

**MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION
BHOPAL**

Date : 25th April, 2011

Subject: In-principal approval of Capital Expenditure towards construction of new Ash Bund for the existing Unit No.1 to 9 of Satpura Thermal Power Station (STPS), Sarni.

(Petition No.24 of 2011)

ORDER

(Date of Hearing: 20th April, 2011)

M.P. Power Generating Company Ltd, Rampur, Jabalpur - Petitioner

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| <ol style="list-style-type: none">1. M.P. Power Trading Company Ltd., Rampur, Jabalpur2. M.P. Poorva Kshetra Vidyut Vitaran Company Ltd., Jabalpur3. M.P. Madhya Kshetra Vidyut Vitaran Company Ltd., Bhopal4. M.P. Paschim Kshetra Vidyut Vitaran Company Ltd., Indore5. M.P. State Electricity Board, Rampur, Jabalpur | } | Respondents |
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Shri S.K. Khiani, Additional Chief Engineer (Corporate Services) appeared on behalf of the petitioner – M.P. Power Generating Company Ltd. Jabalpur.

Madhya Pradesh Power Generating Co. Ltd., Jabalpur (hereinafter referred to as petitioner or MPPGCL) has filed this petition seeking in-principal approval of Capital Expenditure towards construction of new Ash Bund for the existing Unit No.1 to 9 of Satpura Thermal Power Station (STPS), Sarni. MPPGCL has broadly submitted following in the petition :

- a) MPPGCL has filed this petition for Capital Expenditure Plan of Rs.53.22 crores proposed for construction of a new Ash Bund in 111 hectare forest land for the existing Units (1 to 9) of Power House I (5x62.5MW), Power House II (200 MW + 210 MW) and Power House III (2 X 210 MW) at Satpura Thermal Power Station (STPS), Sarni, District Betul (MP).
- b) The existing Ash Bund at STPS, which is spread over 922 Acres of land, has already exhausted its capacity in 1988-89. MPPGCL has been, somehow, managing the ash disposal task of Units No.1 to 9 with the present arrangements by raising the height of the ash bund. The height of the existing ash bund has been raised from initial levels of as low as 442.0 m to 460.50 m. Disposal of ash, being generated from Units 1 to 9 of STPS Sarni, shall not be possible beyond May-June 2012 with the present method of raising the height of existing ash bund and the construction of a new ash bund has become inevitable. As such, an area of 111 hectare forest land adjacent to existing ash bund was identified and process for acquiring the land was initiated in year 2004 itself. It is proposed to construct a new ash bund in the 111 hectare forest land, adjoining existing ash bund, which will generate a capacity for ash disposal for initial period of **50** months by construction of ash bund and for next **10-12** years by raising its height.

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- c) The total project cost for construction of new Ash Bund is Rs.53.22 crores and funding of subject work is proposed from internal resources of MPPGCL as per directives of the State Government.
- d) MPPGCL is setting up Unit No.10 & 11 with capacity of 2x250 MW at STPS, Sarni. Ministry of Environment and Forests (MOEF) clearance for Satpura Extn. Units 10 & 11 is subject to decommissioning of units No. 1 to 5 of STPS Sarni within one year of commissioning of Extn. Units 10 & 11. Hence unit No.1 to 5 of STPS Sarni are to be decommissioned within 1 year of commissioning of unit No. 10 & 11. Units 10 & 11 are scheduled to be commissioned on 31st March, 2012 and 31st July, 2012 respectively. As such Units 1 to 5 are to be decommissioned by July, 2013.
- e) The proposed ash bund is scheduled to be commissioned on July'12, therefore ash from units 1 to 5 will be disposed off for 1 year only. Thereafter ash bund will be utilized by PH-II & PH-III of STPS Sarni. It is proposed to share the expenses in the ratio of capacity of ash bund being utilized by the Power House I,II & III and accordingly sharing of expenses is shown below:

Name of Power House	Ash utilization	Sharing of Expenses in percentage
	In Cum	Percentage
PH-1 (12 months)	702000	8.20%
PH-2 (50 months)	3787671	44.00%
PH-3 (50 months)	4112328	47.80%

- f) MPPGCL has also enclosed the approval of the Board of Directors of MPPGCL for construction of new Ash Bund and all connected works along with copy of initial and final clearances from Ministry of Environment and Forests, Government of India, New Delhi along with the petition.
- g) MPPGCL, mentioning clause 18.4 of MPERC (Terms & Conditions for determination of Generation Tariff) Regulation, 2009 stated that the expenses incurred on account of PH-1 will be availed as a special allowance for Unit 1 to 5 of PH-1 and expenditure on account of PH-2 & PH-3 will be treated as expenses on Renovation & Modernization (R&M) works. It is also mentioned in the petition that all the units at STPS, Sarni have completed their useful life.

2 The case was fixed for motion hearing today i.e. 20th April, 2011. During the course of motion hearing, the representative of the petitioner was asked to mention the provision(s) of Regulation or law under which he is seeking in-principle approval of capital expenditure towards construction of new Ash Bund for the existing Units 1 to 9 of STPS, Sarni. The representative of the petitioner stated that the petition is filed under clause 18.1 and 18.4 of MPERC (Terms & Conditions for determination of Generation Tariff) Regulation, 2009. He also mentioned that the petition may also be considered under Capex guidelines for Licensees issued by the Commission.

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3 On perusal of the legal provisions quoted by the petitioner, the Commission observed that the Regulations do not provide for seeking in-principle approval of capital expenditure projected to be incurred by a Generating Company. However, the Regulations provide that capital expenditure may be admitted by the Commission subject to prudency check as and when it is filed for the purpose of tariff determination by a Generating Company.

4 In view of the above finding, the petition is not maintainable at this stage. With this observation, it stands disposed of.

(C.S. Sharma)
Member (Economics)

(K.K. Garg)
Member (Engineering)

(Rakesh Sahni)
Chairman