

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 284/GT/2020

Coram:

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

Date of Order: 18th August, 2022

IN THE MATTER OF

Petition for revision of tariff for the 2014-19 tariff period and determination of tariff for the 2019-24 tariff period in respect of Dhauliganga Power Station (280 MW).

AND

IN THE MATTER OF

NHPC Limited
(A Govt. of India Enterprise)
NHPC Office Complex, Sector-33,
Faridabad (Haryana)- 121003

...Petitioner

Vs

1. Punjab State Power Corporation Limited,
The Mall, Near Kali Badi Mandir,
Patiala - 147 001 (Punjab)
2. Haryana Power Purchase Centre
Shakti Bhawan, Sector - 6
Panchkula-134 109 (Haryana).
3. BSES Rajdhani Power Limited.,
BSES Bhawan, Nehru Place,
New Delhi-110 019.
4. BSES Yamuna Power Limited,
Shakti Kiran Building,
Karkardooma, Delhi- 110 072
5. Tata Power Delhi Distribution Limited,
33 kV Sub-Station Building, Hudson Lane,
Kingsway Camp, New Delhi-110 009.



6. Himachal Pradesh State Electricity Board,
Vidyut Bhawan, Kumar House,
Shimla - 171 004 (Himachal Pradesh).
7. Uttar Pradesh Power Corporation Limited,
Shakti Bhawan, 14, Ashok Marg,
Lucknow - 226 001 (Uttar Pradesh).
8. Rajasthan Rajya Vidyut Prasaran Nigam Limited,
Vidyut Bhawan, Janpath, Jyoti Nagar,
Jaipur-302005
9. Ajmer Vidyut Vitaran Nigam Limited,
Old Powerhouse, Hatthi Bhatta,
Jaipur Road, Ajmer - 305 001 (Rajasthan)
10. Jaipur Vidyut Vitaran Nigam Limited,
Vidyut Bhawan, Janpath,
Jaipur - 302 005
11. Jodhpur Vidyut Vitaran Nigam Limited,
New Power House, Industrial Area,
Jodhpur - 342 003 (Rajasthan).
12. Uttaranchal Power Corporation Limited,
Urja Bhawan, Kanwali Road,
Dehradun – 248 001 (Uttarakhand).
13. Engineering Department,
1st Floor, UT Secretariat, Sector 9-D,
Chandigarh – 160 009.
14. Power Development Department,
New Secretariat, Jammu- 180 001 (J&K)

...Respondents

Parties Present:

Shri Rajiv Shankar Dwivedi, Advocate, NHPC
Shri Ajay Shrivastava, NHPC
Shri Mohd. Faruque, NHPC
Shri Piyush Kumar, NHPC
Shri R.B. Sharma, Advocate, BRPL
Ms. Megha Bajpeyi, BRPL



ORDER

The Petitioner, NHPC Limited has filed this petition for truing-up of tariff of Dhauliganga Power Station (280 MW) (hereinafter referred to as “the project/ generating station”) for the 2014-19 tariff period in terms of Regulation 8(1) of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as “the 2014 Tariff Regulations”) and for determination of tariff of the generating station for the 2019- 24 tariff period, in accordance with the provisions of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 (hereinafter referred to as “the 2019 Tariff Regulations”).

Background

2. The generating station with capacity of 280 MW comprises of 4 units of 70 MW each. Unit–III of the generating station was commissioned on 1.10.2005 and the remaining three units were commissioned on 1.11.2005. Petition No. 230/GT/2014 was filed by the Petitioner for truing up of tariff for the 2009-14 tariff period and for determination of annual fixed charges of the generating station for the 2014-19 tariff period and the Commission vide order dated 24.2.2016 disposed of the same. Subsequently, corrigendum order dated 26.4.2016 in Petition No. 230/GT/2014 revised certain clerical/arithmetical errors and revised the capital cost and the annual fixed charges of the generating station for the 2009-14 tariff period and the 2014-19 tariff period. Accordingly, the capital cost and the annual fixed charges approved vide corrigendum order dated 26.4.2016 as stated below:



Capital Cost allowed

(Rs. in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Capital Cost	174954.68	174975.42	175092.51	175381.51	175425.09
Admitted additional capitalization	20.74	117.09	289.00	43.58	0.00
Closing Capital Cost	174975.42	175092.51	175381.51	175425.09	175425.09

Annual Fixed Charges allowed

(Rs. in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Return on Equity	9851.20	9855.51	9868.23	9878.64	9880.01
Interest on Loan	2157.60	1884.21	1607.88	1333.90	1151.27
Depreciation	8930.00	8933.52	8943.88	8952.37	2823.15
Interest on Working Capital	878.72	898.96	921.25	945.35	832.07
O&M Expenses	7181.89	7659.05	8167.92	8710.59	9289.33
Total	28999.41	29231.25	29509.16	29820.85	23975.82

TRUING-UP OF TARIFF FOR 2014-19 TARIFF PERIOD

3. Regulation 8(1) of the 2014 Tariff Regulations provides as under:

“8. Truing up

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

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

4. The Petitioner has sought truing up of tariff of the generating station for the 2014-19 tariff period and has claimed the capital cost and annual fixed charges as under:

Capital Cost claimed

(Rs. in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Opening capital cost	174954.68	174981.55	175127.25	175752.24	175919.24
Add: Additional during the year	33.78	202.15	645.48	278.96	65.01



	2014-15	2015-16	2016-17	2017-18	2018-19
Less: De-capitalisation during the year	7.01	58.19	28.82	137.26	4.89
Add: Discharges during the year	0.10	1.74	8.34	25.30	30.56
Closing capital cost	174981.55	175127.25	175752.24	175919.24	176009.93
Average capital cost	174968.12	175054.40	175439.75	175835.74	175964.58

Annual Fixed Charges claimed

(Rs. in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	8930.16	8943.67	8961.39	8965.73	2847.64
Interest on Loan	2165.07	1835.65	1730.08	1387.19	1246.39
Return on Equity	9951.90	9981.44	9926.84	10018.66	10066.24
Interest on Working Capital	881.21	900.98	925.81	950.11	839.11
O&M Expenses	7181.89	7659.05	8167.92	8710.59	9289.33
Total	29110.23	29320.79	29712.04	30032.28	24288.70

5. The Respondent UPPCL, Respondent BRPL and Respondent TPDDL have filed their reply affidavits on 22.10.2020, 20.7.2021 and 27.8.2021 respectively. In response, the Petitioner has filed its rejoinder affidavits to the said replies, on 29.6.2021 and 3.9.2021 respectively. The Petitioner has also filed certain additional information on 30.6.2021. Thereafter, the matter was heard through virtual conferencing on 27.7.2021 and the Commission after hearing the parties, directed the Petitioner vide ROP, to file certain additional information and reserved its order in the petition. In compliance to the directions, the Petitioner has filed the additional information on 18.8.2021 after serving copy to the Respondents. However, the order in the petition could not be passed, prior to the Chairperson Shri P. K. Pujari demitting office. Accordingly, the matter was re-listed for hearing through virtual conferencing on 14.7.2022. During the hearing, the learned counsel for the Petitioner and the learned counsel for the Respondent BRPL submitted that pleadings have been completed in the matter and the Commission may reserve orders. Accordingly, order in the petition was reserved. Based on the submissions of the parties and



documents available on record, and after prudence check, we proceed for truing up the tariff of the generating station for the 2014-19 tariff period, as stated in the subsequent paragraphs.

Capital Cost

6. Regulation 9(3) of the 2014 Tariff Regulations provides as under:

“9. Capital Cost:

(3) The Capital cost of an existing project shall include the following:

- (a) the capital cost admitted by the Commission prior to 1.4.2014 duly trued up by excluding liability, if any, as on 1.4.2014;*
- (b) additional capitalization and de-capitalization for the respective year of tariff as determined in accordance with Regulation 14; and*
- (c) expenditure on account of renovation and modernisation as admitted by this Commission in accordance with Regulation 15.”*

7. The capital cost of Rs. 174954.68 lakh as on 31.3.2014, as approved by the Commission vide corrigendum order dated 26.4.2016 in Petition No. 230/GT/2014, has been considered as the opening capital cost as on 1.4.2014, for the purpose of tariff for the 2014-19 tariff period, in terms of the above regulations.

Additional Capital Expenditure

8. Regulation 14(3) of the 2014 Tariff Regulations provides as under:

“14. (3) The capital expenditure, in respect of existing generating station or the transmission system including communication system, incurred or projected to be incurred on the following counts after the cut-off date, may be admitted by the Commission, subject to prudence check:

- (i) Liabilities to meet award of arbitration or for compliance of the order or decree of a court of law;*
- (ii) Change in law or compliance of any existing law;*
- (iii) Any expenses to be incurred on account of need for higher security and safety of the plant as advised or directed by appropriate Government Agencies of statutory authorities responsible for national security/internal security;*
- (iv) Deferred works relating to ash pond or ash handling system in the original scope of work;*
- (v) Any liability for works executed prior to the cut-off date, after prudence check of*



the details of such undischarged liability, total estimated cost of package, reasons for such withholding of payment and release of such payments etc.;

(vi) Any liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments;

(vii) Any additional capital expenditure which has become necessary for efficient operation of generating station other than coal/lignite based stations or transmission system as the case may be. The claim shall be substantiated with the technical justification duly supported by the documentary evidence like test results carried out by an independent agency in case of deterioration of assets, report of an independent agency in case of damage caused by natural calamities, obsolescence of technology, up-gradation of capacity for the technical reason such as increase in fault level;

(viii) In case of hydro generating stations, any expenditure which has become necessary on account of damage caused by natural calamities (but not due to flooding of power house attributable to the negligence of the generating company) and due to geological reasons after adjusting the proceeds from any insurance scheme, and expenditure incurred due to any additional work which has become necessary for successful and efficient plant operation;

(ix) In case of transmission system, any additional expenditure on items such as relays, control and instrumentation, computer system, power line carrier communication, DC batteries, replacement due to obsolescence of technology, replacement of switchyard equipment due to increase of fault level, tower strengthening, communication equipment, emergency restoration system, insulators cleaning infrastructure, replacement of porcelain insulator with polymer insulators, replacement of damaged equipment not covered by insurance and any other expenditure which has become necessary for successful and efficient operation of transmission system; and

(x) Any capital expenditure found justified after prudence check necessitated on account of modifications required or done in fuel receiving system arising due to non-materialization of coal supply corresponding to full coal linkage in respect of thermal generating station as result of circumstances not within the control of the generating station: Provided that any expenditure on acquiring the minor items or the assets including tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, computers, fans, washing machines, heat convectors, mattresses, carpets etc. brought after the cut-off date shall not be considered for additional capitalization for determination of tariff w.e.f. 1.4.2014:

Provided further that any capital expenditure other than that of the nature specified above in (i) to (iv) in case of coal/lignite-based station shall be met out of compensation allowance:

Provided also that if any expenditure has been claimed under Renovation and Modernization (R&M), repairs and maintenance under (O&M) expenses and Compensation Allowance, same expenditure cannot be claimed under this regulation.”

9. The details of the projected additional capital expenditure allowed for the 2014-19 tariff period by order dated 24.2.2016 in Petition No. 230/GT/2014, is summarized as under:



(Rs. In lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Claims under Regulation 14(3)(viii)	28.07	123.27	289.00	49.00	0.00	489.34
A. Total additional capital expenditure	28.07	123.27	289.00	49.00	0.00	489.34
B. De-capitalization	7.33	6.18	0.00	5.42	0.00	18.93
Total projected additional capital expenditure allowed (C=A-B)	20.74	117.09	289.00	43.58	0.00	470.41

10. The actual additional capital expenditure claimed by the Petitioner, duly supported by auditor certificate, for the 2014-19 tariff period is as under:

(Rs. In lakh)

Sl. No	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
A	Additions claimed					
i	Items capitalized which were allowed					
	Claims under Regulation 14(3)(viii)	21.51	43.21	105.23	79.26	0.00
	Claims under Regulation 14(3)(vii)	0.00	0.00	0.00	85.63	0.00
ii	Items additionally claimed as per actual site requirement					
	Claims under Regulation 14(3)(iii)	0.00	0.00	0.00	74.13	18.11
	Claims under Regulation 14(3)(viii)	12.27	158.94	540.15	39.94	43.94
	Claims under Regulation 14(3)(vii)	0.00	0.00	0.09	0.00	2.96
	Sub-total claims (A)	33.78	202.15	645.48	278.96	65.01
B	Deletions					
	Sub-total (B)	7.01	58.19	28.82	137.26	4.89
C	Discharge of undischarged liabilities (C)	0.10	1.74	8.34	25.30	30.56
D	Reversal of undischarged liabilities (D)	0.00	0.00	0.00	0.00	0.00
E	Net additions claimed (E=A-B+C-D)	26.87	145.70	625.00	167.00	90.68
2	Additional capitalization not claimed					
i	Exclusions	1029.58	234.17	1746.87	635.63	136.62
ii	FERV	0.00	1510.85	0.00	0.00	0.00
iii	Inter-Unit transfers	1.96	7.11	0.00	0.00	4.52
	Total- 2 (i+ii+iii)	1031.54	1752.12	1746.87	635.63	141.13
3	Deletions					
i	Exclusions	(-) 12.65	(-)322.63	(-) 164.23	(-) 103.86	(-) 55.91
ii	FERV	(-)16092.62	0.00	(-)1560.34	0.00	0.00
iii	Inter unit transfers	(-)0.048	(-)3.62	(-) 16.48	(-) 2.99	0.00
	Total - (3) (I + ii + iii)	(-)16105.32	(-)326.25	(-)1741.03	(-)106.84	(-) 55.91



11. The Respondent BRPL submitted that the additional capital expenditure claimed can be justified only if such a claim is on account of damage caused by natural calamities and geological reasons accompanied with the expenditure due to additional work necessary for successful and efficient plant operation. In response, the Petitioner submitted that these expenses incurred have become necessary for successful and efficient operation of the plant and hence the same is not restricted to the expenditure on account of damage caused by natural calamities. In our view, Regulation 14(3)(viii) of the 2014 Tariff Regulations provides for additional capitalization of expenditure which has become necessary on account of damage caused by natural calamities and also additional capitalisation of expenditure due to any additional work which has become necessary for successful and efficient plant operation. Accordingly, based on the reconciliation, the year-wise admissibility of the additional capital expenditure under various heads is discussed in the subsequent paragraphs.

2014-15

12. The details of the additional capital expenditure claimed in 2014-15 under the provisions of Regulation 14(3) of the 2014 Tariff Regulations are examined below.

		<i>(Rs. in lakh)</i>
Head		Amount
Item already allowed (a)		21.51
Items additionally claimed as per actual site requirements (b)		12.27
Total (c)=(a)+(b)		33.78

(a) Items already allowed

						<i>(Rs. in lakh)</i>
SI No.	Details of claim	Amount claimed	Justification of the Petitioner	Remarks on admissibility	Amount Allowed	
Items allowed in order dated 24.2.2016 in Petition No. 230/GT/2014						



SI No.	Details of claim	Amount claimed	Justification of the Petitioner	Remarks on admissibility	Amount Allowed
1	Purchase of Tipper	12.64	This claim was allowed vide order dated 24.2.2016 in Petition No. 230/GT/2014 on the ground that these are considered necessary for successful and efficient operation of the plant.	The Commission vide its order dated 24.2.2016 in Petition No. 230/GT/2014 had allowed the additional capital expenditure for this asset/work for Rs. 12.64 lakh. As the actual additional capital expenditure incurred is for efficient operation of the plant and is also within the limit approved by order dated 24.2.2016, the same is allowed under Regulation 14(3)(viii) of the 2014 Tariff Regulations. The gross value of the old asset is considered as Rs. 8.15 lakh under 'Assumed deletions'.	12.64
2	Purchase of Digital EPABXs at Nigalpani & Tapovan	8.87		The Commission vide its order dated 24.2.2016 in Petition No. 230/GT/2014 had allowed the additional capital expenditure for this asset/ work for Rs. 11.41 lakh. As the actual additional capital expenditure incurred is for efficient operation of the plant and is also within the limit approved by order dated 24.2.2016, the same is allowed under Regulation 14(3)(viii) of the 2014 Tariff Regulations. The gross value of old asset is considered as Rs. 5.31 lakh under 'Decapitalization'	8.87
	Total amount claimed	21.51			
	Total amount allowed				21.51

