

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

1. Shri Ashok Basu, Chairperson
2. Shri K.N. Sinha, Member
3. Shri Bhanu Bhushan, Member
4. Shri A.H. Jung, Member

**Review Petition No.132/2005
in Petition No.32/2003**

In the matter of

Review of order dated 9.9.2005 in Petition No.32/2003 for approval of generation tariff of Agartala Gas Turbine Power Project for the tariff period 1.4.2003 to 31.3.2004.

And in the matter of

North Eastern Electric Power Corporation Ltd. **Petitioner**

Vs

1. Assam State Electricity Board, Guwahati
2. Meghalaya State Electricity Board, Shillong
3. Dept. of Power, Govt. of Arunachal Pradesh, Itanagar
4. Electricity Dept., Govt. of Manipur, Imphal
5. Power and Electricity Dept., Govt. of Mizoram, Aizawl
6. Dept. of Power, Dept.of Nagaland, Kohima
7. Dept. of Power, Govt. of Tripura, Agartala
8. North Eastern Regional Electricity Board, Shillong
9. North Eastern Regional Despatch Centre, Shillong **Respondents**

The following were present:

1. Shri P.K. Bora, NEEPCO
2. Shri R. Mallik, NEEPCO
3. Shri S.S. Bhattacharya, NEEPCO
4. Ms C.Ranee, NEEPCO

**ORDER
(DATE OF HEARING : 24.11.2005)**

Through this application, the petitioner seeks review of order dated 9.9.2005 in Petition No.32/2003.

2. In Petition No.32/2003 the petitioner sought approval of tariff for the year 2003-04 in respect of Agartala Gas Turbine Power Project. The tariff was approved by order dated 9.9.2005, presently sought to be reviewed on the following grounds:

- (a) Calculation of capital cost and deduction of net revenue earned from sale of infirm power from the capital cost;
- (b) Computation of interest on loan;
- (c) Calculation of interest on working capital;
- (d) Calculation of depreciation; and
- (e) Calculation of energy/variable charge.

3. Heard Ms.C. Rane for the petitioner on admission.

4. Admit the petition for review of capital cost considered for the purpose of computation of tariff in the order dated 9.9.2005. In case the review is allowed, this will also necessitate review of other components of tariff for which capital cost is an input. Accordingly, review of calculation of depreciation may also be considered as consequential to review of the capital cost. Review on account of computation of interest on loan and interest on working capital is not allowed for the reasons discussed in the succeeding paragraphs.

COMPUTATION OF INTEREST ON LOAN

5. In the order dated 9.9.2005, interest on loan was allowed by taking actual repayment for the year 2003-04 or repayment worked out, in accordance with the following methodology, whichever is higher:

*Actual repayment during the year x normative net loan at the beginning of the year/
actual net loan at the beginning of the year.*

6. The petitioner has submitted that the methodology considered by the Commission is inappropriate and inequitable since, according to the petitioner it does not cover a part of interest on loan. The petitioner has submitted that either actual repayment or the normative repayment during the year should have been considered for working out interest on loan. Accordingly, the petitioner seeks a review.

7. We have considered the matter. The methodology considered in the order dated 9.9.2005 for computation of interest on loan has been consistently followed by the Commission in the previous tariff orders concerning Central Power Sector Utilities. This methodology has been followed for sake of uniformity. Earlier, in some of the cases, NTPC had sought review of the methodology adopted. These review petitions were dismissed. Accordingly, in the present case also, the ground for review is rejected.

CALCULATIONS OF INTEREST ON WORKING CAPITAL

8. In Petition No.32/2003, the petitioner had claimed interest on working capital @ 9.5% per annum which was allowed. The petitioner has submitted that it is entitled to interest on working capital @ 11.5% per annum, in accordance with para 2.7 (e) (vi) of the Central Electricity Regulatory Commission (Terms and

Conditions of Tariff) Regulations, 2001, the applicable prime lending rate of interest on 1.4.2003. It has been submitted that the petitioner has been deprived of the benefit of interest on working capital available under the regulations *ibid*.

9. We do not find any force in the petitioner's contention for review on this account. The regulations were notified on 26.3.2001 and have been in operation since 1.4.2001. The petitioner was well aware of the provisions of these regulations as also the prime lending rate applicable. Despite that the petitioner claimed interest on working capital @ 9.5% per annum which has been allowed. The petitioner waived the right available to it under the regulations and has relinquished a part of the claim. Under these circumstances, the rate of interest on working capital specified under the regulations could be the ceiling rate. The petitioner cannot be permitted to reopen the matter at this stage, particularly in view of the applicability of the principles contained in Order II, Rule 2 of the Code of Civil Procedure. Accordingly, review of order dated 9.9.2005 on this ground is also disallowed.

CALCULATION OF ENERGY/VARIABLE CHARGE:

10. The Commission in its order dated 9.9.2005, had indicated the formula for adjustment on account of GCV and price of gas, with Monthly Operating Pattern Adjustment (MOPA), which is applicable to generating stations operating in combined cycle mode. The petitioner has submitted that Agartala Gas Turbine Power Project, operates in open cycle mode only and, therefore, the question of

applicability of MOPA should not arise. Accordingly, the petitioner seeks deletion of MOPA specified in the order dated 9.9.2005.

11. The provision for MOPA in the order dated 9.9.2005 does not affect the fuel price adjustment on account of GVC and price of gas when the generating station operates in open cycle mode. MOPA is applicable when the generating station designed for combined cycle mode operates in open cycle mode. It is clarified that MOPA provided in the order dated 9.9.2005 will not be applicable in case of Agartala Gas Turbine Power Project so long as it remains only an open cycle generating station. This takes care of the petitioner's objection.

12. The petitioner is directed to furnish a copy of the petition along with the copy of this order to the respondents latest by 25.12.2005. The respondents may file their reply by 25.1.2006 with a copy to the petitioner who may file its rejoinder if any, by 10.2.2006.

13. List this petition on 14th February 2006.

(A.H. JUNG)
MEMBER

(BHANU BHUSHAN)
MEMBER

(K.N. SINHA)
MEMBER

(ASHOK BASU)
CHAIRPERSON

New Delhi dated the 9th December 2005