this Regulation are found lacking based on the report submitted by the concerned RLDC rate of return on equity shall be reduced by 1.00% for the period for which the deficiency continues;*
>
> *iii. in case of a thermal generating station with effect from 1.4.2020:*
>
> *a) rate of return on equity shall be reduced by 0.25% in case of failure to achieve the ramp rate of 1% per minute;*
>
> *b) an additional rate of return on equity of 0.25% shall be allowed for every incremental ramp rate of 1% per minute achieved over and above the ramp rate*

of 1% per minute subject to ceiling of additional rate of return on equity of 1.00%:

Provided that the detailed guidelines in this regard shall be issued by National Load Dispatch Centre by 30.6.2019.

(3) The return on equity in respect of additional capitalization on account of emission control system shall be computed at the base rate of one year marginal cost of lending rate (MCLR) of the State Bank of India as on 1st April of the year in which the date of operation (ODe) occurs plus 350 basis point, subject to ceiling of 14%;"

31. Tax on Return on Equity:

(1) The base rate of return on equity as allowed by the Commission under Regulation 30 of these regulations shall be grossed up with the effective tax rate of the respective financial year. For this purpose the effective tax rate shall be considered on the basis of actual tax paid in respect of the financial year in line with the provisions of the relevant Finance Acts by the concerned generating company or the transmission licensee as the case may be. The actual tax paid on income from other businesses including deferred tax liability (i.e. income from business other than business of generation or transmission as the case may be) shall be excluded for the calculation of effective tax rate.

(2) Rate of return on equity shall be rounded off to three decimal places and shall be computed as per the formula given below:

Rate of pre-tax return on equity = Base rate / (1-t)

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

Illustration-

(i) In case of a generating company or a transmission licensee paying Minimum Alternate Tax (MAT) @ 21.55% including surcharge and cess: Rate of return on equity = 15.50/(1-0.2155) = 19.758%

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

(a) Estimated Gross Income from generation or transmission business for FY 2019- 20 is Rs.1000 crore;

(b) Estimated Advance Tax for the year on above is Rs.240 crore;

(c) Effective Tax Rate for the year 2019-20 = Rs.240 Crore/Rs.1000 Crore = 24%;

(d) Rate of return on equity = 15.50/ (1-0.24) = 20.395%.

(3) The generating company or the transmission licensee as the case may be shall true up the grossed up rate of return on equity at the end of every financial year based on actual tax paid together with any additional tax demand including interest thereon duly adjusted for any refund of tax including interest received from the income tax authorities pertaining to the tariff period 2019-24 on actual gross income of any financial year. However, penalty if any arising on account of delay in deposit or short deposit of tax amount shall not be claimed by the generating company or the transmission licensee as the case may be. Any under-recovery or over-recovery of grossed up rate on return on equity after truing up shall be recovered or refunded to beneficiaries or the long term customers as the case may be on year to year basis."

124. The Petitioner has claimed ROE at the base rate of 15.50% by grossing up with the effective tax rate of 17.472%, corresponding to applicable MAT rate (comprising 15% MAT, 12% Surcharge and 4% Health and Education Cess), in respect of additional capital expenditure claimed within the original scope of work and additional capital

expenditure beyond the original scope on account of change in law. In respect of other additional capital expenditures, if any, the Petitioner has claimed ROE at the base rate of weighted average rate of interest (WAROI) by grossing up with the aforesaid effective tax rate.

125. However, in terms of first proviso of Regulation 30(2) of the 2019 Tariff Regulations as amended vide the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (First Amendment) Regulations, 2020, ROE in respect of additional capitalization beyond the original scope of work, incurred after the cut-off date, is required to be computed at WAROI after grossing up with the applicable effective tax rate. Accordingly, ROE at base rate of 15.50% has been considered in respect of additional capital expenditure allowed within the original scope of work. Further, for additional expenditure allowed beyond the original scope of work and incurred after the cut-off date, ROE has been allowed at base rate of WAROI, in terms of the above provisions.

126. Since MAT is applicable to the Petitioner's Company, the effective tax rate of 17.472% has been considered for the purpose of grossing up. Accordingly, the admissible ROE, has been worked out as under:

(a) Return on Equity at base rate of 15.50%:

(Rs. in lakh)

	2019-20	**2020-21**	**2021-22**	**2022-23**	**2023-24**
Normative Equity - Opening (Gross)	130466.82	130380.82	130316.14	130300.42	130237.40
Less: Adjustment to Equity in terms of 1st proviso to Regulation 18(3) (B)	0.00	0.00	44726.43	44726.43	44726.43
Normative Equity - Opening (Net)	**130466.82**	**130380.82**	**85589.71**	**85573.99**	**85510.97**
Add: Addition due to additional capital expenditure	(-) 86.00	(-) 64.68	(-) 15.72	(-) 63.02	(-) 70.70
Normative Equity - Closing	**130380.82**	**130316.14**	**85573.99**	**85510.97**	**85440.27**
Average Normative Equity	130423.82	130348.48	85581.85	85542.48	85475.62
Return on Equity (Base Rate)	15.500%	15.500%	15.500%	15.500%	15.500%
Effective Tax Rate for respective years	17.472%	17.472%	17.472%	17.472%	17.472%
Rate of Return on Equity (Pre-Tax)	18.782%	18.782%	18.782%	18.782%	18.782%
Return on Equity (Pre-Tax) – (annualised)	**24496.20**	**24482.05**	**16073.98**	**16066.59**	**16054.03**

(b) Return on Equity at WAROI:

(Rs. in lakh)

	2019-20	2020-21	2021-22	2022-23	2023-24
Normative Equity - Opening (Gross)	0.00	7.63	7.63	15.64	15.64
Less: Adjustment to Equity in terms of 1st proviso to Regulation 18(3) (B)	0.00	0.00	0.00	0.00	0.00
Normative Equity - Opening (Net)	**0.00**	**7.63**	**7.63**	**15.64**	**15.64**
Add: Addition due to additional capital expenditure	7.63	0.00	8.01	0.00	39.89
Normative Equity - Closing	**7.63**	**7.63**	**15.64**	**15.64**	**55.54**
Average Normative Equity	3.82	7.63	11.64	15.64	35.59
Return on Equity (Base Rate)	7.6759%	6.8176%	6.4842%	7.3594%	8.0633%
Effective Tax Rate for respective years	17.472%	17.472%	17.472%	17.472%	17.472%
Rate of Return on Equity (Pre-Tax)	9.301%	8.261%	7.857%	8.917%	9.770%
Return on Equity (Pre-Tax) – (annualised)	**0.35**	**0.63**	**0.91**	**1.39**	**3.48**

127. In view of above, the total ROE allowed for the tariff period 2019-24 is as under:

(Rs. in lakh)

	2019-20	2020-21	2021-22	2022-23	2023-24
Return on Equity					
(a) At normal rate	24496.20	24482.05	16073.98	16066.59	16054.03
(b) At WAROI	0.35	0.63	0.91	1.39	3.48
Total Return on Equity	**24496.56**	**24482.68**	**16074.90**	**16067.98**	**16057.51**

Interest on Loan

128. Regulation 32 of the 2019 Tariff Regulations provides as follows:

> *"**32. Interest on loan capital:***
> *(1) The loans arrived at in the manner indicated in Regulation 18 of these regulations shall be considered as gross normative loan for calculation of interest on loan.*
> *(2) The normative loan outstanding as on 1.4.2019 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2019 from the gross normative loan.*
> *(3) The repayment for each of the year of the tariff period 2019-24 shall be deemed to be equal to the depreciation allowed for the corresponding year/period. In case of decapitalization of assets, the repayment shall be adjusted by taking into account cumulative repayment on a pro rata basis and the adjustment should not exceed cumulative depreciation recovered upto the date of de-capitalisation of such asset.*
> *(4) Notwithstanding any moratorium period availed by the generating company or the transmission licensee as the case may be the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the depreciation allowed for the year or part of the year.*
> *(5) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio after providing appropriate accounting adjustment for interest capitalized:*
> *Provided that if there is no actual loan for a particular year but normative loan is still outstanding the last available weighted average rate of interest shall be considered;*
> *Provided further that if the generating station or the transmission system as the case may be does not have actual loan then the weighted average rate of interest of the generating company or the transmission licensee as a whole shall be considered.*
> *(5a) The rate of interest on loan for installation of emission control system shall be the weighted average rate of interest of actual loan portfolio of the emission control system or in the absence of actual loan portfolio, the weighted average rate of interest of the generating company as a whole shall be considered.*

(6) The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest.
(7) The changes to the terms and conditions of the loans shall be reflected from the date of such re-financing."

129. Interest on the loan has been worked out as under:

(a) The gross normative loan of Rs.155101.02 lakh and cumulative repayment of Rs.131345.44 lakh as on 1.4.2019 have been considered based on the closing gross normative loan and cumulative repayment positions determined in the order dated 13.5.2022 in Petition No. 301/GT/2020.

(b) Addition to normative loan on account of additional capital expenditure and de-capitalisation approved above has been considered;

(c) The depreciation allowed during the respective years of the 2019-24 tariff period has been considered as repayment of normative loan. Further, the repayments have been duly adjusted to account for de-capitalisation of assets considered for the purpose of tariff.

(d) The WAROI as claimed by the Petitioner after removal of sharing benefit on account of refinancing of loans has been considered. It is clarified that the sharing of savings in interest due to refinancing or restructuring of loan, if any, must be undertaken between the parties, on an actual basis, in accordance with Regulations 61(1) & 61(2) of the 2019 Tariff Regulations.

(e) The WAROI as claimed by the Petitioner has been considered after prudence check.

130. The necessary calculation of interest on the loan is as under:

(Rs. in lakh)

		2019-20	**2020-21**	**2021-22**	**2022-23**	**2023-24**
A	Gross opening loan	155101.02	155039.93	154975.26	154967.76	154866.00
B	Cumulative repayment of loan upto previous year	131345.44	136933.40	142554.42	148221.98	153789.10
C	**Net Loan Opening (A-B)**	**23755.58**	**18106.53**	**12420.84**	**6745.78**	**1076.90**
D	Addition due to additional capital expenditure	(-) 61.09	(-) 64.68	(-) 7.50	(-) 101.76	(-) 24.75
E	Repayment of loan during the year	5679.30	5685.69	5693.75	5680.34	1169.98
F	Repayment adjustment on account of de-capitalization	91.33	64.68	26.19	113.22	117.84
G	Repayment adjustment on account of discharges out of un-discharged liabilities deducted as on 1.4.2009	0.00	0.00	0.00	0.00	0.00
H	**Net Repayment (E-F+G)**	**5587.96**	**5621.02**	**5667.56**	**5567.12**	**1052.14**
I	**Net Loan Closing (C+D-H)**	**18106.53**	**12420.84**	**6745.78**	**1076.90**	**0.00**
J	Average Loan [(C+I)/2]	20931.06	15263.68	9583.31	3911.34	538.45
K	WAROI	7.6759%	6.8176%	6.4842%	7.3594%	8.0633%
L	**Interest on Loan (J x K)**	**1606.64**	**1040.62**	**621.40**	**287.85**	**43.42**

Depreciation

131. Regulation 33 of the 2019 Tariff Regulations provides as follows:

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

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

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

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

Provided that the salvage value for IT equipment and software shall be considered as NIL and 100% value of the assets shall be considered depreciable;

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

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

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

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

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

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

(6) In case of the existing projects, the balance depreciable value as on 1.4.2019 shall be worked out by deducting the cumulative depreciation as admitted by the Commission up to 31.3.2019 from the gross depreciable value of the assets.

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

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

(9) Where the emission control system is implemented within the original scope of the generating station and the date of commercial operation of the generating station or unit thereof and the date of operation of the emission control system are the same, depreciation of the generating station or unit thereof including the emission control system shall be computed in accordance with Clauses (1) to (8) of this Regulation.

(10) Depreciation of the emission control system of an existing or a new generating station or unit thereof where the date of operation of the emission control system is subsequent to the date of commercial operation of the generating station or unit thereof, shall be computed annually from the date of operation of such emission control system based on straight line method, with salvage value of 10%, over a period of —

a) twenty five years, in case the generating station or unit thereof is in operation for fifteen years or less as on the date of operation of the emission control system; or

b) balance useful life of the generating station or unit thereof plus fifteen years, in case the generating station or unit thereof is in operation for more than fifteen years as on the date of operation of the emission control system; or

c) ten years or a period mutually agreed by the generating company and the beneficiaries, whichever is higher, in case the generating station or unit thereof has completed its useful life."

132. Cumulative depreciation amounting to Rs.209248.02 lakh and value of freehold land amounting to Rs.3916.29 lakh as on 31.3.2019 as considered in order dated 13.5.2022 in Petition No. 301/GT/2020, has been retained as on 1.4.2019. Further, based on the details furnished by the Petitioner, the cost of IT equipment & software amounting to Rs.661.10 lakh as on 1.4.2019 has been considered for the purpose of tariff. However, the details relating to subsequent additions and deletions in the cost of IT equipment & software allowed, if any, has been considered while calculating the depreciable value for the purpose of tariff.

133. The balance extended useful life of 7.79 years has been retained for the generating station as on 1.4.2019 as determined as on 31.3.2019 in order dated 13.5.2022 in Petition No. 301/GT/2020. Since, the Petitioner has also claimed additional capital expenditure during fag end (i.e., within five years before completion of the extended useful life of the generating station or during the period 2022-24), the depreciation has been calculated separately towards assets admitted upto 31.3.2022 ("Existing Assets") and assets admitted on or after 1.4.2022 ("New Assets"). Since, the elapsed life of the generating station as on 1.4.2019 (i.e., 23.78 years) from the effective station COD of (i.e., 19.06.1995) is more than 12 years, the depreciation for existing assets has been calculated by spreading over of the balance depreciable value over the balance extended useful life of the generating station. Further, for the new assets the rate of depreciation of 5.28% has been considered.

(Rs. in lakh)

S.N.		2019-20	2020-21	2021-22	2022-23	2023-24
A	**For existing assets (i.e. assets admitted upto 31.3.2022)**					
a	Opening capital cost	285567.84	285428.38	285299.03	285273.35	285046.90
b	Additional capital expenditure	(-) 139.46	(-) 129.35	(-) 25.68	(-) 226.45	(-) 235.67
c	Closing capital cost (a+b)	285428.38	285299.03	285273.35	285046.90	284811.23
d	Average capital cost [(a+c)/2]	285498.11	285363.71	285286.19	285160.12	284929.06
e	Freehold land	3916.29	3916.29	3916.29	3916.29	3916.29
f	Value of IT assets	661.10	661.10	661.10	661.10	661.05
g	Depreciation Value [(d-e-f) x 0.9+f]	253489.75	253368.78	253299.02	253185.56	252977.60
h	Cumulative depreciation at the beginning of the year (Previous year's 'n)	209248.02	214762.92	220332.19	225978.80	231454.90
i	Balance depreciation value (g-h)	44241.73	38605.87	32966.83	27206.76	21522.70
j	Balance useful life at the beginning of the year	7.79	6.79	5.79	4.79	3.79
l	**Depreciation of the year (i/j)**	**5679.30**	**5685.69**	**5693.75**	**5679.91**	**5678.81**
m1	Cu. Depreciation adjustment on account of de-capitalisation	164.40	116.42	47.15	203.80	212.11
m2	Cu. Depreciation adjustment on account of un-discharged liabilities deducted as on 1.4.2009	0.00	0.00	0.00	0.00	0.00
n	Cu. Depreciation at the end of the year (h+l-m1+m2)	214762.92	220332.19	225978.80	231454.90	236921.61
B	**For new assets (i.e. assets admitted on or after 1.4.2022)**					
o	Opening capital cost	0.00	0.00	0.00	0.00	16.38
p	Additional capital expenditure	0.00	0.00	0.00	16.38	132.98
q	Closing capital cost (o+p)	0.00	0.00	0.00	16.38	149.35
r	Average capital cost [(o+q)/2]	0.00	0.00	0.00	8.19	82.86
s	Freehold land	0.00	0.00	0.00	0.00	0.00
t	Value of IT assets	0.00	0.00	0.00	0.00	0.00
u	Depreciation Value [(r-s-t) x 0.9+t]	0.00	0.00	0.00	7.37	74.58
v	Cumulative depreciation at the beginning of the year (Previous year's 'ab')	0.00	0.00	0.00	0.00	0.43
w	Balance depreciation value (u-v)	0.00	0.00	0.00	7.37	74.15
y	Depreciation Rate	5.28%	5.28%	5.28%	5.28%	5.28%
z	**Depreciation of the year (r x y)**	**0.00**	**0.00**	**0.00**	**0.43**	**4.38**
aa1	Cu. Depreciation adjustment on account of de-capitalisation	0.00	0.00	0.00	0.00	0.00
aa2	Cu. Depreciation adjustment on account of un-discharged liabilities deducted as on 1.4.2009	0.00	0.00	0.00	0.00	0.00
ab	Cu. Depreciation at the end of the year (v+z-aa1+aa2)	0.00	0.00	0.00	0.43	4.81
C	**Total admitted assets (i.e. existing + new assets)**					
ac	Opening capital cost (a+o)	285567.84	285428.38	285299.03	285273.35	285063.28
ad	Additional capital expenditure (b+p)	(-) 139.46	(-) 129.35	(-) 25.68	(-) 210.07	(-) 102.70
ae	Closing capital cost (c+q)	285428.38	285299.03	285273.35	285063.28	284960.58
af	Average capital cost (d+r)	285498.11	285363.71	285286.19	285168.31	285011.93
ag	Freehold land (e+s)	3916.29	3916.29	3916.29	3916.29	3916.29
ah	Value of IT assets (f+t)	661.10	661.10	661.10	661.10	661.05
ai	Depreciation Value (g+u)	253489.75	253368.78	253299.02	253192.93	253052.18
aj	Cumulative depreciation at the beginning of the year (h+v)	209248.02	214762.92	220332.19	225978.80	231455.34

S.N.		2019-20	2020-21	2021-22	2022-23	2023-24
ak	Balance depreciation value (i+w)	44241.73	38605.87	32966.83	27214.13	21596.84
al	Balance useful life at the beginning of the year	7.79	6.79	5.79	4.79	3.79
an	**Depreciation of the year (l+z)**	**5679.30**	**5685.69**	**5693.75**	**5680.34**	**5683.19**
ao1	Cu. Depreciation adjustment on account of de-capitalisation (m1+aa1)	164.40	116.42	47.15	203.80	212.11
ao2	Cu. Depreciation adjustment on account of un-discharged liabilities deducted as on 1.4.2009 (m2+aa2)	0.00	0.00	0.00	0.00	0.00
ap	Cu. Depreciation at the end of the year (n+ab)	214762.92	220332.19	225978.80	231455.34	236926.42

Operation & Maintenance Expenses

134. Regulation 35(1)(3) of the 2019 Tariff Regulations provides the year-wise O&M expense norms for the generating station as under:

(Rs. in lakh/MW)

2019-20	2020-21	2021-22	2022-23	2023-24
17.58	18.20	18.84	19.50	20.19

135. The Petitioner has claimed the normative O&M expenses in terms of above Regulation. Accordingly, the normative O&M expenses allowed to the generating station for the tariff period 2019-24 are as follows:

(Rs. in lakh)

2019-20	2020-21	2021-22	2022-23	2023-24
11556.92	11964.50	12385.23	12819.11	13272.70

Water Charges

136. Regulation 35(1)(6) of the 2019 Tariff Regulations provides as follows:

> *"(6) The Water Charges, Security Expenses and Capital Spares for thermal generating stations shall be allowed separately after prudence check:*
>
> *Provided that water charges shall be allowed based on water consumption depending upon type of plant and type of cooling water system, subject to prudence check "and considering the norms of specific water consumption notified by the Ministry of Environment, Forest and Climate Change. The details regarding the same shall be furnished along with the petition;*
>
> *Provided further that the generating station shall submit the assessment of the security requirement and estimated expenses;*
>
> *Provided also that the generating station shall submit the details of year-wise actual capital spares consumed at the time of truing up with appropriate justification for incurring the same and substantiating that the same is not funded through compensatory allowance as per Regulation 17 of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 or Special Allowance or claimed as a part of additional capitalisation or consumption of stores and spares and renovation and modernization."*

137. In terms of the above, water charges are to be allowed separately, based on water consumption, depending upon the type of plant, type of cooling water system, etc., subject to a prudence check. The details furnished by the Petitioner in respect of water charges applicable for the tariff period 2019-24 are as follows:

	2019-20	2020-21	2021-22	2022-23	Apr '23 to Aug '23	Sep '23 to March '24
Industrial Water (cu.m.)	**969511**	**2064570**	**1069250**	**698721**	**611734**	**409428**
Drinking Water (cu.m.)	33600	36464	33400	44308	100910	149025
Total drawn (cu. m.)	1003111	2101034	1102650	743029	712644	558453
Rate of Industrial Water (Rs. / cu. m/)	**28.53**	**31.38**	**34.52**	**37.97**	**41.77**	**39.11**
Rate of Drinking Water (Rs. / cu. m/)	3.45	3.8	4.18	4.59	5.05	4.73
Total Amount Paid (Rs. in lakh)	277.76	649.25	370.52	267.34	427.79	
Under drawl Charges (Rs. in lakh)	26.78	17.08	-	154.35	-	
Interest on payment (Rs. in lakh)	-	-	-	-	0.24	
Total Industrial Water Charges (Rs. in lakh)	**276.60**	**647.86**	**369.11**	**265.30**	**415.65**	
Total Water Charges Claimed (Rs. in lakh)	**304.54**	**666.33**	**370.52**	**421.69**	**428.04**	

138. The Respondent, MSEDCL has submitted that the Petitioner had not provided station-specific details and supporting documents for water charges incurred during the tariff period 2019-24 in terms of the 2019 Tariff Regulations. The Respondent has requested that the Petitioner must furnish documentary evidence and a detailed cost breakup of water consumption and charges for verification. The Respondent has further prayed that the claim towards water charges be considered only after a prudence check and only to the extent justified and compliant with the Regulations.

139. The Petitioner, in its rejoinder, has submitted that pertinent details of water charges had been provided in Form-19. The Petitioner has submitted a detailed break-up with supporting documents, including the Water Agreement and rate notifications. The Petitioner further submitted that, in compliance with the Commission's directions, requisite water charge details had been refiled in the additional submissions dated 21.10.2025.

140. The Respondent, MSEDCL has also submitted that some water bills had been omitted and argued that water charges should be allowed strictly based on the actual

consumption. The Respondent stated that under-drawal charges arose from planning deficiencies and should not be passed on to beneficiaries.

141. The Petitioner, in its rejoinder, clarified that the omission was inadvertent and complete bills and reconciliation had been filed. It stated that under-drawal charges were statutory and were as per the Government of Gujarat notifications and resulted from variations in beneficiary scheduling, making them admissible under Regulation 35 of the 2019 Tariff Regulations.

142. The Commission, vide its order dated 4.6.2022 in Petition No. 420/GT/2020 had allowed the water charges of Rs. 304.54 lakh in 2019-20 and Rs. 666.63 lakh for the period 2020-24.

143. The Commission, vide ROP of the hearing dated 11.12.2025, had sought the reasons for penalties included in the bills submitted for water charges. The Petitioner, in reply to the same, filed vide the affidavit dated 30.1.2026, explained that under-drawal penalties were levied strictly as per Government of Gujarat notifications applicable when drawal fell below 75% of the allocation.

144. The Petitioner's water consumption per MWh of actual generation was 2.22 m^3/ MWh in 2019-20, 2.49 m^3/ MWh in 2020-21 and 2.70 m^3/ MWh in 2021-22 which is within the stipulated limit of 3.5 m^3/ MWh as per MoEFCC notification dated 7.12.2015.

145. We have noted that the Petitioner has provided a detailed breakdown of water charges incurred for industrial purposes and the drinking facility, supported by monthly bills for the period 2019-24. Accordingly, on prudence check, the water charges allowed in terms of Regulation 36(1)(6) of the 2019 Tariff Regulations is as follows:

(Rs. in lakh)

	2019-20	**2020-21**	**2021-22**	**2022-23**	**2023-24**
Allowed vide order dated 4.6.2022 in Petition No. 420/GT/2020	304.54	666.33	666.33	666.33	666.33
Claimed	304.54	666.33	370.52	421.69	428.04
Total Water Charges Allowed	**304.54**	**666.33**	**370.52**	**421.69**	**428.04**

Security Expenses

146. The first proviso to Regulation 35(1)(6) of the 2019 Tariff Regulations provides as under:

> *"35(I)(6) The Water Charges, Security Expenses and Capital Spares for thermal generating stations shall be allowed separately after prudence check:*
> *…xxx*
> *Provided further that the generating station shall submit the assessment of the security requirement and estimated expenses.*
> *….xxx"*

147. In terms of above Regulation, security expenses are to be allowed separately and the generating station is to submit the assessment of the security requirement and estimated expenses.

148. The Petitioner has claimed total security expenses for Rs.7160.01 lakh for the 2019-24 tariff period (i.e., Rs.1299.02 lakh for the year 2019-20, Rs.1220.44 lakh for the year 2020-21, Rs.1248.31 lakh for the year 2021-22, Rs.1625.80 lakh for the year 2022-23 and Rs.1766.44 lakh for the year 2023-24) in terms of Regulation 35(1)(6) of the 2019 Tariff Regulations.

149. The Petitioner, vide the additional submissions filed on affidavit dated 10.10.2025, has furnished the detailed breakup of costs incurred towards CISF and Non-CISF personnel employed, as under:

Breakup of Security Expenses for NTPC Gandhar GPS in 2019-24 period				
SL. No.	**FY**	**Security Expenses (Rs. in lakh)**		
		CISF	**Non-CISF**	**Total**
1	2019-20	1212.79	86.24	1299.03
2	2020-21	1140.02	80.41	1220.43
3	2021-22	1167.57	80.74	1248.31
4	2022-23	1512.34	113.46	1625.80
5	2023-24	1652.45	113.99	1766.44

150. The Respondent, MSEDCL has submitted that the Petitioner had not furnished detailed particulars or supporting documents for the actual security expenditure of the generating station during the tariff period 2019-24. The Respondent has further submitted that, as per the 2019 Tariff Regulations, the Petitioner must provide station-

specific actual security expenditure details, excluding any corporate or head office allocations, at the time of truing up. The Respondent accordingly sought that claims toward security expenses be considered only after the documentation on expenditure incurred is provided.

151. The Petitioner, in its rejoinder submissions, has submitted that the requisite details for security expenses had been provided in the additional submission dated 21.10.2025 (filed vide affidavit dated 10.10.2025). The Petitioner has submitted that the filing included a break-up of CISF and non-CISF expenditure and security assessment details, as sought by the Commission.

152. The Commission, vide its order dated 4.6.2022 in Petition No. 420/GT/2020, had allowed the following security charges for the tariff period 2019-24 as under:

(Rs. in lakh)

	2019-20	**2020-21**	**2021-22**	**2022-23**	**2023-24**
Security Expenses	1299.20	1220.44	1220.44	1220.44	1220.44

153. Considering the submissions and justifications provided by the Petitioner, the following security expenses claimed by the Petitioner are allowed for the 2019-24 tariff period:

(Rs. in lakh)

	2019-20	**2020-21**	**2021-22**	**2022-23**	**2023-24**
Security Expenses	1299.02	1220.44	1248.31	1625.80	1766.44

Capital Spares

154. With regard to Capital Spares, the proviso under Regulation 35(1)(6) of the 2019, Tariff Regulations is as under:

> *"Provided also that the generating station shall submit the details of year-wise actual capital spares consumed at the time of truing up with appropriate justification for incurring the same and substantiating that the same is not funded through compensatory allowance as per Regulation 17 of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 or Special Allowance or claimed as a part of additional capitalization or consumption of stores and spares and renovation and modernization."*

155. In terms of Regulation 35(1)(6) of 2019 Tariff Regulations, capital spares are to be allowed separately, and the generating station shall submit the details of year-wise

actual capital spares consumed at the time of truing up with appropriate justification for incurring the same.

156. Accordingly, the Petitioner has submitted that in order to meet the customers' demand and to maintain high machine availability at all times by the generating station, the units/ equipments are taken under overhaul/maintenance and inspected regularly for wear and tear. It has stated that during such works, spare parts of equipments which had been damaged/ unserviceable are replaced/consumed so that the machines continue to perform at expected efficiency, on a sustained basis. Therefore, the Petitioner has prayed that capital spares replaced/consumed by the generating station during the 2019-24 tariff period may be allowed.

157. The Respondent, MSEDCL has submitted that the quantities of capital spares differed between the earlier filing and the ROP-compliance documents and sought reconciliation, stating that capital spares must be allowed only after prudence check and verifying no double recovery.

158. The Respondent, MPPMCL has submitted that only actual consumed spares should be allowed and requested prudence check.

159. The Petitioner, in its rejoinder, has submitted that Form-17 did not originally require quantities and the same were later furnished in Annexure-P-8, in compliance with the Commission's direction. The Petitioner stated that the total values remained unchanged and were auditor-certified, ruling out double recovery.

160. The Commission, vide its ROP of the hearing dated 11.12.2025, had directed the Petitioner to furnish item-wise quantity details of Capital Spares consumed during the tariff period 2019–24, clearly segregating items that formed part of capital cost and those that did not. The Commission sought year-wise lists, supported with values and descriptions, for proper scrutiny of capitalisation and admissibility.

161. In compliance thereof, the Petitioner, vide affidavit dated 30.1.2026, has

submitted the complete item-wise and year-wise Capital Spares consumption details for the tariff period 2019–24, including description, quantity, and value. The Petitioner has further submitted that the statement also segregated the spares into “Part of Capital Cost” and “Not Part of Capital Cost”, submitted as Annexure P-8, in compliance with the Commission’s direction.

162. The Respondent, MSEDCL, has submitted that only Capital Spares actually consumed during the tariff period 2019-24 should be allowed, subject to a detailed prudence check and verification of supporting records. The Respondent has further submitted that spares merely procured or retained in inventory and not utilized for operation or maintenance should not be capitalized and should remain in the Petitioner’s closing inventory.

163. The Petitioner, vide its rejoinder, has submitted that only capital spares actually consumed during the tariff period 2019–24 had been claimed, as shown in Form-17. The Petitioner has further stated that an Auditor Certificate for the claimed amount was furnished. The Petitioner has asserted that the claim aligned with Regulation 35(1)(6) of the 2019 Tariff Regulations and the Commission’s consistent practice, and therefore, requested approval of the claim for consumed capital spares.

164. We have examined the list of the capital spares consumed by the Petitioner. The Petitioner has submitted the detailed list of capital spares that form part of Capital Cost and those that do not. In respect of capital spares which form part of the capital cost of the project, the Petitioner has been recovering tariff since their procurement and, therefore, the same cannot be allowed as part of additional O&M expenses. Accordingly, only those capital spares, which do not form part of the capital cost of the project, are being considered.

165. It is pertinent to mention that the term ‘capital spares’ has not been defined in the 2019 Tariff Regulations. The term capital spares, in our view, is a piece of equipment,

or a spare part, of significant cost that is maintained in inventory for use in the event that a similar piece of critical equipment fails or must be rebuilt. Keeping in view the principle of materiality and to ensure standardised practices in respect of earmarking and treatment of capital spares, the value of capital spares exceeding Rs. 1 (one) lakh, on prudence check of the details furnished by the Petitioner in Form-17 of the petition, has been considered for the purpose of tariff. Based on this, the details of the allowed capital spares considered for the 2019-24 tariff period is summarized as follows:

(Rs. in lakh)

		2019-20	**2020-21**	**2021-22**	**2022-23**	**2023-24**
A	**Capital spares claimed (Total)**	1276.05	1146.96	240.68	6704.01	320.71
B	Capital spares claimed (not part of capital cost)	1238.72	1139.72	235.44	6680.85	293.76
C	Value of capital spares disallowed (Less than Rs 1 lakh on individual basis)	17.94	4.40	0.67	3.70	4.77
D	Total value of capital spares considered (D=B-C)	1220.78	1135.32	234.77	6677.15	289.00

166. Further, spares do have a salvage value. Accordingly, in line with the practice of considering the salvage value, presumed to be recovered by the Petitioner on sale of other capital assets, on becoming unserviceable, the salvage value of 10% has been deducted from the cost of capital spares considered above, for the tariff period 2019-24. Therefore, on prudence check of the information furnished by the Petitioner in Form-17 and on applying the said ceiling limit along with deduction of the salvage value @10%, the net capital spares allowed in terms of Regulation 35(1)(6) of 2019 Tariff Regulations is as follows:

(Rs. in lakh)

	2019-20	**2020-21**	**2021-22**	**2022-23**	**2023-24**
Net total value of capital spares considered (A)	1220.78	1135.32	234.77	6677.15	289.00
Salvage value @ 10% (B)	122.08	113.53	23.48	667.72	28.90
Net value of capital spares allowed (C) = (A)-(B)	**1098.70**	**1021.79**	**211.29**	**6009.44**	**260.10**

167. The summary of the allowed O&M expenses as per provisions under Regulation 35 of the 2019 Tariff Regulations is as follows:

(Rs. in lakh)

		2019-20	**2020-21**	**2021-22**	**2022-23**	**2023-24**
Installed Capacity (MW) (A)	Norms	657.39	657.39	657.39	657.39	657.39

		2019-20	2020-21	2021-22	2022-23	2023-24
O&M Expenses under Reg.35(1) (Rs. in lakh / MW) (B)	Claimed	17.58	18.20	18.84	19.50	20.19
	Allowed	17.58	18.20	18.84	19.50	20.19
Total Normative O&M expenses (C=A*B)	Claimed	11556.92	11964.50	12385.23	12819.11	13272.70
	Allowed	**11556.92**	**11964.50**	**12385.23**	**12819.11**	**13272.70**
Water Charges (in Rs lakh) (D)	Claimed	304.54	666.33	370.52	421.69	428.04
	Allowed	**304.54**	**666.33**	**370.52**	**421.69**	**428.04**
Security Expenses (in Rs lakh) (E)	Claimed	1299.02	1220.44	1248.31	1625.80	1766.44
	Allowed	**1299.02**	**1220.44**	**1248.31**	**1625.80**	**1766.44**
Capital Spares (F)	Claimed	1276.05	1146.96	240.68	6704.01	320.71
	Allowed	**1098.70**	**1021.79**	**211.29**	**6009.44**	**260.10**
Total O&M Expenses as allowed (including Water Charges and Capital Spares Consumed) (G) = (C+D+E+F)	Claimed	14436.53	14998.22	14244.73	21570.61	15787.90
	Allowed	**14259.18**	**14873.05**	**14215.35**	**20876.03**	**15727.28**

Operational Norms

168. The Petitioner has considered the following norms of operation:

	2019-20	2020-21	2021-22	2022-23	2023-24
Normative Annual Plant Availability Factor (NAPAF) (%)	85%	85%	85%	85%	85%
Gross Station Heat Rate (kcal/kwh) for Combined Cycle	2040	2040	2040	2040	2040
Gross Station Heat Rate (kcal/kwh) for Open Cycle	2960	2960	2960	2960	2960
Auxiliary Power Consumption (%)	2.51%	2.41%	2.72%	2.45%	1.56%

Normative Annual Plant Availability Factor (NAPAF)

169. Regulation 49 of the 2019 Tariff Regulations provides as follows:

"(A) Normative Annual Plant Availability Factor (NAPAF)

(a) For all thermal generating stations, except those covered under clauses (b), (c), (d), & (e) - 85%;"

170. The NAPAF of 85% for the period from 1.4.2019 to 31.3.2024, as approved by the Commission vide its order dated 4.6.2022 in Petition No. 420/GT/2020, in accordance with the provisions of the 2019 Tariff Regulations, is considered for the tariff calculation purpose for the true-up period 2019-24.

Gross Station Heat Rate

171. Regulation 49(C)(a)(vi) of the 2019 Tariff Regulations provides as follows:

Name of generating station	*Combined Cycle (kCal/kWh)*	*Open Cycle (kCal/kWh)*
Gandhar GPS	*2040*	*2960*

172. The Gross Station Heat Rate of 2040 kCal/kWh for Combined Cycle as

considered in the order dated 4.6.2022 in Petition No. 420/GT/2020, for the tariff period 2019-24, has been considered for the purpose of tariff.

Auxiliary Energy Consumption (AUX):

173. Regulation 49(E)(c)(i) of the 2019 Tariff Regulations provides Auxiliary Power Consumption (APC) as follows:

> *"(E) Auxiliary Energy Consumption*
>
> *(c) For Gas Turbine /Combined Cycle generating stations:*
> *(i) Combined Cycle: 2.75%*
> *(ii) Open Cycle: 1.00%*
> *Provided that where the gas based generating station is using electric motor driven Gas Booster Compressor, the Auxiliary Energy Consumption in case of Combine Cycle mode shall be 3.30% (including impact of air-cooled condensers for Steam Turbine Generators):*
> *Provided further that an additional Auxiliary Energy Consumption of 0.35% shall be allowed for Combine Cycle Generating Stations having direct cooling air cooled condensers with mechanical draft fans:"*

174. The Petitioner has claimed the Auxiliary Power Consumption as shown below for the generating station for the tariff period 2019-24. Regulation 49(E)(c)(i) of the 2019 Tariff Regulations provides for 2.75% of auxiliary power consumption for the combined cycle gas turbines. However, the Petitioner has submitted the weighted average APC considering the operations of OC and CC for all the years as follows:

	2019-20	**2020-21**	**2021-22**	**2022-23**	**2023-24**
Gross Generation on CC during preceding FY	86.60%	81.58%	98.81%	82.75%	29.88%
APC for CC operation	2.75%	2.75%	2.75%	2.75%	2.75%
Gross Generation on OC during preceding FY	13.40%	18.42%	1.19%	17.25%	70.12%
APC for OC operation	1.00%	1.00%	1.00%	1.00%	1.00%
Auxiliary Power Consumption (%)	2.52%	2.43%	2.73%	2.45%	1.52%

175. The Commission, vide ROP of the hearing dated 11.12.2025, had directed the Petitioner to resubmit the ECR calculation after correctly reflecting the Open Cycle generation percentage based on the WRPC-issued POCM certificates, noting that the earlier filing did not align with the data recognized in order dated 4.6.2022 in Petition No. 420/GT/2020 for the tariff period 2019-24.

176. In compliance thereof, the Petitioner has submitted that all WRPC-issued POCM certificates for Open Cycle generation had been provided, except for months in which

no Open Cycle generation occurred and no certificates were issued. The Petitioner has further submitted that there was slight difference between the year wise percentage of open cycle generation as per WRPC and as per the records maintained by the Station based on which ECR was calculated by the petitioner in the instant Petition. Accordingly, based on open cycle generation percentage as per WRPC certification, the Petitioner has revised the relevant tariff forms. Based on the WRPC data, the Petitioner has recalculated the annual Open Cycle percentage of generation and, accordingly, furnished revised Form-15B (ECR), Form-O (Interest on Working Capital), and Form-1 (Tariff Summary) for the tariff period 2019-24, enclosing the revised forms in Annexure-P-11.

177. Accordingly, after considering the operation under both Open Cycle and Closed Cycle modes, the auxiliary power consumption is allowed as submitted by the Petitioner.

Interest on Working Capital

178. Regulation 34(1)(b) of the 2019 Tariff Regulations provides as follows:

> *"34. Interest on Working Capital: (1) The working capital shall cover:*
> *(b) For Open-cycle Gas Turbine/Combined Cycle thermal generating stations:*
> *(i) Fuel cost for 30 days corresponding to the normative annual plant availability factor, duly taking into account mode of operation of the generating station on gas fuel and liquid fuel;*
> *(ii) Liquid fuel stock for 15 days corresponding to the normative annual plant availability factor, and in case of use of more than one liquid fuel, cost of main liquid fuel duly taking into account mode of operation of the generating stations of gas fuel and liquid fuel;*
> *(iii) Maintenance spares @ 30% of operation and maintenance expenses including water charges and security expenses;*
> *(iv) Receivables equivalent to 45 days of capacity charge and energy charge for sale of electricity calculated on normative plant availability factor, duly taking into account mode of operation of the generating station on gas fuel and liquid fuel; and*
> *(v) Operation and maintenance expenses, including water charges and security expenses, for one month."*

179. Regulation 34(3) and (4) of the 2019 Tariff Regulations provide as follows:

> *"(3) Rate of interest on working capital shall be on normative basis and shall be considered as the bank rate as on 1.4.2019 or as on 1st April of the year during the tariff period 2019-24 in which the generating station or a unit thereof or the transmission system including communication system or element thereof, as the case may be, is declared under commercial operation, whichever is later:*

Provided that in case of truing-up, the rate of interest on working capital shall be considered at bank rate as on 1st April of each of the financial year during the tariff period 2019-24.

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

Fuel Cost and Energy Charges in Working Capital

180. Regulation 34(b)(i) of the 2019 Tariff Regulations provides for fuel cost for 30 days corresponding to the NAPAF. The fuel cost for 30 days for computation of interest on working capital as considered by the Petitioner is as under:

(Rs. in lakh)

2019-20	2020-21	2021-22	2022-23	2023-24
14133.63	14217.60	6707.91	66274.37	94772.56

181. The Energy Charge Rate (ECR) claimed by the Petitioner for the tariff period 2019-24 is as under:

(Rs./ kWh)

2019-20	2020-21	2021-22	2022-23	2023-24
3.604	3.622	1.714	16.886	23.921

182. The Petitioner has claimed the cost for fuel component in working capital and ECR based on:

a) Operational norms as per the 2019 Tariff Regulations;

b) Price and "as received" GCV of gas for the three months of October, November and December for each of the year from 2018-19 to 2022-23;

183. The Respondent, MSEDCL, has submitted that beneficiaries' prior consent is necessary for any additional capital expenditure not approved in MYT, and informed that it has requested the MoP to surrender 200 MW share from the generating station. The Respondent has highlighted the station's very low PLF and schedules for the years 2022-23 and 2023-24, and stated that absence of domestic gas allocation has forced availability on RLNG/NAPM, pushing variable cost above Rs. 10/unit, making the station uneconomical for MoD while beneficiaries still bear fixed charges without commensurate drawal. The Respondent has prayed that any cost escalation or delays due to the Petitioner's internal factors should not be passed through, and only prudently

and necessarily incurred costs be allowed. The Respondent also requested that the Petitioner to confirm compliance with earlier directions, including those issued vide order dated 4.6.2022 in Petition No. 420/GT/2020, with supporting documents.

184. The Petitioner, in its rejoinder, has submitted that prior consent of the beneficiaries was required only in limited cases under the 2019 Tariff Regulations and no claim in the present truing up warranted such approval. The Petitioner has stated that surrender requests were irrelevant to the year 2019–24 truing up and outside the Tariff Regulations. The Petitioner has explained that despite lower PLF due to limited scheduling, the station routinely dispatched, served peak demand, supported grid stability, and renewable integration, and supplied about 459 MUs to MSEDCL in the tariff period 2019–24.

185. The Petitioner has emphasized that gas constraints were beyond control, that the station's generation was competitive during peaks, and that statutory authorities frequently directed operation for national and regional needs. The Petitioner has contended that fixed charges were necessary, expressly allowed by the Tariff Regulations, and backed by fixed plant assets and capital expenditure. The Petitioner has asserted that allegations of cost escalation or delay were irrelevant and that all claims were in accordance with the 2019 Tariff Regulations.

186. On perusal of the data furnished by the Petitioner, it is observed that the Petitioner, while computing ECR has considered the weighted average price and GCV of gas, as per Regulation 43(2)(b) of the 2019 Tariff Regulations. Accordingly, the weighted average landed cost and weighted average GCV of gas for working out the fuel component in working capital for the above-said three months in each financial year have been computed and considered for the 2019-24 tariff period are as follows:

	Oct-2018 to Dec-2018		
	APM	**Non-APM**	**RLNG**
Opening Quantity of NG/RLNG/CRLNG/Liquid Fuel (a)	0.00	0.00	0.00
Value of Stock (b)	0.00	0.00	0.00
Net Gas Supplied (c)	62943.83	1384.14	17274.50
Total amount Charged for NG/RLNG/CRLNG/Liquid Fuel supplied including Transportation (d)	748836716.57	18024357.99	630374147.74
Total Quantity of Fuel e = (a+c)	62943.83	1384.14	17274.50
Total amount charged for the Fuel f = (b+d)	748836716.57	18024357.99	630374147.74
Weighted Average Price of Fuel g = (f/e)	11896.90	13022.09	36491.59
Weighted Average GCV of Fuel	9519.38	9453.08	9270.75

	Oct-2019 to Dec-2019		
	APM	**Non-APM**	**RLNG**
Opening Quantity of NG/RLNG/CRLNG/Liquid Fuel (a)	0.00	0.00	0.00
Value of Stock (b)	0.00	0.00	0.00
Net Gas Supplied (c)	25322.56	1485.92	5232.28
Total amount Charged for NG/RLNG/CRLNG/Liquid Fuel supplied including Transportation (d)	289440530.17	16867914.00	161177513.00
Total Quantity of Fuel e = (a+c)	25322.56	1485.92	5232.28
Total amount charged for the Fuel f = (b+d)	289440530.17	16867914.00	161177513.00
Weighted Average Price of Fuel g = (f/e)	11430.14	11351.83	30804.45
Weighted Average GCV of Fuel	9513.07	9416.72	9471.80

	Oct-2020 to Dec-2020		
	APM	**Non-APM**	**RLNG**
Opening Quantity of NG/RLNG/CRLNG/Liquid Fuel (a)	0.00	0.00	0.00
Value of Stock (b)	0.00	0.00	0.00
Net Gas Supplied (c)	8.92	100.00	2022.38
Total amount Charged for NG/RLNG/CRLNG/Liquid Fuel supplied including Transportation (d)	62932.81	713789.66	47127892.94
Total Quantity of Fuel e = (a+c)	8.92	100.00	2022.38
Total amount charged for the Fuel f = (b+d)	62932.81	713789.66	47127892.94
Weighted Average Price of Fuel g = (f/e)	7055.25	7137.90	23303.18
Weighted Average GCV of Fuel	9261.94	9308.16	9327.35

	Oct-2021 to Dec-2021			Oct-2022 to Dec-2022		
	APM	**Non-APM**	**RLNG**	**APM**	**Non-APM**	**RLNG**
Opening Quantity of NG/RLNG/CRLNG/Liquid Fuel (a)	0.00	0.00	0.00	0.00	0.00	0.00
Value of Stock (b)	0.00	0.00	0.00	0.00	0.00	0.00
Net Gas Supplied (c)	0.00	16051.35	13378.30	0.00	12449.81	7709.75
Total amount Charged for NG/RLNG/CRLNG/Liquid Fuel supplied including Transportation (d)	0.00	1264327975.38	508079488.99	0.00	1099768345.96	397013510.00
Total Quantity of Fuel e = (a+c)	0.00	16051.35	13378.30	0.00	12449.81	7709.75

	Oct-2021 to Dec-2021			Oct-2022 to Dec-2022		
	APM	**Non-APM**	**RLNG**	**APM**	**Non-APM**	**RLNG**
Total amount charged for the Fuel f = (b+d)	0.00	1264327975.38	508079488.99	0.00	1099768345.96	397013510.00
Weighted Average Price of Fuel g = (f/e)	0.00	78767.70	37977.88	0.00	88336.16	51494.99
Weighted Average GCV of Fuel	0.00	9429.94	9381.97	0.00	9300.88	9388.23

187. Accordingly, the fuel cost for 30 days for computation of interest on working capital is allowed as follows:

(Rs. in lakh)

2019-20	2020-21	2021-22	2022-23	2023-24
14298.85	14140.77	6707.28	62123.28	88387.31

Energy Charge Rate (ECR)

188. Regulation 43(2)(b) of the 2019 Tariff Regulations provides for the computation and payment of the Energy Charge for thermal generating stations as follows:

> *"(2) Energy charge rate (ECR) and Supplementary Energy charge rate in Rupees per kWh on ex-power plant basis shall be determined to three decimal places in accordance with the following formulae:*
> *(b) For gas and liquid fuel based stations:*
> *ECR = GHR x LPPF x 100 / {CVPF x (100 – AUX)}*
> *Where,*
> *AUX =Normative auxiliary energy consumption in percentage.*
> *CVPF=(a) Weighted Average Gross calorific value of coal as received, in kCal per kg for coal-based stations*
> *(b) Weighted Average Gross calorific value of primary fuel as received, in kCal per kg, per litre or per standard cubic meter, as applicable for lignite, gas and liquid fuel-based stations.*
> *(c) In case of blending of fuel from different sources, the weighted average Gross calorific value of primary fuel shall be arrived in proportion to blending ratio.*
> *CVSF =Calorific value of secondary fuel, in kCal per ml.*
> *ECR = Energy charge rate, in Rupees per kWh sent out.*
> *GHR =Gross station heat rate, in kCal per kWh.*
> *LC = Normative limestone consumption in kg per kWh.*
> *LPL = Weighted average landed price of limestone in Rupees per kg.*
> *LPPF =Weighted average landed price of primary fuel, in Rupees per kg, per litre or per standard cubic metre, as applicable, during the month. (In case of blending of fuel from different sources, the weighted average landed price of primary fuel shall be arrived in proportion to blending ratio) SFC = Normative Specific fuel oil consumption, in ml per kWh.*
> *LPSFi=Weighted Average Landed Price of Secondary Fuel in Rs./ml during the month*
> *Provided that energy charge rate for a gas/liquid fuel based station shall be adjusted for open cycle operation based on certification of Member Secretary of respective Regional Power Committee for the open cycle operation during the month."*

189. The Respondent, MSEDCL has submitted that revisions to the ECR based on

WRPC (Western Regional Power Committee) - certified data indicated deficiencies in the earlier filing and argued that any over-recovery should be adjusted.

190. The Petitioner, vide its rejoinder to the reply filed by MSEDCL, has submitted that the ECR had been recomputed strictly based on the WRPC-certified data and aligned with revised forms in compliance with ROP directions. It stated that no over-recovery existed as tariff for the tariff period 2019-24 was still under determination. Accordingly, the detailed calculation of ECR is as follows:

Particulars	UoM	2019-20	2020-21	2021-22	2022-23	2023-24
Normative Heat Rate (For CC Operation)	(Kcal/kwh)	2040	2040	2040	2040	2040
Normative Heat Rate (For OC Operation)	(Kcal/kwh)	2960	2960	2960	2960	2960
Capacity	MW	657.39	657.39	657.39	657.39	657.39
Normative Availability Factor	%	85.00%	85.00%	85.00%	85.00%	85.00%
APC for Combined Cycle (CC) operation	%	2.75%	2.75%	2.75%	2.75%	2.75%
APC for Open Cycle (OC) operation	%	1.00%	1.00%	1.00%	1.00%	1.00%
		Weighted Average Price of Fuel				
APM	Rs. / 1000 SCM	11896.90	11430.14	7055.25	0.00	0.00
Non-APM	Rs. / 1000 SCM	13022.09	11351.83	7137.90	78767.70	88336.16
RLNG	Rs. / 1000 SCM	36491.59	30804.45	23303.18	37977.88	51494.99
		Weighted Avg. GCV				
APM	kCal/ kg	9519.38	9513.07	9261.94	0.00	0.00
Non-APM	kCal/ kg	9453.08	9416.72	9308.16	9429.94	9300.88
RLNG	kCal/ kg	9270.75	9471.80	9327.35	9381.97	9388.23
	Mode of Operation on Fuel					
APM	%	70.77	68.33	78.86	-	-
Non-APM	%	15.27	12.63	18.25	69.27	67.46
RLNG	%	13.96	19.04	2.89	30.73	32.54
		Energy Charge Rate				
Energy Charge Rate (ECR) ex-bus	Rs/kWh	**3.646**	**3.602**	**1.714**	**15.829**	**22.309**

Working capital for O&M Expenses

191. The O&M expenses for one (1) month claimed by the Petitioner for the purpose of working capital (including water charges and security expenses) are as under:

(Rs. in lakh)

2019-20	2020-21	2021-22	2022-23	2023-24
1203.04	1249.85	1187.06	1797.55	1315.66

192. Regulation 34(1)(a)(vi) of the 2019 Tariff Regulations provides for O&M

expenses including water charges and security expenses for one month. It is observed that the Petitioner has also included the expenses incurred on capital spares in the O&M expenses (1 month) component of working capital. Accordingly, the working capital for O&M expenses is calculated after excluding capital spares from the O&M expenses and is allowed as follows:

(Rs. in lakh)

2019-20	2020-21	2021-22	2022-23	2023-24
1096.71	1154.27	1167.00	1238.88	1288.93

Working capital for Maintenance Spares

193. The Petitioner has claimed maintenance spares in working capital as under:

(Rs. in lakh)

2019-20	2020-21	2021-22	2022-23	2023-24
4330.96	4499.47	4273.42	6471.18	4736.37

194. Regulation 34(1)(b)(iii) of the 2019 Tariff Regulations provides for Maintenance spares @ 30% of the O&M expenses including water charges and security expenses. Accordingly, maintenance spares allowed is as under:

(Rs. in lakh)

2019-20	2020-21	2021-22	2022-23	2023-24
3948.14	4155.38	4201.22	4459.98	4640.16

Working capital for Receivables

195. The Petitioner has claimed receivables, energy charges and fixed charges, for working capital as under:

(Rs. in lakh)

	2019-20	2020-21	2021-22	2022-23	2023-24
Receivables	27583.57	27692.34	16003.95	108227.28	151574.10

196. Regulation 34(1)(b)(iv) of the 2019 Tariff Regulations provides for Receivables (Energy Charges and Fixed Charges) for 45 days. Accordingly, after taking into account the mode of operation of the generating station on various fuels, the Receivable components of working capital is allowed as under:

(Rs. in lakh)

	2019-20	2020-21	2021-22	2022-23	2023-24
Variable Charges for 45 days	21449.53	21209.78	10061.41	93186.90	132581.05
Fixed charges for 45 days	6359.46	6333.14	4862.51	7471.56	8078.92
Total	**27808.98**	**27542.92**	**14923.92**	**100658.47**	**140659.97**

197. The Petitioner, on a month to month basis, shall compute and claim the energy charges from the beneficiaries, based on the formulae given under Regulation 43 of the 2019 Tariff Regulations.

Rate of interest on working capital

198. In terms of Regulation 34(3) of the 2019 Tariff Regulations, the rate of interest on working capital is be considered as the bank rate, namely 1-year SBI MCLR as on 1st April of the relevant year plus 350 bps. Accordingly, the following rate of interest on working capital has been considered for the tariff period 2024-29, subject to truing up:

	2019-20	**2020-21**	**2021-22**	**2022-23**	**2023-24**
1-year SBI MCLR as on 1st April	8.55%	7.75%	7.00%	7.00%	8.50%
Add: 350 bps	3.50%	3.50%	3.50%	3.50%	3.50%
Rate of interest considered for interest on working capital	**12.05%**	**11.25%**	**10.50%**	**10.50%**	**12.00%**

199. Accordingly, Interest on working capital is allowed as under:

(Rs. in lakh)

		2019-20	**2020-21**	**2021-22**	**2022-23**	**2023-24**
A	Working Capital for Fuel Costs (30 days)	14298.85	14140.77	6707.28	62123.28	88387.31
B	Working Capital for Liquid Fuel Cost (15 days)	0.00	0.00	0.00	0.00	0.00
C	Working Capital for O&M expenses (including water charges and security expenses)	1096.71	1154.27	1167.00	1238.88	1288.93
D	Working Capital for Maintenance Spares (including water charges and security expenses)	3948.14	4155.38	4201.22	4459.98	4640.16
E	Working Capital for Receivables (45 days)	27808.98	27542.92	14923.92	100658.47	140659.97
F	**Total Working Capital** (A+B+C+D+E)	**47152.68**	**46993.34**	**26999.42**	**168480.61**	**234976.36**
G	Rate of Interest	12.05%	11.25%	10.50%	10.50%	12.00%
H	**Interest on Working Capital** (F x G)	**5681.90**	**5286.75**	**2834.94**	**17690.46**	**28197.16**

Annual Fixed Charges approved for the period 2019-24

200. Accordingly, the annual fixed charges approved for the generating station for the period 2019-24, is summarised as under:

(Rs. in lakh)

Particulars	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**
Depreciation	5679.30	5685.69	5693.75	5680.34	5683.19
Interest on Loan	1606.64	1040.62	621.40	287.85	43.42
Return on Equity	24496.56	24482.68	16074.90	16067.98	16057.51
Interest on Working Capital	5681.90	5286.75	2834.94	17690.46	28197.16
O&M Expenses	14259.18	14873.05	14215.35	20876.03	15727.28
Total	**51723.57**	**51368.79**	**39440.33**	**60602.67**	**65708.55**

Note: *(1) All figures are on annualized basis. (2) All figures under each head have been rounded. The figure in total column in each year is also rounded. As such the sum of individual items may not be equal to the arithmetic total of the column.*

201. The difference between the annual fixed charges already recovered in terms of the Commission's order dated 4.6.2022 in Petition No. 420/GT/2020 and the annual fixed charges determined by this order shall be adjusted in terms of Regulations 12 and 13 of the 2019 Tariff Regulations.

Summary

202. Accordingly, the annual fixed charges determined in order dated 4.6.2022 in Petition No. 420/GT/2020, the amount claimed in the present Petition, and the amount allowed in this order after truing up for the tariff period 2019-24, for the generating station, are summarised as under:

(Rs. in lakh)

Annual Fixed Charges	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**
Determined in order dated 4.6.2022 in Petition No. 420/GT/2020	49982.86	49971.43	49620.92	49599.53	49791.44
Claimed in the present Petition	51916.03	51634.93	48196.90	71505.29	76577.40
Allowed in this Order	**51723.57**	**51368.79**	**39440.33**	**60602.67**	**65708.55**

203. Petition No. 706/GT/2025 is disposed of in terms of the above.

Sd/-
(Harish Dudani)
Member

Sd/-
(Ramesh Babu V.)
Member

CERC Website S. No. 512/2026