

**MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION  
BHOPAL**

**Sub: In the matter of recovery of Special Allowance for Unit No. 6, 7, 8 & 9 of STPS, Sarni for FY 2011-12 to FY 2015-16 in accordance with Regulations (Terms & Conditions for determination of Generation Tariff).**

**Petition No. 23/2015**

**ORDER**

**(Date of Order: 23<sup>rd</sup> July' 2015)**

**M.P. Power Generating Co. Ltd., Jabalpur**

**Petitioner**

V/s

**1. M.P. Power Management Company Ltd., Jabalpur**

**Respondents**

**2. M.P. Power Transmission Co. Ltd., Jabalpur**

M.P. Power Generating Company Ltd. Jabalpur has filed the subject petition for recovery of Special Allowance in respect of Unit No. 6, 7, 8 & 9 of Satpura Thermal Power Station (STPS), Sarni for FY 2011-12 to FY 2015-16 in accordance with the MPERC (Terms & Conditions for determination of Generation Tariff) Regulations' 2009 and 2012.

2. M. P. Power Generating Company Limited had earlier filed Petition No. 56/2012 seeking approval for capital expenditure of ₹336.80 Crores for need based Renovation & Modernization works in Unit-6, 7, 8 and 9 (1x200 MW + 3x210 MW) of Satupura Thermal Power Station (STPS), Sarni.

3. Vide order dated 7<sup>th</sup> November, 2012, the Commission accorded approval to the above-mentioned need based R&M works subject to the following conditions:

- a) *The main comprehensive R&M scheme for Unit No.6, 7, 8 & 9 of STPS, Sarni shall be filed with the Commission within 24 months from the date of this order.*
- b) *The proposed need based R&M works shall be deleted from the main comprehensive R&M scheme.*
- c) *The post R&M operating parameters of the units shall be achieved as targeted in the DPR prepared by NTPC and informed by the petitioner.*
- d) *In case the main comprehensive R&M proposal for Unit No.6, 7, 8 & 9 of STPS, Sarni is not filed by the petitioner within 24 months from the date of this order, the approval of the subject capital expenditure towards need based R&M shall be limited to the eligibility of availing special allowance by MPPGCL for the aforesaid units for this period under*

**Sub: In the matter of recovery of Special Allowance for Unit No. 6, 7, 8 & 9 of STPS, Sarni for FY 2011-12 to FY 2015-16 in accordance with Regulations (Terms & Conditions for determination of Generation Tariff).**

*Regulation 18.4 and 18.5 of Tariff Regulations, 2009 and its amendments at the rate specified in the extant Regulations for each year of control period.*

e) *The amount of capital expenditure if any, claimed by the petitioner on completion of the need based R&M works during intervening period shall be adjusted in true-up exercise for the respective period in accordance with Para (d) above in case the conditions in sub-para (a) to (c) above are not fulfilled by the petitioner.*

4. After seeking time extensions for filing the main comprehensive R&M scheme in compliance with the condition (a) of the aforesaid approval by the Commission, MPPGCL submitted the following vide its letter dated 13<sup>th</sup> April' 2015:

*“MPPGCL has decided not to undertake the Comprehensive R&M works at STPS, Sarni at Unit No. 6, 7, 8 & 9. It is therefore, requested to kindly permit Special Allowance on the rates specified by the Commission in Regulations, 2009 and Regulations, 2012 for FY2011-12, FY2012-13, FY2013-14 and FY2015-16 please.”*

5. MPPGCL was asked to file a detailed proposal alongwith the copy of resolution passed by its Board of Directors in this regard alongwith its claim for each financial year and all relevant supporting documents. In response to the above, MPPGCL filed the subject petition alongwith the resolution passed by its Board of Directors on 5<sup>th</sup> May' 2015 wherein it has been resolved that the Comprehensive Renovation and Modernization works in Unit No. 6, 7, 8 and 9 of STPS, Sarni shall not be undertaken.

6. Motion hearing in the subject petition was held on 9<sup>th</sup> June' 2015 when the petition was admitted and the petitioner was directed to serve copies of the petition on all Respondents in the matter and report its compliance to the Commission. The respondents were also asked to file their response on the petition by 30<sup>th</sup> June' 2015. Vide letter No. 825 dated 14<sup>th</sup> July' 2015, MPPGCL confirmed that the copies of petition have been served to all Respondents on 12<sup>th</sup> June' 2015. The Commission has received no comments till date from any of the respondents in the matter.

7. In fact, the subject petition has been filed to fulfill one of the conditions stipulated in the Commission's order dated 7<sup>th</sup> November' 2012 in Petition No. 56/2012 which provided that:

**Sub: In the matter of recovery of Special Allowance for Unit No. 6, 7, 8 & 9 of STPS, Sarni for FY 2011-12 to FY 2015-16 in accordance with Regulations (Terms & Conditions for determination of Generation Tariff).**

*“In case the main comprehensive R&M proposal for Unit No. 6, 7, 8 & 9 of STPS, Sarni is not filed by the petitioner within 24 months from the date of this order, the approval of the subject capital expenditure towards need based R&M shall be limited to the eligibility of availing special allowance by MPPGCL for the aforesaid units for this period under Regulation 18.4 and 18.5 of Tariff Regulations, 2009 and its amendments at the rate specified in the extant Regulations for each year of control period.”*

8. In the subject petition, MPPGCL has claimed the following year-wise Special Allowance for STPS PH-2&3:-

Financial Year	Capacity	Rate	Amount
	MW	₹Lakh/MW	₹Crores.
<b>FY 2011-12</b>	830	5.588	<b>46.38</b>
<b>FY 2012-13</b>	830	5.908	<b>49.04</b>
<b>FY 2013-14</b>	830	7.500	<b>62.25</b>
<b>FY 2014-15</b>	830	8.095	<b>67.19</b>
<b>FY 2015-16</b>	830	8.737	<b>72.51</b>

9. MPPGCL has submitted the following in favour of its above-mentioned claims:

“(a) **Till FY 11 :** *The units have completed their designed life of 25 years long ago, however the Hon’ble Commission had permitted Capitalization of additional expenditure till FY 11, therefore, MPPGCL is not claiming any Special Allowance till this period for PH-2&3 STPS, Sarni.*

(b) **For FY 12 :** *In true up order of FY 2011-12, the Hon’ble Commission has deferred to permit additional Capitalization in these units of STPS PH-2&3, Sarni amounting to ₹40.83 Crores towards Need Based R&M Works, which were as per the Audited books of Accounts, due to non filling of requisite petition for Comprehensive R&M. As the decision has now been taken by MPPGCL to not to undertake Comprehensive R&M of these units, MPPGCL is claiming the Special Allowance as per Regulations.*

*The Special Allowance is permissible under proviso 18.4 & 18.5 of Tariff Regulation, 2009 (Terms & Condition for determination of Generation Tariff) {RG-26(I) of 2009}.*

(c) **For FY 13:** *The Special Allowance is permitted under proviso 18.4 & 18.5 of Tariff Regulation, 2009 (Terms & Condition for determination of Generation Tariff) {RG-26(I) of 2009} read with Second Amendment {ARG-26(I)(ii) of 2012}.*

**Sub: In the matter of recovery of Special Allowance for Unit No. 6, 7, 8 & 9 of STPS, Sarni for FY 2011-12 to FY 2015-16 in accordance with Regulations (Terms & Conditions for determination of Generation Tariff).**

(d) **For FY 14- FY 16:** *The Special Allowance is permitted under proviso 18.4 & 18.5 of Tariff Regulation, 2012 (Terms & Conditions for determination of Generation Tariff) (Revision-II) {RG-26 (II) of 2012}.*”

**Commission’s Analysis:**

10. In the Multi Year Tariff order passed by the Commission on 1<sup>st</sup> April’ 2013 (in Petition No. 02/2013), the special allowance in respect of Unit No. 6, 7, 8 & 9 of STPS, Sarni was not allowed as it was not claimed by MPPGCL for the reason that it was intending to undertake the comprehensive R&M of these units.

**Provisions under Regulations:**

11. With regard to the special allowance of thermal power stations, Regulation 18.4 and 18.5 of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009, provided that;

18.4 *“The Generating Company in case of thermal generating station, may, in its discretion, avail of a special allowance either for a Unit or a group of Units as compensation for meeting the requirement of expenses including Renovation and Modernisation beyond the Useful life of the generating station or a Unit thereof, and in such an event revision of the capital cost shall not be considered and the applicable operational norms shall not be relaxed but the special allowance shall be included in the annual fixed cost:*

*Provided further that the option once exercised shall be final and shall not be allowed to be changed.-----“*

18.5 *“A Generating Company on opting for alternative option in Regulation 18.4 of this Regulation shall be allowed special allowance @ Rs. 5 lakh/MW/Year in 2009-10 and thereafter escalated @ 5.72 % every Year during the Tariff period in 2009-12, Unit-wise from the next financial Year from the respective date of the completion of Useful life with reference to the COD of respective Units of generating station.*

**Sub: In the matter of recovery of Special Allowance for Unit No. 6, 7, 8 & 9 of STPS, Sarni for FY 2011-12 to FY 2015-16 in accordance with Regulations (Terms & Conditions for determination of Generation Tariff).**

*Provided that in respect of a Unit in commercial operation for more than 25 Years as on 1.4.2009, this allowance shall be admissible from the Year 2009-10.”*

12. Regulations 18.4 and 18.5 of MPERC (Terms and Condition for determination of Generation Tariff) Regulations, 2012 also have the same provisions except the rate of special allowance and the escalation rate.

13. In light of the provisions under above Regulations and the decision taken by MPPGCL as mentioned in Para 4 and 5 of this order, Unit No. 6, 7, 8 & 9 of STPS, Sarni are entitled for special allowance in terms of the above mentioned provisions in MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2009 & 2012. Accordingly, the following special allowance is now allowed for Unit No. 6, 7, 8 & 9 of STPS, Sarni for a period of FY 2011-12 to FY 2015-16:

**Special Allowance allowed in this order:**

Financial Year	Installed Capacity	Special Allowance		
		Norms for Special All.	Allowed in tariff / true-up order	Allowed in this order
	MW	₹Lakhs/MW	₹ Crores	₹ Crores
FY2011-12	830	5.59	0.00	46.40
FY2012-13	830	5.91	0.00	49.05
FY2013-14	830	7.50	0.00	62.25
FY2014-15	830	8.09	0.00	67.19
FY2015-16	830	8.74	0.00	72.51
<b>Total</b>			<b>0.00</b>	<b>297.40</b>

14. Further, MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2009 and 2012 provides that:

*“the Annual Capacity (fixed) charges shall consist of special allowance in lieu of R&M or separate compensation allowance, wherever applicable.....”*

**Sub: In the matter of recovery of Special Allowance for Unit No. 6, 7, 8 & 9 of STPS, Sarni for FY 2011-12 to FY 2015-16 in accordance with Regulations (Terms & Conditions for determination of Generation Tariff).**

Accordingly, the compensation allowance shall not be allowed now while considering the special allowance for the generating units in this matter. Therefore, the net amount allowed in this order is as given below:

**Net amount allowed in this Order:**

Financial Year	Special Allowance allowed in this order	Compensation Allowance allowed in tariff/true-up order which shall now be deducted in this order	Net amount allowed in this order
	₹ Crores	₹ Crores	₹ Crores
	A	B	C = A - B
FY2011-12	46.40	0.00	46.40
FY2012-13	49.05	5.40	43.65
FY2013-14	62.25	6.96	55.29
FY2014-15	67.19	6.96	60.23
FY2015-16	72.51	6.96	65.55
<b>Total</b>	<b>297.40</b>	<b>26.28</b>	<b>271.12</b>

15. The above-mentioned amount upto FY 2014-15 would have been recovered by MPPGCL if it had not planned to go for comprehensive R&M works in Unit No. 6, 7, 8 & 9 of STPS, Sarni. Therefore, MPPGCL is allowed to recover the above amount without any interest in twelve equal monthly installments as a part of Annual Fixed Cost in terms of Regulations 39.3 & 40.3 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2009 and 2012, respectively for recovery of the same on the basis of actual availability. Accordingly, the recoverable amount shall be billed alongwith the regular bills to be issued by MPPGCL in terms of last MYT order and true-up orders issued by the Commission. MPPGCL shall ensure that the amount of special allowance allowed in this order be considered appropriately for the respective years in its true-up petitions to be filed with the Commission.

With the above directions, this petition is disposed of.

**(Alok Gupta)**  
Member

**(A. B. Bajpai)**  
Member

**(Dr. Dev Raj Birdi)**  
Chairman