

MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

"Metro Plaza", Bittan Market , Bhopal - 462 016



Petition No. 27/2007

PRESENT:

Dr. J. L. Bose, Chairman

D. Roy Bardhan, Member

R. Natarajan, Member

IN THE MATTER OF:

**True-up of Generation Tariff for FY 2005-06, determined by
MP Electricity Regulatory Commission vide Generation
Tariff Order dated 25/01/2006.**

MPPGCL (Petitioner) represented among others by –

- 1. Shri S. P. Soni (S. E.)**
- 2. Shri Manjeet Singh (Deputy Director, Costs)**
- 3. Shri Salil Choudhary (Addl. E.E.)**
- 4. Smt. Manisha Lavania (Addl. E.E.)**
- 5. Shri A.N. Sarkar (A.E.)**

ORDER

(Passed on this 18th Day of January, 2008)

- 1 The Madhya Pradesh Electricity Regulatory Commission (hereinafter called “the Commission” or “MPERC”) having gone through the petition submitted by the MP Power Generating Company Limited (hereinafter called “the Petitioner” or “Company” or “Generating Company” or “MPPGCL”) and having had the formal interactions with the officers of the Petitioner during the months of September, October, November and December 2007 and having met the members of the State Advisory Committee in September 2007 and December 2007 and having considered the documents available on record and orders issued by the Government of Madhya Pradesh (Energy Department) on 31st May 2005 making the Transfer Scheme Rules effective from 1st June 2005, (order no. 3679/FRS/18/13/2002 dated 31.5.2005) and thereon, hereby accepts the applications with modifications, conditions and directions as herewith attached.
- 2 The Commission has made modification to the estimates of true up of the Annual Revenue Requirement for FY 2005-06 and has made alternative estimates thereof based on the efficient and reasonable operating parameters and expenditure and has accordingly made modifications to the proposal submitted by the Madhya Pradesh Power Generating Company Limited for true-up of the generation tariff order of January 25, 2006 as per detailed order attached to this order.
- 3 The Commission, in exercise of the powers vested in it under Section 64 of the Electricity Act, 2003, by its generation tariff order dated 25/01/2006 directed that the station-wise generation tariff determined by the said order was deemed effective w.e.f. 1st June 2005 i.e. the date when the Generating Company started its independent operations after the notification of the State Government issued on 31st May 2005. The present order is on the true-up of the generation tariff order of 25/01/2006. The petitioner must take steps to implement the Order after giving seven (7) days’ public notice in accordance with clause 1.30 of MPERC (Details to be furnished and fee payable by licensee or generating company for determination of tariff and manner of making application) Regulations, 2004 and recalculate its bills for energy supplied to MPSEB since 1st June 2005 to 31st March 2006 and must also provide information to the Commission in support of having complied with this order. The amount emerged from true-up shall be recovered in twelve equal instalments during FY 2008-09 from the three Distribution Companies of the State in the ratio of energy supplied to them in FY 2005-06.

Ordered as above read with attached detailed reasons and grounds,

--sd--
(R. Natarajan)
Member (Economics)

--sd--
(D. Roy Bardhan)
Member (Engineering.)

--sd--
(Dr. J. L. Bose)
Chairman

Date: January 18, 2008
Place: Bhopal

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CHAPTER 1

Background of the order

- 1.1 This order relates to petition number 27 of 2007 filed by the Madhya Pradesh Power Generating Company Limited (MPPGCL) for trueing up of the generation tariff for FY 2005-06. This generation tariff was determined by the Commission vide its Generation Tariff Order of January 25, 2006. MPPGCL is the owner of the generating plants previously owned by the erstwhile MPSEB. The MPPGCL started functioning independently from 1st June 2005. The Commission determined the said generation tariff for the period from 01/06/2005 to 31/03/2006 i.e. for ten months' period.
- 1.2 The Generating Company filed the petition (No. 112/2005) for determination of generation tariff for the period after coming into effect of the GoMP notification dated 31st May 2005, which provided that the MPSEB be the sole buyer of all energy produced by the MPPGCL. The MPSEB was a co-petitioner to that application and was allowed to continue as a Trading Licensee, first till 9th December 2005 and then till 9th June 2006. The Company and the MPSEB mutually entered into a provisional power purchase agreement, which provided for sale and purchase of power both from Hydel and Thermal Power stations at a pooled price of Rs. 1.51 per unit. The agreement also provided that within 30 days of signing the agreement the parties to this agreement shall approach the MPERC for determination of tariff and the terms and conditions of the agreement. As per the agreement, the terms of agreement shall stand modified as per the orders passed by the Commission. While deciding the application for retail tariff determination for year 2005-06, the Commission had directed the Petitioner vide its order dated 29th June 2005 to submit a fresh petition if the MPPGCL required the Commission to determine the generation tariff as had been provided in the State Govt. notification mentioned above. Till this was done, the Commission had directed that the rate provisionally agreed between the MPPGCL and the MPSEB be treated for payment on an adhoc basis. The Petitioner in the petition number 112/2005 formally requested the Commission to determine the tariff in accordance with the applicable regulations.
- 1.3 The Commission examined the operational and the financial data of the generating plants of the period when they were part of the MPSEB. The Commission based its order in the matter of petition number 112/2005 on the past records, submissions of the Company and views expressed by stakeholders.
- 1.4 The Commission passed the order on 25/01/2006. A detailed statement showing station-wise sub items of variable cost of Thermal stations is reproduced in the table below.

Table 1: Variable Cost of Thermal Power Stations (Amount in Rs. Lakh)

S. No	Particulars	Gen. Net (MU)	Coal Cost	Fuel Related	Entry Tax	Oil Cost	Variable Cost	
1	ATPS	1133	11178	48	264	1317	12808	113 p/u
2	STPS	7032	80400	594	1901	3281	86175	123 p/u
3	SGTPS	4962	44531	552	1053	1775	47911	97 p/u

A detailed statement showing station-wise sub items of fixed cost of thermal stations is reproduced in the table below:

Table 2: Fixed Cost of Thermal Power Stations (Amount in Rs. Lakh)

Stations	Empl Cost	A&G	R&M	Depr	Pr Pd. Ch	Int.	Intt. On WC	Others	RoE	Less NT	Fixed Cost	
ATPS	2203	133	2108	91	427	119	1335	227	443	312	6774	59.8 p/u
STPS	4632	426	5669	590	1799	172	6077	360	1865	1989	19601	27.9 p/u
SGTPS	2466	622	5079	7339	6270	1864	5259	106	6502	1244	34261	69.0 p/u

A detailed statement showing station-wise sub items of fixed cost of Hydel stations is given in the table below:

Table 3: Fixed Cost of Hydel Power Stations (Amount in Rs. Lakh)

Stations	Empl	A&G	R&M	Dep.	Intt.	Intt. On WC	Other	RoE	Fixed Cost
GandhiSagar	217.01	3.28	83.64	7.90	0.00	29.00	169.30	31.64	541.77
Pench	189.58	5.64	86.86	115.67	0.00	64.00	0.09	268.96	730.80
Rajghat	141.13	15.03	21.88	219.34	51.68	50.00	70.80	254.37	824.23
Bargi	135.00	17.68	16.09	194.13	0.00	100.00	680.50	237.52	1380.92
Bansagar-I (Tons)	863.83	110.39	102.47	1963.34	774.34	552.88	175.02	2896.40	7438.68
Bansagar-II (Silpara)	81.58	10.43	9.68	249.31	73.75	67.11	16.53	367.80	876.18
Bansagar-III (Devlon)	95.98	12.27	11.39	373.97	147.49	100.01	19.45	551.70	1312.24
Birsinghpur	37.22	6.19	3.22	133.25	0.00	31.00	1.58	160.22	372.68

A detailed statement showing station-wise consolidated fixed cost and variable cost of all power stations may be seen in the table below:

Table 4: Station wise Fixed Cost and Variable Cost

Sl. No	Particulars	Net	Cost					
			Gen MU	Fixed Lakh Rs	Variable Lakh Rs p/u		Total Lakh Rs p/u	
Thermal	1	ATPS	1133	6774	12808	113	19581	173
	2	STPS	7032	19601	86175	123	105776	150
	3	SGTPS	4962	34261	47911	97	82172	166
	4	Thermal	13127	60635	146893	112	207529	158
Hydel	5	Gandhi Sagar	279	542			542	19
	6	Pench	349	731			731	21
	7	Rajghat	100	824			824	83
	8	Bargi	499	1381			1381	28
	9	Bansagar-I (Tons)	899	7439			7439	83
	10	Bansagar-II (Silpara)	85	876			876	103
	11	Bansagar-III (Devlond)	100	1312			1312	131
	12	Birsinghpur	50	373			373	75
		Hydel	2361	13478			13478	57
		Thermal & Hydel	15488	74113	146893	95	221006	143
	Payable to MPPGCL (10 months)	12907	61716	122411	95	184172	143	

- 1.5 During the course of the hearings in the Appellate Tribunal for Electricity (ATE) in the matter of Petition No.133, vide ATE's order of May 02, 2006, ATE directed the Commission to initiate the process for trueing up of its tariff orders for FY 2005-06. Accordingly, the Commission directed the Generating Company and the three Distribution Companies of the State to file their petitions comprising the information and the data necessary for initiating the trueing-up exercise.

Procedural history

- 1.6 The petitioner filed the subject petition on 16/05/2007 through its authorised signatory Shri C. S. Dubey, Chief Engineer (CP). Consequent to the superannuation of Shri Dubey, the petitioner authorised Shri S. P. Soni as the Officer Incharge to present the facts and figures before the Commission. The petitioner has made the following submissions for the consideration of the Commission:
- i. To approve true-up of tariff determined by the Commission vide its order of 25/01/2006 for FY 2005-06 and allow the recovery in 6 to 8 instalments during FY 2007-08 along with the monthly bills of fixed and variable costs of generation
 - ii. To consider to have new terms and conditions introduced in the tariff order for FY 2005-06, applicable prospectively i.e. after the date of issuance of tariff order.
 - iii. To permit recovery of expenses understated / not considered in this petition e.g. costs, interest and finance charges, depreciation etc. at a later stage, if required.
- 1.7 The petition was preliminarily scrutinised by the Commission staff. The following shortcomings had been found.
- i. The AG's certificate with regard to the audited accounts of the Generating Company for FY 2005-06 was not enclosed.

ii. The petitioner submitted the performance parameters as achieved without the certification from the State Load Despatch Centre.

1.8 Meanwhile, the Commission noticed that the information for true-up of the tariff should be filed in a different set of formats as the requirement for true-up is different from the filing of the petition for determination of the tariff. The Commission had earlier prescribed a certain set of the formats to be enclosed with the petition for filing of the tariff petition. The petitioner had used the same formats. In view of the requirement of different information for true up of the tariff, the Commission prescribed a new set of formats for the Generating Company so as to enable the petitioner to file the information for trueing up. The Commission directed the petitioner to file the petition with revised formats by 01/08/2007.

1.9 The petitioner sought the additional time for submission of the revised petition with the new set of formats, first by 15/08/2007 and then by 31/08/2007. Finally the petition was filed on 25/08/2007. The draft of the public notice was submitted on 01/09/2007.

1.10 MPPGCL has claimed to have incurred more expenditures than permitted by the Commission in the Tariff Order for FY 2005-06. It has also been indicated that these expenditures were inevitable and were necessary to achieve the target performance. The head-wise break-up of these expenses as filed by the petitioner is given in the table below:

Table 5: Abstract of the Expenses for FY 2005-06 as filed (in Rs. Crore)

Particulars		Approved	Actual	Difference
Variable Cost Elements	Coal	1160.91	1217.28	56.37
	Oil	56.56	76.75	20.19
	Other	53.14	35.49	-17.65
	Total	1270.61	1329.52	58.91
O&M Charges	Employee	92.19	101.26	9.07
	R&M	109.93	114.04	4.11
	A&G	11.35	19.62	8.27
	Total	213.47	234.92	21.45
Interest charges	Interest On Loan	26.69	106.02	79.33
	Interest on Working Capital	113.88	70.96	-42.92
	Total Interest	140.57	176.98	36.41
Other Fixed Cost Elements	Depreciation	96.64	98.29	1.65
	Other Charges	9.26	24.67	15.41
	Prior Period Charges	70.80	70.80	0.00
	RoE	135.79	135.79	0.00
	Less Non Tariff Income	-29.55	-21.38	8.17
	Total	282.94	308.17	25.23
Total	Cost Cr. Rs.	1907.59	2049.59	142.00
	Rate paise/kWh	154	165	11

The station-wise break-up of the true up amount is elaborated in the table below:

Table 6: Abstract of Station wise True-up amount as filed (in Rs. Crore)

Particulars	Approved	Actual	Difference
ATPS Chachai	163.17	168.73	5.56
STPS Sarni	956.27	1034.92	78.65
SGTPS Birpur	665.69	685.02	19.33
Thermal	1785.13	1888.67	103.54
Bansagar	86.49	124.57	38.09
Pench	7.02	6.15	-0.88
Birsinghpur	3.36	3.21	-0.15
Bargi	11.86	13.59	1.74
Gandhi Sagar	4.63	4.14	-0.49
Rajghat	9.09	9.24	0.16
Hydro	122.44	160.91	38.46
Total	1907.57	2049.58	142.01

Public Hearing

1.11 The public notice was published in news papers on 17/09/2007. The last date for filing the comments / objections / suggestions was 05/10/2007. The Commission arranged to publish the public notice in the following newspapers:

Hindustan Times	-	All MP
Dainik Bhaskar	-	Bhopal edition
Dainik Swadesh	-	Gwalior edition
Madhyanchal	-	Ujjain edition
Nav Bharat	-	Jabalpur edition
Free Press	-	Indore edition
Dainik Jagran	-	Rewa, Satna editions

1.12 The Commission office had not received any feedback from any of the stake holders within the stipulated time i.e. by 05/10/2007. In view of this the Commission decided not to hold the hearing as none of the stake holders had provided any feed back to the Commission in response to the Commission's public notice.

State Advisory Committee

1.13 The Commission held the meetings of the State Advisory Committee on September 29, 2007 and on December 28, 2007. The subject petition was included in the agenda of the meetings for discussion. The members made their observations on the petition and gave valuable suggestions, which have been duly considered while finalising this order.

CHAPTER 2

Status of the Generating Company:

2.1 The MPPGCL is a company incorporated under the Companies Act, 1956 in 2002 and was functioning under an O & M Agreement with the MPSEB ever since. The Government of Madhya Pradesh (GoMP) notified the transfer scheme vide its notification No. 3679/FRS/18/13/2002 dated 31st May 2005 by which the MPPGCL was assigned assets and liabilities, on a provisional basis, as given below:

Table 7: Provisional Opening Balance Sheet of Madhya Pradesh Power Generating Company Ltd.

(Rs. In Crore)

Liabilities		Amount	Assets		Amount	
Equity From GoMP				Gross Assets	4453	
Project Specific Capital Liabilities (Including payments overdue)	PFC	1120	Fixed Assets	Less Accumulated depreciation	1576	
	LIC	488				
	CSS	3				
	REC	334				
	Total	1945			Total	2878
Loan from MPSEB		259	Capital Works in Progress		1040	
Current Liabilities	Fuel Liabilities	191	Current Assets	Stock	244	
	Staff Related	29			Cash and Balances	11
	Towards Suppliers	143			Loan Advances	3
	Intt. Accrued but not due	21			Sundry Receivable	34
	Others	342			Others	
	Total	727		727	Total	292
Borrowings for working capital	Overdraft	0				
	Working capital demand loan + cash credit	0	0			
Accumulated Surplus/ (Deficit)		0				
Reserves and Reserve Funds		0				
Total Liabilities		4210	Total Assets		4210	

Notes: -

- The values of the fixed Assets are as per the book values
- The Contingent Liabilities to the extent they are associated with or related to Generation activities or to the Undertakings or Assets of MPGENCO shall vest in MPGENCO. (Estimated to be Rs. 275.86 Cr.)
- The above balance sheet is provisional till finalisation of actual balance sheet as on date of transfer date.

As per the notification, the above balance sheet is provisional for a period of 12 months. During the provisional period, the GoMP may change the values stated in the opening balance sheet.

Station-wise Allocation of Fixed Assets, Equity Capital and Loan:

2.2 As indicated in Para 2.1, the opening balance sheet of the MPPGCL as notified by the GoMP includes the following amounts as Equity from GoMP, Project Specific Capital Liabilities (including payments overdue), Loan from MPSEB and Gross Fixed Assets:

Table 8: Abstract of Allocation of Fixed Assets, Equity and Loan (in Rs. Crore)

Equity from GoMP	Rs. 1,278 Crore
Project Specific Capital Liabilities	
Power Finance Corporation	Rs. 1,120 Crore
Life Insurance Corporation	Rs. 488 Crore
Centrally Sponsored Schemes	Rs. 3 Crore
Loan from REC	Rs. 334 Crore
Total	Rs. 1,945 Crore
Loan from MPSEB	Rs. 259 Crore
Gross Fixed Assets	Rs. 4,453 Crore

2.3 The Commission while passing the generation tariff order for FY 2005-06 allocated the above amounts station-wise so that the fixed charges (Capacity charges) pertaining to the respective station could be derived. The details are given below:

2.4 **Fixed Assets:** The MPPGCL had submitted that the fixed assets of the Company are identifiable with the projects as the respective RAOs have the details of the assets and accordingly allocated the fixed assets to the various projects as under:

Table 9: Station Wise Allocation of Fixed Assets (in Rs. Crore)

Project	Value of Fixed Assets (Rs. Crore)
ATPS, Chachai	143.97
STPS, Sarni	606.85
SGTPS, Birsinghpur	2115.06
Gandhi Sagar	10.29
R.P. Sagar	18.86
J. Sagar	16.56
Pench	87.50
Rajghat	82.75
Bargi	77.27
Bansagar I (Tons)	942.25
Bansagar II (Silpara)	119.65
Bansagar III (Devloned)	179.48
Birsinghpur Hydel	52.12
Total MPPGCL	4452.61

The Commission agreed to the above allocation as the value of the gross fixed assets notified by the State Government was Rs. 4453 Crore.

2.5 Equity from GoMP: MPPGCL had indicated that the Capital Works in Progress of Rs. 1,040 Crore (as per the opening balance sheet) consisted of Rs. 740 Crore of PFC loan and Rs. 300 Crore of Equity from the GoMP. The MPPGCL claimed Rs. 690 Crore as loan utilized for CWIP. The Commission had found out that they had left out funds utilized for Bansagar-IV amounting to Rs. 49.14 Crore and had hence included the same. In terms of the above submission of MPPGCL, out of Rs. 1,278 Crore of Equity Capital, Rs. 300 Crore pertains to projects under construction leaving a balance of Rs. 978 Crore towards completed projects. Earlier, GoMP's contribution towards implementation of a project had been on the basis of budgetary allocations and not in the form of equity capital. The GoMP had indicated equity capital in the opening balance sheet and in the absence of complete details of the release of equity by the GoMP, the Company had proposed to allocate the amount of Rs. 978 Crore to various projects on the basis of opening gross block. As the opening gross block allocated is Rs. 4453 Crore, the equity component of Rs. 978 Crore (as stated above) in the project cost would amount to about 22% (21.96% to be precise). The Commission agreed with the proposal of MPPGCL in this regard. The allocation of equity capital as proposed in the Generation Tariff Order was as under:

Table 10: Station Wise Allocation of Equity Capital (in Rs. Crore)

Power Station	Gross Block (Rs. Crore)	% of total Gross Block	Equity capital proposed (Rs. Crore)
ATPS, Chachai	144	3.23	32
STPS, Sarni	607	13.63	133
SGTPS, Birsinghpur	2115	47.50	465
Gandhi Sagar	10	0.23	2
R.P. Sagar	19	0.42	4
J. Sagar	17	0.37	4
Pench	88	1.97	19
Rajghat	83	1.86	18
Bargi	77	1.74	17
Bansagar I (Tons)	942	21.16	207
Bansagar II (Silpara)	120	2.69	26
Bansagar III (Devloned)	179	4.03	40
Birsinghpur Hydel	52	1.17	11
Total MPPGCL	4453	100.00	978

2.6 Out of the above, the projects which were outside the state viz. Rana Pratap Sagar and Jawahar Sagar, were excluded leaving a balance of Rs. 970 Crore as equity invested in projects under the operation control of MPPGCL. The status remains the same today as the State Government had extended the provisional basis till 31st March 2008 in stages by various notifications.

2.7 **Allocation of Loans:** While dealing with the original tariff petition (112/2005), the Commission directed the MPPGCL to identify the project specific capital liabilities (loans) with respective projects. The MPPGCL had represented that in the opening balance sheet some loans were clearly earmarked to the respective project but the remaining loans had been assigned to the MPPGCL on lump sum basis with no clear identification possible. The MPPGCL proposed to allocate the loans to the respective projects on the basis of following assumptions:

- (i) Loans which were clearly identifiable with the project should be assigned to the project only;
- (ii) Loans which were not identifiable directly with the project should be assigned to the project considering their repayment ability as in the cost plus tariff scenario, repayment ability of any project is governed by the balance depreciation available.
- (iii) As an outcome of these assumptions, the following position emerged:
 - (a) Full amount of PFC loan were identifiable with respective projects.
 - (b) Full amount of LIC, REC and CSS loans got allocated to SGTPS, Birsinghpur.
 - (c) Full amount of generic liability got allocated to Ban Sagar.

2.8 The Commission, while agreeing with the MPPGCL that loans those were clearly identifiable with the projects should be assigned to those projects, was not in a position to agree with the other two assumptions. The Commission proposed to adjust the value of the loans that could not be identified with any specific project, as utilized for Working Capital borrowings with the direction that if the MPPGCL could show the utilization of the capital liabilities for any specific project in the near future, the Commission would definitely consider the same and re-work the capacity charges.

2.9 Out of the Power Finance Corporation loan of Rs. 1,120 Crore, as given in Para 2.2 above, the MPPGCL had admitted Rs. 740 Crore as pertaining to Capital Works in Progress as stated in Para 2.5, leaving a balance of Rs. 380 Crore as utilized towards projects that had already been completed. The Capital Works in Progress loan of Rs. 740 Crore had been identified with projects as under:

Table 11: Loan Portion of the Capital Works in Progress (in Rs. Crore)

Project	Amount (Rs. Crore)
SGTPS, Birsinghpur Extn 500 MW	542.77
Marikhera HEP (2X20 MW)	86.39
R & M scheme of Satpura TPS	4.74
R & M Chachai	1.47
ATPS Chachai 210 MW	55.05
Bansagar – IV	49.14
Total	739.56

2.10 The applicable interest on these loans was not considered in the Interest and Finance charges but was allowed to be capitalized.

- 2.11 In their later submission, the MPPGCL had identified Rs. 388 Crore out of the PFC loan as against Rs. 380 Crore (indicated in paragraph 2.9) to the following projects:

Table 12: Amount of PFC Loan as identified MPPGCL

Project	Amount of PFC loan (Rs. Crore)
ATPS, Chachai	14
STPS, Sarni	21
SGTPS, Birsinghpur	229
Rajghat	6
Bansagar	118
Total	388

- 2.12 The interest payable on the PFC loan was allowed in the Capacity charges of the respective project.
- 2.13 Thus out of the total of Rs. 2,204 Crore of loans (project specific loan of Rs. 1,945 Crore and the MPSEB loan of Rs. 259 Crore), the MPPGCL had identified Rs. 1,128 Crore (Rs. 740 Crore as pertaining to Capital Works in Progress and Rs. 388 Crore as allocable to projects) leaving a balance of Rs. 1,076 Crore as not identifiable with any project. The Commission had treated unidentified balance loan as Working Capital borrowings and allowed the interest on them to the various projects on the basis of normative working capital needs even though the balance sheet notified by the State Government on 31st May, 2005 did not show any requirement on this account.
- 2.14 As indicated in the Para 2.6, the final opening balance sheet is still to be notified by the GoMP. The State Government has got a right to amend, vary, modify or otherwise change the values or the terms and conditions or any one or more of them during the provisional period, which is now ending on 31st March 2008 as per the latest notification of the GoMP.
- 2.15 **Status of Bilateral Projects:** The determination of the tariff for the projects located within the State of Madhya Pradesh is the responsibility of the MPERC and the bilateral projects situated outside the State of Madhya Pradesh will be responsibility of the SERCs of the respective State. The Commission had considered the generation from the joint sector projects located in Madhya Pradesh at their full capacity in respect of the MPPGCL. This is due to the fact that the total energy generated from these joint sector projects is being consumed only in Madhya Pradesh even though, the Distribution Companies may have to pay different prices to the partner State, e.g. in Satpura Thermal Power Station, Sarni, Phase – I, Rajasthan is having a share of 40% and the energy consumed by MP from the Rajasthan share is to be paid at 10% higher rate than Badarpur Thermal Power Station' rate. This has to be considered when the Distribution Companies' ARR are determined and not in the MPPGCL's ARR. Similarly, the O&M expenses pertaining to this station are to be accounted for by the MPPGCL in full in the ARR as the total generation by this station is considered by the Commission but the portion pertaining to the partner State has to be debited to Rajasthan by the Generating Company and recovered.

CHAPTER-3

Analysis of True-up Petition

Availability and PLF

Thermal Generation

- 3.1 For FY06, in the Generation Tariff Order, the Commission fixed separate tariffs for capacity made available and for energy generated for both the thermal and hydro generating units. The capacity charges, comprising Employee cost, R&M, A&G expenses, Interest & Finance Charges, Depreciation etc, are of fixed nature, and hence are payable for the generating capacity available. For the recovery of fixed charges of thermal generating units of the MPPGCL, the Commission fixed the following targets.

Table 13: Approved Availability Targets for FY06 (%)

Particulars		For FY 06	
		Proposed by MPPGCL	MPERC Approved
1.	ATPS Chachai	50.4%	50.7%
2.	STPS Sarni	76.1%	77.1%
3.	SGTPS Birsinghpur	74.4%	74.8%

- 3.2 In the true up petition, the MPPGCL has submitted that due to the fact that the units of the MPPGCL are considerably old and are on threshold limits of their operational life, the Company was not able to achieve the targets as approved by the Commission. Further, non-availability of adequate funds also acted as another limiting factor to the performance of generating plants. All this resulted in increased partial and forced outages of the units during the period under consideration. Main reasons for lower generation from various units are either vintage failures or inadequacy of funds leading to constrained supply of critical spares.
- 3.3 The MPPGCL has also submitted that major reason for lower generation is tube leakages either in boiler or condenser. Both the problems occur primarily due to vintage. These problems can be rectified by modular replacement of weaker portion. Modular replacement practice is adopted by almost all the stations demonstrating better performance in the country. However, modular replacement is a capital intensive method and limitation of funds restricted the MPPGCL to adapt to the method of modular replacement after designed life. The MPPGCL, therefore, has requested the Commission to consider the actual performance of FY 2005-06.

- 3.4 The Commission had taken all the above mentioned factors before deciding the performance parameters of the plants. The targets were fixed, based on historical performance. All the problems mentioned by the MPPGCL are not new and targets fixed by the Commission factored in these constraints. For true-up, fixed cost recovery will be done on the basis of the availability fixed by the Commission in the FY 2005-06 order and not on actual availability as mentioned by the petitioner.
- 3.5 The Commission had also directed the MPPGCL, in the generation tariff order of FY 2005-06, to undertake Renovation and Modernization (R&M) of the plants to improve the performance. The same has not been carried out by the petitioner. The Commission once again directs the petitioner to undertake R&M activity on priority basis. Meanwhile, consumers cannot be made to pay for the inability of the MPPGCL to run plants in proper order.
- 3.6 The MPPGCL has further submitted that targets fixed by the Commission are for the whole year but most of the plants of the MPPGCL undergo annual / capital overhaul during monsoon and work to full capacity during April and May. As the MPPGCL came into existence on 31st May 2005, the performance of peak months is not considered and that of monsoon season is included.
- 3.7 The Commission agrees with the argument of the Company. The Commission has therefore, decided to consider the availability for the whole year as submitted by the Company to determine the true-up amount for ten months' period under consideration. Thus the availability considered by the Commission is tabulated below.

Table 14: Approved targets considered for FY06 true-up (%)

Station	Availability as per Tariff Order	Actual Availability
ATPS	50.70%	48.04%
STPS	77.10%	80.89%
SGTPS	74.80%	69.92%

Hydro Generation

- 3.8 The MPPGCL in the tariff petition had projected generation for FY 2005-06 from its hydel stations based on historical trends. The anticipated hydel generation for FY 2005-06 was accorded approval by Central Electricity Authority (CEA) also. The Commission had approved the target set for FY 2005-06 as approved by CEA.

Table 15: Approved Gross and Net Generation in FY 2005-06 (MU)

Particulars		Generation for FY 06 (MU)		
		Gross	Aux	Net
1	Gandhi Sagar	280	0.26%	279
2	Pench	350	0.19%	349
3	Rajghat	100	0.44%	100
4	Bargi	500	0.13%	499
5	Bansagar-I (Tons)	900	0.11%	899
6	Bansagar-II (Silpara)	85	0.32%	85
7	Bansagar-III (Devlond)	100	0.12%	100
8	Birsinghpur	50	0.86%	50
	Total	2365	0.18%	2361

- 3.9 The generation from hydro power stations depends upon the rains in catchments area of dams of respective power stations. The generation from these plants for FY 2005-06 is elaborated in the table below:

Table 16: Actual gross and net generation in FY06 (MU)

Particulars		Gross Generation FY 06	Auxiliary Consumption FY06	Net Generation FY 06
		Actual	Actual	Actual
1	GandhiSagar	148	0.63%	147.1
2	R.P.Sagar	314	0.19%	313.8
3	J.Sagar	228	0.12%	228.1
4	Pench	422	0.12%	421.6
5	Rajghat	142	0.3%	141.6
6	Bargi	565	0.08%	564.9
7	Bansagar-I (Tons)	937	0.29%	934.2
8	Bansagar-II (Silpara)	96	0.58%	95.1
9	Bansagar-III (Devlond)	127	0.16%	126.8
10	Birsinghpur	48	0.496%	47.7
11	Total Hydel	3027	0.20%	3020.9
12	MPPGCL Share	2470.66	0.23%	2465

- 3.10 The Commission in the generation tariff order of FY 2005-06 had fixed capacity index for the year. The Commission had also stated in the Tariff Order that fixed cost recovery for hydro power stations will be based on capacity index and 100% recovery will be permitted on achievement of normative capacity index and in case of under achievement pro rata reduction will be done. Normative capacity index as fixed in the tariff order and the actual achieved is given below.

Table 17: Normative and Actual Capacity Index in FY06 (MU)

Name of the Station	Normative Capacity Index	Actual Capacity Index
Gandhi Sagar	85.00%	89.09%
Pench	85.00%	71.36%
Bir'pur Hydl	85.00%	96.16%
Ban Sagar	85.00%	70.66%
Bargi	85.00%	93.28%
Rajghat	85.00%	98.53%

- 3.11 In paragraph 4.5 of the generation tariff order for FY 2005-06, the Commission had directed that the SLDC shall verify the availability figures submitted by the MPPGCL for claiming fixed charges. The Commission assumes that the MPSEB also was authorised by Government of Madhya Pradesh to procure the entire power generated by the MPPGCL had paid the fixed charges claimed after getting it verified by the SLDC.

Computation of Variable Cost for True up

Station Heat Rate

- 3.12 The station heat rate as approved by the Commission and as actually achieved by the petitioner is given in the table below:

Table 18: Station Heat Rate (Kcal/Kwh)

	Particulars	Heat Rate in K Cal/ KWHr	
		MPERC Approved	Actually achieved
1	ATPS Chachai	3646	4087
2	STPS Sarni	2996	3211
3	SGTPS Birsingpur	2850	2977
4	Total	2999	3198
5	MPPGCL Share		3169

- 3.13 Actual heat rate achieved by the MPPGCL is higher as compared to the target fixed by the Commission. According to the MPPGCL, the poor heat rate is attributable to the inferior quality of coal which is supplied by the coal companies when compared to the design parameters. Further, the age of the plants and the inadequate maintenance work due to paucity of funds are also the factors responsible for poor heat rate. There have been deferments of overhauling, partial loading and frequent stoppages of units. All this has led to the poor heat rate for the MPPGCL thermal power stations.
- 3.14 The Commission is of the opinion that these are operational inefficiencies attributable to inefficient management. The Commission is not in agreement with the reasons advanced by the Company as the Commission has been approving funds in the past for repair and maintenance of the plants and has always encouraged the MPPGCL to carry out required Renovation and Modernisation works. The Commission has, accordingly considered rates approved in generation tariff order for FY 2005-06 for true-up.

Specific Oil Consumption

- 3.15 Considering the historical trends, proposal of the MPPGCL, recommendation of CEA, technological limitations and target of 2 ml/KWh set by CERC for similar units, the Commission for FY 2005-06 had fixed the following targets for specific oil consumption in the generation tariff order for FY 2005-06:

Table 19: Specific Oil Consumption as approved in Tariff order (ml/KWh)

Particulars		For FY 06	
		Proposed by MPPGCL	MPERC approved
1	ATPS PH1	14.30	13.50
2	ATPS PH2	7.43	6.00
	ATPS Chachai	8.39	7.08
3	STPS PH 1	5.21	4.50
4	STPS PH 2	1.66	2.00
5	STPS PH 3	1.65	2.00
	STPS Sarni	2.61	2.66
6	SGTPS PH 1	2.04	2.00
7	SGTPS PH 2	1.69	2.00
	S GTPS Birsinghpur	1.86	2.00

3.16 The MPPGCL in the true-up petition filed has stated that secondary oil is required to support thermal generating units during start ups and shut downs for safe operations of the units and for stabilization of unit during partial loading. This means larger the number of partial loadings and shut downs of the units, higher is the secondary oil consumption. Secondary oil consumption also depends on the design of the unit and increases with the vintage. The MPPGCL has further said that for these reasons the higher specific oil consumption is inevitable. The MPPGCL has thus requested the Commission to permit the specific fuel consumption as per actual consumption provided below.

Table 20: Actual specific Oil consumption (ml/KWh)

Particulars		Specific oil Consumption 06	
		MPERC Approved	Actual Achieved
1	ATPS Chachai	7.08	8.06
2	STPS Sarni	2.66	3.63
3	SGTPS Birsinghpur	2.00	1.48
4	Total		3.22
5	MPPGCL Share		2.89

3.17 The Commission is of the view that all the reasons mentioned above like partial loading, frequent shut down etc. are under the control of the MPPGCL. As far as vintage of plants is concerned, the Commission had already factored this while determining the target. Hence, the Commission has considered the specific oil consumption as approved in the generation tariff order for FY 2005-06 for true-up purpose. Here it is important to note that in case of SGTPS, the MPPGCL has achieved the specific fuel consumption of 1.48 ml/KWh against the target of 2 ml/KWh. The Commission appreciates this performance of SGTPS and expects the MPPGCL to repeat the same performance in other stations as well. The Commission by allowing specific fuel consumption of 2 ml/KWh against actual consumption of 1.48 ml/KWh is giving incentive to the petitioner.

Net Calorific Value (NCV)

- 3.18 While filing for tariff of FY 2005-06, the MPPGCL had provided the actual NC values of coal fired for the period April 2004 to March 2005 for all its three power stations. The Commission computed a weighted average mean for this period and assumed that this would be also the value of NCV of coal fired in FY06. However, the MPPGCL in the present true-up petition has requested the Commission to consider the calorific value of the coal on the actual quality of coal received. The MPPGCL has submitted that calorific value of the coal received is beyond its control. The MPPGCL has to accept the quality as supplied by the Coal Companies as per the coal linkages. Hence, the petitioner has requested the Commission to consider the actual calorific value of the coal received for the purpose of calculating the true-up cost of coal consumption.
- 3.19 The Commission directed the petitioner in the officer's level meeting held at Bhopal on 24th October 2007 to submit the detailed records of the calorific value of the coal received. In the reply the MPPGCL submitted the detailed daily records of the proximate analysis of the coal for all its three generating stations. In view of the petitioner's contention to consider the actual calorific value of the coal supported with the records maintained by the petitioner in this regard, the Commission has decided to take the actual calorific value of the coal for calculating the cost of coal for true-up. The calorific value accepted by the Commission for calculation is as under:

Table 21: Calorific Value

Stations	Approved CV (Kcal/kg)	Actual CV (Kcal/kg)
ATPS Chachai	4649	4510
STPS Sarni	3554	3471
SGTPS Birsinghpur	3948	3888

Coal Costs

- 3.20 In the generation tariff order for FY 2005-06, the Commission considered the weighted average cost of coal received in FY 2004-05 for ATPS Chachai. Whereas for STPS Sarni and SGTPS Birsinghpur, the weighted average cost paid during the period April 04 to December 04 (for which the data was made available to the Commission) was considered. The rates considered for the computation of coal cost for FY 2005-06 for respective power stations in the generation tariff order are as given in the table below:

Table 22: Cost of Coal as per Tariff order

Stations	Rs/MT	Rs/MT (Approved)
ATPS Chachai	1151.59 (March, 2005)	1119.67
STPS Sarni	1287.00 (December 2004)	1232.77
SGTPS Birsinghpur	1196.00 (December, 2004)	1107.28

3.21 The Commission in the generation tariff order of FY 2005-06 stated that the MPPGCL may file a petition according to a VCA (Variable Cost Adjustment) formula if there were any deviations from the price considered by the Commission in its coal cost computation and the actual price of the coal received. The MPPGCL has not filed any petition for claiming the VCA for the fuel cost. However, in the subject true up petition, the MPPGCL has submitted that due to rise in the prices of coal and oil, the fuel cost of the generation has gone up. The rates of coal and oil are beyond the control of the MPPGCL. The MPPGCL has requested the Commission to permit to pass-through the impact of actual rates of coal and oil. The Commission accepts the request. For the purpose of determination of true-up amount, the Commission has taken the actual price of coal as submitted by MPPGCL and reflected in the audited statements of accounts of the Company for FY 2005-06.

Table 23: Actual Coal and Oil Rate

S No	Particulars	ATPS Chachai	STPS Sarni	SGTPS Bir'pur	MPPGCL Share
1	Coal Rate				
	Cost in Books Lakh Rs.	9390.06	64205.08	36094.82	109689.96
	Quantity Consumed LMT	8.18	50.25	29.81	88.25
	Rate Rs./MT	1147.66	1277.60	1210.78	1242.98
2	Secondary Oil Rate				
	Cost in Books Lakh Rs.	1224.33	3213.77	1205.60	5643.71
	Quantity Consumed kL	7078	17285	6431	30794
	Rate Rs./kL	17297.44	18593.22	18746.72	18327.43

3.22 The Commission has calculated the cost of coal consumed, by taking the normative heat rate as fixed by the Commission, actual gross generation, actual calorific value and actual price of coal.

Table 24: Cost of Coal for True up

Station	Gross Generation (MUs)	Station Heat Rate (Kcal/KWh) as per order dated 25/01/2006	Calorific Value (Kcal/Kg) as submitted and accepted	Specific coal Consumption (Kg/KWh) as per calculations	Price of Coal as per balance sheet in Rs.	Cost of Coal in Rs. Crore
ATPS	928.00	3646	4510	0.8	1147.66	85.47
STPS	6228.00	2996	3471	0.86	1277.6	682.22
SGTPS	3923.00	2850	3888	0.73	1210.78	348.18
	11079.00					1115.87

Transit and Stacking losses

- 3.23 The Commission in the generation tariff order for FY 2005-06 had fixed the transit and stacking losses as given in the table below. These norms were not in line with the CERC norms but the Commission had stated that these norms should converge with the CERC norms in due course of time. It was directed that for reducing transit and stacking losses, if any investment is required, the MPPGCL may submit the plan for same. In case, the MPPGCL is not reducing losses, the Commission in future will not pass the cost to the consumers.

Table 25: Transit losses as approved in tariff order and the coal cost for losses

Name of the Station	Transit and Stacking Losses	Coal Cost for Losses in Rs. Crore
ATPS	0.8%	0.68
STPS	1.1%	7.51
SGTPS	2.0%	6.96
Total		15.15

Oil cost Calculation

- 3.24 The Commission has calculated the cost of oil consumed, by taking the normative specific fuel consumption as fixed by the Commission in its generation tariff order for FY2005-06, actual gross generation and actual price of oil.

Table 26: Cost of Oil

Station	Gross Generation (MUs)	Specific oil Consumption as per tariff order (ml/kWh)	Price of oil as per balance sheet Rs./kL	Cost of oil in Rs. Crore
ATPS	928.00	7.1	17297	11.40
STPS	6228.00	2.66	18593	30.80
SGTPS	3923.00	2	18746	14.71
<i>Total</i>	<i>11079</i>			56.91

Other Costs

- 3.25 In addition to coal cost and oil cost there are, some other fuel related costs and entry tax. Costs allowed by the Commission for FY 2005-06 are given below.

Table 27: Other Fuel related Cost as Approved in FY06 Tariff Order (Rs. Crore)

Stations	ATPS	STPS	SGTPS	Total
Fuel related Cost	0.48	5.94	5.52	11.94
Entry Tax	2.64	19.01	10.53	32.18
Total	3.12	24.95	16.05	44.12

3.26 As per the true-up petition filed, the other fuel related costs related to generation are given below:

Table 28: Other Fuel related Costs assubmitted in the Petition (Rs. Crore)

Stations	Fuel Related	Lubricant	Entry Tax	Total
ATPS	1.11	2.43	0.00	3.54
STPS 1	2.16	0.75	3.42	6.33
STPS 2&3	4.83	2.04	7.88	14.75
Sarni	6.99	2.79	11.30	21.08
SGTPS	3.87	0.83	7.069	11.77
Total	11.97	6.05	18.37	36.39

3.27 Actual expenditure on account of fuel related expenditure was Rs. 11.97 Crore against Rs. 11.94 Crore as approved by the Commission. Similarly, the expenditure due to lubricant was Rs. 6.05 Crore as against Rs. 6.60 Crore as approved by the Commission. Entry tax is tax imposed by government and hence it is being allowed on actual basis. The Commission approves the amount of Rs. 36.39 Crore related to other fuel costs as shown in table above.

Total Variable Cost of Generation

3.28 Total Variable Cost of generation comes out to be as follows.

Table 29: Variable Cost of Generation(Rs. Crore)

Stations	Coal Cost	Transit Losses for Coal	Oil Cost	Other Cost	Total
ATPS	85.47	0.68	11.40	3.54	101.09
STPS	682.22	7.51	30.80	21.08	741.60
SGTPS	348.18	6.96	14.71	11.77	381.62
Total	1115.87	15.15	56.91	36.39	1224.31

Computation of Annual Fixed Charges

Repair and Maintenance Expense

- 3.29 The Commission for FY 2005-06 first approved R&M cost at amount actually spent in FY 2004-05 corrected for inflation of 6% i.e. Rs. 123.59 Crore. But the amount passed was only for the share of the MPPGCL and not for the 100% installed capacity. The Commission allowed a proportionate increase for share in bilateral stations located in Madhya Pradesh. Hence, an amount of Rs.131.91 Crore was finally allowed for FY 2005-06. The Commission also said in the generation tariff order of 25/01/2006 that it may permit higher expenditure on repair and maintenance if the same is actually spent, while trueing up the expenditure at a later stage.
- 3.30 The table below elaborates the station-wise repair and maintenance expenditure as approved by the Commission in the FY 2005-06 order. The approved amount was allocated to various stations on the basis of estimation done by the MPPGCL and considering full generation from Sarni Phase I, Gandhi Sagar, PENCH and Rajghat.

Table 30: R&M Expense as Approved in the Tariff Order (Rs. Lakh)

Sl. No.	Particulars	Approved
1	ATPS	2108.00
2	STPS	5669.00
3	SGTPS	5079.00
	Total Thermal	12856.00
4	Gandhi Sagar	84.00
5	PENCH	87.00
6	Rajghat	22.00
7	Bargi	16.00
8	Bansagar-I (Tons)	102.00
9	Bansagar-II (Silpara)	10.00
10	Bansagar-III (Devlond)	11.00
11	Birsinghpur	3.00
12	RPS Sagar	0.00
13	Jawahar Sagar	0.00
	Total Hydel	335.00
	Total Thermal & Hydel	13191.00

- 3.31 The amount approved above was prorated for 10 months of existence to Rs. 109.9 Crore only. Actual expenditure done by the MPPGCL for the year was more than Rs.109.9 Crore. For the 10 months the MPPGCL spent Rs.114.04 Crore on R&M. Actual R&M Expenditure claimed by the MPPGCL is given below.

Table 31: True up amount claimed

Particulars		Actual for 10 Months (Rs. Crore)
1	ATPS Chachai	19.23
2	STPS Sarni PH 1	16.55
3	STPS Sarni PH 2&3	35.92
4	STPS Sarni	52.47
5	SGTPS Birsinghpur	38.16
6	Thermal	109.85
7	Bansagar	2.48
8	Pench	0.64
10	Birsinghpur	0.04
11	Bargi	0.29
12	Gandhi Sagar	0.58
13	Rajghat	0.16
14	Hydel	4.19
16	Total	114.04

- 3.32 The MPPGCL stations are old and in the past maintenance of the stations was neglected because of the poor financial condition and acute power shortage in the State. Hence, historically expenditure was less than what was required. The Commission thus in order to encourage proper maintenance and as stated in the tariff order, approves the actual expenditure done by the MPPGCL i.e. Rs. 114.04 Crore.

Administration and General Expenses

- 3.33 The Commission approved figure of Rs.13.05 Crore as net A&G expenses for FY 2005-06 but the approved cost was reworked to Rs. 13.62 Crore considering entire generation from Sarni PH I, Gandhi Sagar, Pench and Rajghat as given in the table below:

Table 32: A&G Expenses as Approved by MPERC in FY 06 Tariff Order (Rs. L)

Sl. No.	Particulars	Projected	Approved
1	ATPS	154.00	133.00
2	STPS	438.00	426.00
3	SGTPS	717.00	622.00
	Total Thermal	1309.00	1181.00
4	Gandhi Sagar	2.00	3.00
5	Pench	4.00	6.00
6	Rajghat	9.00	15.00
7	Bargi	20.00	18.00
8	Bansagar-I (Tons)	127.00	110.00
9	Bansagar-II (Silpara)	12.00	10.00
10	Bansagar-III (Devlond)	14.00	12.00
11	Birsinghpur	7.00	6.00
12	RPS Sagar	8.00	0.00
13	Jawahar Sagar	15.00	0.00
	Total Hydel	219.00	181.00
	Total Thermal & Hydel	1528.00	1362.00

The above amount was reduced pro-rata to Rs. 10.88 Crore for 10 months.

- 3.34 The MPPGCL has filed in the petition that one of the major reasons for the increase in the A&G expenditure in FY 2005-06 was payment of fee to the Registrar of Companies for enhancing the authorized capital from Rs. 1 Crore to Rs. 2500 Crore. The MPPGCL has further improved upon its policy of loading Store Incidental (SI) Charges on the material. In the earlier policy, at the time of issue of material from various store units, Store Incidental Charges were added to the procurement price. At a later stage, for any additional amount loaded on account of such as Store Incidental Charges credit entries were passed back to A&G expenses, for necessary reconciliation. Due to this, as against the credit entries in the past, a debit balance of Rs.10 Crore approx. is reflected in the actual balance sheet for 10 months. According to the MPPGCL, this expenditure has not adversely affected the consumer except in simple change of procedure. Earlier, this expenditure was got loaded on cost of various materials issued from stores utilized in various Repair & Maintenance activities and construction activities. Excess of Store Incidental Charges loaded on such issues was credited to A&G expenditure to neutralize artificial increase in material cost of works. The MPPGCL has reduced the rate of SI charges to be loaded on issues from stores now. Due to change of this policy more realistic figures are appearing in A&G and repair and maintenance expenditures now.
- 3.35 The table below elaborates working of the MPPGCL's share expenditure of A&G, as reflected in audited accounts of the MPPGCL comparable with that approved by the Commission for 10 months of FY 06.

Table 33: A&G Expenses as per audited Accounts and as submitted by the MPPGCL (Rs. Lakh)

Particulars	As Per Balance Sheet	On Share Basis		% Share of MPPGCL	Expense on 100% Capacity Basis
		Allocation of HQ Expenses	RAO Expenses+ HQ Allocation		
ATPS Chachai	74.00	-40.00	34.00	100%	34.00
STPS Sarni PH 1	77.00	-26.00	51.00	60%	86.00
STPS Sarni PH 2&3	242.00	-113.00	129.00	100%	129.00
STPS Sarni	319.00	-139.00	181.00		215.00
SGTPS Birsinghpur	1632.00	-115.00	1517.00	100%	1517.00
Thermal Total	2025.00	-293.00	1731.00		1766.00
Bansagar	214.00	-55.00	159.00	100%	159.00
Pench	7.00	-15.00	-7.00	67%	-11.00
Birsinghpur	2.00	-3.00	-1.00	100%	-1.00
Bargi	14.00	-12.00	2.00	100%	2.00
Gandhi Sagar	15.00	-8.00	7.00	50%	15.00
Rajghat	19.00	-3.00	16.00	50%	32.00
JawaharSagar	19.00	-7.00	12.00	50%	0.00
Ranapratap Sagar	16.00	-12.00	4.00	50%	0.00
Hydel Total	307.00	-114.00	193.00		196.00
HQ / Others	-408.00	-408.00			
Sub Total	1924.00		1924.00		1962.00
Malwa	1.00		1.00		
Total	1925.00		1925.00		

- 3.36 The Commission has scrutinized the A&G expenses of the Company and agrees with the argument of the Company. The Commission hence approves the A&G expenses as filled by the MPPGCL i.e. Rs.19.62 Crore.

Employee Expenditure:

- 3.37 The Commission for FY 2005-06 determined the allowable net employee cost by allowing an inflationary increase of 6% over net actual payout of Rs. 97.28 Crore in FY 2004-05. The Commission for FY 2005-06 estimated and allowed net employee expenses to be Rs 103.22 Crore against the projected expenses by the MPPGCL of Rs. 141.76 Crore. The approved cost was reworked to Rs. 110.63 Crore considering entire capacity of Sarni PH I, Gandhi Sagar, Pench and Rajghat and no capacity for Rana Pratap Sagar and Jawahar Sagar projects as shown here under :-

Table 34: Employee Expenditure as per FY06 Tariff (Rs. Crore)

Sl. No.	Particulars	Projected	Approved
1	ATPS	29.40	22.03
2	STPS	55.17	46.32
3	SGTPS	32.90	24.66
	Total Thermal	117.48	93.01
4	Gandhi Sagar	1.45	2.17
5	Pench	1.69	1.90
6	Rajghat	0.94	1.41
7	Bargi	1.80	1.35
8	Bansagar -I (Tons)	11.53	8.64
9	Bansagar -II (Silpara)	1.09	0.82
10	Bansagar -III (Devlond)	1.28	0.96
11	Birsinghpur	0.50	0.37
12	RPS Sagar	2.22	
13	Jawahar Sagar	1.78	
	Total Hydel	24.28	17.62
	Total Thermal & Hydel	141.76	110.63

The above amount was pro-rata reduced to Rs. 92.19 Crore for 10 months.

- 3.38 The MPPGCL in their true-up petition has submitted the detailed working for determination of employee expenses for FY 2005-06 comparable with Commission's order as under:-

Table 35: Actual Employee Cost (Rs. Lakh)

Particulars	On Share Basis			% Share of MPPGCL	Expense on 100% Capacity Basis
	As Per Balance Sheet	Allocation of HQ Expenses	RAO Expenses+ HQ Allocation		
ATPS Chachai	1527.00	128.00	1655.00	100%	1655.00
STPS Sarni PH 1	756.00	83.00	839.00	60%	1398.00
STPS Sarni PH 2&3	2913.00	366.00	3279.00	100%	3279.00
STPS Sarni	3669.00	449.00	4118.00		4677.00
SGTPS Bir'pur	1808.00	370.00	2178.00	100%	2178.00
Thermal Total	7005.00	947.00	7951.00		8510.00
Bansagar	614.00	179.00	792.00	100%	792.00
Pench	88.00	47.00	135.00	67%	203.00
Birsinghpur	35.00	9.00	44.00	100%	44.00
Bargi	166.00	40.00	206.00	100%	206.00
Gandhi Sagar	100.00	25.00	125.00	50%	251.00
Rajghat	50.00	10.00	60.00	50%	120.00
JawaharSagar	92.00	22.00	114.00	50%	
Ranapratap Sagar	115.00	38.00	153.00	50%	
Hydel Total	1260.00	369.00	1629.00		1616.00
HQ / Others	1316.00	1316.00			
Sub Total	9580.00		9580.00		10126.00
Malwa	13.00		13.00		
Total	9594.00		9594.00		

3.39 The MPPGCL has further requested to the Commission that the increase in the employee expenditure is because of salary revision. This salary revision was pending at the time of issue of order itself. The Commission appreciates the facts and allows the rise in employee expenditure on the basis of the actual expenditure. The Commission hence approves the employee expenses as filled by the MPPGCL i.e. Rs.101.26 Crore.

3.40 Simultaneously, the Commission wants to bring this to the notice of the MPPGCL that the employee strength of the company per MW is much higher as compared to NTPC. The company should try hard and reduce this. While it is necessary to reward employees and keep up the morale at the same time it is also necessary to increase the productivity of the employees. The MPPGCL should take appropriate measures in this regard so that the inefficiency of the MPPGCL is not passed on to customers.

Depreciation

3.41 The Commission had approved the depreciation claim over the assets provided by the balance sheet of the MPPGCL. Station-wise approved depreciation is given in table below.

Table 36: Station wise approved Depreciation for FY06 (Rs. Lakh)

Sl. No.	Particulars	Opn. Gross Block	Depreciation	Dep %
1	ATPS	14397	91	0.6%
2	STPS	60685	590	1.0%
3	SGTPS	211506	7339	3.5%
	Total Thermal	286587	8019	2.8%
4	GandhiSagar	1029	8	0.8%
5	Pench	8750	116	1.3%
6	Rajghat	8275	219	2.7%
7	Bargi	7727	194	2.5%
8	Bansagar-I (Tons)	94225	1963	2.1%
9	Bansagar-II (Silpara)	11965	249	2.1%
10	Bansagar-III (Devlond)	17948	374	2.1%
11	Birsinghpur	5212	133	2.6%
	Total Hydel	155131	3257	2.1%
	Total Thermal + Hydel	441719	11276	2.6%

3.42 The Generating Company for 10 months of its operations was entitled to recover Rs. 93.97 Crore. The MPPGCL has claimed depreciation on the assets as shown in the asset register prepared by the Company after the directives of the Commission and for the 100 % installed capacity. In order to have better accuracy of results, the MPPGCL has computed Item-wise depreciation applicable for the tariff purposes in the manner as prescribed by the Commission. Further, in order to accommodate the difference in the Assets (on account of reconciliation) the depreciation amounts for respective power stations have been corrected by the MPPGCL. The depreciation as proposed in the petition is elaborated in the table below:-

Table 37: Depreciation as Proposed by MPPGCL in True up Petition

Particulars		Depreciation for FY 06 (10 Months) Rs. Lakh
1	ATPS Chachai	91
2	STPS Sarni	535
3	SGTPS Birsinghpur	6234
4	Total Thermal	6860
5	Gandhi Sagar	13
6	Rana Pratap Sagar	0
7	Jawahar Sagar	0
8	Pench	145
9	Rajghat	365
10	Bargi	174
11	Bansagar	2161
12	Birsinghpur Hydel	111
13	Total Hydel	2969
14	Total MPPGCL	9829

- 3.43 In the generation tariff order for FY 2005-06, the Commission had approved the depreciation for share of MPPGCL and not for the 100% installed capacity. The Commission stated in the Para 6.29 of said generation tariff order that *‘However, if the company has for any reason not counted the depreciation entitlement for that portion of shared projects which were funded by partner states, the MPPGCL may provide the details and the Commission will allow the eligible depreciation’*. The Commission has thus considered the depreciation for the 100% installed capacity as filed by the petitioner and allows the same for true-up.

Table 38: Depreciation as allowed by the MPERC for True up (in Rs Lakh)

Sl. No.	Name of the Station	Depreciation for 100% installed capacity
1	ATPS Chachai	76
2	STPS Sarni PH 1	72
3	STPS Sarni PH 2&3	448
4	STPS Sarni	521
5	SGTPS Birsinghpur	6116
6	Thermal	6712
7	Bansagar	2155
8	Pench	145
9	Birsinghpur	111
10	Bargi	162
11	Gandhi Sagar	13
12	Rajghat	365
13	JawaharSagar	
14	Ranaprāp Sagar	
15	Hydel	2951
17	Total	9663

- 3.44 The Commission appreciates the effort of the MPPGCL in preparing the asset register. However, the Commission observes that the opening gross asset value of the fixed assets as per the asset register is Rs. 4480.40 Crore as against the provisional balance sheet figure of Rs. 4452.59 Crore. The Commission, at present has considered the depreciation on gross block indicated in the provisional opening balance sheet, corrected for 100% installed capacity of the shared projects. The depreciation as worked out by the petitioner for the asset value indicated in the asset register has not been considered. In the final balance sheet if the asset value is changed and the MPPGCL makes necessary corrections in the asset registers, the Commission will consider to allow the depreciation on same.

Interest and Finance Charges

- 3.45 Opening balance sheet of the MPPGCL shows following details of the long term liability of the company.

**Table 39: Loans as Shown in the Opening Balance Sheet of the MPPGCL
(Amount in Rs. Crore)**

Loan 1 Power Finance Corporation (PFC)	Loan 2 Rural Electrification Corporation (REC)	Loan 3 LIC of India (LIC)	Loan 4 Centrally Sponsored Schemes (CSS)	Loan 5 Generic	Total
1120.00	334.00	488.00	3.00	259.00	2204.00

- 3.46 The Commission had asked the MPPGCL to show proof of these loans having been utilised for creation of assets. In the tariff order of FY 2005-06, in the absence of details of the purpose for which the loans from REC, LIC, CSS and Generic loans of the MPSEB had been contracted in the past, the Commission had not accepted these loans as project specific loans and had treated them as loan towards working capital purposes.
- 3.47 The MPPGCL was able to establish the purpose of the loans, which were contracted with Power Finance Corporation only. The Commission allowed the interest liability to be recovered through the ARR in the generation tariff order for FY 2005-06 as indicated in the table below:

Table 40: Station wise break-up of interest liability for FY06 (Rs. Lakh)

Sl. No.	Particulars	Total
1	ATPS	119.00
2	STPS	172.00
3	SGTPS	1864.00
	Total Thermal	2156.00
4	GandhiSagar	
5	Pench	
6	Rajghat	52.00
7	Bargi	
8	Bansagar -I (Tons)	774.00
9	Bansagar -II (Silpara)	74.00
10	Bansagar -III (Devlond)	147.00
11	Birsinghpur	
	Total Hydel	1047.00
	Total Thermal+Hydel	3203.00

- 3.48 The Commission allowed the interest liability of Rs. 26.69 Crore as pro-rated for 10 months.
- 3.49 In the true-up petition, the MPPGCL has reworked the interest liability taking, LIC loan, REC loan, CSS loan and MPSEB loan as project specific loan and has requested the Commission to allow interest charges on these loans. The petitioner has requested the Commission to allow them the interest amount of Rs. 106.02 Crore as given in the table below:

Table 41: Loan wise break up of interest liability for FY06 (Rs. Crore)

Particulars of Loan	Actual Paid by MPPGCL for 10 Months
PFC	29.28
REC	23.94
LIC	25.13
CSS	0.02
MPSEB (Generic)	25.90
Financing Charges	1.75
Total	106.02

- 3.50 The Commission, in its generation tariff order for FY 2006-07 to FY 2008-09, while allowing the interest charges had directed the petitioner to file the records so as to establish the links of the loans with the projects. In response, the petitioner, against the LIC loan of Rs. 488 Crore (as indicated in the provisional opening balance sheet) had submitted the details of Rs. 419 Crore. With due scrutiny of the data the Commission found the loans of Rs. 371.66 Crore could be identified with SGTPS , Birsingpur. The Commission thus allowed the interest on this amount in the generation tariff order of FY 2006-07 to 2008-09.
- 3.51 In the present petition for true-up of the generation tariff for FY 2005-06, the petitioner has requested the Commission to allow the interest on the LIC loan amount of Rs. 371.66 Crore, as this has already been identified by the petitioner as project specific loans. The MPPGCL vide its submission of 20/12/2007 has confirmed that the rate of interest on LIC loans is 9% per annum. Accordingly, the interest liability towards this loan has been worked out to Rs 27.87 Crore for 10 months. The audited statement of accounts for FY 2005-06 indicates the interest charges against the LIC loans are Rs. 25.13 Crore. Hence, the Commission allows the interest of Rs. 25.13 Crore for 10 months.
- 3.52 Similarly, in the generation tariff order for FY 2006-07 to 2008-09, the Commission allowed the interest amount of Rs. 0.02 Crore on the CSS loan of Rs. 0.34 Crore after the petitioner could establish the loan with STPS, Sarni. In the audited statement of account of FY 2005-06, an amount of Rs. 1.59 Lakh has been indicated as interest against the CSS Loans. The Commission allows the recovery of the same.
- 3.53 In the true-up petition the petitioner has submitted that against the interest liability allowed on the project specific loans i.e. the PFC loans, it has actually paid an amount of Rs. 29.28 Crore. This has actually been confirmed from the audited statement of accounts for FY 2005-06. It indicates interest on PFC loans is of the order of Rs. 98.59 Crore and the interest capitalised is Rs. 69.31 Crore. Hence, the Commission allows the amount of Rs. 29.28 Crore towards the interest charges.

- 3.54 In the true-up petition, the MPPGCL has claimed the finance charges of Rs. 175.24 Lakh. The audited statement of accounts reveals that out of this amount Rs. 62.37 Lakh has been for penal interest / commitment charges. The Commission allows the finance charges to the extent of Rs. 112.97 Lakh after disallowing the penal / commitment charges.
- 3.55 The Commission thus approves Rs. 55.56 Crore (Rs.29.28 Crore for PFC, Rs. 25.13 Crore for LIC, Rs. 0.02 Crore for CSS Loans and Rs. 1.13 Crore finance charges) towards interest and finance charges for 10 months. The Commission had already stated in the generation tariff order for FY 2005-06 and once again repeats that interest on any loan that cannot be identified with a project cannot be claimed for recovery. Hence, the Commission does not allow any other true-up except as indicated above on account of interest and finance charges.

Working Capital

- 3.56 The companies are also eligible for Interest on Working Capital to be determined considering the norms specified by the MPERC on normative basis. The norms provide working capital covering cost of 45 days coal stock, 60 days stock of secondary oil, 30 days O&M expenditure, 1% of opening Gross Block as maintenance spares and 2 months' receivables. Accordingly, the MPPGCL has indicated in the petition the normative requirement of working capital of Rs 667.86 Crore as given below:

Table 42: Normative Working Capital Requirement as filed by the Petitioner

S. No.	Particulars		Actual		
			Thermal	Hydro	Total
			Lakh Rs.	Lakh Rs.	Lakh Rs.
1	Fuel Cost for Working Capital Requirement	Coal Cost	121727.51		121727.51
2		45 Days Requirement	18018.87		18018.87
3		Oil Cost	9088.45		9088.45
4		60 Days Requirement	1514.74		1514.74
5		Total for Working Capital	19533.62	0.00	19533.62
6	One month O&M Requirement	Repair & Maint. Expenditure			
7		Employee Expenditure			
8		A&G Expenditure			
9		Total	21261.32	2230.57	23491.89
10		Total for Working Capital (One Month)	2098.16	220.12	2318.28
11	Maintenance Spares	Gross Fixed Assets	290564.06	157714.92	448278.98
12		1% of Gross Fixed Assets	2905.64	1577.15	4482.79
13		Total for Working Capital	1514.74	2318.28	4482.79
14	Receivables	Annual Revenue from Sale of Power & Other	188866.71	16090.85	204957.56
15		2 Months Receivables	37276.32	3175.83	40452.15
16		Total for Working Capital	37276.32	3175.83	40452.15
17	Total Working Capital		60422.84	5714.23	66786.83

- 3.57 There are some long term loans which are not associated with any specific project. The Commission in the generation tariff order for FY 2005-06 has taken a view that any long term loan not associated with project will be treated as working capital loan. Long term loans that are not associated with project are as follows:

Table 43: Long Term Loans not associated with any Project.

Particular	Amount in Crore
LIC Loan	116.34
REC Loan	334.00
MPSEB Loan	259.00
CSS Loan	2.66
Total	712.00

- 3.58 Thus against the total working capital requirement of Rs 667.86 Crore as indicated by the petitioner, the MPPGCL has funding of 712.00 Crore. The Commission stands by the view taken in generation tariff order of FY 2005-06 and considers this balance amount of unidentified loans of Rs. 712.00 Crore as utilized for working capital. The Commission is allowing interest @ 12.75% on this amount. Interest on working capital comes out to be Rs 90.78 Crore. When prorated for 10 months this amount comes to Rs. 75.65 Crore.

- 3.59 The Commission, therefore, allows the interest and finance charges as given below:

Table 44: Interest and Finance Charges as approved by the Commission

Amount in Rs. Crore				
Sl. No.	Interest and finance charges on	As approved by Commission in Generation Tariff Order for FY 2005-06	As proposed by the Petitioner in the true-up petition	As allowed by the Commission in true up
1	Project Loans	26.69	106.02	55.56
2	Working Capital	113.88	70.96	75.65
3	Total	140.56	176.98	131.21

Non-Tariff Income

- 3.60 The non-tariff income is the income generated by the MPPGCL from all other sources except sale of power e.g. interest on fixed deposits and investments, trading business like sale of scrap etc., delayed payment surcharge and incidental income like incentive due to securitization of CPSUs dues in pursuance with the Montek Singh Ahluwalia (MSA) Committee's report, etc. In the non-tariff income the major component is the incentive amount receivable due to securitization of CPSUs dues in pursuance of Montek Singh Ahluwalia Committee's report i.e. Rs. 24.92 Crore. The break-up of non-tariff income as approved by the Commission in 10 months of FY 2005-06 is as under:

Table 45: Break-up of Non-Tariff Income Approved by the MPERC in FY06 Tariff Order

Particulars		Amount in Rs. Crore
1	Interest on Fixed Deposits / Investments	0.00
2	Interest from Banks	0.00
3	Interest from Advances to Staff	0.11
4	Income from Trading	1.11
5	Incentive due to Securitisation of CPSU Dues (Montek Singh Alhu. Comm.)	24.92
6	Misc. charges from consumers	3.40
7	Total	29.55

- 3.61 As per the audited statement of account for FY 2005-06, the amount is Rs 21.72 Crore. This contains only Rs.12.48 Crore towards the incentive amount receivable due to securitization of CPSUs dues in pursuance of Montek Singh Ahluwalia Committee's report. The details are given here under:

Table 46: The Non Tariff Income as per Audited Accounts

Particular		Amount in Rs. Crore
1	Interest on Fixed Deposits / Investments	0.00
2	Interest from Banks	8.69
3	Interest from Advances to Staff	0.30
4	Income from Trading	0.00
5	Incentive due to Securitisation of CPSU Dues (Montek Singh Alhu. Comm.)	12.48
6	Misc. charges from consumers	0.25
7	Total	21.72

- 3.62 The Commission considers approving the amount of Rs. 21.38 Crore (on 100% capacity basis) as proposed by the petitioner as non-tariff income for true-up purposes as this has been indicated in the audited statement of account of the Company. The balance amount, if any, figures in the subsequent years' audited statements of account, the same shall be considered by the Commission in that year's petition.

Water Cost

- 3.63 In the generation tariff order of FY 2005-06, the Commission approved water cost as shown in the table below.

Table 47: Water Charges as Approved in FY06 Tariff Order (Rs. Lakh)

Station	Water Cost
ATPS Chachai	5.00
STPS Sarni	20.00
SGTPS Birs.	10.00
Thermal	35.00
Gandhi Sagar	168.75
Pench	0.00
Bir'pur Hydel	0.00
Bansagar-I (Tons)	166.00
Bansagar-II (Silpara)	16.00
Bansagar-III (Devlond)	18.00
Bargi	675.00
Rajghat	67.50
Hydel	1111.00
Thermal & Hydel	1146.00

3.64 Against this approved cost, actual expenditure of the MPPGCL was as shown in the table below. This expenditure was on account of water charges paid by the MPPGCL to the Government of M.P. The increase in expenditure under this head is because of revision of charges by the government. As this is an unavoidable cost, the Commission intends to approve the same.

Table 48: Station wise Actual Cost of Water charges (Lakh Rs)

Particular		Actual for 10 M
1	ATPS Chachai	0.00
2	STPS Sarni	0.00
3	SGTPS Birsinghpur	0.00
4	Total Thermal	0.00
5	Gandhi Sagar	94.84
6	R.P. Sagar (50%)	0.00
7	J. Sagar (50%)	0.00
8	Pench	0.00
9	Rajghat	90.82
10	Bargi	716.23
11	Bansagar-I (Tons)	
12	Bansagar-II (SILPARA)	1565.32
13	Bansagar-III (DEVLOND)	
14	Birsinghpur	0.00
15	Total Hydro	2467.21
16	Total Thermal +Hydro	2467.21

3.65 The petitioner in its supplementary submission of 20/12/2007 has indicated that the amount of Rs.24.67 Crore has been determined on the basis of the discussions held between the GoMP and the Company. The final settlement has not been done yet. This amount is not included in the audited statement of accounts for FY 2005-06. In view of this, the Commission defers the approval of the water charges till they are actually paid by the petitioner. As and when the payment is made and included in the audited statement of accounts in a subsequent financial year, the same will be allowed in that financial year.

Return on Equity

3.66 The MPPGCL, in the true-up petition has prayed to consider the adjustment on account of Equity at the time of second true-up. It has requested to keep the status in this regard as prevailing in the generation tariff order of 25/01/2006. Similarly, the Commission has permitted tax on return on the above equity as a pass through. The tax is payable as per actual and shall be claimed accordingly. The MPPGCL has proposed to keep the tax outside the scope of this true-up.

3.67 The Commission is aware of the fact that the final opening balance sheet of the successor entities of the MP State Electricity Board has not been notified by the GoMP till the date of this order. The Commission envisages a further true-up if the opening balance sheet undergoes a change. Hence, the Commission has accepted the request of the MPPGCL.

Other Expenses

3.68 The MPPGCL has also incurred other expenses amounting to Rs. 4.24 lakh as elaborated in the schedule 20 of the audited statement of account for FY 2006-07. The MPPGCL has requested before the Commission to permit the same.

Table 49: Other Expenses as per Audited Accounts (Lakh Rs)

Particulars	Amount
Compensation for injuries, death and Damages to staff	2.62
Loss on obsolesce of Stock	1.48
Others	0.14
Total	4.24

3.69 On the basis of the station-wise allocation of the above expenses, based on MW capacity for the share and proportionately for 100% capacity operated by MPPGCL, the amount will be Rs. 4.42 Lakh. The Commission has accepted the request of the petitioner and has allowed this amount in the true-up.

ARR as per the True-up Cost Calculation

3.70 The Commission has calculated the new ARR for the MPPGCL based on the revised cost on account of true-up. New ARR as Calculated is given below.

Table 50: Comparison of Actual ARR claimed, Approved ARR as per Tariff order FY06 and True up ARR

(Amount in Rs. Crore)

Particulars		Approved ARR	Actual ARR	ARR as per True up Calculated
Variable Cost Elements	Coal	1134.24	1217.28	1131.02
	Oil	53.11	76.75	56.91
	Other	36.76	35.49	36.39
	Total	1224.11	1329.51	1224.31
O&M Charges	Employee	92.19	101.26	101.26
	R&M	109.93	114.04	114.04
	A&G	11.35	19.62	19.62
	Total	213.47	234.92	234.92
Interest charges	Interest On Loan	26.69	106.02	55.56
	Interest on Working Capital	113.88	70.96	75.65
	Total Loan	140.57	176.98	131.21
Other Fixed Cost Elements	Depreciation	93.97	98.29	96.63
	Other Charges (Water charges)	15.22	24.67	0.00
	Prior Period Charges	70.80	70.80	70.80
	RoE	113.15	135.79	113.15
	Less Non Tariff Income	-29.55	-21.38	-21.38
	Total	263.59	308.17	259.20
Total	Cost Cr. Rs.	1841.74	2049.58	1849.64

3.71 Station wise allocation of the fixed charges is as shown in the table below:

Table 51: Station wise Allocation of Fixed Cost (Rs. Crore)

Station	EMPL	A&G	R&M	DEPR	Pr PD	Interest	Interest on working capital	ROE	NT	Total
ATPS	16.59	0.30	19.19	0.82	3.59	0.98	7.40	3.70	-2.10	50.47
STPS	46.78	2.19	52.47	5.03	14.98	1.57	33.68	15.51	-8.09	164.12
SGTPS	21.79	15.14	38.18	62.85	52.23	44.42	29.14	54.22	-6.90	311.07
Gandhi Sagar	2.50	0.20	0.60	0.10	0.00	0.00	0.15	0.30	-0.60	3.25
Pench	2.00	-0.10	0.60	1.03	0.00	0.00	0.35	2.20	-0.80	5.28
Rajghat	1.20	0.30	0.20	1.85	0.00	0.42	0.28	2.10	-0.20	6.15
Bargi	2.10	0.00	0.30	1.64	0.00	0.00	0.54	2.00	-0.50	6.09
Bansagar I	7.90	1.59	2.50	16.84	0.00	6.36	3.01	24.11	-2.10	60.22
BansagarII	0.00	0.00	0.00	2.16	0.00	0.60	0.37	3.10	0.00	6.23
Bansagar III	0.00	0.00	0.00	3.18	0.00	1.21	0.55	4.60	0.00	9.55
Birsinghpur	0.40	0.00	0.00	1.13	0.00	0.00	0.17	1.30	-0.10	2.90
Total	101.26	19.62	114.04	96.63	70.80	55.56	75.65	113.15	-21.38	625.33

- 3.72 Fixed Cost as calculated above is for the 10 month period and normative availability as mentioned in the tariff order of FY06. However, actual recovery will be done based on the availability as approved by the commission (in *Table 14: Approved targets considered for FY06 true-up (%)*) keeping the normative availability as the benchmark. Fixed cost recovery will as shown in the table below:

Table 52: Station wise Recovery of Fixed Cost (Rs. Crore)

Station	Target Availability	Actual Availability	True up ARR	Recovery Allowed as per True up
ATPS	50.70%	48.04%	50.47	47.83
STPS	77.10%	80.89%	164.12	164.12
SGTPS	74.80%	69.92%	311.07	290.78
Gandhi Sagar	85.00%	89.09%	3.25	3.25
Pench	85.00%	71.37%	5.28	4.44
Rajghat	85.00%	98.54%	6.15	6.15
Bargi	85.00%	93.29%	6.09	6.09
Bansagar-I	85.00%	63.83%	60.22	45.22
Bansagar-II	85.00%	92.05%	6.23	6.23
Bansagar-III	85.00%	95.80%	9.55	9.55
Birsinghpur	85.00%	96.16%	2.90	2.90
Total			625.33	586.54

- 3.73 Energy charge recovery from Thermal Power Stations will be done for the actual net generation as shown below.

Table 53: Station wise recovery of Variable Cost

Stations	Coal Cost	Transit Losses for Coal	Oil Cost	Other Cost	Total
ATPS	85.47	0.68	11.40	3.54	101.09
STPS	682.22	7.50	30.80	21.08	741.60
SGTPS	348.18	6.96	14.71	11.77	381.62
Total	1115.87	15.15	56.91	36.39	1224.31

- 3.74 As per the audited balance sheet of the Company, the tariff income for the share operated by MPPGCL is Rs 1718.21 Crore. As there was no information in the audited statement of accounts of the petitioner for FY 2005-06 for revenue from sale of power, the Commission required them to provide station-wise break-up for the revenue. In response, the petitioner had submitted the following table:

Table 54: Break up of Revenue for 10 Months as submitted by MPPGCL (Rs. Lakh)

Station	Final bill (Based on Actual Performance and Tariff Considered For MPPGCL Share)				
	Fixed Charges	Energy Charges	Cess	Incentive	Total
ATPS	5349	9334	118	0	14801
STPS	14802	62168	501	1181	78651
SGTPS	26690	34683	406	0	61779
Total Thermal	46841	106185	1025	1181	155232
Gandhi Sagar	313	0	1	13	326
Pench	431	0	0	0	431
Rajghat	592	0	0	51	643
Bargi	1151	0	0	78	1229
Birsinghpur	311	0	0	22	333
Bansagar-I	4668	0	3	0	4671
Bansagar-II	730	0	1	43	773
Bansagar-III	1094	0	0	95	1188
Total Hydel	9288	-1	6	301	9594
Grand Total	56129	106184	1031	1482	164826
Jawahar Sagar		1689			1689
Rana Pratap Sagar		2327			2327
Sub Total (Rajasthan)	0	4016	0	0	4016
GRAND TOTAL	56129	110201	1031	1482	168842
Fringe Benefi Tax					24
Montek					2955
Total					171821

3.75 Since as per the later submission, the revenue includes Montek Singh Ahluwalia Committee incentive which should have been included in the income, the Commission is not in a position to accept the same. The submission also indicates an amount of Rs. 14.82 Crore as incentive claimed for better performance of Sarni and other Stations. This incentive will be over and above the amount approved by the Commission in the table below. The calculations for incentives may be verified by the MP Power Trading Company Limited / Distribution Companies of the State.

3.76 The tariff order for FY 2005-06 issued by the Commission was for the capacity operated by the MPPGCL. The revenue is calculated by applying the tariff order rates and actual net generation and availability/capacity index submitted by the MPPGCL. The same is given in table below:

Table 55: Station wise Revenue (Rs. Crore)

Station	Actual Availability	Net MU Actual	Fixed Cost	Variable cost	Fixed Cost Recovery	Variable cost Recovery	Total
ATPS	48.04%	826	56.45	113	53.49	93.33	146.83
STPS	80.89%	5652	163.33	123	163.33	695.19	858.53
SGTPS	69.92%	3576	285.5	97	266.88	346.87	613.75
Gandhi Sagar	89.09%	136	4.51		4.51		4.51
Pench	71.36%	416	6.09		5.11		5.11
Rajghat	98.53%	131	6.87		6.87		6.87
Bargi	93.28%	525	11.51		11.51		11.51
Ban Sagar	70.66%	1146	80.23		66.4		66.4
Bir'pur Hydl	96.16%	46	3.11		3.11		3.11
Total		12454			581.21	1135.39	1716.62

True up Recovery

3.77 Based on the true-up ARR and the revenue collected by the MPPGCL, the Commission has calculated the amount to be recovered as shown in table below :

Table 56: Station wise True-up Recovery (Rs. Crore)

Station	Fixed Cost Recovery As per Tariff order	Fixed Cost Recovery As per True up ARR	Variable cost Recovery As per Tariff Order	Variable cost Recovery As per True up ARR	Total True up amount to be collected
ATPS	53.49	47.83	93.33	101.0653	2.07
STPS	163.33	164.12	695.19	741.6402	47.24
SGTPS	266.88	290.78	346.87	381.6212	58.65
Gandhi Sagar	4.51	3.25			-1.26
Pench	5.11	4.44			-0.67
Rajghat	6.87	6.15			-0.72
Bargi	11.51	6.09			-5.42
Ban Sagar	66.4	61.00			-5.40
Bir'pur Hydl	3.11	2.90			-0.21
Total	581.21	586.54	1135.39	1224.33	94.27

- 3.78 In addition to above amount of Rs 94.27 Crore, Commission has also accepted the request of the petitioner to consider recovery of other expenses of Rs 4.42 Lakh as indicated in paragraph 3.69. Hence the total amount of the true up is Rs. 94.31 Crore.
- 3.79 The Commission directs that the amount of Rs. 94.31 Crore so arrived after true-up of the generation tariff order for FY 2005-06 and the incentive of Rs. 14.82 Crore shall be recoverable in twelve equal instalments in the year 2008-09. The recovery shall begin from April 01, 2008.
- 3.80 The true-up amount as well as the incentive claimed by the petitioner shall be taken into consideration when the ARR for FY 2008-09 of the Distribution Companies of the State are finalised.
- 3.81 The ED on the auxiliary consumption and the other taxes including cess etc., if any, shall be recoverable as per actuals.

CHAPTER 4

Status of Compliance of directives given by Commission.

4.1 In the Generation Tariff Order for FY06 the Commission had given certain directions to the MPPGCL. The Generating Company has submitted the report on the compliance of those directives. In the following paragraphs the directives given in the Generation Tariff Order for FY06 have been reproduced. The present status of compliance of the directives given in the Commission's generation tariff Order of 25th January 2006 is described in further paragraphs.

4.1.1 Direction:

"The Commission again directs MPPGCL to carry out necessary R&M works for improving the performance of its generating units. MPPGCL may consider phasing out these units if it feels that these units have over lived their economic life and investment in R&M may not yield the desired results. The Company is required to submit its proposal in this regard to the Commission with a detailed cost benefit analysis within three months of this order."

(Paragraph 5.4 of Generation Tariff Order for FY06)

Status of Compliance:

Despite rigorous follow-up from the Commission Staff, the MPPGCL is yet to file a proposal for R&M of its Thermal as well Hydel units.

4.1.2 Direction:

"The Commission directs that the Generating Company and SLDC shall report the monthly availability of all the stations to the Commission and all beneficiaries (Distribution Licensees). Full details of station-wise actual availability shall also be displayed for public information on the web sites of the Generating Company and SLDC. Compliance of these directions shall be reviewed at the time of yearly review of tariff and in case of non-compliance a deduction in ARR shall be considered."

(Paragraph 5.13 of Generation Tariff Order for FY06)

Status of Compliance:

This could not be started during the FY 2005-06 but it has now been made operational from April 01, 2006. The Generating Company and the SLDC have regularly been reporting the monthly availability of all the generating stations.

4.1.3 Direction:

"The Commission further directs the MPPGCL to carry out energy audit in its thermal plants regularly and based on this audit determine SHR phase wise for all stations".

(Paragraph 5.29 of Generation Tariff Order for FY06)

Status of Compliance:

The Generating Company has started process for the energy audit of its thermal power stations. It is reported that the energy audit of Satpura Thermal Power Station has been carried out. The Report has not been submitted to the Commission. The same shall be filed with in a week from the issue of this order.

4.1.4 Direction:

“MPPGCL is being directed to upgrade its coal handling plants immediately so that these losses are minimized and do not add to the overall fuel cost.”

(Paragraph 5.42 of Generation Tariff Order for FY06)

Status of Compliance:

MPPGCL has not reported any status on this direction.

4.1.5 Direction:

“The Company is advised to explore the possibility of sourcing coal or getting more linkage from Coal Company (SECL) for its more efficient plants at Sarni and Birsinghpur, this is likely to bring down the variable cost of generation.”

(Paragraph 5.45 of Generation Tariff Order for FY06)

Status of Compliance:

During the Commission’s visit to STPS, Sarni, it was informed to the Commission that the coal linkages have been allotted by the CEA. The MPPGCL is making all efforts to get more linkages so as to avoid the shortages of coal.

4.1.6 Direction:

“The Generating Company is also directed to file from the next filing full details of the assumptions made for determining price and calorific value of the coal for each of its power stations.”

(Paragraph 5.46 of Generation Tariff Order for FY06)

Status of Compliance:

The MPPGCL has filed the details of the CV of the fuel as received at its stations.

4.1.7 Direction:

“The Generating Company is directed to establish the full details of date of contracting the loan and the purpose for which these have been contracted together with terms and conditions and intimate the same to the Commission. Henceforth, the Commission will insist on closely monitoring the borrowings of the regulated entities and necessary reporting mechanism for this purpose shall be notified separately by the Commission.”

(Paragraph 6.44 of Generation Tariff Order for FY06)

Status of Compliance:

The final opening balance sheet of the Company has not been notified by the GoMP till date. Hence the Commission has allowed the interest only on that amount of loan that has been linked by the Company with the projects.

4.1.8 Direction:

“It is directed that the Generating Company and MPSEB/Distribution Licensees may accordingly sign a PPA very soon and file it with the Commission before the end of current tariff validity period. The terms and conditions of the agreement must incorporate various terms and conditions of the tariff made applicable by the Commission through this tariff order.”

(Paragraph 7.7 of Generation Tariff Order for FY06)

Status of Compliance:

The MP Power Generating Company Limited, the MP Power Trading Company Limited and the three Distribution Companies of the State had entered into an inter-se agreement. The Commission has not accepted the agreement as it contains the cash flow mechanism which the Commission has not agreed to as it curtails the freedom of operation to the various utilities in the sense that their R&M and investment plans are dependent on the release of funds by the parent body i.e. MPSEB. Further, the GoMP has also allocated the generation capacity of the MP Power Generating Company Limited into three Distribution Companies through a notification.

4.1.9 Direction:

“The Commission directs that the Capital expenditure plan along with the financing plan for the tariff period commencing from FY07 may be submitted before the Commission for its approval. The Commission in the event of the Company not complying with this direction shall disallow additional depreciation and interest on loan borrowed for funding the capital expenditure.”

(Paragraph 7.8 of Generation Tariff Order for FY06)

Status of Compliance:

MP Power Generating Company Limited has not filed its Capital Expenditure Plan to the Commission till date.

4.1.10 Direction:

“The Company is advised to treat each power station as a strategic business unit and should prepare a separate Balance Sheet and profit and loss account for all its SBUs. The Commission also directs MPPGCL to pay attention to strengthening its accounting functions by coding its accounting policies and inducting trained accounting professionals. The accounting function needs to be fully computerised so that the requirements of the Companies Act of publishing half yearly accounting reports and finalising the financial statements within six months of the close of the financial year can be met.”

(Paragraph 7.9 of Generation Tariff Order for FY06)

Status of Compliance:

The MP Power Generating Company Limited has confirmed the adaptation of the accounting practices as directed by the Commission for FY 2006-07 onwards.

4.1.11 Direction:

“The Generating Company has till date not provided the Commission with the Fixed Asset Registers. The Company is directed to prepare its fixed asset registers and codify all its assets by October 2006. If the Generating Company fails to comply with this direction no depreciation shall be provided for FY08 when the ARR proposal shall be scrutinised in November – December 2006.”

(Paragraph 7.10 of Generation Tariff Order for FY06)

Status of Compliance:

The MP Power Generating Company Limited has prepared and submitted the asset registers to the Commission. The Commission has also accepted in principle the formats of those asset registers. However, the final asset registers shall be reconciled with the final opening balance sheet given by the GoMP.

4.1.12 Direction:

“The Commission directs the Company that in future all tariff petitions must have station wise cost identification and segregation based on their individual Balance Sheet and Profit & Loss account. Each petition must have subsections devoted to each of its stations. The Company must provide detailed reasons for these projections and segregations especially for cost item like interest liability. In the absence of these details the Commission shall draw adverse inference and the costs may be accordingly reduced.”

(Paragraph 7.11 of Generation Tariff Order for FY06)

Status of Compliance:

This shall be verified when the true-up petitions are filed by the Company in future.

4.1.13 Direction:

“The Company is advised to fill up the post of Directors as required under its Memorandum and Articles of Association and also advised to appoint fulltime Director (Operations) and Director (Finance) to have better operational control, transparency and professional governance of the Company. The Commission feels concerned that a company handling business in excess of Rs. 2000 Crore per annum does not have the benefit and support of the full time services of professional managers in the field of finance and plant management. The company should also explore the possibility of utilizing opportunity of third party audit of technical processes and efficiency.”

(Paragraph 7.12 of Generation Tariff Order for FY06)

Status of Compliance:

The MPPGCL has reported that the “Article of Association” of the Company has the provision for the CMD of the Company only as the full time director. Remaining directors are of non-executives. The Company has initiated the process to appoint full time directors.

4.1.14 Direction:

“The generation company shall explore the possibility of setting up of Coal Washeries System for their Thermal power stations. The cost benefit analysis in this regard shall be submitted to the Commission before October 2006 failing which the Commission shall consider revising the SHR and other performance parameters to bring these to the prevailing level of similar stations where washeries and beneficiation has resulted in improved performance.”

(Paragraph 7.13 of Generation Tariff Order for FY06)

Status of Compliance:

The MPPGCL has reported to have conducted a study of the coal washeries situated in various parts of the country and the use of washed coal. The 210MW new unit at Satpura Thermal Power Station shall use only the washed coal. Further, to procure the washed coal for other stations, the tender document is under final stage of completion.
