



COMMISSION'S ORDER

ON

**TRUE-UP FOR FY 2021-22, MID-YEAR PERFORMANCE
REVIEW FOR FY 2022-23 AND DETERMINATION OF
GENERATION TARIFF FOR THE FY 2023-24**

Case No. HERC/PETITION NO. 64 of 2022

25/01/2023

HARYANA ELECTRICITY REGULATORY COMMISSION

BAYS NO. 33-36, SECTOR-4, PANCHKULA-134112

<https://herc.gov.in>

Abbreviations

Abbreviation	Description
AAC	Additional Auxiliary Consumption (power consumed on account of RSD)
A&G	Administrative & General
APCPL	Aravali Power Corporation Private Limited
APC/AEC	Auxiliary Power/Energy Consumption
ARR	Aggregate Revenue Requirement
ATE	Appellate Tribunal for Electricity
CAGR	Cumulative Average Growth Rate
CAPEX	Capital Expenditure
CERC	Central Electricity Regulatory Commission
CIP	Capital Investment Plan
CLP	China Light & Power (Jhajjar Power Limited)
Cr.	Crore (Rs. 10 Million)
DCRTPS	Deen Bandhu Chotu Ram Thermal Power Plant
DHBVN	Dakshin Haryana Bijli Vitran Nigam Limited
DSI	Dry Sorbent Injection
DSM	Deviation Settlement Mechanism
EA – 2003	The Electricity Act 2003
ECR	Energy Charge Rate
ERP	Enterprise Resource Planning
FGD	Flue Gas Desulphurization
FPA	Fuel Price Adjustment
FGPS	Faridabad Gas Power Station
FY	Financial Year
GCV	Gross Calorific Value
GFA	Gross Fixed Assets
GoH	Government of Haryana
GoI	Government of India
HERC	Haryana Electricity Regulatory Commission
HPGCL	Haryana Power Generation Corporation Limited
HWRA	Haryana Water Resources Authority
Ind AS	Indian Accounting Standard
IoB	Indian Overseas Bank
IPP	Independent Power Producers
IWC	Interest on Working Capital
MoC	Ministry of Coal, Government of India
MoD	Merit Order Dispatch
MoEF&CC	Ministry of Environment, Forest and Climate Change
MoP	Ministry of Power, Government of India
MU	Million Units
MYT	Multi Year Tariff
NAPAF	Normative Annual Plant Availability Factor
NIT	Notice inviting Tender
O&M	Operation & Maintenance
PoC	Point of Connection
PFC	Power Finance Corporation

Abbreviation	Description
PLF	Plant Load Factor
PNB	Punjab National Bank
PPA	Power Purchase Agreement
PTPS	Panipat Thermal Power Station
REC	Rural Electrical Corporation
RGTPS	Rajiv Gandhi Thermal Power Plant
RSD	Reserve Shut Down
R&M	Repair & Maintenance
SBI	State Bank of India
SCR	Selective Catalytic Reduction
SFC	Secondary Fuel Consumption
SFO	Secondary Fuel Oil
SHR	Station Heat Rate
SLDC	State Load Dispatch Centre
SNCR	Selective Non Catalytic Reduction
SOFA	Separated Over Fire Air
SPM	Suspended Particulate Matter
STP	Sewage Treatment Plant
TO	Tariff Order
UHBVN	Uttar Haryana Bijli Vitran Nigam Limited
WYC	West Yamuna Canal

- ✓ *Current Year refers to Financial Year 2022-23*
- ✓ *Previous Year refers to Financial Year 2021-22*
- ✓ *All currency figures used in this Petition, unless specifically stated otherwise, are in Rs. Crore.*

BEFORE THE HARYANA ELECTRICITY REGULATORY COMMISSION

BAYS NO. 33-36, SECTOR-4, PANCHKULA-134 112

Case No. HERC/PETITION NO. - 64 of 2022

Date of Hearing : 11.01.2023

Date of Order : 25.01. 2023

QUORUM

**Shri R.K. Pachnanda
Shri Naresh Sardana**

**Chairman
Member**

INTHE MATTER OF

Petition filed by the Haryana Power Generation Corporation Ltd. (HPGCL) for approval of True-up for the FY 2021-22, Mid-Year Performance Review for the FY 2022-23 and Determination of Generation Tariff for the FY 2023-2024.

AND

IN THE MATTER OF

HPGCL, Panchkula
HPPC, Panchkula

..... Petitioner
..... Respondent

Present

1. Shri Mohammed Shayin, IAS, MD, HPGCL.
2. Shri Umesh K. Agarwal, Director, HPGCL
3. Shri Rohitas Bansal, CFO, HPGCL
4. Shri Ravi Juneja, AEE, HPGCL

ORDER

- 1** The Petitioner herein i.e. HPGCL, vide its Memo No. 232/HPGC/Reg-522 dated 28.11.2022, has filed the present petition for approval of true-up for the FY 2021-22, and determination of Generation Tariff for the FY 2023-24 under Section 61 and 62 of Electricity Act, 2003 read with the MYT Regulations, 2019.
- 2** In order to afford an opportunity to the general public / Stakeholders to file their objections / suggestions / comments, the petition filed by HPGCL was made available on the website(s) of the Commission as well as that of the petitioner.
- 3** The public notice was issued by HPGCL in compliance of section 64 (2) of the Electricity Act, 2003, in the following Newspapers for inviting objections.

Name	Language	Date of publication
The Tribune	English	02.12.2022
Dainik Jagran	Hindi	02.12.2022

The Public Notice communicating the last date of filing objection as well as the date of hearing was issued by the Commission in the Dainik Tribune and The Tribune dated 15 December, 2022 and was hosted on the Commission's website under the head 'schedule of hearing'.

4 True-up Petition for the FY 2022-23

HPGCL has submitted that the petition for true-up for the FY 2021-22 is based on the Audited Accounts for the FY 2021-22 as required under regulation 13.1 of the MYT Regulations, 2019.

That the Commission, vide its order dated 18.02.2021, at page no 88 of the to has disallowed the cost of Unit-6, PTPS as under:

".....Consequently, the Commission has considered it appropriate not to consider the proposed determination of generation tariff (fixed and ECR) for PTPS Unit-6."

That HPGCL has preferred statutory appeal against the ibid order dated 18.02.2021 of this Hon'ble Commission, vide Appeal No 150/2021 in APTEL. The Hon'ble APTEL vide its interim order dated 24.9.2021 has adjudicated that Unit-6 (PTPS) has been allowed to recover the interim tariff. The final adjudication of the matter in respect of tariff of Unit-6, PTPS is still pending in the Hon'ble APTEL. HPGCL has recovered the interim tariff on the basis of FY 20-21 which needs to be adjusted after the outcome of the appeal supra. Consequently, HPGCL has not proposed True-Up in respect of Unit-6, PTPS in the present petition. However, HPGCL is intimating the expenditure of Unit-6, PTPS only and reserves its right for seeking true-up after APTEL's judgement in the matter.

HPGCL has cited regulation 13.4 of the HERC MYT Regulations, 2019, as under:-

"13.4 Over or under recoveries of true-up amount in previous year(s) of the control period shall be allowed to be adjusted in the ensuing year of the control period by appropriate resetting of tariff. The unrecovered amount in the one control period shall be adjusted in the subsequent control period."

It has been submitted that the above cited regulation clearly provides for the

methodology for recovery of the fixed charges components of the tariff as per the availability of the plants and the True-up is also required between “Recovered” as per plant availability and Actual as per the audited accounts. Therefore in the present petition True-up has been proposed on “Recovered” vis-a-vis “Actual” i.e. audited accounts for the relevant year as under: -

4.1 True-up of Operation and Maintenance (O&M) expenses

The Petitioner has submitted the Commission had approved O&M Expenses of Rs. 698.66 Cr for the FY 2021-22, out of which O&M expenses amounting to Rs. 535.94 crore could only be recovered. The total actual O&M Expenses, as per audited accounts for FY 2021-22, (excluding solar business of Rs 0.68 Cr) has been Rs. 855.55 Cr., as tabulated below: -

Particular	FY 2021-22 (Approved) 1	FY 2021-22 (Recovered) 2	FY 2021-22 (Actual, excluding PTPS-6) 3	Variance 4= (3-2)	True-Up claimed 5
Employee Cost	534.94	410.12	610.48	200.36	200.36
Repair & Maintenance	144.05	111.34	219.72*	108.38	57.85**
Administrative & General	19.68	14.48	25.35	10.87	2.97***
Total	698.66	535.94	855.55	319.61	261.18

The petitioner has submitted that the significant gap between the approved amount, recovered amount and actual amount on account of O&M expenses is the increase in uncontrollable expenses towards employee cost including terminal liabilities & non-availability of RGTPS – Unit 2 since 19th September, 2020 and less availability DCRTPS-1. Further, higher R&M is on account of repair and maintenance cost of RGTPS-2 and DCRTPS-1.

** Rs 57.85Cr of expense (CHP- Rs50.45Cr & AAC Rs 7.40Cr) in respect of all plants which needs to be pass through.

*** Rs 2.97 Cr of Claim of A&G in line with Note 1 at page 97 of the Commission order dated 18.02.2021.

HERC approved Employees Cost for the FY 2021-22 was Rs. 534.94 Crore, whereas, the actual employee cost for FY 2021-22, as per audited accounts, is Rs. 610.48 Crore which is inclusive of net Defined Benefit liability (terminal liability) of Rs. 402.07 Crore towards employees as per the ‘Actuary Valuation’ Report submitted by the independent actuary -M/s A. Balasubramanian, Senior

Consultant and Actuary. Actuary valuation is based on given data and circumstances/scenario and other market conditions for investment. It further depends upon various factors like employees count/ average age of active employees/ number of pensioners/ average age of pensioners /monthly salary eligible for LTC (active employees & pensioners). Besides this information Actuary also considers Discount rate/salary escalation rate/ Attrition rate/ Withdrawal rate/ Mortality rate etc. Based on all the above information, an Actuary gives its report to safeguard the interest of the employees of HPGCL after retirement.

That the trend of Terminal Liability of HPGCL as per the independent Actuary from FY 2013-14 is as under: -

S. No.	Financial Year	Amount in Cr.		
1	2013-14	152.36		There is no trend.
2	2014-15	250.76	↑	
3	2015-16	132.51	↓	
4	2016-17	478.07	↑	
5	2017-18	485.01	↑	
6	2018-19	688.45	↑	
7	2019-20	356.68	↓	
8	2021-22	402.08	↑	

HPGCL has submitted that it is bound by rules and regulations of the State Government pertaining to employee's benefits (pay structure, D.A., annual increment @ 3%). Any revision, in the pay structure of its employees is beyond the control of the HPGCL and falls under Regulation 8.3.8(b). All these factors lead to the increase in the employees cost of HPGCL. Terminal liability is an 'uncontrollable' expenditure under Regulation 8.3(b) of the MYT Regulation 2019 and the same is therefore admissible for true-up. Accordingly, it has been requested to allow the net true up of Rs. 200.36 Cr. towards Employee Cost on actual basis.

That O&M expenses, other than employee cost, i.e. R&M and A&G expenses approved by the Commission for the FY 2021-22 was Rs 144.05 Crore & Rs 19.68 Crore respectively. However, the amount recovered by HPGCL is Rs. 111.34 Cr and 14.48 Cr, respectively. The lower recovery happened due to non-availability of RGTPS Unit-2 from September 19th, 2020 onwards and less availability DCRTPS-1. The actual R&M and A&G expense for the year is Rs. 219.72 Cr (excluding solar business) and Rs 25.35 Cr, respectively. The increase

in R&M amount is primarily attributable to the cost of R&M being carried for RGTPS-2 and DCRTPS-1. The other aspects which remain unrecovered is expense of Coal Handling Plant and Additional Auxiliary Consumption. Other Operating Expense comprises of Rs 50.45 Cr relating to Coal Handling Plant (CHP) and Rs 7.41 Cr on account of Additional Auxiliary Consumption. Further, no claim has been made in respect of additional Auxiliary Consumption of RGTPS2 and DCRTPS 1 on account of unavailability.

HPGCL has further submitted that CHP expenses has been incurred for making the plant available, which becomes the part of O&M cost, the same needs to be allowed under True-up, as per the Regulation 31 & 32 read with Regulation 33. Landed cost of fuel is taken as at railways unloading point. Thus, in the past, it was inadvertently left to be booked under O&M expenses, thus the same stands unrecovered, being legitimate O&M expense. Hence, the expenditure amounting to Rs 50.45 Cr needs to be allowed and the petitioner should not be burdened by disallowing the same, as there is no other source of income to adjust the same.

Regulation 13.4 of the MYT Regulations 2019 provides as under:

“13.4 Over or under recoveries of trued-up amount in previous year(s) of the control period shall be allowed to be adjusted in the ensuing year of the control period by appropriate resetting of tariff. The unrecovered amount in the one control period shall be adjusted in subsequent control period.”

Further, the Hon’ble Commission in its order dated 18.02.2021 at page 97 at Note :1 has adjudicated as under:

“Note -1: As PLF of PTPS Unit-7&8 are approved at 53% & 53%, respectively as against the norms of 85%, R&M and A&G expenses for the PTPS 7&8 has been reduced to 50%”

HPGCL has submitted that in view of the above it has the right to claim any variance on account of increase in A&G/R&M expenses up to normative level as per Regulations. The actual A&G of PTPS 7&8 stands at Rs 7.51 Cr against the norms specified in the MYT Regulation which allows Rs 8.33 Cr. Thus, HPGCL expenses of PTPS Unit 7&8, in respect of A&G, is on the lower side and liable to be allowed. In view of the above, HPGCL has raised the claim of Rs 2.97 Cr.

The Petitioner has prayed that the Hon’ble Commission may allow the true up of the O&M cost amounting to Rs. 261.18 Cr. However, the unrecovered

amount of Rs 58.43 Crore shall be allowed to be recovered as per Regulation 13.4 of the MYT Regulations 2019 at the end of control period of the MYT Regulations, 2019 in vogue.

4.2 True-up of Depreciation

HPGCL has submitted that the actual depreciation of HPGCL for the FY 2021-22 as per the audited accounts, excluding solar business (Rs. 3.15 crore) and PTPS-6 (Rs. 1.85 Crore), is Rs 331.75 Cr. The Hon'ble Commission, in its orders dated 31.10.2018 & 07.03.2019, has directed HPGCL not to claim depreciation on spares and dismantling cost on account of Ind AS. Depreciation on capitalization of spares and decommissioning cost for FY 2021-22 in accordance Ind AS, is Rs. 5.68 Cr & Rs. 10.11 Cr. Thus, HPGCL in compliance with aforesaid directives, has excluded a sum up to Rs 15.79 Cr. (5.68+10.11) from its true up claim of Depreciation. Accordingly, the net allowable Depreciation for the FY 2021-22, exclusive of solar business, and depreciation on spares and decommissioning cost works out to Rs. 315.95 Cr (331.75-5.68-10.11). The approved depreciation for FY 2021-22 was Rs. 322.87 Cr.

The variation in the approved depreciation and net allowable depreciation for the FY 2021-22 is presented in the table below: -

Rs. Crore									
S. No	Unit	Approved	Actual as per audited accounts*	Dep. on GAAP Spares	Dep. on account of Ind AS	Net allowable dep.	Recovered Dep.	Variance	True up claimed
A	B	C	D	E	F	G=(D-E-F)	H	I=(G-H)	J
1	PTPS-7-8	53.45	57.14	0.47	5.01	51.66	53.45	(1.79)	(1.79)
2	DCRT PS	56.33	57.73	1.22	1.42	55.09	50.54	4.55	-
3	RGTP S	206.27	211.15	3.99	3.68	203.48	103.64	99.84	-
4	Hydel	6.82	5.72	-	-	5.72	5.71	0.01	0.01
	Total	322.87	331.75	5.68	10.11	315.95	213.34	102.61	(1.78)

* Excluding Solar Business of Rs. 3.15 Cr.

HPGCL has submitted that it could not recover Rs 102.61 Crore against the actual depreciation of the HPGCL Units due to non-availability/less availability of RGTPS-2 & DCRTPS-1.

In view of the above, HPGCL has prayed that the Hon'ble Commission may approve difference of minus Rs 1.78 Cr. as true-up of depreciation for FY

2021-22 and the unrecovered amount of depreciation i.e. Rs 104.39 Crore may be allowed to be recovered as per Regulation 13.4 of MYT regulations 2019 at the end of control period of the present MYT Regulations, 2019.

True-up of Interest Expenses

The Petitioner has submitted that as against the interest and finance charges on loan of Rs. 104.77 Crore (excluding PTPS-6) approved by the Commission for the FY 2021-22, the actual amount incurred, as per the audited accounts, is Rs. 29.38 Crore (net of interest of Rs. 1.71 Crore on account of Solar Business).

HPGCL has submitted that it had swapped the higher interest-bearing PFC loan of Rs 965.48 Cr. pertaining to RGTPS and PFC loan of Rs. 874.58 Cr. pertaining to DCRTPS, through SBI, during Feb., 2016 and April, 2017, respectively.

Interest and Finance charges for FY 2021-22 as per pre-restructuring Loan portfolio excluding solar business is given below: -

Pre-Restructuring Loan Portfolio & Repayments schedule for FY 2021-22 (Rs. Cr.)

Particulars	Rate of Interest	Opening Bal	Drawls during the year	Repayments during the year	Closing Balance	Interest during the year
GPF Bonds	7.10%	33.91	0.00	6.78	27.13	1.93
SBI DCRTPS YNR – PFC takeover	12.50%	392.02	0.00	120.64	271.38	41.46
REC	12.25%	426.04	0.00	75.60	350.44	47.56
State Bank of India (RGTPS) – PFC Takeover	11.45%	438.30	0.00	101.64	336.66	44.37
APDP Loan	12.50%	2.96	0.00	0.15	2.81	0.36
Punjab National Bank (Andhra Takeover)	8.65%	1.05	0.00	1.05	0	0.05
Punjab National Bank (Andhra Takeover Hisar)	8.65%	19.40	0.00	19.40	0	0.84
Punjab National Bank REC Takeover	12.25%	102.25	0.00	20.52	81.73	11.27
NABARD	5.25%	34.49	0.00	11.50	22.99	1.71*
Total		1450.42	0.00	357.28	1093.14	149.55

*** Total Interest during the year, excluding solar business, is Rs. 149.55-1.71= 147.84 Cr**

Actual Loan Portfolio and Int. & Fin. Charges for FY 2021-22 (Rs. Cr.)

Particulars	Rate of Interest (%)	Opening Bal	Additions during the year	Repayments during the year	Closing Balance	Interest during the year
GPF Bonds	7.10	33.91	0.00	6.78	27.13	1.93
SBI (DCRTPS)						
REC	7.75	377.93	0.00	75.58	302.35	27.08
SBI (RGTPS)	-					
APDP Loan	12.50	2.96	0.00	0.15	2.81	0.37
PNB (Andhra Takeover)						
PNB (Andhra Takeover, Hisar)	8.50	0.00	0.00	0.00	0.00	0.00
PNB Loan						
NABARD	5.25%	34.49	0.00	11.50	22.99	1.71*
Total		449.29	0.00	94.01	355.28	31.09

*Solar business

HPGCL has submitted that as per regulation 21.1 (v) of the HERC MYT Regulation, 2019, the cost associated with refinancing has to be borne by the beneficiaries and net savings, after deducting the cost of refinancing, shall be subject to incentive and penalty framework as per Regulation 12. Accordingly, HPGCL has proposed to claim 50% of the savings (Rs. 118.66 Cr), as under:

Particular	Approved interest & Finance Charges	Actual interest & Finance Charges	Pre-restructuring interest & Finance Charges	Allowable interest & Finance charges	Recovered by HPGCL	True-up
1	2	3	4	5=3+50 % (4-3)	6	7=5-6
Int.& Fin. Charges (A)	104.77	29.38	147.84	88.61	62.47	26.14
Int. On Normative Debt(B)	0	0	0	0.23		0.23
Total True up of Int.& Fin. Charges(A+B)	104.77	29.38	147.84	88.84	62.47	26.37

HPGCL therefore, has prayed for being allowed Rs 26.37 Cr. as a pass through of Interest & Finance charges.

4.3 True-up of Return on Equity (RoE)

The petitioner has submitted that the Hon'ble Commission, vide its order dated 18.02.2021, has adjudicated the issue of Return on Equity as under: -

"The Commission observes that HPGCL has been claiming RoE @ 14% on its eligible equity. The Commission, in the present order, has restricted the same to 10% amounting to Rs 210.938 Crore. It needs to be noted that Return on Equity is

provided to the owners of the shared capital, in this case, the State Government. The said return ought to have gone to the State Government in the form of dividend. It is observed that HPGCL is neither paying dividend to the State Government nor utilizing the same for funding of its new capex. Hence, the Commission orders that RoE allowed by the Commission shall be adjusted against RE subsidy payable by the State Government. This issue also address the issue of unpaid subsidy to a certain extent and the cost of additional working capital borrowings of the Discoms.”

HPGCL has preferred an appeal i.e. Appeal No 150/2021 in the Hon’ble APTEL on the aforesaid order, for adjusting of RoE against subsidy being paid by Government to DISCOMs. The same is pending for adjudication and is required to be considered for true-up after the adjudication of the matter by the Hon’ble APTEL.

In view of the above, details of opening equity, equity addition and required return of equity considered, unit-wise, for the FY 2021-22, is summarized as under:

Rs. Crore

Plants	Opening	Additions	Closing	RoE
PTPS – 7	218.04	-	218.04	21.80
PTPS – 8	218.02	-	218.02	21.80
DCRTPP-1	251.165	0.256	251.421	25.13
DCRTPP-2	251.115	0.256	251.371	25.12
RGTPP-1	494.683	0.206	494.889	49.48
RGTPP-2	492.973	0.041	493.014	49.30
Hydel	18.355	-	18.355	1.84
Total	1944.35	0.759	1945.109	194.47

Approved RoE(A)	Actual (B)	Recovered (C)	Variance in RoE cost (B-C)	True-up (E)
195.26	194.47	140.21	54.26	-

4.4 True-up of cost of Secondary Fuel Oil (SFO)

HPGCL has submitted that in the FY 2021-22, it had spent Rs. 12.10 Crore on SFO. However, an amount of Rs. 14.18 Crore was actually recovered through ECR.

In view of the above, HPGCL has prayed that this Hon’ble Commission may approve true-up of (minus) Rs. 2.08 cr. (14.18 cr.-12.10 cr.) on account over recovery of oil cost in the FY 2021-22, in line with regulation 29 of the