

closing capital cost of Rs. 230569.84 lakh, on cash basis, after removal of un-discharged liabilities of Rs.78.80 lakh (all pertaining to un-discharged liabilities deducted as on 1.4.2009), as on 31.3.2014. The Commission vide its order dated 24.1.2017, had approved the annual fixed charges of the generating station for the period 2014-19, considering the opening capital cost of Rs. 230569.84 lakh (on cash basis). This has been claimed by the Petitioner, in the present petition, as the opening capital cost as on 1.4.2014. Accordingly, in terms of Regulation 9(3) of the 2014 Tariff Regulations, the capital cost of Rs. 230569.84 lakh, as on 31.3.2014, has been considered as opening capital cost as on 1.4.2014.

Additional Capital Expenditure

8. Regulation 14 of the 2014 Tariff Regulations, provides as under:

“14. Additional Capitalisation and De-capitalisation:

(1) The capital expenditure in respect of the new project or an existing project incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check:

(i) Un-discharged liabilities recognised to be payable at a future date;

(ii) Works deferred for execution;

(iii) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 13;

(iv) Liabilities to meet award of arbitration or for compliance of the order or decree of a court of law; and

v) Change in law or compliance of any existing law:

Provided that the details of works asset wise/work wise included in the original scope of work along with estimates of expenditure, liabilities recognised to be payable at a future date and the works deferred for execution shall be submitted along with the application for determination of tariff.”

(2) The capital expenditure incurred or projected to be incurred in respect of the new project on the following counts within the original scope of work 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) Deferred works relating to ash pond or ash handling system in the original scope of work; and

(iv) Any liability for works executed prior to the cut-off date, after prudence check of the details of such un-discharged liability, total estimated cost of package, reasons for such withholding of payment and release of such payments etc.



(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 un-discharged 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-materialisation 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 stabilisers, refrigerators, coolers, computers, fans, washing machines, heat convectors, mattresses, carpets etc. brought after the cut-off date shall not be considered for additional capitalisation 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 Modernisation (R&M), repairs and maintenance under (O&M) expenses and Compensation Allowance, same expenditure cannot be claimed under this regulation.”

9. The Commission vide order dated 24.1.2017, had not allowed any projected additional capital expenditure for the period 2014-19. The additional capital expenditure claimed by the Petitioner, duly supported by auditor certificate, for the period 2014-19, is as under:

(Rs. in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Closing Gross Block as per audited books	434033.81	442711.81	* 154783.79	* 170167.71	* 182053.18
Less: Opening Gross Block as per audited books	423392.34	434033.81	* 139684.64	* 154783.79	* 170167.71
Additional capital expenditure as per audited books	10641.47	8678.00	* 15099.15	* 15383.92	* 11885.46
Less: Additional capital expenditure pertaining to other Stages	1785.04	(-) 1263.10	3066.55	158.42	1370.61
Additional capital expenditure for the generating station	8856.43	9941.10	12032.60	15225.50	10514.86
Less: IND AS Adjustment	-	-	3321.12	4943.77	4705.29
Additional capital expenditure as per IGAAP for the generating station	8856.43	9941.10	8711.48	10281.73	5809.57
Less: Exclusions	11056.94	6234.01	9035.19	8126.61	5610.75
Additional capital expenditure claimed for the generating station (on accrual basis)	(-) 2200.51	3707.09	(-) 323.70	2155.12	198.81
Less: Un-discharged liabilities included above	50.07	692.35	4.17	383.37	53.56
Additional capital expenditure claimed for the generating station (on cash basis)	(-) 2250.58	3014.74	(-) 327.88	1771.75	145.25
Add: Discharges of liabilities	-	-	248.23	224.18	323.98
Net Additional capital expenditure claimed including discharges for the generating station	(-) 2250.58	3014.74	(-) 79.65	1995.93	469.23

* As per IND AS



Exclusions

10. The summary of exclusions from the books of accounts, as claimed (on accrual basis) by the Petitioner, is as under:

	<i>(Rs. in lakh)</i>				
	2014-15	2015-16	2016-17	2017-18	2018-19
Items not allowed in 2014-19	2679.35	292.28	2683.49	1128.98	735.03
Items not claimed as additional capitalisation in 2014-19 (net of de-capitalisation)	843.52	5352.93	8123.11	7288.89	6292.06
Contractor / package FERV	(-) 1.14	0.00	0.00	0.00	0.00
Capitalisation of capital spares	8749.68	0.00	0.00	0.00	0.00
Inter-unit transfer of assets	0.00	2127.74	(-) 1086.29	0.23	(-) 220.06
Reversal of liabilities	0.00	0.00	(-) 133.95	0.00	(-) 1.51
De-capitalisation of spares (not part of capital cost)	0.00	(-) 1383.40	0.00	(-) 43.84	(-) 852.53
De-capitalisation of MBOA's (not part of capital cost)	(-) 32.69	(-) 35.78	(-) 52.82	(-) 2.80	(-) 44.06
De-capitalisation of MBOA's (part of capital cost)	(-) 21.50	(-) 114.99	(-) 496.41	(-) 244.86	(-) 298.03
De-capitalisation of plant & machinery items including temporary erection (part of capital cost)	(-) 1160.29	(-) 2.12	0.00	0.00	0.00
De-capitalisation of plant & machinery items (not part of capital cost)	0.00	(-) 2.64	(-) 1.94	0.00	0.00
Cost adjustment	0.00	0.00	0.00	0.00	(-) 0.15
Total Exclusions claimed	11056.94	6234.01	9035.19	8126.61	5610.75

11. We first examine the exclusions claimed by the Petitioner, as under:

Items not allowed for the period 2014-19

12. The Petitioner has claimed an amount of Rs. 2679.35 lakh in 2014-15, Rs.292.28 lakh in 2015-16, Rs.2683.49 lakh in 2016-17, Rs.1128.98 lakh in 2017-18 and Rs.735.03 lakh in 2018-19 under exclusion, towards items that were not allowed during the period 2014-19. The items claimed by the Petitioner under this head include works related to raising of Ash dyke, N2 dyke strengthening, DAES works, CEMS-Stack emission monitoring, Effluent quality monitoring system, MVW spray system and wagons. It is observed that the Commission has not allowed any additional capital expenditure at the time of determination of tariff for the period 2014-19, in order dated



24.1.2017 in Petition 292/GT/2014. In view of above, the capitalization of the said items is allowed under exclusion.

Items not claimed as additional capitalisation for the period 2014-19 (net of de-capitalisation)

13. The Petitioner has claimed an amount of Rs.843.52 lakh in 2014-15, Rs. 5352.93 lakh in 2015-16, Rs. 8123.11 lakh in 2016-17, Rs.7288.89 lakh in 2017-18 and Rs.6292.06 lakh in 2018-19, towards items that have not been claimed as additional capital expenditure during the period 2014-19. The items under this head include R&M activities of various systems and associated decapitalisation. It is observed that the Petitioner has not claimed any additional capital expenditure of these items during the period 2014-19. In view of the above, the claim of the Petitioner is allowed under exclusion. However, the de-capitalisation amount corresponding to items which are part of capital cost has been considered as de-capitalisation for the purpose of tariff and not allowed under exclusion.

14. Accordingly, the de-capitalisation not allowed as exclusion for items not claimed as additional capitalisation in the period 2014-19 is as under:

	<i>(Rs. in lakh)</i>				
	2014-15	2015-16	2016-17	2017-18	2018-19
De-cap of WTP mech works	(-) 8.34	0.00	0.00	0.00	0.00
De-cap of LT outdoor transformers	(-) 1.27	0.00	0.00	0.00	0.00
De-cap of CW System cooling towers RW Sump, conductor sys	(-) 36.56	0.00	0.00	0.00	0.00
De-cap of Coal handling plant	(-) 30.79	0.00	0.00	0.00	0.00
De-cap of Cooling water system	(-) 18.00	0.00	0.00	0.00	0.00
De-cap of main plant building (part of capital cost)	0.00	(-) 31.68	0.00	0.00	0.00
De-cap of plant & machinery (part of capital cost)	0.00	0.00	(-) 431.46	0.00	(-) 245.56
De-cap of water supply, drainage and sewerage (part of capital cost)	0.00	0.00	(-) 25.66	0.00	0.00
Sub-total	(-) 94.96	(-) 31.68	(-) 457.12	0.00	(-) 245.56

