MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

5th Floor, "Metro Plaza", Bittan Market, Bhopal - 462 016

Petition No. 02 of 2020

PRESENT:

S.P.S Parihar, Chairman

Mukul Dhariwal, Member

Shashi Bhushan Pathak, Member

IN THE MATTER OF:

True-up of Generation Tariff of MPPGCL's Thermal and Hydro Power Stations for FY 2018-19 determined by MP Electricity Regulatory Commission vide Multi-Year Tariff order dated 14th July' 2016 in Petition No. 08 of 2016.

M.P. Power Generating Company Ltd, Jabalpur: PETITIONER

Vs.

1. **M.P. Power Management Company Ltd., Jabalpur**
2. **M.P. Power Transmission Co. Ltd., Jabalpur**
3. **Rajasthan Rajya Vidyut Prasaran Nigam Ltd., Jaipur**
4. **Uttar Pradesh Power Corporation Ltd. (UPPCL), Lucknow**
5. **MSEB (Holding Co) & Maharashtra State Transmission Co. Ltd., Mumbai**

RESPONDENTS

ORDER

(Passed on this day of 29th April' 2021)

1. Madhya Pradesh Power Generation Company Ltd. (hereinafter called "the petitioner" or "MPPGCL") has filed the subject petition on 31st December' 2019 for true-up of generation tariff for FY 2018-19 determined by the Madhya Pradesh Electricity Regulatory Commission (hereinafter called "the Commission or MPERC") vide Multi-Year Tariff order dated 14th July' 2016 in petition No 08 of 2016. The petitioner also filed an interlocutory Application for condition of delay in filing the subject true-up petition.

2. The subject true-up petition has been filed by MPPGCL under Sections 62 and 64 of the Electricity Act, 2003 read with Proviso 8.4 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015, (hereinafter referred to as "the Regulations, 2015"). The subject petition is based on the Annual Audited Accounts of MPPGCL for FY 2018-19.

3. The details of the power stations covered in the subject true-up petition are as given below:

Table 1: Installed Capacity and Date/Year of Commissioning:

Sr. No.	Power Stations	Installed Capacity in (MW)	Year/Date of Commissioning
	THERMAL POWER STATIONS		
1	ATPS PH-3	1X210 MW = 210 MW	10.09.2009
2	STPS PH-2 & 3	3X210+1X200 = 830 MW	1980-84
3	STPS PH- 4	2x250 MW = 500 MW	16.03.2014
4	SGTPS PH- 1 SGTPS PH- 2	2X210 = 420 MW 2X210 = 420 MW } 840 MW	1993-94 1998-99
5	SGTPS PH- 3	1X500 MW = 500 MW	28.08.2008
6	SSTPP PH-1	2X600 MW = 1200 MW	28.12.2014
	HYDRO POWER STATIONS		
7	Gandhi Sagar HPS	5X23 MW = 115 MW	1960 to 1966
8	Pench HPS	2X80 MW = 160 MW	1986-87
9	Rajghat HPS	3X15 MW = 45 MW	1998-99
10	Bargi HPS	2X45 MW = 90 MW	1988 & 1992
11	Bansagar HPS PH- 1 Bansagar HPS PH- 2 Bansagar HPS PH- 3	3X105 =315 MW 2X15 = 30 MW } 425 MW 3X20 = 60 MW	1991 to 1992 1997-98 2001-02
12	Bansagar PH- 4 (Jhinna)	2x10 MW = 20MW	30.08.2006
13	Birsingpur HPS	1X20 MW = 20 MW	1991-92
14	Madhikheda HPS	3X20 MW = 60 MW	2006-07

4. Earlier, the petitioner filed petition No.08 of 2016 for determination of Multi-year Tariff for the control period of FY 2016-17 to FY 2018-19 based on MPERC (Terms & Conditions for Determination of Generation Tariff) Regulations' 2015. Vide order dated 14th July' 2016, the Commission determined the Multi-Year Tariff for the control period of FY 2016-17 to FY 2018-19 subject to true-Up based on Annual Audited Accounts for the respective year.

5. The details of the power station-wise and component-wise Annual Capacity (fixed) Charges determined by the Commission for FY 2018-19 in MYT order dated 14th July' 2016 are as given below:

Table 2: Component Wise Annual Capacity Charges allowed for FY 2018-19 in MYT Order

(Rs in Crore)

S. No	Particulars	Amount
1	Return on Equity	630.49
2	Interest on Loan (including Interest on excess equity)	798.66
3	Depreciation	734.62
4	O & M Expenses	1097.14
5	Compensation /Special Allowance	93.56
6	Interest on Working Capital	370.04
7	**Total Capacity (Fixed) Charges**	**3724.50**

Table 3: Power Station-Wise Annual Capacity Charges allowed for FY 2018-19 in MYT Order

(Rs. in Crore)

Sr No.	Power House	Amount
1	ATPS Chachai PH-3	211.32
2	STPS Sarni PH- 2&3	407.73
3	STPS Sarni PH-4	693.44
4	SGTPS Birsinghpur PH-1&2	448.83
5	SGTPS Birsinghpur PH-3	403.56
6	SSTPP PH-1	1301.35
7	Gandhi Sagar	13.76
8	Pench	25.22
9	Rajghat	12.83
10	Bargi	16.34
11	Bansagar (I to III)	140.23
12	Bansagar-IV (Jhinna)	14.61
13	Birsinghpur HPS	5.73
14	Madhikheda	29.55
	Total	**3724.50**

6. In the aforesaid MYT Order, Annual Capacity Charges were determined by considering the base figures of opening capital cost and funding as per true up Order for FY 2014-15. However, for SSTPP PH-1, the opening capital cost and funding were considered as per provisional tariff order for Unit No 1&2 issued by the Commission.

7. The subject true-up petition has been filed by the petitioner adopting the following approach:

   a) *The Energy Charges (Variable Charges) has been billed in accordance to Proviso 28, 29 & 36.6 of MPERC (Terms & Condition for Determination of Generation Tariff) (Revision-III) Regulation, 2015. Therefore, no truing up of Energy Charges has been considered.*

   b) *Other Charges comprising of MPERC Fees, Water Charges, Rent, Rates & taxes, E.L. Encashment, Cost of Chemical & Consumable, Wage revision Arrears, Publication Expenses and Impact of 7th Pay Commission have been claimed on actuals based on Audited Books of Accounts for FY 2018-19.*

   c) *The expense shown in Audited Annual Statements of Accounts for FY 2018-19 pertains to MPPGCL's share. The expenses, as extracted from Audited Annual Statements of Accounts for FY 2018-19 for the shared portion have been factored to represent 100% capacity operated by MPPGCL to match with MPERC's Multi Year Tariff Order dated 14.07.2016.*

   d) *M. P. Power Generating Company was allocated 50% share of Installed Capacity (45MW) in Rajghat Hydro Power Station, an Interstate Bilateral Power Project between state of Madhya Pradesh and state of Uttar Pradesh, vide GoMP's "Madhya Pradesh Electricity Reform First Transfer Scheme Rules, 2003 (Transfer Scheme Rules, 2003).*

      Subsequently, MPPMCL had some dispute with UPPCL in regard to sharing of project cost of Rajghat Hydro Power Station. The dispute was finally got resolved on the directives of Hon'ble APTEL, New Delhi, amicably by arriving at settlement between Principal Secretary, Energy, GoMP and Principal Secretary, Energy, GoUP in regard to Sharing of Project Cost and Installed Capacity (45MW). Hon'ble APTEL vide its order dated 12.09.2018 has endorsed this settlement.

      Accordingly, the Government of Madhya Pradesh vide its Gazette Notification dated 19.06.2019 has enhanced the initial share of 22.5 MW (50%) out of total *capacity of 45MW of Rajghat HPS to 26.85 MW (59.68%) with effect from 01.04.2000.*

As a consequence of above, the Energy, Assets, etc. vested on MPPGCL have also got enhanced on prorate basis. Commission was appraised about the same vide MPPGCL's letter No. 1054 dated 11.09.2019

e) *The expenses of Rana Pratap Sagar and Jawahar Sagar indicated in the Annual Statements of Accounts for FY 2018-19 of MPPGCL have not been considered in this True up Petition since Commission has not considered these projects in Tariff order, being operated by Rajasthan authorities.*

f) *As per proviso 35.4 of the Regulation-2015 read with MYT Order dated 14.07.2016, the expenditure towards actual Pension & Terminal benefits shall be claimed by Transmission Licensee i.e. MPPTCL on 'pay as you go' principle, subject to true-up in each year on availability of actual figures. Accordingly, MPPGCL has not claimed these expenses in this True-up tariff petition.*

g) *The GoMP vide letter No. 6916/2017/13 dated 31.10.2017 has issued order for Pay revision of employees. MPPGCL vide order No. 4974 dated 29.12.2017 has adopted 7th pay commission from 01.01.2016. The arrears on account of pay revision for the period 01.01.2016 to 31.12.2017 has been booked in Audited Books of Accounts for FY 2017-18. MPPGCL has claimed the same in the True up petition for FY 2017-18 in accordance with proviso 35.7 & 35.9 of MPERC Regulations 2015 in the Chapter- 4.2 -Other Charges. The same was approved by Commission in True up order for FY 2017-18. Further, addition on account of pay revision is claimed in instant petition as per Audited Books of Accounts for FY 2018-19.*

h) *It is to mention that the Commission at Para 105 of MYT order dated 14.07.2016 for Control period FY 17 to FY 19 has stated as under:-*

"With regard to impact of 7th pay Commission, the same shall dealt with in accordance with the Regulation 35.5 of MPERC Regulations 2015, at an appropriate stage of implementation of 7th pay commission after prudence check on the details and documents filed by MPPGCL on satisfaction of the Commission."

As evident from above, the impact of 7th pay commission was not considered by the Commission while prescribing the O&M Norm for the Control period FY 2016-17 to FY 2018-19.

The Commission in its True up order dated 19.07.2019 (Petition No. 01 of 2019) at para 196 at page 79 has directed to claim the same in True up Petition of Subsequent years. Accordingly, the impact of 7th pay commission has been claimed in Chapter 4.2- Other Charges.

i) *The proviso 39.3 of MPERC Regulations 2015 provides that in case of shortage of coal is experienced at new power Stations Commissioned after 01.04.2012, the NAPAF for recovery of fixed charges shall be 83%. In this regard, it is to mention that since 01.04.2017, MPPGCL is facing coal shortage at following units commissioned after 01.04.2012:-*

SSTPP PH-1, Unit No.1&2 (2x600 MW) Khandwa &
STPS PH-4 Unit No.10&11 (2x250 MW) Sarni

In the matter, MPPGCL filed the petition No.20/2018 before the Commission for aforesaid consideration for all Thermal Power Stations of MPPGCL experiencing shortage of coal. The Commission vide Order dated 09.08.2018 stated that as under:-

In Para 21 of the subject petition and also in the prayer, MPPGCL has requested to relax the NAPAF norms by 2% on account of shortage of coal for those thermal power stations also which were commissioned after 01.04.2012 whereas, Regulation 39.3(A) of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 has already provided the same.

Considering above, MPPGCL in the instant petition has considered NAPAF for recovery of fixed charges at 83% for SSTPP PH-1 Khandwa & STPS PH-4 (Unit No.10&11) Sarni.

8. Based on the above, the petitioner claimed the following true-up amount after applying actual availability on fixed cost elements:

Table 4: Component-wise True-Up amount claimed for FY 2018-19 in the petition

(Rs. in Crore)

Particulars	Elements	Annual Fixed Cost FY 2018-19		
		As per MPERC Orders	As claimed by MPPGCL on actual availability	True-Up Amount
Fixed Cost Elements	O & M Expenses	1097.14	973.65	-123.49
	Compensation Allowance	6.30	3.58	-2.72
	Special Allowance	87.26	67.18	-20.08
	Interest on Loan+ Excess. Equity	798.68	706.57	-92.11
	Interest on Working Capital	370.04	325.92	-44.12
	Depreciation	734.62	736.11	1.49
	Return on Equity	630.48	603.48	-27.00
Less: Non Tariff Income		0.00	55.04	-55.04
Total		**3724.51**	**3361.44**	**-363.08**

Table 5: Power Station Wise true-up amount Claimed for FY 2018-19 in the petition

(Rs. in Crore)

S.No.	Station	As per MPERC Orders	As claimed by MPPGCL on Actual Availability	True-up Amount
1	ATPS PH-3	211.32	204.65	-6.66
2	STPS PH-2&3	407.72	305.69	-102.03
3	STPS PH-4	693.45	665.79	-27.66
4	SGTPS PH-1&2	448.82	370.19	-78.63
5	SGTPS PH-3	403.57	390.63	-12.94
6	SSTPP PH-1	1301.35	1162.80	-138.55
	Thermal	**3466.23**	**3099.75**	**-366.47**
7	Gandhi Sagar	13.76	13.58	-0.18
8	Pench	25.23	24.56	-0.66
9	Rajghat	12.83	9.55	-3.29
10	Bargi	16.34	17.90	1.57
11	Bansagar PH-1,2&3	140.23	145.76	5.53
12	Bansagar PH-4	14.61	15.67	1.06
13	Birsinghpur	5.73	4.21	-1.52
14	Madhikheda	29.56	30.45	0.88
	Hydro	**258.29**	**261.69**	**3.40**
	Total	**3724.51**	**3361.44**	**-363.08**

9. In addition to above, the petitioner also claimed other charges of Rs. 258.62 Crore in the subject petition on actual basis. The head-wise and power station-wise break-up of other charges claimed in the subject petition are as given below:

Table 6: Head-wise Other Charges Claimed for FY 2018-19 (Rs. in Crore)

S. No.	Particulars	Amount
1	Rent, Rates & Taxes	1.03
2	Wage Revision Arrears	0.32
3	Water Charges	69.63
4	Cost of Chemicals & Consumables	15.13
5	MPERC Fee+ Publication Exp.	1.10
6	Earned Leave Encashment	99.21
7	7th pay Revision Impact	72.19
	Total	**258.62**

Table 7: Power Station-wise Others Charges Claimed for FY 2018-19 (Rs. in Crore)

S. No.	Particulars	Total
1	ATPS PH-3	19.41
2	STPS PH-2&3	39.23
3	STPS PH-4	22.58
4	SGTPS PH-1&2	28.76
5	SGTPS PH-3	17.12
6	SSTPP PH-1	56.92
7	**Thermal**	**184.01**
8	Gandhi Sagar	13.22
9	Pench	3.07
10	Rajghat	3.38
11	Bargi	25.70
12	Bansagar PH-1,2&3	21.96
13	Bansagar PH-4	1.08
14	Birsinghpur	1.04
15	Madhikheda	5.14
16	**Hydro**	**74.61**
	Total	**258.62**

10. In the subject petition, the petitioner filed additional capitalization of Rs. 157.29 Crore in thermal and hydel power stations during FY 2018-19 as per Annual Audited Accounts and Asset-cum-Depreciation registers of respective power stations. In para 6 (page 103) of the petition, the petitioner has also requested for consideration of additional capitalization those had been disallowed by the Commission in last true-up order dated 19th July' 2019 for FY 2017-18. The petitioner also filed the write-off/ adjustment of assets in some of the power stations during FY 2018-19 as per Annual Audited Accounts.

11. With the above submissions, the petitioner prayed the following:

(a) *Approve Annual Fixed Charges and Other charges for FY 2018-19 and permit recovery of True up amount as per Para 18 & 19 in six equal monthly installments*.

(b) *Allow additional capitalization as per audited Annual Statements of Accounts for FY 2018-19 and accordingly permit additional Depreciation, RoE and Interest on excess equity.*

(c) *Allow Other Charges comprising of MPERC Fees, Water Charges, Rent, Rates & taxes, E.L. Encashment, Cost of Chemical & Consumable, Wage revision Arrears, Publication Expenses and Impact of 7th Pay Commission on actuals based on Audited Books of Accounts for FY 2018-19.*

(d) *Allow separate recovery of balance Depreciation amounting to Rs. 26.76 Crores towards assets decommissioned at ATPS PH-2.*

(e) *Consider Additional Capitalization of Asset pertaining to FY 2017-18*

(f) *In accordance with proviso 8.15 of Regulation, 2015, allow interest on differential true-up amount, if any.*

12. The subject true-up petition is based on the Annual Audited Accounts of MPPGCL as a whole for FY 2018-19. The closing figures for the capital cost and funding admitted in the last true-up order for FY 2017-18 issued by the Commission on 19th July' 2019 were considered as base opening figures for all the Power Stations in this order.

Procedural History:

13. The Interlocutory Application for condonation of delay in filing the subject petition was heard on 25th January' 2020 wherein the applicant explained the reasons for delay in filing the subject true-up petition. Vide Commission's order dated 27th January' 2020, the delay in filing the subject petition was condoned considering the reasons explained by the petitioner. The Interlocutory Application No. 01 of 2020 in Petition No. 02 of 2020 was disposed of.

14. Motion hearing in the subject true-up petition was held on 25th February' 2020 wherein the petition was admitted and the petitioner was directed to serve copies of 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 20th March' 2020.

15. Vide letter dated 09th March' 2020, the petitioner informed that the copy of the subject petition has been served to all the Respondents in the matter on 06th March' 2020.

16. Vide Commission's letter dated 07th March' 2020, the information gaps and requirements of additional details/documents in the subject petition were communicated to the petitioner seeking their comprehensive reply along with all relevant supporting documents by 31st March' 2020.

17. The petitioner through email dated 16th March' 2020 sought time extension for filing the reply and additional details/documents by 30th June' 2020 due to COVID-19 and nationwide lockdown since 25th March' 2020. The Commission allowed the time extension. Vide Commission's letter dated 03rd June' 2020, the petitioner was asked to file its response at the earliest but not later than 25th June' 2020.

18. Vide affidavit dated 02nd July' 2020, the petitioner filed partial response and sought additional time for submission of its balance information/details due to spread of COVID-19 cases in their office.

19. Vide Commission's letter dated 22nd September' 2020, the petitioner was asked to file its balance information along with the supporting documents at the earliest but not later than 09th October' 2020. Vide affidavit dated 07th October' 2020, the petitioner filed the balance information.

20. By affidavit dated 02nd December' 2020, the Respondent No. 1 (M.P. Power Management Co. Ltd) filed its comments/ response on the subject petition.

21. By affidavit dated 01st March' 2021, the petitioner filed rejoinder on the response/ comments filed by the Respondent No. 1. The petitioner's response on each comment offered by the Respondent No.1 along with the observations are annexed as **Annexure-I** of this order.

22. The public notices inviting comments/suggestions from stakeholders was published on 30th October' 2020 in the following news papers.

    (i) Dainik Bhaskar, Jabalpur (Hindi)
    (ii) Pradesh Today, Indore (Hindi)
    (iii) Swatantra Samay, Bhopal (Hindi)
    (iv) Dainik Bhaskar, Gwalior (Hindi)
    (v) Free Press, Bhopal (English)

23. Vide letter dated 18th November’ 2020, comments from one stakeholder received in this matter. By affidavit dated 03rd December’ 2020, the petitioner filed its response on the aforesaid comments. The petitioner’s reply on each comment / objection offered by the stakeholder along with the observations are annexed as **Annexure-II** with this order.

24. The public hearing in the subject true-up petition was held on 04th December’ 2020 on virtual platform**,** wherein the representatives of the petitioner, respondent and stake holder were appeared.

25. During the course of public hearing, it was observed that the comments/ objections on the subject petition were submitted by Respondent No. 1 (MPPMCL) through e-mail on 02.12.2020 after a long delay from the due date. The representative who appeared for the petitioner stated that the aforesaid comments/ objections which have been filed by the Respondent No. 1 (MPPMCL) after a long delay from the due date, should not be considered by the Commission.

26. Vide order dated 5th December’ 2020, the Respondent No.1 was directed to file an application with the Commission for condonation of delay in filing the response on the subject petition along with the reasons within three days.

27. By affidavit dated 8th December’ 2020, the Respondent No. 1 filed an application for condonation of delay caused in filing reply to the subject true-up petition. In the aforesaid application, the Respondent No. 1 submitted the reasons for delay in filing the response on the subject petition.

28. The matter for condonation of delay was heard on 17th December’ 2020, wherein the Respondent No. 1 reiterated the same reasons for delay in filing reply as mentioned in the application for condonation of delay. The petitioner had not preferred to file written submission on the aforesaid application filed by the Respondent No. 1 (MPPMCL), however, he strongly opposed to entertain the application for condonation of delay.

29. Looking to the circumstances and the nature of the case, vide Order dated 22nd December’ 2020, the Commission allowed the application filed by MPPMCL for condonation of delay in filing the response on the subject petition.

Capital Cost

Petitioner's submission:

30. The Petitioner submitted that the Gross fixed Assets of Rs 18294.41 Crore as on 31st March' 2018 have been admitted by the Commission. The petitioner further submitted that the asset capitalization was carried out during FY 2018-19 in the existing stations as well as in the new projects. These asset additions were made on account of new assets capitalized under the head of Fixed Assets. The petitioner also mentioned that the write off/ adjustments/ transfer of assets have made in the GFA of the various power stations.

31. The details of opening Gross Fixed Assets (GFA) along with asset additions and adjustment/ deductions as filed by the petitioner are as given below:

Table 8: Power station-wise break-up of fixed assets as filed in the petition (Rs. in Crore)

S no	Station	GFA admitted by the Commission as on 31.03.2018	Assets Transfer /Adjust ments	Adjusted Op. Gross Block as on 01.04.2018	Asset Additions during FY 2018-19	Asset Deductions during FY 2018-19	Closing Balance of GFA as on 31.03.2019
1	ATPS PH-3	1124.40		1124.40	11.93	-0.01	1136.32
2	STPS PH-2&3	608.97		608.97	0.00	-4.37	604.60
3	STPS PH-4	3189.73	-0.20	3189.53	32.07	-0.05	3221.55
4	SGTPS PH 1&2	2207.10	1.09	2208.19	9.80	-2.91	2215.08
5	SGTPS PH-3	2038.75	0.24	2038.99	34.28	-1.32	2071.95
6	SSTPP PH-1	7275.93		7275.93	59.76	0.00	7335.69
	Total Thermal	**16444.88**	**1.13**	**16446.01**	**147.85**	**-8.67**	**16585.19**
7	Gandhi Sagar	10.98		10.98	0.20	-0.02	11.16
8	Pench	103.40		103.40	0.06	0.00	103.46
9	Rajghat	84.84	17.33	102.17	5.49	-0.01	107.65
10	Bargi	88.43		88.43	0.05	0.00	88.48
11	Bansagar PH-1,2&3	1174.63		1174.63	3.36	-0.67	1177.32
12	Bansagar PH-4	116.85		116.85	0	0.00	116.85
13	Madhikheda	217.99		217.99	0.02	-0.003	218.01
14	Birsinghpur	52.40		52.40	0.01	0.00	52.41
	Total Hydro	**1849.53**	**17.33**	**1866.85**	**9.19**	**-0.70**	1875.34
15	HQ			5.02	0.26	-0.16	5.12
	Total	**18294.41**	**18.46**	**18317.89**	**157.29**	**-9.54**	**18465.64**

32. In para 4.4.6 of the subject petition, the petitioner mentioned that the Assets of Rs.0.20 Crores transferred from STPS PH-4 to SGTPS Birsinghpur during FY 2018-19. Accordingly, the corresponding Acc. Dep. of these assets has been adjusted. Assets of

Rs.6.25 Crores were transferred from ATPS to SGTPS during FY 2017-18, the same was considered by the Commission in True up order for FY 2017-18. Out of the aforesaid, the Assets amounting to Rs.1.33 Crores were put to use during FY 2018-19 at SGTPS. Accordingly, the corresponding Acc. Dep. of these assets has been adjusted.

Provision in Regulation's:

33. Regarding capital cost of the generating stations, Regulation 15.2 and 15.3 of the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 provides as under:

15.2 *"The Capital Cost of a new project shall include the following*:

a). the expenditure incurred or projected to be incurred up to the date of commercial operation of the project;

b). Interest during construction and financing charges, on the loans (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed;

Any gain or loss on account of foreign exchange risk variation pertaining to the loan amount availed during the construction period shall form part of the capital cost.

c). Increase in cost in contract packages as approved by the Commission;

d). Interest during construction and incidental expenditure during construction as computed in accordance with Regulation 17 of these Regulations;

e). capitalised Initial spares subject to the ceiling rates specified in Regulation 19 of these Regulations;

f). expenditure on account of additional capitalization and de-capitalisation determined in accordance with Regulation 20 of these Regulations; and

g). adjustment of revenue due to sale of infirm power in excess of fuel cost prior to the COS as specified under Regulation 24 of these Regulations..

15.3 The Capital cost of an existing project shall include the following:

a). the capital cost admitted by the Commission prior to 1.4.2016 duly trued up by excluding liability, if any, as on 1.4.2016;

b). additional capitalization and de-capitalization for the respective year of tariff as determined in accordance with Regulation 20; and

c). expenditure on account of renovation and modernization as admitted by the Commission in accordance with Regulation 21."

Commission's Analysis:

34. The petitioner has filed the total adjusted opening Gross Fixed Assets (GFA) of Rs. 18317.89 Crore (as on 01st April' 2018) for its thermal and hydel power stations covered in the subject true-up petition.

35. On scrutiny of the capital cost and additional capitalization filed in the petition, it was observed that there is mismatch between the figures of opening GFA and asset additions as per Annual Audited Accounts and the figures filed in the petition. It was further observed that the petitioner had not filed Assets-cum-Depreciation Registers for FY 2018-19. Therefore, vide Commission's letter dated 07th March' 2020, the petitioner was asked to reconcile the figures regarding Opening GFA, addition of assets, write-off/adjustment of assets and Closing GFA recorded in the Assets-cum-depreciation registers with the figures in Annual Audited Accounts for FY 2018-19 and also with the figures filed in the subject petition. Any difference in the figures between the two records was also required to be explained. The petitioner was also asked to file the power station wise Assets-cum-Depreciation registers for FY 2018-19.

36. Vide letter dated 02nd July' 2020, the petitioner submitted the following:

"As desired by Commission, the Power Station wise Assets-cum-Depreciation Registers for FY 2018-19 are annexed as Annexure-7A, 7B & 7C.

Further, as desired, the Power Station wise comparative statements elaborating the difference between the figures as per Audited Books of Accounts of FY 2018-19 & detailed in Asset-Cum-Depreciation Registers vis-à-vis as claimed by MPPGCL in subject petition with respect to Opening Gross Block, Assets Addition, Write off/Adjustment/ Assets-not-in-use etc. along with reasons/explanations are annexed as Annexure-8A to 8H respectively.

37. The Power Station wise break up of Gross Fixed Assets as per Annual Audited Account FY 2018-19 along with asset additions and adjustment/deductions during FY 2018-19 filed by the petitioner are as given below :-

Rs. in Crores

Stations		As on 01.04.18	Additions	Transferred from Power Station	Deductions / Adjustments	As on 31.03.19
1	**ATPS Chachai**	1235.17	11.93		-0.01	1247.09
2	**STPS Sarni**	4270.70	48.07		-4.96 (4.76 Deductions) + (0.20 Transferred)	4313.81
3	**SGTPS Birsinghpur**	4381.50	44.07	1.33	-4.24	4422.67

Stations		As on 01.04.18	Additions	Transferred from Power Station	Deductions / Adjustments	As on 31.03.19
4	**SSTPP, PH-1**	7648.36	59.76			7708.12
	SSTPP, PH-2	0.00	6683.86			6683.86
5	**Bansagar HPS (Complex)**	1294.91	3.36		-0.67	1297.59
6	**Gandhi Sagar HPS**	11.05	0.20		-0.02	11.23
7	**Pench HPS**	103.45	0.06			103.50
8	**Rajghat HPS**	89.52	22.82		-0.01	112.33
9	**Bargi HPS**	88.92	0.05			88.97
10	**Madhikheda HPS**	218.02	0.02		-0.003	218.04
11	**Birsinghpur HPS**	52.40	0.01			52.41
12	**R P Sagar HPS**	18.86				18.86
13	**J Sagar HPS**	16.56				16.56
14	**HQ & S&I**	5.02	0.26		-0.16	5.13
Sub Total		**19434.43**	**6874.48**	**1.33**	**-10.07**	**26300.18**
Assets Not in use & held for sale		12.93	13.21		-6.85	19.29
Before INDAS Adjustments		**19447.37**	**6887.69**	**1.33**	**-16.92**	**26319.47**
INDAS Adjustments		1.5	-1.5			0.00
Total as per Note -2 of Annual Audited Statements of Accounts FY 18 -19		**19448.91**	**6887.49**		**-16.92**	**26319.47**

38. In view of the above, it is observed that the difference in closing GFA of Rs. 18294.41 Crores as on 31st March' 2018 admitted by the Commission in its last true-up order and the opening GFA as per Annual Audited Accounts for FY 2018-19 is on account of those assets which were not considered by the Commission in the previous tariff orders due to various reasons such as not allowing asset additions over and above the cut-off date or capitalization beyond the provisions under respective Regulations, etc. However, the petitioner has reflected all such asset additions in the Annual Audited Accounts.

39. It was further observed that the total asset addition claimed in the petition is of Rs 157.29 Crore whereas the total asset addition of Rs 6874.48 Crore is indicated in the Annual Audited Accounts. It was also observed that the petitioner has included the additional amount of Rs 6683.86 Crore towards new power plant SSTPP, Khandwa PH-2 in the total assets addition in Annual Audited Accounts which shall be dealt separately in Petition No 25/2020 filed by the petitioner for determination of final tariff of SSTPP PH-2.

40. Further, it was observed that in Table No. 4.3.2.1, the asset additions of Rs 5.49 Crore in Rajghat HPS has been claimed , whereas, the asset addition as per Annual Audited Accounts as indicated in Table No 4.4.1.1. is Rs 22.82 Crore. Vide Commission's letter dated 07th March' 2020, the petitioner was asked to submit the reasons for difference in the figures of additional capitalization claimed by it. The petitioner was also asked to submit details of the assets received at Rajghat HPS due to change in share.

41. Vide letter dated 02nd July' 2020, the petitioner submitted the following:

It is to submit that, the asset addition of Rs. 22.82 Crores in Rajghat HPS reflected in Table No 4.4.1.1 at Page No.47 of subject petition comprises of following:

Rs. In Crores

Particulars		***Amount***
1	*Assets Capitalization during FY 2018-19*	*5.49*
2	*Increase in Gross Block of Rajghat HPS by on account of increase in MPPGCL's share in Rajghat HPS from 50% to 59.68% based on settlement between MPPGCL and UPCL.*	*17.33*
Total as reflected in Table 4.4.1.1 of Subject petition		***22.82***

As detailed above, the asset capitalization of Rs. 5.49 Crores at Rajghat HPS is claimed by MPPGCL under the head - Assets Additions in Table 4.3.2.1 at Page No. 54 of subject petition. Further, the increase in value of Gross Block of Rajghat HPS amounting to Rs. 17.33 Crores is claimed by MPPGCL as adjustment as reflected in Table 4.4.4.1 at Page No. 51 of subject petition.

42. In view of the above, it is observed that the assets of Rs 17.33 Crores had been transferred in Rajghat HPS due to increase in share in value of assets from 50% to 59.68%.

43. It was also observed that the remaining difference in additional capitalization of Rs. 16.00 Crore is due to asset addition towards need based R&M works in STPS PH-2&3. However, the petitioner has availed special allowance in this Power Station therefore, the additional capitalization of Rs 16.00 Crore in STPS PH-2&3 is not claimed in the subject petition.

44. It was further observed that the total deduction/write-off of assets of Rs 9.54 Crore is filed in the petition whereas, the petitioner has indicated the total deduction/write off of Rs 9.87 Crore in the Annual Audited Accounts. This mismatch of figures was observed at the power station STPS PH-2 & 3. As per Annual Audited Accounts, the write-off amount was

Rs 4.71 Crore in STPS PH-2 & 3 and the write-off amount filed in the petition in this power station was Rs 4.37 Crore. The petitioner submitted that the deduction of assets amounting to Rs 0.33 Crore while filing in the subject petition pertains to assets capitalized at STPS PH-2&3 during FY 2014-15. As MPPGCL has opted for special allowance at STPS PH-2&3, no additional capitalization is allowed by the Commission from FY 2012-13 onwards. Accordingly, the adjustment of Rs 0.33 Crore with respect to assets added during FY 2014-15 has not been considered by the petitioner while filing the write-off amount in the subject petition.

45. The Commission has considered the same opening Gross Fixed Assets, equity, loan and accumulated depreciation for existing and new power stations as admitted by the Commission as on 31.03.2018 in the last true-up order for FY 2017-18 (issued on 19th July' 2019) in this order. The power stations-wise details of closing GFA, funding and cumulative depreciation as admitted by the Commission in the last true-up order for FY 2017-18 are as given below :

Table 9: Closing GFA, Funding and Cumulative Dep. considered as on 31st March' 2018

(Rs. in Crore)

Sr. No	Power Station	Closing GFA admitted by MPERC	Equity	Loan	Accumulated Dep
1	ATPS PH-3	1124.40	256.63	402.77	457.43
2	STPS PH-2 & 3	608.97	180.59	-	553.55
3	STPS PH-4	3189.73	639.48	1908.09	676.61
4	SGTPS PH 1 &2	2207.10	655.62	0.00	1710.33
5	SGTPS PH-3	2038.75	575.84	514.12	946.10
6	SSTPP PH-1	7275.93	1400.64	4553.25	1319.83
	Thermal	**16444.82**	**3708.80**	**7378.22**	**5663.85**
7	Gandhi Sagar	10.98	3.33	0.36	9.44
8	Pench	103.40	31.03	-	82.81
9	Rajghat	84.84	25.45	-	57.08
10	Bargi	88.43	26.55	-	68.70
11	Bansagar PH-1,2 &3	1174.63	352.40	-	800.14
12	Bansagar PH-4 (Jhinna)	116.85	35.05	6.86	74.95
13	Birsinghpur	52.40	15.65	-	39.98
14	Madhikheda	217.99	46.25	34.57	111.75
	Total Hydro	**1849.53**	**535.71**	**41.78**	**1244.86**
	Total	**18294.41**	**4244.51**	**7420.00**	**6908.71**

Asset Transferred

In para 4.4.4 of the petition, the petitioner submitted that the assets of Rs. 0.20 Crore were transferred from STPS PH-4 to SGTPS Birsinghpur and same has been reflected in Annual Audited Books of Accounts for FY 2018-19. The petitioner further submitted that the assets of Rs.6.25 Crores were transferred from ATPS to SGTPS Complex during FY 2017-18,the same were considered by the Commission in True up order for FY 2017-18 and the GFA has been reduced accordingly. Out of these Assets, the Assets of Rs. 1.33 Crores (Rs. 1.09 Cr. in SGTPS PH 1&2 and Rs. 0.24 Cr. in SGTPS PH 3) were put to use during FY 2018-19. Accordingly, the details of the assets transferred along with corresponding loan and equity are as given below:

Table 10: Detail of asset transferred within Thermal Power Stations (Rs. in Crore)

Sr. no.	Particulars	Gross Block of Assets transferred	Adjustment	
			Normative loan	Normative Equity
1	Transferred from STPS PH-4	(0.20)	(0.14)	(0.06)
	Received at SGTPS PH-1&2	1.09	0.77	0.33
	Received at SGTPS PH-3	0.24	0.17	0.07

46. On perusal of above submission of the petitioner, vide Commission's letter dated 7th March' 2020, the petitioner was asked to inform the year of capitalization and funding of all the assets. The petitioner was also asked to inform whether the funding of such assets have also been transferred in this regard.

47. Vide letter dated 02nd July' 2020, the petitioner submitted the following *:-*

The Capital Spares of Rs.0.20 Crores have been transferred from STPS PH-4 Sarni to SGTPS Birsinghpur during FY 2018-19. The said assets were capitalized in FY 2013-14 at STPS PH-4 Sarni. The details of funding are as under:-

Rs. Crores

Particulars	*Gross Block of Assets transferred*	*Funding*	
		Loan	*Equity*
Transferred from STPS PH-4	*0.20*	*0.14*	*0.06*

Considering above, the Normative Loan and Normative Equity balance of STPS PH-4 Sarni has been reduced proportionately and reflected in Table No. 4.5.2.1 at page No. 65 & Table No. 4.7.3.3 at page No.79 respectively of subject petition.

The assets of Rs. 0.20 Crores transferred from STPS PH-4 Sarni to SGTPS Birsinghpur are not put to use at SGTPS Birsinghpur during FY 2018-19. Accordingly, the value of *assets transferred and its corresponding funding is not added to Gross Block/ Loan & Equity Balance of SGTPS Birsinghpur in the subject petition. The same shall be considered in True up petition of upcoming years as and when these assets were put to use at SGTPS Birsinghpur. It is requested before Commission to kindly permit the same.*

48. Further, with regard to transfer of assets of Rs 6.25 Crores from ATPS, it is observed that the assets of Rs 2.75 Crore transferred during FY 2017-18 and the assets of Rs 1.33 Crore transferred during FY 2018-19 have been put to use and shown in Annual Audited Accounts of respective year towards SGTPS PH 1&2 & SGTPS PH-3. In view of the above, the Commission has considered the transfer of assets of Rs. 1.33 Crore as mentioned above and their corresponding funding as filed by the petitioner.

Rajghat HPS (Assets Transferred)

The petitioner submitted that during FY 2018-19, the Assets of Rajghat HPS have been enhanced in accordance with revised Share in the project in compliance of GoMP order. The petitioner further submitted that on account of increase in MPPGCL's share in Rajghat HPS from 50% to 59.68% based on settlement between MPPGCL and UPCL, the Assets value was adjusted in proportion to increase in share of MPPGCL in Rajghat HPS for Rs. 17.33 Crores and same has been reflected in Audited Books of Accounts for FY 2018-19.

49. The details of the assets transferred as submitted by the petitioner are given below:-

(Rs. In Crore)

Account Code	Details	Gross Block a t 50% Share	Gross Block Enhancement of 9.68%
		(A)	(B) = (A) x 9.68 / 50
10.202	Buildings Containing Hy. Elec. Gen. Plant	14.98	2.90
10.211	Office Buildings	0.01	0.00
10.233	Other Buildings	0.39	0.08
10.301	Hy. Works Form. Part of Hy. Elec. Sys Dams, Spillway	0.94	0.18
10.305	Hydel-Works, Rcc Pipes, Surgetanks, Valves Etc	7.66	1.48
10.324	Tail Race Channel	3.03	0.59
10.325	Misc. Works	4.46	0.86
10.401	Pucca Roads	0.02	0.00
10.523	220 Kv/400 Kv Switch Yard	0.10	0.02
10.531	Hydel Power Generation Plants	38.12	7.38

Account Code	Details	Gross Block a t 50% Share	Gross Block Enhancement of 9.68%
		(A)	**(B) = (A) x 9.68 / 50**
10.535	Auxiliaries In Hydel Power Plants	2.95	0.57
10.541	Transmission Plant-Transformers 100 Kva & Above	0.04	0.01
10.542	Other Transformers Of Power House	0.02	0.00
10.543	Others Trans. Plant Transf, Kiosks, Subs Equip Appratus	6.42	1.24
10.544	Substation Transformer & Kiosks 100 Kv & Above	1.11	0.21
10.545	Substation Transformer & Kiosks Below 100 Kv	0.24	0.05
10.555	Material Handling Equipment – Others	0.43	0.08
10.561	Switchgears Including Cable Connections	1.50	0.29
10.563	Batteries Including Charging Equipment	0.21	0.04
10.567	Lightning Arrestors	0.00	0.00
10.571	Communication Equip-Radio & High Freq. Carrier Sys.	0.08	0.02
10.583	Tools And Tackles	0.09	0.02
10.599	Oth.Misc.Equip. Includ.Fire Protection System	0.06	0.01
10.611	Underground Cables Inclu. Jt. Boxes & Disconnect Box	0.54	0.11
10.612	Underground Cables - Cable Duct System	1.23	0.24
10.613	Internal Wiring Including Fittings & Fixtures	0.07	0.01
10.710	Trucks, Tempos, Trackers	0.00	0.00
10.740	Other Vehicles	0.14	0.03
10.800	Furniture And Fixtures	0.01	0.00
10.905	Computers	0.01	0.00
As Admitted by Commission Upto 31-3-2018		**84.85**	
10.904	Office Equipments	0.001	0.00
10.906	Other Misc minor office Equipments	0.02	0.00
11.300	Capital Spares	0.15	0.03
11.602	Expenditure on Major inspection/capital Overhaul-Turbine/generator	4.49	0.87
As per Audited Accounts for FY 2018-19		**89.52**	**17.33**

50. In view of the above, the Commission has considered the aforesaid transfer of assets of Rs 17.33 Crore in Gross Block of Rajghat HPS in this order due to increase in MPPGCL's

share in Rajghat HPS.

Asset written off / de-capitalized / Adjustments

51. In para 4.4.8 of the petition, the petitioner submitted that the write off /adjustment of Assets were made in the Gross Fixed Assets of the various power stations and these adjustments were reflected in the Annual Audited Accounts for FY 2018-19. The summary of power station-wise details of Assets deductions filed by the petitioner is as given below:

Asset deductions during FY 2018-19 **Rs. Crores**

Stations		Asset Amount	Acc. Dep. amount	Remarks
1	ATPS PH-3	-0.01	-0.01	Assets Write-off
2	STPS PH-2&3	-4.37	-3.94	Assets Write-off
3	STPS PH-4	-0.05	-0.01	Assets Write-off
4	SGTPS PH-1 & 2	-2.91	-2.6	Assets Write-off
5	SGTPS PH-3	-1.32	-0.66	Assets Write-off
6	**Total Thermal**	**-8.67**	**-7.22**	
7	Gandhi Sagar	-0.02	-0.015	Assets Write-off
8	Rajghat	-0.01	-0.001	Assets Write-off
9	Bansagar PH-1,2&3	-0.67	-0.61	Assets Write-off
10	Madhikheda	-0.003	-0.002	Assets Write-off
11	Head Quarters	-0.16	-0.12	Assets Write-off
Total		**-9.54**	**-7.96**	

52. With regard to write-off/adjustment of assets, vide Commission's letter dated 07th March' 2020, the petitioner was asked to inform the following:

"In para 4.3.5 of the petition, the petitioner has shown write-off/adjustment of assets in some of the power stations. It needs to confirm by the petitioner whether the corresponding loan and equity amount pertaining to write-off/ adjustment assets if any, have been accounted for the loan and equity component from the write-off/adjustment in the respective power station. The petitioner was also asked to provide the details/list of assets write-off/adjustment in each power station."

53. Vide letter dated 02nd July' 2020, the petitioner informed that the corresponding equity / loan amount pertaining to write-off/adjustment assets have been reduced from the equity/loan component of the respective power stations. The petitioner further informed

that the assets have also been recorded in the Asset-Cum Depreciation Registers of respective Power stations.

54. With regard to depreciation of assets write-off/decapitalized filed by the petitioner, vide Commission's letter dated 07th March' 2020, the petitioner was asked to file the basis/approach adopted for treatment of the reduction in cumulative depreciation. Vide affidavit dated 02nd July' 2020, the petitioner submitted that the following:

    It is to submit that the assets write-off at various Power Stations are reduced from the Gross Block of Power Stations admitted by the Commission as reflected in table No.4.4.8.1 at page No. 55 of subject petition. The corresponding accumulated Depreciation of write-off assets are reduced from the accumulated depreciation admitted by the Commission in order to maintain the parity between the figures of Gross Block and its corresponding Accumulated dep reciation as reflected in Table 4.4.12.1 at page No.59 of subject petition.

55. On perusal of the power station-wise asset-cum-depreciation registers filed by the petition, it is observed that the petitioner has adjusted the assets write-off in the power stations in the opening GFA and then worked out the adjusted opening GFA. Considering the same approach as considered by the petitioner in its asset-cum-depreciation register, the Commission has adjusted the write-off assets from the opening GFA and worked out the adjusted opening GFA in this order. The write-off/de-capitalization of assets in different power stations is discussed separately below:

ATPS PH-3

56. With respect to prior period write off/adjustment of assets in ATPS PH-3, the petitioner submitted that the assets of Rs. 0.01 Crore have been written off in ATPS PH-3 towards Office Equipments and Instrumentation & controls. These assets have been reduced from the GFA of ATPS PH-3 for the purpose of claiming depreciation for FY 2018-19. The petitioner further submitted that the corresponding equity / loan balances of aforesaid assets have also been adjusted. The detail of assets written off in ATPS PH-3 and their corresponding funding as filed by petitioner is given below:

Table 11: Assets Written-off at ATPS PH-3 **(Rs. in Crore)**

Account Code	Details	Amount
10.904	Other Office Equipments	0.004
10.905	Instrumentation & controls	0.01
Total		**0.014**

57. In view of the above, the assets of Rs. 0.014 Crore write-off in ATPS PH 3 are considered

The details of assets write-off in ATPS PH-3 and their corresponding funding considered in this order are as given below:

Table 12: ATPS PH -3 written off and Funding **(Rs. in Crore)**

Particular	Amount
Gross Fixed Asset	0.01
Loan component	0.01
Equity component	0.004

STPS PH-2&3

58. In STPS PH-2&3, the petitioner submitted that the assets of Rs 4.37 Crore have been de-capitalization in STPS PH-2&3 as per Annual Audited Accounts for FY 2018-19 and the aforesaid assets have been reduced from the Gross Block of STPS PH-2&3. The petitioner further submitted that these assets were funded through Loan/Equity component and the corresponding normative loan/ equity balances have been reduced. The petitioner has filed the following detail of asset written off in STPS PH-2&3 :

Table 13: Assets Written-off at STPS PH-2&3 **(Rs. in Crore)**

Account Code	Details of Assets	Amount
10.501	Boiler, Plant & Equipments	3.05
10.520	Instrumentation & Controls	0.08
10.551	Material handling Equipment Earth Movers, Bulldozer	0.91
10.904	Other Office Equipments	0.01
10.905	Computers	0.33
Total		**4.37**

59. In view of the above, the asset of Rs. 4.37 Crore write-off/de-capitalized in STPS PH-2&3 is considered in this order. The aforesaid assets and corresponding funding have been reduced from the opening balances of Gross Fixed Asset, Debt and Equity. The details of the assets write-off/de-capitalized in STPS PH-2&3 and their corresponding funding are as given below:

Table 14: STPS PH -2&3 Written off and Funding **(Rs. in Crore)**

Particular	Amount
Gross Fixed Asset	4.37
Loan component	3.06
Equity component	1.31

STPS PH-4

60. With respect to prior period write off/adjustment of assets in STPS PH-4, the petitioner submitted that as per Audited Books of Accounts for FY 2018-19, the assets of Rs. 0.05

Crore towards capital spares written off in STPS PH-4. These assets have been reduced from the Gross Fixed Assets of STPS PH-4 for the purpose of claiming depreciation for FY 2018-19. The petitioner further submitted that the corresponding Normative Equity/ Loan Balances of aforesaid assets have also been adjusted. The detail of assets written off in STPS PH-4 as filed by petitioner is given below:

Table 15: Assets Written-off at STPS PH-4 **(Rs. in Crore)**

Account Code	Details	Amount
11.300	Capital Spares	0.05
Total		**0.05**

61. Considering the above, the assets of Rs. 0.05 Crore have been reduced from the opening GFA of STPS PH-4 admitted in the last true up order along with reduction in corresponding debt and equity in the same ratio as admitted in last true up order. The details of the asset write-off and corresponding Debt -Equity considered in this order are as given below:

Table 16: STPS PH-4 assets written-off and their Funding **(Rs. in Crore)**

Particular	Amount
Gross Fixed Asset	0.05
Loan component	0.04
Equity component	0.01

SGTPS PH-1&2

62. With respect to prior period write off/adjustment of assets in SGTPS PH-1&2, the petitioner submitted that the assets of Rs. 2.91 Crore have been written off in SGTPS PH-1&2. The petitioner further informed that the aforesaid assets have been reduced from the Gross Fixed Assets of SGTPS PH-1&2 for the purpose of claiming depreciation for FY 2018-19. The petitioner also submitted that these assets are funded through loan/ equity component and the normative loan/ equity balance has been reduced, proportionately. The details of asset written off as filed by the petitioner are given below:

Table 17: Assets Written-off at SGTPS PH-1&2 **(Rs. in Crore)**

Account Code	Details	Amount
10.520	Instrumentation & Controls	0.76
10.503	Turbine Generator Steam Power Generation	1.83
10.740	Other vehicles	0.32
10.800	Furniture & Fixture	0.0004
Total		**2.91**

63. In view of the above, the Commission has considered write-off of assets of Rs. 2.91 Crore and same has been reduced from the closing GFA admitted in the last true up order along

with reduction in corresponding debt and equity to arrive adjusted opening balances in this order. The details of the asset and corresponding Debt -Equity are as given below:

Table 18: SGTPS PH-1&2 assets written-off and their Funding (Rs. in Crore)

Particular	Amount
Gross Fixed Asset	2.91
Loan component	2.04
Equity component	0.87

SGTPS PH-3

64. With respect to prior period write off/adjustment of assets in SGTPS PH-3, the petitioner submitted that the assets of Rs. 1.32 Crore have been written off in SGTPS PH-3. The petitioner further submitted that the aforesaid assets have been reduced from the Gross Fixed Assets of SGTPS PH-3 for the purpose of claiming depreciation for FY 2018-19. The petitioner also submitted that these assets are funded through loan/ equity component and the normative loan/ equity balance has been reduced proportionately. The details of asset written off as filed by the petitioner are given below:

Table 19:Assets Written-off at SGTPS PH-3 (Rs. in Crore)

Particular	Amount
Assets Adjustments	1.32
Loan component	0.93
Equity component	0.40

65. In view of the above, the Commission has considered aforesaid adjustment of assets and their corresponding funding in SGTPS PH-3 in this order.

Gandhisagar HPS

66. In Gandhisagar HPS, the petitioner submitted that the assets of Rs. 0.02 Crore towards minor assets have been written off from various heads as per Annual Audited Accounts for FY 2018-19. The petitioner further submitted that the aforesaid assets have been reduced from the Gross Fixed Assets of Gandhisagar for the purpose of claiming depreciation for FY 2018-19. The details of the assets written off as submitted by the petitioner are given below:

Table 20: Assets Written-off at GandhiSagar (Rs. in Crore)

Account Code	Details	Amount
10.541	Dewatering Water Pump	0.0005
10.535	Air Compressor	0.002
10.901	Calculator, Type Writer & cash Registers	0.013
10.905	Computers	0.002
Total		**0.02**

67. In view of the above, the Commission has considered the written-off of assets and their corresponding Debt -Equity as given below:

Table 21: Gandhisagar written off and Funding (Rs. in Crore)

Particular	Amount
Gross Fixed Asset	0.02
Loan component	0.012
Equity component	0.005

Bansagar PH-1,2,& 3

68. The petitioner submitted that assets of Rs 0.67 Crore towards sub-station equipment's were written off at Bansagar PH-1,2&3 as per Audited Books of Accounts for FY 2018-19. The petitioner further submitted that the aforesaid assets have been reduced from the Gross Fixed Assets of Bansagar PH-1,2,& 3 for the purpose of claiming depreciation for FY 2018-19. The details of the assets written off as submitted by the petitioner are given below:

Table 22: Assets Written-off at Bansagar PH-1,2&3 (Rs. in Crore)

Account Code	Details	Amount
10.541	Hydel Power generation Plants	0.04
10.535	Other Trans Plant Transf,Kiosks,subs Equip Apprat	0.63
Total		**0.67**

69. In view of the above, the Commission has considered the above mentioned written-off of assets and their corresponding Debt -Equity are as given below:

Table 23: Bansagar Ph-1,2&3 written off and Funding (Rs. in Crore)

Particular	Amount
Gross Fixed Asset	0.67
Loan component	0.47
Equity component	0.20

Madhikheda HPS

70. The petitioner submitted that assets of Rs 0.003 Crore towards office equipment's were written off at Madhikheda HPS. The petitioner further submitted that the aforesaid assets have been reduced from the Gross Fixed Assets of Madhikheda HPS for the purpose of claiming depreciation for FY 2018-19. The details of the assets written-off in Madhikheda HPS are as given below:

Table 24: Assets Written off at Madhikheda HPS **(Rs in Crore)**

A/c Code	Particular	Amount
10.904	Other Office Equipments	0.003
	Total	**0.003**

71. In view of the above, the Commission has considered the written-off of assets in Madhikheda HPS and their corresponding Debt -Equity are as given below:

Table 25: Madhikheda Written-off & Funding **(Rs in Crore)**

Particular	Amount
Gross Fixed Asset	0.003
Loan component	0.002
Equity component	0.001

72. In view of the above, the power station wise closing GFA, equity, loan and cumulative depreciation as on 31st March' 2018 as admitted in the last true-up order for FY 2017-18 issued on 19th July' 2019 has been revised on account of the write-off of asset.

73. The power station-wise opening GFA, opening equity, opening loan component including excess equity and cumulative depreciation as on 1st April' 2018 as worked out after write-off/adjustment/de-capitalization of assets and their corresponding funding are as below:

Table 26: Gross Fixed Assets as on 01st April' 2018 **(Rs. in Crore)**

S. No	Power Stations	Gross Fixed Assets			
		Opening GFA as on 01.04.2018	**Transfer/ Adjustments**	**Asset Written Off**	**Adjusted Opening GFA as on 01.04.2018**
1	ATPS PH-3	1124.40		-0.01	1124.39
2	STPS PH-2 & 3	608.97		-4.37	604.60
3	STPS PH-4	3189.73	-0.20	-0.05	3189.48
4	SGTPS PH 1 &2	2207.10	1.09	-2.91	2205.28
5	SGTPS PH-3	2038.75	0.24	-1.32	2037.67
6	SSTPP PH-1	7275.93		0.00	7275.93
	Thermal	**16444.88**	**1.13**	**8.66**	**16437.35**
7	Gandhi Sagar	10.98	-	-0.02	10.96
8	Pench	103.40			103.40
9	Rajghat	84.84	17.33	-0.01	102.16
10	Bargi	88.43			88.43
11	Bansagar PH-1,2 &3	1174.63		-0.67	1173.96
12	Bansagar PH-4	116.85			116.85
13	Birsinghpur	52.40			52.40
14	Madhikheda	217.99		-0.003	217.99
	Total Hydro	**1849.53**	**17.33**	**-0.70**	**1866.15**
	Total	**18294.41**	**18.46**	**-9.36**	**18303.50**

Table 27: Equity as on 01st April' 2018 **(Rs. in Crore)**

S.	Power Stations	Normative Equity			
No		Opening Equity as on 01.04.2018	Transfer/ Adjustments	Written Off	Adjusted Opening Equity as on 01.04.2018
1	ATPS PH-3	256.63	0.00	-0.002	256.63
2	STPS PH-2 & 3	180.59	0.00	-1.30	179.29
3	STPS PH-4	639.48	-0.06	-0.01	639.41
4	SGTPS PH 1 &2	655.62	0.33	-0.86	655.09
5	SGTPS PH-3	575.84	0.07	-0.37	575.54
6	SSTPP PH 1	1400.64	-	-	1400.64
7	Gandhi Sagar	3.33	-	-0.006	3.32
8	Pench	31.03	-	-	31.03
9	Rajghat	25.45	-	-0.003	25.45
10	Bargi	26.55	-	-	26.55
11	Bansagar PH-1,2 &3	352.40	-	-0.20	352.20
12	Bansagar PH-4	35.05	-	-	35.05
13	Birsinghpur	15.65	-	-	15.65
14	Madhikheda	46.25	-	-0.001	46.25
	Total	**4244.51**	**0.34**	**-2.76**	**4242.09**

Table 28: Loan as on 01st April' 2018 **(Rs. in Crore)**

S.	Power Stations	Normative Loan			
No		Opening Loan as on 01.04.2018	Transfer/ Adjustments	Written Off	Adjusted Opening Loan as on 01.04.2018
1	ATPS PH-3	402.77		-0.01	402.76
2	STPS PH-2 & 3				
3	STPS PH-4	1908.09	-0.14	-0.04	1907.91
4	SGTPS PH 1 &2	-	0.77	-0.77	-
5	SGTPS PH-3	514.12	0.17	-0.95	513.36
6	SSTPP PH-1	4,553.25			4,553.25
7	Gandhi Sagar	0.36	-		0.36
8	Pench	-	-	-	-
9	Rajghat	-	-	-	-
10	Bargi	-	-	-	-
11	Bansagar PH-1,2 &3		-	-	
12	Bansagar PH-4	6.86	-	-	6.86
13	Birsinghpur		-	-	-
14	Madhikheda	34.57	-	-0.002	34.57
	Total	**7420.00**	**0.80**	**-1.77**	**7419.05**

Table 29: Cumulative Depreciation as on 01st April' 2018 (Rs. in Crore)

S. No	Power Stations	Cumulative Depreciation			
		Opening Cumulative Depreciation as on 01.04.2018	Transfer/ Adjustments	Written Off	Adjusted Opening Cumulative Dep. as on 01.04.2018
1	ATPS PH-3	457.43		-0.01	457.42
2	STPS PH-2 & 3	553.55		-3.94	549.61
3	STPS PH-4	676.61	-0.05	-0.01	676.55
4	SGTPS PH 1 &2	1,710.33	0.82	-2.60	1708.55
5	SGTPS PH-3	946.10	0.18	-0.66	945.62
6	SSTPP PH-1	1319.83			1319.83
7	Gandhi Sagar	9.44		-0.015	9.43
8	Pench	82.81			82.81
9	Rajghat	57.08		-0.001	57.08
10	Bargi	68.70			68.70
11	Bansagar PH-1,2 &3	800.14		-0.61	799.53
12	Bansagar PH-4	74.95			74.95
13	Birsinghpur	39.98			39.98
14	Madhikheda	111.75		-0.002	111.75
	Total	**6908.71**	**0.95**	**-7.85**	**6901.80**

Additional Capitalization:

Petitioner's submission:

74. The petitioner submitted that the total assets capitalization of Rs 157.29 Crore has been carried out in the existing power stations as well as in the new projects. These assets additions were made on account of new assets capitalized in thermal and hydel Power Stations. In Para 4.4.7.1 of the subject petition, the petitioner filed the power station wise details of additional capitalization of Rs 157.29 Crore during FY 2018-19 as given below:-

Table 30: Additional Capitalization Claimed during FY 2018-19 (Rs. in Crore)

Sr. No.	Power Stations	Additional Capitalization
1	ATPS PH-3	11.93
2	STPS PH-2 & 3	0.00
3	STPS PH-4	32.07
4	SGTPS PH 1 &2	9.80
5	SGTPS PH-3	34.28
6	SSTPP PH-1	59.76
	Total Thermal	**147.85**
7	Gandhi Sagar	0.20
8	Pench	0.06
9	Rajghat	5.49
10	Bargi	0.05

11	Bansagar PH-1,2&3	3.36
12	Bansagar PH-4 (Jhinna)	0.00
13	Birsinghpur	0.01
14	Madhikheda	0.02
15	**Total Hydro**	**9.19**
16	HQ	0.26
17	**Total Additional Capitalization**	**157.29**
18	**Additional Capitalization considered without HQ**	**157.04**

Provision in Regulation

75. Regarding additional capitalization of the generating stations, Regulation 20.1, 20.2 and 20.3 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 provided that:

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

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

(ii) Works deferred for execution;

(iii) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 19;

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

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

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

20.2 The capital expenditure incurred or to be incurred in respect of the new project on the following counts within the original scope of work after the cut-off date may be admitted by the Commission, subject to prudence check:

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

(ii) Change in law or compliance of any existing law:

(iii) Deferred works relating to ash pond or ash handling system in the original scope of work; and

(iv) Any liability for works executed prior to the cut-off date, after prudence check of the details of such un-discharged liability, total estimated cost of package,

reasons for such withholding of payment and release of such payments etc.

20.3 The capital expenditure, in respect of existing generating station incurred or projected to be incurred on the following counts after the cut-off date, may be admitted by the Commission, subject to prudence check:

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

(b) Change in law or compliance of any existing law;

(c) Any expenses to be incurred on account of need for higher security and safety of the plant as advised or directed by appropriate Government Agencies of statutory authorities responsible for national security/internal security;

(d) Deferred works relating to ash pond or ash handling system in the original scope of work;

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

(f) Any liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments;

(g) Any additional capital expenditure which has become necessary for efficient operation of generating station other than coal based stations, the claim shall be substantiated with the technical justification duly supported by the documentary evidence like test results carried out by an independent agency in case of deterioration of assets, report of an independent agency in case of damage caused by natural calamities, obsolescence of technology, up-gradation of capacity for the technical reason such as increase in fault level;

(h) In case of hydro generating stations, any expenditure which has become necessary on account of damage caused by natural calamities (but not due to flooding of power house attributable to the negligence of the generating company) and due to geological reasons after adjusting the proceeds from any insurance scheme, and expenditure incurred due to any additional work which has become necessary for successful and efficient plant operation;

(i) Any capital expenditure found justified after prudence check necessitated on account of modifications required or done in fuel receiving system arising due to non materialisation of coal supply corresponding to full coal linkage in respect of thermal generating station as result of circumstances not within the control of the generating station:

Provided that any expenditure on acquiring the minor items or the assets including tools and tackles, furniture, air-conditioners, voltage stabilizers, *refrigerators, coolers, computers, fans, washing machines, heat convectors, mattresses, carpets etc. brought after the cut-off date shall not be considered for additional capitalization for determination of tariff w.e.f. 1.4.2016:*

Provided further that any capital expenditure other than that of the nature specified above in (a) to (d) in case of coal based station shall be met out of Compensation Allowance:

Provided also that if any expenditure has been claimed under Renovation and Modernisation (R&M), repairs and maintenance under (O&M) expenses and Compensation Allowance, same expenditure cannot be claimed under this Regulation.

Commission's Analysis:

76. In the subject true-up petition, the petitioner filed additional capitalization of Rs. 157.29 Crore during FY 2018-19 in its thermal and hydel power stations. The power station wise additional capitalization claimed by the petitioner is examined in light of the Annual Audited Accounts, Asset-cum-Depreciation Register, provisions under the Regulations, details and documents filed by the petitioner and the comments/suggestions filed by the Respondent No 1 and other stakeholders in this regard.

77. Vide Commission letter dated 07th March' 2020, the petitioner was asked to submit various details/documents regarding additional capitalization in its thermal and hydel power stations in terms of Regulation 20 of MPERC (Terms & Conditions for Determination of Generation Tariff) Regulations, 2015. By affidavits dated 02nd July' 2020 and 07th October' 2020, the petitioner filed its response on all the issues raised by the Commission. The Commission has examined the power station-wise details in respect of additional capitalization of each power station separately as given below:

a) ATPS PH-3:

78. The Amarkantak Thermal Power Station (ATPS) Extension Unit No. 5 (210 MW) was commissioned on 10th September, 2009. The Commission vide order dated 1st May' 2012 has determined the final generation tariff for this power station. In the subject petition, the petitioner claimed the additional capitalization of Rs. 11.93 Crore in ATPS PH-3 during FY 2018-19 based on the Annual Audited Accounts.

79. The petitioner further submitted that the works under additional capitalization were carried out during FY 2018-19 and these works are within the original scope of works for the project of Rs.1242.14 Crore approved by GoMP dated 12.01.2011. The details of the

assets capitalized during FY 2018-19 under the additional capitalization in ATPS-PH-3 as filed by the petitioner are given below:

Table 31: Details of Asset Capitalization claimed during FY 2018-19 (Rs. in Crore)

A/c Code	Details	Amount
10.201	Buildings Containing Thermo Elec. Gen. Plant	2.65
10.515	Coal Handling Plant & Handling Equipments	0.59
10.520	Instrumentation And Controls	3.67
10.523	220 Kv/400 Kv Switch Yard	3.31
10.563	Batteries Including Charging Equipment	0.03
10.571	Communication Equip-Radio & High Freq.Carrier Sys.	0.34
10.582	Equipments In Hospitals/Clinics	0.02
10.588	Chemical lab Equipments	0.12
10.800	Furniture And Fixtures	0.03
10.904	Other Office Equipment	0.17
10.905	Computer	0.04
11.300	Capital Spares	0.96
Total		**11.93**

80. Vide Commission's letter dated 07th March' 2020, the petitioner was asked to file several details/ documents regarding the additional capitalization with respect to ATPS PH-3. In response, by affidavit dated 07th October' 2020, the petitioner submitted the following:

The head wise description of major Asset Capitalized at APTS PH-3 is given as under:

A. Building containing Thermal Electric Gen. Plant.

The contract for Civil, architectural and structural installation of 1x210 MW APTS PH-3 Chachai under the original scope of work was awarded to M/s BHEL on turnkey basis. The same was submitted in the Final Tariff Petition of ATPS PH-3 filed before. In the matter, it is to submit that MPPGCL continuously pursued BHEL for completion of Balance of civil works related to Ash Handling plant, Coal Handling Plant, Main Plant & switch yard. However, in FY 2013, BHEL intimated that the sub agencies deputed for execution of civil works have demobilized and closed the site therefore they were unable to take up the balance civil works mentioned above and requested MPPGCL to get the balance civil works executed at its own end and close BHEL's Contract. Based on reply submitted by M/s BHEL and various rounds of discussions with M/s BHEL, MPPGCL has recovered additional Liquidated Damages (LD) from its Final retention amount for non execution of above mentioned balance civil [works from M/s BHEL, to get these left out works executed. The said amount was utilized to get these important works done from other agencies through tendering process. Accordingly, tender was issued for the above mentioned balance civil works and the *contract was awarded to M/s Raghvendra Singh Birsinghpur, Pali for an amount of Rs.2.43 Crores + taxes & duties in FY 2016. The order copy along with details of works to be executed is annexed as Annexure-1(A) for kind reference please. In FY 2018-19, the above mentioned balance civil works were capitalized in the Audited Books of Accounts of MPPGCL under the Account "Head- Building containing Thermal Electric Gen. Plant" and accordingly the same is claimed in the Instant True up Petition. The said expenditure was essential for completeness and safety of plant and for preventing corrosion & ensures proper drainage. The above mentioned Capitalization is claimed under following clauses of MPERC Regulations 2015:-*

" 20.3 The capital expenditure, in respect of existing generating station ……………subject to prudence check:

(d) Deferred works relating to ash ………… scope of work;

(f) Any liability for works admitted by …………… liabilities by actual payments;"

B. Instrumentation and Controls.

The Hotwell Level transmitter and Main Oil Tank Level transmitters of ATPS PH-3 have been upgraded and the up gradation have been carried out by procuring components amounting to Rs. 0.07 Crores as detailed in the table above. Further MPPGCL has upgraded the existing HMI system of max DNA DCS System amounting to Rs. 3.59 Crores. The contract was awarded to M/s BHEL. The order copy is annexed as Annexure 1(C) for kind reference please. The above capitalization has been carried towards replacement of old technology to ensure stability and uninterrupted operation. This is a statutory requirement as per CERC/ MPERC Grid Code for efficient running of plant. This up-gradation was necessary to avail benefits of State of the Art Technology and as such to enhance further the reliability of the plant and optimize the outage of these equipments. The above mentioned Capitalization is claimed under following clauses of MPERC Regulations 2015:-

" 20.3 The capital expenditure, in respect of existing generating station …….. subject to prudence check:

(b) Change in law or …….existing law"

C. 220kV / 400kV Switch Yards.

The Hon'ble CERC vide notification dated 09.06.2014 has created a Power System Development Fund (PSDF) out of various charges and penalties being collected from utilities as per the regulatory norms. The National Load Dispatch Centre (NLDC) has been made the Nodal Agency to distribute the fund. The Protection Audit Committee formed by the State Load Dispatch Centre, MP has audited ATPS Chachai, STPS Sarni, SGTPS Birsinghpur and Bansagar HPSs. It was found that existing power stations & associated sub stations of MPPGCL are quite old. In order to maintain the

Grid stability and quality of supply as well as to comply with the latest norms and requirements of protection & grid monitoring and safety, it was essential to carry out up-gradation (replacement) and strengthening of sub stations equipments. Accordingly, it was decided to carry out Renovation and UpGradation of Switch Yards equipments / systems at these Power Stations, to ensure the Grid stability and quality of supply as well as to comply with the latest norms and statutory requirements of protection & Grid Safety. On account of the above, the assets were capitalized in the Audited Books of Accounts of FY 2018-19 and considered in the instant True up petition. The above mention Capitalization is claimed under following clauses of MPERC Regulations 2015:-

"20.3 The capital expenditure, in respect of existing generating station …………….. subject to prudence check:

(b) Change in law or compliance of any existing law"

MPPGCL humbly requests the Commission to kindly permit the above capitalization.

D. Batteries including Charging Equipments.

Healthiness of DC system is very important in every power station as it is responsible for all protection system operations. Accordingly, in order to maintain the stability and quality of DC supply which is statutory requirement as per latest norms and requirements for grid safety, Cell Boosters were procured from M/s Chabbi Electricals Pvt. Ltd, Jalgaon. The Order copy is annexed as Annexure-1(F) The above capitalization has been carried towards replacement of old technology to ensure stability and reliability of DC system. This is statutory requirement as per CERC/MPERC Grid Code for efficient running of plant. This was necessary to enhance the further reliability of DC system and optimize the outage of the plant. The above mention Capitalization is claimed under following clauses of MPERC Regulations 2015:-

" 20.3 The capital expenditure, in respect of …….. subject to prudence check:

(b) Change in law or ……..existing law"

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E. Communication Equip-Radio & High Frequency Carrier System

The above capital expenditure has been carried out on account of replacement of old technology. This is a statutory requirement under CERC/ MPERC Grid Code for ensuring proper functioning of Carrier Protection system and PLCC communication system for safety of Grid / plant & to comply with the latest norms and requirements of grid safety. An order was placed on M/s GE T&D India Ltd, Mumbai for supply, erection, testing and commissioning of 220 kV Wave Traps at ATPS Chachai. The Order copy is annexed as Annexure-1(G) for kind reference please. The above mentioned Capitalization is claimed under following clauses of MPERC Regulations

2015:-

“ 20.3 The capital expenditure, in respect of …….subject to prudence check:

(b) Change in law ……. existing law”

F. Furniture, Fixture & office Equipments:-

Due to efflux of time, constant usage & technological changes the office equipments/ computers etc get obsolete/ unusable over a certain period of time. It is to mention that MPPGCL is writing off these old assets every year and the replacement is considered in the relevant True Up petitions. As per MPERC Regulations, 2015 Appendix-II “Depreciation Schedule” Point No. C (p) I.T. equipments the Depreciation Rate mentioned is 15% indicating the useful life as 06 years. Therefore, after every 06 years the I.T. equipments needs to be upgraded or replaced. The Commission in Trueup Tariff order for FY 2017-18 and FY 2016-17 has approved the decapitalization / Write-off of old computer equipments to the tune of Rs. 0.02 Crores. Therefore, the above procurement may please be considered as replacement to old assets. Similarly, the Hon’ble Commission in Trueup Tariff order for FY 2015-16 has approved the decapitalization / Write-off of old furniture and fixtures to the tune of Rs. 0.001 Crores. Therefore, the procurement of furniture and fixtures amounting to Rs. 0.3 Crores may please be considered as replacement to old assets. Hence for smooth functioning of office works , replacements of old assets is required to be done and accordingly Furniture, office Equipments and computers are procured and capitalized in the audited books of accounts of MPPGCL for FY 2018-19

G. Chemical Lab Equipments:-

Portable Dissolved Oxygen Analyzer , Dust sampler & Fine Particle sampler 0.13 The MP Pollution Control Board has directed MPPGCL to procure Portable Dissolved Oxygen Analyzer, Dust sampler & Fine Particle sampler for testing the environmental norms. Further, due to efflux of time, constant usage & technological changes the chemical Lab equipments etc get obsolete after a certain period of time. It is to mention that MPPGCL is writing off these old assets every year and replacement is considered in the relevant True Up petitions. For compliance of Environmental Norms and smooth functioning of monitoring equipments, replacements of old assets is required to be done and accordingly Lab Equipments are acquired and capitalized in the Audited Books of accounts of MPPGCL for FY 2018-19 as detailed in table above. The stores indents in this regard are already submitted before Commission vide Annexure-10A of letter No. 457 dated 02.07.2020. MPPGCL humbly requests Commission to kindly permit the above capitalization.

H. Capital Spares:

MPPGCL has conducted physical verification of Inventory and Valuation of Material at Site of its power stations by Third Party. Based on the report submitted by the Consultant, MPPGCL has identified the Capital Spares at ATPS PH-3 and the same have been capitalized in the Books of Accounts from 2016-17 onwards. The capital Spares capitalized in Audited Books of Accounts for FY 2018-19 amounted to Rs.0.96 Crores. The said capitalization is claimed under proviso 20.1 (e) of MPERC Regulations 2009 which provides for "Procurement of initial Capital Spares within the Original Scope of Work", in accordance with the provisions of Regulation 17.1(b). MPPGCL humbly request the Commission to kindly permit the above capitalization.

81. On scrutiny of the aforesaid details filed by the petitioner, it is observed that the generating unit of ATPS PH-3 achieved CoD on 10th September' 2009 and the Cut-off date of the unit as per clause 4.1(I) of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 was 31.03.2012. The additional capital expenditure claimed in ATPS PH-3 is capitalized after the cut-off date of the unit. Therefore, the said additional capitalization needs to be examined in light of the relevant provisions under Regulations, 2015.

82. ATPS PH-3 was declared under commercial operation prior to 01.04.2016, therefore this power station is considered as existing project in terms of Regulation 4.1 (s) of the Tariff Regulations, 2015. Therefore, the aforesaid additional capitalization filed by the petitioner is examined in terms of Regulation 20.3 of Regulations, 2015, which provides that "The capital expenditure, in respect of existing generating station incurred or projected to be incurred on the several counts after the cut-off date, may be admitted by the Commission, subject to prudence check.

83. The additional capitalization claimed by the petitioner in ATPS PH-3 is analysed under different heads of assets as given below:

   i. **Building Containing Thermo Electric Gen. Plant & Coal Handling Plant**:- The petitioner has claimed additional capitalization of Rs 2.65 Crore towards Building Containing Thermo Electric Gen. Plant and Rs 0.59 Crore towards Coal Handling Plant**.** The said expenditure of Rs 3.24 Crore (Rs 2.65 Crore + Rs 0.59 Crore) claimed by the petitioner is capitalized after the cut-off date of the project does not fall under any count provided in the Regulation 20.3 (a) to (i) of the Tariff Regulations, 2015. Hence, this expenditure towards work related to Building Containing thermal Electric Gen Plant & Coal Handling Plant is not considered in this order.

ii. **Instrumentation & Controls**- The petitioner has claimed additional capitalization of Rs 3.67 Crore towards Instrumentation & Controls under change in law. The said expenditure of Rs 3.67 Crore claimed by the petitioner does not fall under any provision provided in the Regulation 20.3 (a) to (i) of Tariff Regulations, 2015. It is also observed that no specific proviso of IEGC/MPERC Grid Code is mentioned by the petitioner under which the aforesaid works have been carried out. Therefore, this expenditure towards work related to Instrumentation & Controls is not considered in this order.

iii. **220Kv/440Kv Switch yards**- The petitioner has claimed additional capitalization of Rs 3.31 Crore towards 220KV/440KV Switch yards sanctioned under Power System Development Fund (PSDF). It is observed that the said expenditure of Rs 3.31 Crore claimed by the petitioner under additional capitalization has been funded from PSDF and claimed under change in law. It can be seen that MPPGCL has neither taken any loan from any financial institutions nor infused any equity from its internal resources towards this work. Further, proviso of the Regulation 15.6(d) of the Regulations 2015, provides as under:

> *Provided that any grant received from the Central or State Government or any statutory body or authority for the execution of the project which does not carry any liability of repayment shall be excluded from the Capital Cost for the purpose of computation of interest on loan, return on equity and depreciation;*

In view of the above, the additional assets created through PSDF is not considered under Gross Fixed Assets of the Project in this order

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iv. **Batteries Including Charging Equipment**- The petitioner has claimed additional capitalization of Rs 0.03 Crore towards Batteries Including Charging Equipments. The said expenditure of Rs 0.03 Crore claimed by the petitioner does not fall under the provision in the Regulation 20.3 (a) to (i) of Tariff Regulations, 2015. It is also observed that no specific proviso of IEGC/MPERC Grid Code under which such works have been carried out by the petitioner has been mentioned in its submission. Hence, this expenditure towards work related to Batteries Including Charging Equipments is not considered in this order.

v. **Communication Equip-Radio & High Frequency Carrier System**- The petitioner has claimed additional capitalization of Rs 0.34 Crore towards Communication Equip-Radio & High Frequency Carrier System and claimed under change in law. The said expenditure of Rs 0.34 Crore claimed by the petitioner does not fall under the Regulation 20.3 (a) to (i) of the Tariff Regulations, 2015. It is also observed that no specific proviso of MPERC Grid Code/IE Grid Code has been mentioned by the petitioner under which such works have been carried out. Hence, this expenditure towards work related to Communication Equip-Radio & High Frequency Carrier System is not considered in this order.

vi. **Furniture, Fixture & office Equipments**- The Petitioner claimed Rs 0.24 Crore under additional capitalization towards Furniture, Fixture & Equipments. First Proviso of Regulation 20.3 (i) of Tariff Regulation, 2015 provides that:

> *"Any expenditure on acquiring the minor items or the assets including tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, computers, fans, washing machines, heat convectors, mattresses, carpets etc. brought after the cut-off date shall not be considered for additional capitalization for determination of tariff w.e.f.1.4.2016".*

In view of the aforesaid, the expenditure of Rs. 0.24 Crore is not considered towards furniture, fixture, computers & office equipments under additional capitalization in this order.

vii. **Chemical Lab Equipments**- The Petitioner has claimed Rs 0.12 Crore under additional capitalization towards Chemical lab Equipments. The said additional capitalization of Rs 0.12 Crore claimed by the petitioner for replacement of the Chemical Lab Equipments due to writing off the old assets. The petitioner has not mentioned any specific Regulation under which the aforesaid additional capitalization is claimed in the subject petition. The Commission observed that the aforesaid additional capitalization does not fall under the provisions in the Regulation 20.3 (a) to (i) of Tariff Regulations, 2015. Hence, this expenditure towards work related to Chemical Lab Equipments is not considered in this order.

viii. **Capital Spares**- The petitioner has claimed capital spares of Rs 0.96 Crore under additional capitalization in ATPS PH-3. Since, the capital spares of Rs. 0.96 Crore claimed by the petitioner during FY 2018-19 are after the cut-off date of the project, hence, this amount is not considered in this order.

84. In view of the above, it is observed that the aforesaid additional capitalization claimed by the petitioner in ATPS PH-3 is not covered under any provision of Tariff Regulations, 2015. Thus, the additional capitalization of Rs 11.93 Crore in ATPS PH-3 is not considered in this order.

b) STPS Sarni PH-2&3

85. The petitioner submitted that MPPGCL has opted Special Allowance for STPS PH-2&3. The Commission vide order dated 23.07.2015 in the matter of recovery of Special Allowance for Unit No. 6, 7, 8 & 9 of STPS, Sarni for FY 2011-12 to FY 2017-18 (petition No. 23 of 2015) has allowed the Special Allowance for PH-2 & 3 of STPS Sarni. Accordingly, MPPGCL is not claiming any additional capitalization on these Units from FY 2011-12 onwards.

86. The Commission has observed that STPS PH 2&3 completed its useful life and the petitioner has already opted the special allowance for STPS PH- 2&3 in accordance with the provisions under the applicable MPERC Tariff Regulations. Therefore, it is not entitled to claim any additional capitalization in term of the Regulation 22 of the Generation Tariff Regulations, 2015 in the subject petition.

c) STPS PH-4:

87. The Satpura Thermal Power Station Extension Unit No. 10 & 11 (250 MW each) achieved CoD on 18.08.2013 and 16.03.2014 respectively and the cut-off date of the project as per clause 4.1(I) of the Tariff Regulations, 2015 was 31.03.2017. The Commission vide its order dated 07th January' 2016 determined the final tariff of STPS, Sarni PH-4 on the basis of Annual Audited Accounts for FY 2013-14 and for FY 2014-15 to FY 2015-16 on projected basis. Further, in true up orders of the subsequent years, the Commission allowed the additional capitalization from FY 2014-15 to FY 2017-18 in light of the Provisions under Regulations.

88. In the subject true-up petition, the petitioner claimed additional capitalization of Rs 32.07 Crore in STPS PH-4 during FY 2018-19. The petitioner submitted that the additional capitalization of Rs 32.07 Crore has been capitalized in Annual Audited Accounts for FY 2018-19 and carried out within the original cost estimate of Rs. 3514.00 Crore approved by GoMP vide letter dated 25.06.2007. The details of asset under the additional capitalization in STPS PH-4 as filed by the petitioner are as given below:

Table 32: Details of Additional Capitalization **(Rs. in Crore)**

A/c Code	Details	Amount
10.325	Misc Building & Civil Works	0.841
10.412	Railway Siding	18.722
10.501	Boiler plant & Equipments	0.139
10.503	Turbine-generator-steam power generation	0.164
10.507	Ash Handling Plant	0.698
10.515	Coal handling plant & handling Equipments	0.401

10.520	Instrumentation and Controls	5.388
10.524	Water Treatment Plant	0.052
10.527	Misc. Cranes & Hoists in Power Stations	0.025
10.542	Other Transformers of Power House	0.005
10.578	Air-Conditioning & Ventilation System	0.359
10.583	Tools & Tackles	0.010
11.300	Capital Spares	5.269
Total		**32.075**

89. Vide Commission's letter dated 07th March' 2020, the petitioner was asked to file several details/ documents regarding the aforesaid additional capitalization claimed in STPS PH-4. By affidavit dated 07th October' 2020, the petitioner submitted the following:

***A. Railway siding works**:-*

The aforesaid capitalization is covered under the Original Scope of Work. The Capital Expenditure was incurred towards Deposit Works for installation of Rail Transportation system at Ghoradongri Yard for STPS PH-4 Sarni & balance work including Signaling gears & Equipments replacement, loop line & Engine siding Line renovation. The works were awarded to M/s RITES Ltd (Undertaking of Govt. of India). M/s RITEs has got this work done from sub vendors/suppliers. The Order copies of same are annexed as Annexure-2A for kind reference. These works have already been completed by M/s RITES Ltd. These are statutory works necessary for smooth and regular transportation of coal. The capital expenses towards the above work were lying in books of accounts as CWIP. After intimation from M/s RITES Ltd. they have been put to use and capitalized in FY 2018-19. The said Deposit work of Railways was completed well within the cut-off date. The above mention Capitalization is claimed under following clauses of MPERC Regulations 2015:-

"20.3 The capital expenditure, in respect of existing …….subject to prudence check:

(b) Change in law ……. existing law

(f) Any liability for works admitted …….. liabilities by actual payments"

B. Ash Handling Plant:-

The aforesaid capitalization is covered under the Original Scope of Work. The capital expenses towards the above work were lying in books of accounts as CWIP for reasons attributable to supplier/vendor and beyond the control of MPPGCL. Subsequently these have been capitalized in FY 2018-19. It is to mention that capitalization under said head in accordance with MPERC regulations are considered and allowed by Commission earlier also in its True Up orders. The above mentioned Capitalization is claimed under following clauses of MPERC Regulations 2015:-

"20.3 The capital expenditure, in respect of existing ……. subject to prudence check:

(d) Deferred works relating to ash ………. the original scope of work;

C. Misc Building / Civil works:-

The aforesaid capitalization is covered in the Original Scope of Work. The capital expenses towards the above work were lying in books of accounts under the head CWIP for reasons attributable to supplier/vendor and beyond the control of MPPGCL. Subsequently these have been capitalized in FY 2018-19. It is to mention that capitalization under the said head in accordance with MPERC regulations are carried out and allowed by earlier also in its True Up orders. The above mentioned Capitalization is claimed under following clauses of MPERC Regulations 2015:-

"20.3 The capital expenditure, in respect of existing.. …….subject to prudence check:

(d) Deferred works relating to ash …….. original scope of work;

***D. Instrumentation & Controls**:-*

The aforesaid capitalization is covered in the Original Scope of Work. The above capitalization has been carried to ensure stability of operation. This is statutory requirement as per CERC/MPERC Grid Code for efficient and smooth/un-interrupted running of plant. This has been done to enhance further the reliability of plant operation and optimize the outage of these equipments. The above mentioned Capitalization is claimed under following clauses of MPERC Regulations 2015:-

"20.3 The capital expenditure, in respect of existing ……..subject to prudence check:

(b) Change in law …….. existing law

(f) Any liability for works admitted …….. liabilities by actual payments;"

E. Boiler Plant & Equipments:-

The order was placed on M/s Prakash Engineering, Howrah for supply of Clinker Grinder installed in AHP-IV of STPS PH-4. The order copy is annexed as Annexure-2(B). The above capitalization has been carried to ensure un-interrupted Ash disposal and efficient running of plant. This work has been undertaken to enhance further the reliability and availability of Ash disposal and optimize the outage of these equipments. The above mentioned Capitalization is claimed under following clauses of MPERC Regulations 2015:-

"20.3 The capital expenditure, in respect of existing ……subject to prudence check:

(d) Deferred works relating to Ash …….. original scope of work.

(f) Any liability for works admitted by …….. liabilities by actual payments"

F. Water Treatment Plant:-

The order was placed on M/s Pragati Engg. Works for supply of MSRL Acid Alkali Storage Tank at water Treat Plant of STPS PH- 4 Sarni. The order copy is annexed *as Annexure- 2(C). The above capitalization has been carried for efficient functioning of WT plant. This work has been undertaken to enhance further the reliability and availability of plant and optimize the outage of these equipments. The above mentioned Capitalization is claimed under following clauses of MPERC Regulations 2015:-*

" 20.3 The capital expenditure, in respect of existing …..to prudence check:

(f) Any liability for works admitted by ………..liabilities by actual payments;"

***G. Air Conditioning & Ventilation System**:*

The aforesaid capitalization is covered under the Original Scope of Work. The capital expenses towards the above work were lying in books of accounts under the head CWIP for reasons attributable to supplier/vendor and beyond the control of MPPGCL. Subsequently these have been capitalized in FY 2018-19. The above mentioned Capitalization is claimed under following clauses of MPERC Regulations 2015:-

"20.3 The capital expenditure, in respect of existing …….. prudence check:

(f) Any liability for works admitted by ………..liabilities by actual payments"

H. Capital Spares:

The capital spares are acquired under the Original Scope of Work. The reasons for delay in supply are attributable to supplier/vendor and beyond the control of MPPGCL for which LD would be recovered from the supplier at the time of Final Settlement. These spares have been capitalized in FY 2018-19 in the Audited Books of Accounts of FY 2018- 19 and accordingly the same is considered in the instant True up petition. The above mentioned Capitalization is claimed under following clauses of MPERC Regulations 2015:-

"20.3 The capital expenditure, in respect of existing ……to prudence check:

(f) Any liability for works admitted by …….. liabilities by actual payments."

90. On perusal of the aforesaid details and documents filed by the petitioner, it is observed that the generating units of STPS PH-4 achieved CoD on 16.03.2014 and the Cut-off date of the project in terms of proviso 4.1 (l) of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 was 31.03.2017.

91. STPS PH-4 was declared under commercial operation prior to 01.04.2016, therefore this power station is considered as an existing project in terms of Regulation 4.1(s) of the Tariff Regulations, 2015. The additional capitalization claimed in STPS PH-4 is after the cut-off date of the project. Therefore, the aforesaid additional capitalization needs to be examined in light of the Regulation 20.3 of the Regulations, 2015.

92. The additional capitalization claimed by the petitioner in STPS PH-4 has been analysed under different heads of assets separately as given below:

i. **Railway Siding works**- The Petitioner has claimed Rs 18.72 Crore under additional capitalization towards Railway Siding and claimed under Regulation 20.3 (f) of the Tariff Regulations, 2015 which provides that "any liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments*"* The petitioner mentioned that this work was completed well within the cut-off date but was lying under CWIP in Annual Audited Accounts. However, the assets have been put to use and capitalized in FY 2018-19. It is observed that the capitalization made on account of railway sidings of Rs 18.72 Crore is covered under Regulation 20.3(i) of Regulations, 2015 which provides that

"(i) Any capital expenditure found justified after prudence check necessitated on account of modifications required or done in fuel receiving system arising due to non-materialisation of coal supply corresponding to full coal linkage in respect of thermal generating station as result of circumstances not within the control of the generating station".

Further, the aforesaid works were completed within the cut-off date but put to use and capitalized during FY 2018-19 on actual payment. Therefore, the Commission has considered the additional capitalization of Rs 18.72 Crore towards railway sidings during FY 2018-19.

ii. **Ash Handling Plant**- The Petitioner has claimed Rs 0.698 Crore under additional capitalization towards Ash Handling Plant and claimed under Regulation 20.3 (b) of the Tariff Regulations, 2015. It is observed that out of total asset additions of Rs. 32.075 Crore, the capitalization of Rs. 0.698 Crore towards ash handling system is covered under Regulation 20.3 (d) of Regulations, 2015 i.e. deferred works relating to ash pond or ash handling system in the original scope of work. Accordingly, the Commission has considered capitalization towards ash handling system of Rs 0.698 Crore in this order.

iii. **Misc/Building/Civil works**- The Petitioner has claimed Rs 0.841 Crore under additional capitalization towards Misc/Building/Civil works and claimed under Regulation 20.3 (b) of the Tariff Regulations, 2015 i.e. change in law. The said expenditure of Rs 0.841 Crore claimed by the petitioner after the cut-off date for Misc Building & Civil Works do not fall under provisions of the Regulation 20.3 (a) to (i) of the Tariff Regulations, 2015. Also, the petitioner was not able to substantiate its claim of this expenditure with any documentary evidence. Hence, this expenditure towards work related to Misc/Building/Civil works is not considered in this order.

iv. **Instrumentation & Controls**- The Petitioner has claimed Rs 5.38 Crore under additional capitalization towards Instrumentation & controls and claimed under Regulation 20.3 (b) and (f) of the Tariff Regulations, 2015. The said expenditure of Rs 5.38 Crore claimed by the petitioner does not fall under any provision in the Regulation 20.3 (a) to (i) of Tariff Regulations, 2015. It was also observed that no specific proviso of MPERC Grid Code/IE Grid Code has been mentioned by the petitioner under which such works have been carried out under change in law. Hence, this expenditure towards work related to Instrumentation & controls is not considered in this order.

v. **Boiler, Plant & Equipments**- The Petitioner has claimed Rs 0.14 Crore under additional capitalization towards Boiler, Plant & Equipments. The capitalization of Rs. 0.14 Crore towards Boiler Plant & equipments to ensure uninterrupted Ash Disposal and efficient running of plant is covered under Regulation 20.3 (d) of Regulations, 2015 i.e. deferred works relating to ash pond or ash handling system in the original scope of work. Accordingly, the Commission has considered the additional capitalization of Rs 0.14 Crore towards Boiler, Plant & Equipments for ensuring uninterrupted ash disposal and efficient running of the plant during FY 2018-19.

vi. **Water Treatment Plant**- The Petitioner has claimed Rs 0.052 Crore under additional capitalization towards Water Treatment Plant. The said expenditure of Rs 0.052 Crore claimed by the petitioner does not fall under the provisions in the Regulation 20.3 (a) to (i) of Tariff Regulations, 2015. It was also observed that petitioner was unable to substantiate its claim of this additional expenditure after the cut-off date under Tariff Regulations, 2015. Hence, this expenditure towards Water Treatment Plant is not considered in this order.

vii. **Air Conditioning & ventilation System**- The Petitioner has claimed Rs 0.359 Crore under additional capitalization towards Air Conditioning & ventilation System. The said expenditure of Rs 0.359 Crore claimed by the petitioner does not fall under the provisions in the Regulation 20.3 (a) to (i) of Tariff Regulations, 2015. It was also observed that petitioner was not able to substantiate its claim of this additional expenditure after the cut-off date under Tariff Regulations, 2015.

Hence, this expenditure towards Air Conditioning & ventilation System is not considered in this order.

viii. **Turbine Generator-steam power generation, Misc Cranes & Hoists and other transformers of power house & Coal Handling Plant**- The Petitioner has claimed Rs 0.164 Crore under additional capitalization towards Turbine Generator-steam power generation, Rs 0.401 Crore towards coal handling plant & handling equipments and Rs 0.03 Crore towards misc cranes & hoists and other transformers of power house. The said expenditure of Rs 0.595 Crore (0.164+0.401+0.03) claimed by the petitioner does not fall under any provisions of the Regulation 20.3 (a) to (i) of Tariff Regulations, 2015. It was also observed that petitioner was unable substantiated its claim of additional expenditure after the cut-off date under Tariff Regulations, 2015. Hence, the aforesaid additional capitalization is not considered in this order.

ix. **Capital Spares**- The Petitioner has claimed Rs 5.26 Crore under additional capitalization towards capital spares. The capitalization of aforesaid capital spares claimed under Regulation 20.3 (f) of the Tariff Regulations, 2015 which provides that "any liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments". The capital spares of Rs. 5.26 Crore claimed by the petitioner during FY 2018-19 is after the cut-off date of the project. Further, the petitioner has not demonstrated that the aforesaid expenditure falls under Regulation 20.3(f) hence, this amount is not considered in this order.

93. In view of the above, the additional capitalization
of Rs. 0.698 Crore towards ash handling system and capitalization of Rs. 0.14 Crore towards clinker grinder installed in ash handling plant are covered under Regulation 20.3 (d) of Regulations, 2015 i.e. deferred works relating to ash pond or ash handling system in the original scope of work therefore, considered in this order. Further,he expenditure related to railways sidings of Rs 18.72 crore is also admitted in this order under Regulations 20.3 (i).

94. Further, there is no provision under Tariff Regulations, 2015 for allowing additional capital expenditure of existing power station on works other than those mentioned in the Regulation 20.3 of MPERC Tariff Regulations, 2015. Thus, the expenditure of Rs.12.52 Crore including Capital spares of Rs. 5.269 Crore and other works related to misc buildings/civil works, Coal handling plant, etc are not considered in this Order.

95. Therefore, the additional expenditure of Rs. 19.56 Crore as capitalized in Annual Audited Accounts and recorded in Assets-cum-depreciation register is allowed in STPS PH-4 under Regulation 20.3 in this order. In para 4.3.2 of the petition, the petitioner submitted that the additional capitalization in STPS PH-4 has been funded through only equity component. Therefore, the Commission has considered normative debt equity ratio as per Regulation, 2015 in this Order. The details of additional capitalization and corresponding funding allowed in this order in STPS PH-4 are as given below:

Table 33: Approved additional capitalization and funding (Rs. in Crore)

Particulars	Additions During FY 2018-19
Assets	19.56
Loan	13.69
Equity	5.87

SGTPS PH-1&2

96. The petitioner filed the additional capitalization of Rs. 9.80 Crore during FY 2018-19 in SGTPS PH-1&2 as per Audited Books of Accounts. The details of assets capitalized during FY 2018-19 and claimed by the petitioner are as given below:

Table 34: Additional Capitalization filed under SGTPS PH 1&2 (Rs. in Crore)

A/c Code	Details	Amount
10.520	Instrumentation and controls	0.90
10.563	Batteries including charging equipment	1.00
10.576	Air Conditioning Plant Static	0.499
10.581	Meter Testing Laboratory Tools & Equipments	0.04
10.583	Tools & Tackles	0.38
10.588	Chemical Lap Equipments	0.10
10.800	Furniture & fixtures	0.01
10.904	Other office Equipments	0.00
10.905	Computers	0.04
11.300	Capital Spares	6.26
11.601	Expenditure on Major Inspection/capital Overhaul-Turbine Generator	0.92
Total		**9.80**

97. The petitioner submitted that the additional capitalization has been funded through Equity component as given below:

Table 35: Additional Capitalization and sources of Funding (Rs. in Crore)

Sr. No.	Particulars	Assets Added	Loan	Internal Sources/equity
1	Asset addition	09.80	0.00	9.80

98. Vide Commission's letter dated 07th March' 2020, the petitioner was asked to file several details/ documents regarding the aforesaid additional capitalization. By affidavit dated 07th October' 2020, the petitioner submitted the following:

i. Dynamic System Monitoring Panel, Digital Automatic Voltage Regulator etc

The capitalization made on account of procurement of Dynamic System Monitoring (DSM) Panel, Digital Automatic Voltage Regulator (DAVR) and 220V/1200 AH HDP-II Tabular type lead acid Battery Bank amounting to Rs. 1.90 Crores was necessary to ensure that our plants are ready and reliable to comply with the directives as and when received from the apex body (MP SLDC) for meeting Grid Discipline, in accordance with Grid requirement and efficient & successful operation of generating station. The claim is made under Proviso 19 (2.9) (f) of MPERC Regulations, 2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in original Capital co sts. Being statutory requirement, the said capitalization is also covered under proviso 20.3 of MPERC Regulations 2015 which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

ii. Plant AC Unit, Meters, Analyzers etc

The capitalization made on account of procurement of Plant AC Unit, Spectro Photo Meter, Pressure Calibrator, Oxygen analyzer, Sampling Kit, Oil Analyzer & Micro Processor amounting to Rs. 0.67 Crores, was necessary for monitoring of plant parameter to ensure efficient & successful operation of generating station. The claim is made under Proviso 19 (2.9) (f) of MPERC Regulations, 2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in original Capital costs.

iii. CCTV Cameras.

The CCTV Cameras amounting to Rs. 0.02 Crores were procured for switchyards for Security & Safety reasons of the plant. The same are claimed under proviso 20.3(c) of MPERC Regulations 2015 which provides for any expenses to be incurred on account of need for higher security and safety of the Plant.

iv. Capital Spares.

MPPGCL has conducted physical verification of Inventory and Valuation of Material at Site of its power stations by third party. Based on the report submitted by the consultant, MPPGCL has identified the Capital Spares at SGTPS PH-1&2 and the same have been capitalized in the Books of Accounts from 2016-17 onwards. In FY 2018-19, capital Spares capitalized amounted to Rs.6.26 Crores. The same is *claimed under Proviso 19 (2.9) (f) of MPERC Regulations, 2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station.*

v. Capital Overhaul-Turbine/Generator.

Statutory compliance of Indian Accounting Standards (INDAS) is mandatory for MPPGCL. Based on the said standards, the Expenditure incurred at SGTPS Birsinghpur on Major inspection/capital Overhaul-Turbine/generator was capitalized in the Audited books of Accounts of MPPGCL for FY 2018-19 which amounted to Rs. 0.92 Crores. The same is claimed in the instant petition. The above mentioned Capitalization is claimed under following clauses of MPERC Regulations 2015:-

"20.3 The capital expenditure, in respect of existing ……. prudence check:

(b) Change in law or compliance of any existing law"

vi. Computers, Laptops & Printers.

Due to efflux of time, constant usage & technological changes the computers, printers etc gets obsolete after a certain period of time. It is to mention that MPPGCL is writing off these old assets every year and the same is considered in the relevant True Up petitions. As per MPERC Regulations, 2015 Appendix-II "Depreciation Schedule" Point No. C (p) I.T. equipments, the Depreciation Rate mentioned is 15% indicating the useful life as 06 years. Therefore, after every 06 years the I.T. equipments needs to be upgraded or replaced. Hence for smooth functioning of office works, replacements of old assets is required to be done and accordingly computers, laptops etc. were procured and capitalized in the Audited Books of accounts of MPPGCL for FY 2018-19 amounting to Rs. 0.02 Crores. The same is considered in instant True up petition.,

99. On perusal of the details and documents filed by the petitioner, the Commission has observed that the above assets have been capitalized in the books of accounts of MPPGCL for FY 2018-19 and these assets are also recorded in Assets-cum-depreciation register for SGTPS PH-1&2. The SGTPS PH-1&2 was declared under commercial operation prior to 01.04.2016, therefore this power station is considered as existing project in terms of Regulation 4.1 (s) of the Tariff Regulations, 2015. The additional capitalization filed by the petitioner is examined in terms of Regulation 20.3 of Regulations, 2015, which provides that "The capital expenditure, in respect of existing generating station incurred or projected to be incurred on the several counts after the cut-off date, may be admitted by the Commission, subject to prudence check.

100. The additional capitalization claimed by the petitioner in SGTPS PH-1&2 is examined under different heads of assets separately as given below:

   i. **Dyanamic System Monitoring Panel, Digital Automatic Voltage Regulator etc**.- The Petitioner has claimed additional capitalization of Rs 1.90 Crore towards Dyanamic System Monitoring Panel, Digital Automatic Voltage Regulator etc. The aforesaid additional capitalization claimed under Regulation 20.3 (b) Change in law or compliance of any existing law. It is observed that the said expenditure of Rs 1.90 Crore is not covered under any provision of Regulation 20.3 of Regulations, 2015. The petitioner has claimed this expenditure by substantiating it with the very generalized submission. The petitioner has also not mentioned any specific directions issued by any authority towards the said expenditure neither they have mentioned any specific provisions related to change in law or compliance of any existing law for considering the said expenditure under this provision. Moreover, Compensation allowance is allowed by the Commission in this power station for meeting capital expenditure other than that of the nature specified in Regulation (a) to (d) of the Regulations 20.3 of the Tariff Regulations, 2015. Therefore, the said additional expenditure is not considered in this order in light of the second proviso of Regulation 20.3 (i) of the Tariff Regulations, 2015.

   ii. **Plant AC Unit, Meters, Analyzers etc**- The Petitioner has claimed additional capitalization of Rs 0.67 Crore towards Plant AC Unit, Meters, Analyzers etc. The petitioner has not mentioned any specific Regulation of Tariff Regulations, 2015 under which the aforesaid additional capitalization claimed in the subject petition. The petitioner has also not mentioned any specific directions issued by any authority towards the said expenditure neither they have mentioned any specific provisions related to change in law or compliance of any existing law for considering the said expenditure under this provision. Moreover, Compensation allowance is allowed by the Commission in this power station for meeting capital expenditure other than that of the nature specified in Regulation (a) to (d) of the Regulations 20.3 of the Tariff Regulations, 2015. Therefore, the said expenditure is not considered in this order in light of the second proviso of Regulation 20.3 (i) of the Tariff Regulations, 2015.

   iii. **CCTV Cameras**- The Petitioner has claimed additional capitalization of Rs 0.02 Crore towards CCTV Cameras and claimed under proviso 20.3(c) of MPERC Regulations 2015 which provides for any expenses to be incurred on account of need for higher security and safety of the Plant. The capitalization made on account of procurement of CCTV Camera of Rs 0.02 Crore, which was carried out for security and safety reasons of the plant is covered under proviso 20.3 (c) of MPERC Regulations 2015. Hence, this expenditure is considered in this order.

iv. **Capital Overhaul-Turbine Generator**- The Petitioner has claimed additional capitalization of Rs 0.92 Crore towards Capital Overhaul-Turbine Generator. The petitioner has not mentioned any specific Regulation of Tariff Regulations, 2015 under which the aforesaid additional capitalization claimed in the subject petition. The said expenditure of Rs 0.92 Crore claimed by the petitioner for Capital Overhaul-Turbine Generator does not fall under the provisions in Regulation 20.3 (a) to (i) of Tariff Regulations, 2015. Further, the petitioner is availing compensation allowance in this power station. Hence, this expenditure towards work related to Capital Overhaul-Turbine Generator works is not considered in this order.

v. **Computers, Laptops, Printers & Furniture & Fixtures**- The Petitioner has claimed additional capitalization of Rs 0.04 Crore towards Computers, Laptops & printers and Rs 0.01 Crore towards furniture & fixtures under Regulation 20.3 (b) of the Tariff Regulations, 2015. On perusal of the details of additional capitalization filed by the petitioner, it is observed that the aforesaid capitalization is not covered under Regulation 20.3 of the Tariff Regulations, 2015. Further, first Proviso of Regulation 20.3 (i) of Tariff Regulation, 2015 provides that:

"Any expenditure on acquiring the minor items or the assets including tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, computers, fans, washing machines, heat convectors, mattresses, carpets etc. brought after the cut-off date shall not be considered for additional capitalization for determination of tariff w.e.f.1.4.2016".

In view of the aforesaid proviso, the expenditure of Rs. 0.05 Crore is not considered towards computers, laptops, printers and furniture & fixtures under additional capitalization in this order.

vi. **Capital Spares**- The Petitioner has claimed additional capitalization of Rs 6.26 Crore towards Capital Spares**.** Since, the capital spares of Rs. 6.26 Crore claimed by the petitioner during FY 2018-19 is after the cut-off date of the power station, hence, this amount is not considered in this order.

101. It is observed that the capitalization made on account of procurement of CCTV Camera of Rs 0.02 Crore, which was carried out for security and safety reasons of the plant is covered under proviso 20.3 (c) of MPERC Regulations 2015. Hence, additional capitalization towards CCTV Camera is considered in this order.

102. Considering the above, the following additional capitalization and its corresponding funding for SGTPS PH 1 & 2 for FY 2018-19 is considered by the Commission:

Table 36: Approved Additional Capitalization and Funding **(Rs. in Crore)**

Particulars	Additional Capitalization allowed in FY 2018-19	Loan	Equity
Additional Capitalization	0.02	0.01	0.01

SGTPS PH-3 (1x500 MW)

103. In the subject petition, the petitioner filed the additional capitalization of Rs. 34.28 Crore in SGTPS Ext. Unit No. 5 for FY 2018-19 as per the Annual Audited Accounts. The details of the assets capitalized during FY 2018-19 in SGTPS 500 MW as filed by the petitioner are as given below:

Table 37: Details of Additional Capitalization **(Rs. in Crore)**

A/c Code	Details	Amount
10.401	Pucca Roads	14.38
10.520	Instrumentation and Controls	9.75
10.543	Other Trans plant Transf, Kiosks, Subs Equip Apprat	0.06
10.551	Material Handling Equipment-Earth Movers, Bulldozer	0.50
10.567	Lightining Arrestors	0.88
10.580	Refrigerators & water Coolers	0.03
10.800	Furniture & Fixtures	0.03
10.905	Computers	0.10
11.300	Capital Spares	8.55
Total		**34.28**

104. Vide Commission's letter dated 07th March' 2020, the petitioner was asked to file several details/ documents regarding the aforesaid additional capitalization. By affidavit dated 07th October' 2020, the petitioner submitted the following:

i. RCC Road Works:-

The Asset capitalized in the Account code 10.401 are towards construction of Pucca Roads amounting to Rs.14.38 Crores. MPPGCL wishes to humbly submit that the Ministry of Environment and Forests (MoEF), Government of India, vide its notification No. S.O. 254(E) dated 25th Jan, 2016 has confined the revenue utilization specifically for development of infrastructure facilities, promotion & facilitation activities for use of fly ash, until 100% fly ash utilization levels are achieved. Accordingly, RCC approach Roads have been built at various locations and near Ash loading facility for smooth movement of vehicles and transportation equipments etc. The above said capitalization has been claimed under proviso 20.3 (b) of MPERC Tariff Regulations 2015 towards compliance of Ministry of Environment and Forests & CC, Government

of India, Notifications on Acts and Rules.
"20.3 The capital expenditure, in respect of existing generating station ………………… Commission, subject to prudence check:
(b) Change in law or compliance of any existing law

ii. DSM Display Panel & Automatic Voltage Regulator (DAVR)

The capitalization made on account of procurement of DSM & Digital Automatic Voltage Regulator (DAVR), Max DNA amounting to Rs.9.75 Crores was necessary to ensure that our plants remain ready and fit to comply with the directives as and when received from Apex Body (MP SLDC) for maintaining Grid Discipline in accordance with CERC/MPERC Grid Code requirements. As such these are statutory as per directives of Grid Codes for uninterrupted, efficient & successful operation of generating station. The claim is made under Proviso 19 (2.9) (f) of MPERC Regulations, 2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in original Capital costs. Being statutory requirement, the said capitalization is also covered under proviso 20.3 of MPERC Regulations 2015 which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

iii. Weigh Bridge, Lightening arrestors & Circuit Breakers.

The capitalization made on account of procurement of Weigh Bridge is for fair accounting of coal quantity received being Hon'ble Commissions requirement, Lightening arrestors & Circuit Breakers for safety of substation equipments & Excavator amounting to Rs. 1.44 Crores was necessary for trouble free, efficient & successful operation of generating plant & Substation. The same is claimed under Proviso 19 (2.9) (f) of MPERC Regulations, 2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in original Capital costs.

iv. Computers, Laptops & Printers.

Due to efflux of time, constant usage & technological changes the computers, printers etc gets obsolete after a certain period of time. It is to mention that MPPGCL is writing off these old assets every year and same is considered in the relevant True Up petitions. As per MPERC Regulations, 2015 Appendix-II "Depreciation Schedule" Point No. C (p) I.T. equipments, the Depreciation Rate mentioned is 15% indicating the useful life as 06 years. Therefore, after every 06 years the I.T. equipments needs to be upgraded or replaced. Hence for smooth functioning of office work, replacements of old assets is required to be done and accordingly computers, laptops etc were procured and capitalized in the Audited Books of accounts of MPPGCL for FY 2018-

19 amounting to Rs. 0.09 Crores. The same is considered in instant True up petition. The above mention capitalization is claimed under Proviso 19 (2.9) (f) of MPERC Regulations, 2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in original Capital costs.

v. Capital Spares:

MPPGCL has conducted physical verification of Inventory and Valuation of Material at Site of its power stations by third party. Based on the report submitted by the consultant, MPPGCL has identified the Capital Spares at SGTPS PH-3 and the same have been capitalized in the Books of Accounts from 2016-17 onwards. The capital Spares capitalized in Audited Books of Accounts for FY 2018-19 amounted to Rs.8.55 Crores. The same is claimed under Proviso 19 (2.9) (f) of MPERC Regulations, 2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station. Considering the above submission, MPPGCL humbly requests before the Commission to kindly permit the additional capitalization at SGTPS PH-3, Birsinghpur.

105. SGTPS PH-3 was declared under commercial operation prior to 01.04.2016, therefore this power station is considered as existing project in terms of Regulation 4.1 (s) of the Tariff Regulations, 2015. The additional capitalization filed by the petitioner is examined in terms of Regulation 20.3 of Regulations, 2015, which provides that "The capital expenditure, in respect of existing generating station incurred or projected to be incurred on the several counts after the cut-off date, may be admitted by the Commission, subject to prudence check.

106. The additional capitalization claimed by the petitioner in SGTPS PH-3 is analysed under different heads of assets separately as given below:

i. **RCC Road Works**- The petitioner has claimed additional capitalization of Rs 14.38 Crores towards RCC Works. The aforesaid additional capitalization has been claimed under proviso 20.3 (b) of MPERC Tariff Regulations 2015 towards compliance of Ministry of Environment and Forests & CC, Government of India, Notifications on Acts and Rules.

It is observed that the capitalization made towards construction of pucca roads for ash transportation and smooth movement of vehicles and ash transportation equipments and being in compliance with the directives of Ministry of Environment and Forests & CC, Govt. of India, Notification on Acts and Rules is covered under proviso 20.3 (b) of MPERC Tariff Regulations, 2015. Accordingly, the Commission has considered the additional capitalization of Rs. 14.38 Crore towards RCC Road Works during FY 2018-19.

ii. **DSM Display Panel & Automatic Voltage Regulator**- The petitioner has claimed additional capitalization of Rs 9.75 Crores towards DSM Display Panel & Automatic Voltage Regulator under Regulation 20.3 (b) of the Tariff Regulations 2015. On perusal of the details and documents, it is observed that the said capitalization made on account of DSM & Digital Automatic Voltage Regulator amounting to Rs 9.75 Crore is not covered under any counts of Regulation 20.3 of the Tariff Regulations, 2015. It was also observed that the Petitioner has not demonstrated the specific provision/direction issued by any government body towards the said expenditure nor provided any specific order of any statutory authority to substantiate its claim hence, not considered in this order.

iii. **Weigh Bridge, Lightening Arrestors & Circuit Breakers**- The petitioner has claimed additional capitalization of Rs 1.44 Crores towards Weigh Bridge, Lightening Arrestors & Circuit Breakers. The petitioner has not mentioned any specific provision of Tariff Regulations 2015 under which the aforesaid additional capitalization claimed in the subject petition. The capitalization made on account of procurement of Weight Bridge, Lightening Arrestors and Circuit Breakers of Rs 1.44 Crores is not covered under any count of the Regulation 20.3 of the Tariff Regulations, 2015. Hence, the said expenditure is not considered in this order.

iv. **Computers, Laptops & printers, refrigerators, water coolers and furniture & fixtures**- The petitioner has claimed additional capitalization of Rs 0.09 Crores towards Computers, Laptops & printers, Rs 0.03 Crore towards refrigerators and water coolers and Rs 0.03 Crore towards furniture & fixtures. First Proviso of Regulation 20.3 (i) of Tariff Regulation, 2015 provides that:

"Any expenditure on acquiring the minor items or the assets including tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, computers, fans, washing machines, heat convectors, mattresses, carpets etc. brought after the cut-off date shall not be considered for additional capitalization for determination of tariff w.e.f.1.4.2016".

In view of the aforesaid proviso, the expenditure of Rs. 0.15 Crore is not considered under additional capitalization in this order.

v. **Capital Spares**- The petitioner has claimed additional capitalization of Rs 8.55 Crore towards capital spares. The petitioner has not mentioned any specific provision of Tariff Regulations 2015 under which the aforesaid additional capitalization claimed in the subject petition. Since, the capital spares of Rs. 8.55 Crore claimed by the petitioner during FY 2018-19 is after the cut-off date of the power station, hence, this amount is not considered in this order.

107. In view of the above, it is observed that the capitalization made towards construction of pucca roads for ash transportation, smooth movement of vehicles and transportation of equipments etc. of Rs 14.38 Crores, being in compliance with the directives of Ministry of Environment and Forests & CC, Govt. of India, Notification on Acts and Rules is covered under proviso 20.3 (b) of MPERC Tariff Regulations, 2015. Accordingly, the Commission has only considered the additional capitalization of Rs. 14.38 Crore towards RCC Road Works during FY 2018-19.

108. Further, there is no provision under Tariff Regulations, 2015 for allowing additional capital expenditure of existing power station on works other than those mentioned in the Regulation 20.3 (a) to (i) of Regulations, 2015. Thus, the additional capitalization of Rs. 19.90 Crore towards computers, water cooler, etc including capital spares of Rs. 8.55 Crore are not considered under additional capitalization for the purpose of true-up in this order.

109. In view of the above, the following additional capitalization and its corresponding funding for SGTPS PH 3 for FY 2018-19 is considered by the Commission:

Table 38: Approved Additional Capitalization and Funding (Rs in Crores)

Particulars	Additional Capitalization allowed in FY 2018-19	Loan	Equity
Additional Capitalization	14.38	10.07	4.31

SSTPP PH 1:

110. The Unit No.1 & 2 (2x600 MW) of STPS PH-1 was commissioned on 01.02.2014 and 28.12.2014 respectively, therefore the cut-off date of the project as per clause 4.1(I) of MPERC Tariff Regulations, 2015 was 31.03.2017. The Commission vide order dated 30.12.2017 has determined the final generation Tariff from CoD of Unit No. 1 to 31st March, 2016. The petitioner submitted that the additional capitalization of Rs. 59.76 Crore has been capitalized during FY 2018-19 in STPP PH-I and recorded in Audited Books of Accounts.

111. The petitioner further submitted that the works under additional capitalization were

carried out during FY 2018-19 and these works are within the original scope of cost estimate of Rs. 7820 Crore approved by GoMP dated 23.01.2015. The details of asset capitalized under the additional capitalization as filed by the petitioner are as given below:

Table 39: Details of Additional Capitalization claimed by the petitioner (Rs. in Crore)

Account Code	Details	Amount
10.101	Land owned under full title for Ash Handling	0.57
10.233	Other Buildings	0.11
10.401	Pucca Roads	5.31
10.412	Railway Sidings	35.77
10.503	Turbine generator steam power generation	0.05
10.515	Coal Handling Plant & handling Equipments	0.01
10.520	Instrumentation & controls	1.99
10.523	220kv/400kv switch yard	0.32
10.551	Material handling equipment-earth moves, Bulldozer	0.48
10.578	Refrigerators & water Coolers	3.62
10.582	Equipments in Hospitals/Clinics	0.01
10.588	Chemical lab Equipments	0.10
10.589	Other Lab & Testing Equipments	0.27
10.800	Furniture and fixtures	0.01
10.904	Others	0.17
11.300	Capital spares at generating stations	10.96
	Total	**59.76**

112. Vide Commission's letter dated 07th March' 2020, the petitioner was asked to file several details/ documents regarding the additional capitalization in SSTPP PH-1. By affidavit dated 02nd July' 2020 and 07th October' 2020, the petitioner filed the following response to the issues raised by the Commission:

A. Land Owned under full title:

The Asset capitalized in the Account code 10.101 is towards land held under full title amounting to Rs. 0.57 Crores. MPPGCL wishes to humbly submit that these expenses have been incurred towards Land acquisition near plant area for transportation of Ash from Ash Silos (Ash Handling System). This acquisition of land has been carried from those Farmers whose farms are in the village Sindhkhal and fall in the path of transportation of Ash from Ash Silos. The Demand Note dated 18.01.2019 raised by the O/o SDO (Revenue) & Land Acquisition Officer, Punnasa Division, District Khandwa, (M.P.) was already submitted before Commission vide Annexure- 10E of letter No. 457 dated 02.07.2020. The above mention Capitalization is claimed under following clause of MPERC Regulations 2015:-

" 20.3 The capital expenditure, in respect of existing …….. prudence check:

(b) Change in law or …… existing law".

***B. Building Works**:*

MPPGCL wishes to humbly submit that Main Power Block (MPB) & civil works of SSTPP PH-1, Khandwa was awarded to M/s BHEL. For smooth execution of their work, BHEL had built a store shed in the plant premises. After the execution of contract, M/s BHEL has transferred this shed to MPPGCL on "Outright Sale Basis". The Capital expenditure amounting to Rs. 0.11 Crores pertains to acquisition of aforesaid store shed. The above mentioned Capitalization is claimed under following clauses of MPERC Regulations 2015:-

"20.3 The capital expenditure, in respect of existing ……prudence check:

(f) Any liability for works admitted by ………… liabilities by actual payments;""

C. Pucca Roads

The aforesaid capitalization of Rs. 5.31 Crores is covered under the Original Scope of Work. The capital expenses towards the above work were lying in the books of accounts under the head CWIP for reasons attributable to supplier/vendor and beyond the control of MPPGCL. The LD shall be deducted from suppliers for delay in completion of aforesaid works subsequently they have been capitalized in FY 2018-19. The above mentioned Capitalization is claimed under following clauses of MPERC Regulations 2015:-

"20.3 The capital expenditure, in respect of existing ……… prudence check:

(f) Any liability for works admitted by ……….. actual payments;".

D. Railway Sidings:

The Asset capitalized in the Account code 10.412 amounting to Rs.35.77 Crores is towards the Deposit work for laying of Rail lines, OHE works and S&T works from Surgaon Banjari Station to Bir Station, from Bir Station to Power House and Rail lines inside the Power House carried out by Railway agencies. These works have already been completed by Railway; the last one was on 08.02.2016. These works amounts to Rs. 35.76 Cores (Rs. 29.24 as Hard cost & Rs. 6.53 Crores as Soft cost). The capital expenses towards the above work were lying in books of accounts under the head CWIP. After intimation from Railway agencies these have been capitalized in FY 2018-19. As the said Deposit Work of Railways was completed well within the cut-off date for SSTPP Stage-I i.e. 31.03.2017. The above mentioned Capitalization is claimed under following clauses of MPERC Regulations 2015:-

"20.3 The capital expenditure, in respect of existing …….prudence check:

(f) Any liability for works admitted by ……..liabilities by actual payments;"

***E. Instrumentation & Controls**:-*

MPPGCL is in process of implementation of ERP system. Meanwhile, for the synchronized recording and sharing of data between various divisions and offices of the plant, CMMS webfactore CMMS system (IT- system) has been adopted at SSTPP, PH-1, Khandwa. The aforesaid works covers supply of hardware as well as software at the power station. The order copy is annexed as Annexure-5A for kind reference. The above capitalization has been carried as per statutory requirement under MPERC Grid Code for efficient running of plant activities. This has further enhanced the reliability The above mentioned Capitalization is claimed under following clauses of MPERC Regulations 2015:-

"20.3 The capital expenditure, in respect of existing ……..prudence check:

(b) Change in law …… existing law

(f) Any liability for works admitted by ……..liabilities by actual payments;"

J. AC & Ventilation System:-

The aforesaid capitalization is covered under the Original Scope of Work. The above capitalization has been carried for efficient running of plant. This has further enhanced the reliability and optimized the outage of plant equipments. The Contract Agreement copy with M/s BHEL is annexed as Annexure-5 B for kind reference please. The above mentioned Capitalization is claimed under following clauses of MPERC Regulations 2015:-

"20.3 The capital expenditure, in respect of existing …… to prudence check:

(f) Any liability for works admitted by …….. liabilities by actual payments;"

K. Capital Spares:

The aforesaid capital spares were procured under the Original Scope of Work. The reasons for delay in supply are attributable to supplier/vendor and beyond the control of MPPGCL for which LD shall be recovered from the vendor/supplier at the time of Final settlement. These spares have been capitalized in FY 2018-19 in the Audited Books of Accounts for FY 2018-19 and the same is considered in the instant True up petition. The above mentioned Capitalization is claimed under following clauses of MPERC Regulations 2015:-

"20.3 The capital expenditure, in respect of ……….prudence check:

(f) Any liability for works admitted by ………liabilities by actual payments"

L. Need based & Essential Plant Equipments & works:

The aforesaid capitalization is covered under the Original Scope of Work. This has further enhanced the reliability of plant and optimized the outage of these equipments. The above mentioned Capitalization is claimed under following clauses of MPERC

Regulations 2015:-
"20.3 The capital expenditure, in respect of existing ……..prudence check:
(b) Change in law …….. existing law
(f) Any liability for works admitted by ……….liabilities by actual payments;"

Considering the above, MPPGCL humbly requests before the Hon'ble Commission to kindly permit the above capitalization.

113. On scrutiny of the aforesaid details and documents filed by the petitioner, it is observed that the Unit No. 2 of power station achieved CoD on 28th December, 2014, therefore, the Cut-off date of the unit as per clause 4.1(l) of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, is 31.03.2017. The additional capital expenditure filed by the petitioner in SSTPP 2x600 MW is beyond the cut-off date of the power station.

114. The petitioner has confirmed that the additional assets capitalized in SSTPP PH-1 during FY 2018-19 are funded through PFC loan of Rs. 41.83 Crore and balance Rs. 17.93 from Equity.

115. SSTPP PH-1 was declared under commercial operation prior to 01.04.2016, therefore this power station is considered as existing project in terms of Regulation 4.1(s) of the Tariff Regulations, 2015. The additional capitalization claimed in SSTPP PH-1 is after the cut-off date of the project. Therefore, the aforesaid additional capitalization needs to be examined in light of the Regulation 20.3 of the Regulations, 2015.

116. The additional capitalization claimed by the petitioner in SSTPP PH-1 is analyzed under different heads of assets separately as given below:

    i. **Land Owned under Full Title**- The petitioner has claimed additional capitalization of Rs 0.57 Crore towards land owned under full title for Land acquisition near plant area such as for transportation of Ash from Ash Silos (Ash Handling System) which has been capitalized in the Annual Audited Accounts for FY 2018-19. The petitioner submitted that the Demand Note dated 18.01.2019 raised by O/o SDO (Revenue) & Land Acquisition Officer, Punnasa Division, District Khandwa, (M.P.) is annexed under Additional Capitalization of SSTPP PH-I, Khandwa. In view of the above, it is observed that the aforesaid deferred works relating to ash pond or ash handling system in the original scope of work cover under Regulation 20.3 (d) of the Tariff Regulations, 2015. being a statutory requirement, the said capitalization of Rs. 0.57 Crores is admitted by the Commission under proviso 20.3(b) and (d) of MPERC Tariff Regulations 2015, which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

ii. **Building works**-The petitioner has claimed additional capitalization on account of building and civil works of Rs 0.11 Crores under the Regulation 20.3 (f) of the Tariff Regulations, 2015 which provides that any liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments. On perusal of the details filed by the petitioner, it is observed that the aforesaid expenditure under additional capitalization made after the cut-off date of the project and does not covered under any counts of the Regulation 20.3 of the Regulations, 2015. Hence, the said expenditure is not considered in this order.

iii. **Pucca Roads**- The petitioner has claimed additional capitalization of Rs 5.31 Crore towards pucca roads under the Regulation 20.3 (f) of the Tariff Regulations, 2015 which provides that any liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments. The said expenditure of Rs 5.31 Crore related to pucca roads after the cut-off date is not covered under any count of the Regulation 20.3 of the Tariff Regulations, 2015. Hence, the said expenditure is not considered in this order.

iv. **Railway Sidings**- The Petitioner has claimed additional capitalization of Rs 35.77 Crore towards Railway Sidings under the Regulation 20.3 (f) of the Tariff Regulations, 2015 which provides that any liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments. The petitioner submitted that this work was already completed by railway and the capital expenses towards this work were lying in the books of accounts under CWIP and after intimation from railway agencies, these works have been capitalized in FY 2018-19. The capitalization made on account of railway sidings of Rs 35.77 Crore is also covered under Regulation 20.3 (i) of Regulations, 2015 which provides that "(i) *Any capital expenditure found justified after prudence check necessitated on account of modifications required or done in fuel receiving system arising due to non-materialisation of coal supply corresponding to full coal linkage in respect of thermal generating station as result of circumstances not within the control of the generating station"*. Accordingly, the Commission has considered the additional capitalization of Rs 35.77 Crore towards railway sidings during FY 2018-19 under Regulation 20.3 (f) and (i) of the Tariff Regulations, 2015.

v. **Instrumentation & Controls**- The Petitioner has claimed additional capitalization of Rs 1.99 Crore towards Instrumentation & Controls under Regulation 20.3 (b) and (f) of the Tariff Regulations, 2015. The said expenditure of Rs 1.99 Crore claimed by the petitioner does not fall under any provision of the Regulation 20.3 (a) to (i) of Tariff Regulations, 2015. It is also observed that no specific proviso of MPERC Grid Code/IEGrid Code is mentioned by the petitioner under which such works have been carried out. Hence, this expenditure towards work related to Instrumentation & controls is not considered in this order.

vi. Turbine generator steam power generation, Coal Handling Plant & other equipments- The Petitioner has claimed additional capitalization of Rs 0.05 Crore towards turbine generator steam power generation and Rs 0.01 Crore towards coal handling plant & other equipments. The said expenditure of Rs 0.06 Crore is claimed after the cut-off date and is not covered under any count of the Regulation 20.3 of the Tariff Regulations, 2015. Hence, the said expenditure is not considered in this order.

vi. **Furniture & Fixtures Refrigerators & Water Coolers**- The Petitioner has claimed additional capitalization of Rs 3.62 Crore towards Refrigerators & Water Coolers and Rs 0.01 towards furniture & fixtures. First Proviso of Regulation 20.3 (i) of Tariff Regulation, 2015 provides that:

> *"Any expenditure on acquiring the minor items or the assets including tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, computers, fans, washing machines, heat convectors, mattresses, carpets etc. brought after the cut-off date shall not be considered for additional capitalization for determination of tariff w.e.f.1.4.2016".*

In view of the aforesaid proviso, the expenditure of Rs. 3.62 Crore is not considered towards furniture & fixtures, refrigerators and water coolers under additional capitalization in this order..

vii. **Other Plant Equioments Works (Lab testing equipments,chemical lab equipments,equipments in clinics,earth moves and bulldozers, 220 KV/400KV switch yard**- The petitioner has claimed Rs 0.27 Crore towards Lab testing equipments, Rs 0.10 Crore towards chemical lab equipments, Rs 0.01 Crore towards equipments in clinics, Rs 0.48 Crore towards earth movers and bulldozers and Rs 0.32 Crore towards 220 KV/400KV switch yard. The said expenditure of Rs 1.18 Crore is claimed after the cut-off date and is not covered under any count of the Regulation 20.3 of the Tariff Regulations, 2015. Hence, the said expenditure is not considered in this order.

viii. **Capital Spares-** The petitioner has claimed additional capitalization of Rs 10.96 Crore towards capital spares. Since, the capital spares of Rs. 10.96 Crore claimed by the petitioner during FY 2018-19 is after the cut-off date of the power station, and not covered under any provision of Regulation 20.3 of the Tariff Regulations, 2015. Hence, this amount is not considered in this order..

117. In view of the above, the total additional capital expenditure of Rs 36.34 Crore is admitted in SSTPP PH-1 during FY 2018-19 in accordance with the Regulation 20.3 of the Tariff Regulations, 2015.

118. It is observed that the actual capital expenditure and corresponding funding as on 31.03.2019 admitted by the Commission is within the approved project cost and funding. Accordingly, the details of the additional capitalization and funding considered in this order are as given below:

Table 40: Approved project cost and funding up to 31.03.2019 (Rs. in Crore)

Particular	During FY 18-19
Assets	36.34
Loan	25.44
Equity	10.90

Additional Capitalization under Hydro Power Stations:

Gandhisagar HPS:

The petitioner filed the additional capitalization of Rs. 0.20 Crore in Gandhisagar Hydro Power station during FY 2018-19 towards switch yards equipments, auxiliaries, other office equipments, etc. The petitioner further submitted that the additional assets of Rs. 0.20 Crore in Gandhisagar HPS have been funded through equity. The details of the additional assets in Gandhisagar HPS filed in the petition are as follows:

Table 41: Details of Additional Capitalization (Rs. in Crore)

Account Code	Details	Amount
10.523	Circuit Breaker	0.03
10.535	Air Compressor	0.09
10.543	Portable Synchronizing Trolley	0.08
Total		**0.20**

119. Vide Commission's letter dated 07th March' 2020, the petitioner was asked to file several details/ documents regarding the additional capitalization in Gandhisagar HPS. By

affidavit dated 02nd July' 2020 and 07th October' 2020, the petitioner filed its response to the queries raised by the Commission as given follows:

The accounting vouchers with respect to above mentioned additional capitalization were already submitted before Commission vide Annexure-10 F of letter No. 457 dated 02.07.2020. Further, the funding details of aforesaid capitalization were also submitted before Commission vide Annexure- 11B of letter No. 457 dated 02.07.2020. The Gross Block of Gandhi Sagar HPS was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & thus governed by MPERC (Terms and Conditions for determination of Generation Tariff), Regulations 2005 (G-26 of 2005), which do not specify for Cut-off date for the purpose of Additional Capitalization. The above-mentioned capitalization is on account of need based essential and statutory works towards compliance of directives of IEGC/MPEGC/CEA. The said capitalization is claimed as per Proviso 19 (2.9) (f) of MPERC Regulations,2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in the original Capital costs. Further Proviso 20.3 (g) of MPERC Regulations, 2015 provides for incurrence of any additional capital expenditure which has become necessary for efficient operation of generating station other than coal based stations. Being statutory requirement, the said capitalization is also covered under proviso 20.3 of MPERC Regulations 2015 which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law. Considering above, MPPGCL humbly requests before the Commission to kindly permit the above capitalization.

120. The Commission has observed that the assets of Rs. 0.20 Crore claimed by the petitioner under Regulation 20.3 (g) of the Tariff Regulations, 2015 are capitalized in the books of accounts for FY 2018-19 and recorded in Asset-cum-Depreciation Register of Gandhisagar HPS.

121. On perusal of the details filed by the petitioner, the Commission has observed that an amount of Rs 0.20 Crore towards circuit breakers, air compressor and portable synchronizing trolley on account of need based essential and statutory works towards compliance of directives of IEGC/MPEGC/CEA which are covered under proviso 20.3 (b) of Tariff Regulations, 2015 which provides for incurrence of capital expenditure under change in law or compliance of any existing law. It is further observed that Regulation 20.3 (g) provides for incurrence of any additional capital expenditure which has become necessary for efficient operation of generating station other than coal based stations. The

Commission also observed that there is no for separate compensation / special allowance for hydro power stations.

122. In view of the above, the additional capitalization of Rs. 0.20 Crore is considered in Gandhi Sagar hydro power station in this order. The details of additional capitalization and corresponding funding are as given below:

Table 42: Additional Capitalization and Funding admitted (Rs in Crore)

Particular	FY 2018-19
Asset Addition	0.20
Loan Component	0.14
Equity Component	0.06

Pench HPS:

123. The petitioner filed the additional capitalization of Rs. 0.057 Crore in Pench Hydro Power station during FY 2018-19 on account of expenses towards plant, pipelines for water supply, Electrostatic Liquid Cleaner Trolley, Computers, etc.

124. The petitioner submitted that the additional assets of Rs. 0.057 Crore in Pench HPS are capitalized in Annual Audited Accounts for FY 2018-19 and same have been funded through internal resources/ equity component. The details of the additional assets in Pench HPS filed in the petition are as follows:

Table 43: Details of Assets Capitalization (Rs. in Crore)

Sr. no	Acc. Code	Details	Amount
1	10.320	Plant, pipelines for water supply	0.002
2	10.589	Electrostatic Liquid Cleaner Trolley	0.026
5	10.589	Submersible dewatering pump	0.007
6	10.589	Digital Earth Tester Model	0.012
7	10.900	Furniture & Computer	0.010
Total			**0.06**

125. Vide Commission's letter dated 07th March' 2020, the petitioner was asked to file several details/ documents regarding the additional capitalization in Pench HPS. By affidavit dated 02nd July' 2020 and 07th October' 2020, the petitioner filed the following response:

The accounting vouchers with respect to above mentioned additional Capitalization were already submitted before Hon'ble Commission vide Annexure- 10G of letter No. 457 dated 02.07.2020. Further, the funding details of aforesaid capitalization were also submitted before Hon'ble Commission vide Annexure- 11B of letter No. 457 dated 02.07.2020.The Gross Block of Pench HPS was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & thus governed by MPERC

(Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for Cut-off date for the purpose of Additional Capitalization. The above mentioned capitalization is on account of need based essential and statutory works & towards compliance of directives of IEGC/MPEGC/CEA. The said capitalization is claimed as per Proviso 19 (2.9) (f) of MPERC Regulations, 2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in the original Capital costs. Further Proviso 20.3 (g) of MPERC Regulations, 2015 provides for incurrence of any additional capital expenditure which has become necessary for efficient operation of generating station other than coal based stations. Considering above, MPPGCL humbly requests before the Commission to kindly permit the above capitalization.

126. The Commission has observed that the above assets of Rs. 0.06 Crore are capitalized by the petitioner in the books of accounts for FY 2018-19 and recorded in Asset-cum-Depreciation register of Pench HPS. Further, Proviso of Regulation 20.3 (i) of Tariff Regulation, 2015 provides that:

"Any expenditure on acquiring the minor items or the assets including tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, computers, fans, washing machines, heat convectors, mattresses, carpets etc. brought after the cut-off date shall not be considered for additional capitalization for determination of tariff w.e.f.1.4.2016".

127. In view of the aforesaid Proviso, the expenditure of Rs. 0.01 Crore is not considered towards furniture & computer under additional capitalization in this order.

128. Further, Regulation 20.3(i) of the Regulations, 2015 provides that:

"Any additional capital expenditure which has become necessary for efficient operation of generating station other than coal based stations, the claim shall be substantiated with the technical justification duly supported by the documentary evidence like test results carried out by an independent agency in case of deterioration of assets, report of an independent agency in case of damage caused by natural calamities, obsolescence of technology, up-gradation of capacity for the technical reason such as increase in fault level"

In view of the above, additional capitalization of Rs 0.05 Crore is considered in this order in accordance to Regulation 20.3 (g) of the Tariff Regulations, 2015. Accordingly, the additional capitalization and its funding for Pench HPS considered in this order are as given below:

Table 44: Approved Additional Capitalization and Funding upto 31.03.2019 (Rs in Crore)

Particular	During FY 2018-19
Assets	0.047
Loan	0.033
Equity	0.014

Bargi HPS:

129. The petitioner filed the additional capitalization of Rs. 0.05 Crore in Bargi Hydro Power station during FY 2018-19 towards batteries including charging equipments and switchyard.

130. The petitioner confirmed that the additional assets of Rs. 0.05 Crore in Bargi HPS are capitalized in Annual Audited Accounts for FY 2018-19 and same has been funded entirely through equity of Rs. 0.05 Crore. The details of the additional assets in Bargi HPS filed in the petition are as follows:

Table 45: Details of Additional Capitalization (Rs. in Crore)

Account Code	Details	Amount
10.572	Communication Equip-Telephone lines	0.02
10.580	Refrigerators & Water Coolers	0.01
10.900	Computer & Office Equipment	0.01
10.905	Computers	0.01
Total		**0.05**

131. Vide Commission's letter dated 07th March' 2020, the petitioner was asked to file several details/ documents regarding the additional capitalization in Bargi HPS. By affidavit dated 02nd July' 2020 and 07th October' 2020, the petitioner filed the following response to the queries of the Commission:

The accounting vouchers with respect to above mentioned additional Capitalization were already submitted before Hon'ble Commission vide Annexure- 10H of letter No. 457 dated 02.07.2020.

The Gross Block of Bargi HPS was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & thus governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for Cut-off date for the purpose of Additional Capitalization. The above *mentioned capitalization is on account of need based essential and statutory works & towards compliance of directives of IEGC/MPEGC/CEA. The said capitalization is claimed as per Proviso 19 (2.9) (f) of MPERC Regulations,2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in the original Capital costs. Further Proviso 20.3 (g) of MPERC Regulations, 2015 provides for incurrence of any additional capital expenditure which has become necessary for efficient operation of generating station other than coal based stations.*

Considering above, MPPGCL humbly requests before the Commission to kindly permit the above capitalization. The Commission has observed that the assets of Rs. 0.05 Crore are capitalized by the petitioner in the books of accounts for FY 2018-19 and recorded in Asset-cum-Depreciation register of Bargi HPS.

132. Regarding the additional capitalization towards minor assets, Proviso of Regulation 20.3 (i) of Tariff Regulation, 2015 provides that:

"Any expenditure on acquiring the minor items or the assets including tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, computers, fans, washing machines, heat convectors, mattresses, carpets etc. brought after the cut-off date shall not be considered for additional capitalization for determination of tariff w.e.f. 1.4.2016".

133. In view of the aforesaid proviso, out of the total additional capitalization of Rs. 0.05 Crore, the expenditure of Rs. 0.03 Crore is not considered towards refrigerators, water coolers, computer and other office equipments under additional capitalization in this order. Further, Regulation 20.3(g) of the Regulations, 2015 provides that:

"Any additional capital expenditure which has become necessary for efficient operation of generating station other than coal based stations, the claim shall be substantiated with the technical justification duly supported by the documentary evidence like test results carried out by an independent agency in case of deterioration of assets, report of an independent agency in case of damage caused by natural calamities, obsolescence of technology, up-gradation of capacity for the technical reason such as increase in fault level"

134. In view of the above, additional capitalization of Rs 0.02 Crore is considered in this order in view of the provision mentioned above. Accordingly, the additional capitalization of Rs 0.02 Crore is allowed under the Regulation 20.3(h) of the Regulations, 2015. The details

of the additional capitalization and its funding considered in this order are as given below:

Table 46: Additional Capitalization and funding admitted (Rs. in Crore)

Particular	FY 2018-19
Asset Addition	0.02
Loan component	0.014
Equity component	0.006

Bansagar PH-1, 2 & 3 HPS:

135. The petitioner filed the additional capitalization of Rs. 3.36 Crore in Bansagar, PH-1, 2 & 3 during FY 2018-19. The details of same are as under:

Table 47: Details of Asset Capitalization (Rs. in Crore)

A/c Code	Details	Amount
10.101	Instrumentation & controls	0.803
10.531	Hydel Power Generation Plants	0.328
10.535	Auxilliaries in hydel power plants	0.101
10.543	Other transformers plant transformers kiosks,subs, equipement apparatus	0.788
10.561	Switchgears	1.132
10.563	Batteries including charging equipment	0.003
10.583	Tools & Tackles	0.078
10.904	Other Office equipments	0.006
10.905	Computers	0.015
11.300	Capital Spares	0.109
	Total	**3.363**

136. Vide Commission's letter dated 07th March' 2020, the petitioner was asked to file several details/ documents regarding the additional capitalization in Bansagar Ph-1,2 & 3 HPS. By affidavit dated 02nd July' 2020 and 07th October' 2020, the petitioner filed the following response to the queries of the Commission:

The accounting vouchers with respect to above mentioned additional Capitalization were already submitted before Hon'ble Commission vide Annexure- 10I of letter No. 457 dated 02.07.2020.

Further, the funding details of aforesaid capitalization was also submitted before Hon'ble Commission vide vide Annexure- 11B of letter No. 457 dated 02.07.2020. The Gross Block of Bansagar PH- 1, 2 & 3 HPS was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & thus governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of

2005), which do not specify for Cut-off date for the purpose of Additional Capitalization.

The head wise description of major Asset Capitalized at Bansagar PH-1, 2 & 3 as elaborated in table above is given as under:

i. Duplex Control Rely Penal & spare cards for Electro Hydraulic Governor:-

The capitalization made on account of procurement of Duplex Control Rely Penal & spare cards for Electro Hydraulic Governor amounting to Rs. 0.80 Crores was necessary for compliance to directives of IEGC/MPEGC/CEA and efficient & successful operation of generating station.

The same is claimed under Proviso 19 (2.9) (f) of MPERC Regulations, 2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in original Capital costs.

Being statutory requirement, the said capitalization is also covered under proviso 20.3 of MPERC Regulations 2015 which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

Further Proviso 20.3 (g) of MPERC Regulations, 2015 provides for incurrence of any additional capital expenditure which has become necessary for efficient operation of generating station other than coal based stations.

ii. Isolators and SF-6 Circuit Breakers:-

The Protection Audit Committee formed by State Load Dispatch Centre, MP has audited ATPS Chachai, STPS Sarni, SGTPS Birsinghpur and Bansagar HPSs. It was found that existing power stations & associated sub stations of MPPGCL are quite old. In order to maintain the stability and uninterrupted supply as well as to comply with the latest norms and requirements of grid safety, it is essential to carry up gradation and strengthening works at sub stations. The above capital expenditure amounting to Rs.1.92 Crores has been carried out for replacement of old technology as per statutory requirement under MPERC Grid Code & to maintain the stability and quality of supply along with grid safety. These are need based essential and statutory works towards compliance of directives of IEGC/MPEGC/CEA. The said capitalization is claimed as per Proviso 19 (2.9) (f) of MPERC Regulations,2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in the original Capital costs.

Further Proviso 20.3 (g) of MPERC Regulations, 2015 provides for incurrence of *any additional capital expenditure which has become necessary for efficient operation of generating station other than coal based stations.*

iii. Oil Centrifuge units, degrading pumps, dead tank etc

In order to maintain the stability and quality of supply as well as to comply with the latest norms and requirements of grid safety, abovementioned equipments are acquired and capitalized in FY 2018-19 amounting to Rs. 0.51 Crores. These are need based essential works & claimed as per Proviso 19 (2.9) (f) of MPERC Regulations,2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in the original Capital costs. Further Proviso 20.3 (g) of MPERC Regulations, 2015 provides for incurrence of any additional capital expenditure which has become necessary for efficient operation of generating station other than coal based stations.

iv. Computers & Other office equipments

As per MPERC Regulations, 2015 Appendix-II "Depreciation Schedule" Point No. C (p) I.T. equipments the Depreciation Rate mentioned is 15% indicating the useful life as 06 years. Therefore, after every 06 years the I.T. equipments needs to be upgraded or replaced.

The Hon'ble Commission in Trueup Tariff order for FY 2016-17 has approved the decapitalization / Write-off of old computer equipments to the tune of Rs. 0.05 Crores. Therefore, the procurement of Computers equipments amounting to Rs. 0.01 Crores may please be considered as replacement towards old assets.

Similarly, the Hon'ble Commission in Trueup Tariff order for FY 2017-18 has approved the decapitalization / Write-off of old office equipments to the tune of Rs. 0.01 Crores. Therefore, the procurement of office equipments amounting to Rs. 0.01 Crores may please be considered as replacement to old assets.

v. Capital Spares

MPPGCL has conducted physical verification of Inventory and Valuation of Material at Site of its power stations by third party. Based on the report submitted by the consultant, MPPGCL has identified the Capital Spares at Bansagar HPS and the same have been capitalized in the Books of Accounts from 2016-17 onwards.

The FY 2018-19 the capital Spares capitalized in Audited Books of Accounts for FY 2018-19 amounted to Rs.0.11 Crores

These are need based essential works & claimed as per Proviso 19 (2.9) (f) of MPERC Regulations,2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station *but not include in the original Capital costs. Further Proviso 20.3 (g) of MPERC Regulations, 2015 provides for incurrence of any additional capital expenditure which has become necessary for efficient operation of generating station other than coal based stations.*

Considering above, MPPGCL humbly requests before the Commission to kindly permit the above capitalization.

137. On examination of the aforesaid details filed by the petitioner, the Commission observed that the additional assets of Rs. 3.363 Crore in Bansagar PH 1, 2 & 3 capitalized in Annual Audited Accounts for FY 2018-19 and recorded in Asset-Cum-Depreciation register of the project. The petitioner informed that the aforesaid assets have been funded through internal resources/ equity component.

138. As per the proviso to Regulation 20.3 (i) of the Tariff Regulations, 2015, the additional capitalization towards the minor items or the assets including tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, computers, fans, washing machines, heat convectors, mattresses, carpets etc. brought after the cut-off date shall not be considered for additional capitalization for determination of tariff w.e.f. 1.4.2016. Therefore, the Commission has not considered the additional capitalization of Rs. 0.02 Crore towards Other office equipments & computer in Bansagar PH-1, 2 and 3 in this order.

139. Further, there is no provision under Regulation 20.3 of the Tariff Regulations, 2015 for the capital spares at the fag end of the project. Therefore, the additional capitalization Rs 0.11 Crore towards capital spares is not considered in this order as these are minor items which are claimed after the cut-off date of the project.

140. The Commission has considered the additional capitalization amounting to Rs. 3.16 Crore as per the Regulation 20.3(h) of Tariff Regulations’ 2015 which provides as under:

In case of hydro generating stations, any expenditure which has become necessary on account of damage caused by natural calamities (but not due to flooding of power house attributable to the negligence of the generating company) and due to geological reasons after adjusting the proceeds from any insurance scheme and expenditure incurred due to any additional work which has become necessary for successful and efficient plant operation;

141. The details of the additional capitalization and its funding considered in this order are as given below:

Table 48: Additional capitalization and Funding Admitted (Rs in Crores)

Particular	FY 2018-19
Asset Addition	3.16
Loan component	2.21
Equity component	0.95

Rajghat HPS

142. The petitioner filed the additional capitalization of Rs. 5.49 Crore in Rajghat Hydro Power station during FY 2018-19. The details of the additional capitalization are as under:

Table 49: Details of Asset Capitalization (Rs in Crore)

A/c Code	Details	Amount
10.523	220Kv/400Kv switch yard	0.17
10.535	Auxilliaries of power plants	4.63
10.542	Other Transformers of Power House	0.09
10.599	Other misc Equip Including Fire Protection System	0.09
10.904	Others	0.04
10.905	Computers	0.01
11.300	Capital Spares	0.45
	Total	**5.49**

143. Vide Commission's letter dated 07th March' 2020, the petitioner was asked to file several details/ documents regarding the additional capitalization in Rajghat HPS. By affidavit dated 02nd July' 2020 and 07th October' 2020, the petitioner filed the following response to the issues raised by the Commission:

The accounting vouchers with respect to above mentioned additional Capitalization were already submitted before Hon'ble Commission vide Annexure- 10J of letter No. 457 dated 02.07.2020.

Further, the funding details of aforesaid capitalization were also submitted before Hon'ble Commission vide Annexure- 11B of letter No. 457 dated 02.07.2020. The Gross Block of Rajghat HPS was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & thus governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for Cut-off date for the purpose of Additional Capitalization. The head wise description of major Asset Capitalized at Rajghat HPS as elaborated in table above is given as under:

i. Auxiliaries at Power Plant:-

Existing power stations & associated sub stations of MPPGCL are quite old. In order *to maintain the stability and quality of supply as well as to comply with the latest norms and requirements of grid safety, it is essential to carry up gradation and strengthening works at sub stations Accordingly, orders were placed to M/s BHEL for work of repair of runner, Turbine Shaft/ Shaft bearing , supply of Turbine & Generator items & capital over hauling of Unit-1 of Rajghat HPS in FY 2017-18. The assets capitalized under this head during FY 2018-19 amounted to Rs. 4.47 Crores. These are need based essential and statutory works and are necessary for functioning of plant towards compliance of directives of IEGC/MPEGC/CEA to maintain the stability and quality of supply along with grid safety. The said capitalization is claimed as per Proviso 19 (2.9) (f) of MPERC Regulations,2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in the original Capital costs.*

Further Proviso 20.3 (g) of MPERC Regulations, 2015 provides for incurrence of any additional capital expenditure which has become necessary for efficient operation of generating station other than coal based stations.

Being statutory requirement, the said capitalization is also covered under proviso 20.3 of MPERC Regulations 2015 which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

ii. Circuit Breakers, Governor Spares, Regulating Panel, Heat Detector, Shaft Seal & Submersible Pump

In order to maintain the stability and quality of supply as well as to comply with the latest norms and requirements of grid safety, above mentioned equipments are acquired and capitalized in FY 2018-19 amounting to Rs. 0.51 Crores. These are need based essential works & claimed as per Proviso 19 (2.9) (f) of MPERC Regulations,2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in the original Capital costs. Further Proviso 20.3 (g) of MPERC Regulations, 2015 provides for incurrence of any additional capital expenditure which has become necessary for efficient operation of generating station other than coal based stations.

iii. Other Items- Computers, AC, LED display, Video Camera etc

Due to efflux of time, constant usage & technological changes the computers, printers, Camera etc gets obsolete after as certain period of time. It is to mention that MPPGCL is writing off these old assets every year and same is considered in the relevant True Up petitions.

For smooth functioning of office works , replacements of old assets is required to be done and accordingly computers, laptops etc were procured and capitalized in the Audited Books of accounts of MPPGCL for FY 2018-19 amounting to Rs.0.06 Crores

The same is considered in instant True up petition. The above mention capitalization is claimed under Proviso 19 (2.9) (f) of MPERC Regulations, 2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in original Capital costs.

iv. Capital Spares:

MPPGCL has conducted physical verification of Inventory and Valuation of Material at Site of its power stations by third party. Based on the report submitted by the consultant, MPPGCL has identified the Capital Spares at Rajghat HPS and the same have been capitalized in the Books of Accounts from 2016-17 onwards.

The FY 2018-19 the capital Spares capitalized in Audited Books of Accounts for FY 2018-19 amounted to Rs. 0.45 Crores. The same is claimed under Proviso 19 (2.9) (f) of MPERC Regulations, 2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station Considering above, MPPGCL humbly requests before the Commission to kindly permit the above capitalization.

144. The petitioner confirmed that the additional assets of Rs 5.49 Crore in Rajghat HPS are capitalized in Annual Audited Accounts for FY 2018-19 and same has been funded through internal source. The details of the additional assets in Rajghat HPS filed in the petition are as follows:

Table 50: Details of Additional Capitalization **(Rs. in Crore)**

Sno	Particulars	Loan	Equity/ Internal Source	Total
1	Additions			5.49
2	Funding details	0.00	5.49	5.49

145. The Commission has observed that the assets of Rs. 5.49 Crore are capitalized by the petitioner in the books of accounts for FY 2018-19 and recorded in Asset-cum-Depreciation register of Rajghat HPS.

146. Vide affidavit dated 07th March' 2021, the petitioner submitted the following:

"On 21.08.2016, all the 18 gates of the Rajghat Dam were opened, causing flood in downstream. Due to high discharges of water, the level of river downstream increased speedily. There was ingress of water from Tailrace causing flooding of Machine floor. There was damage to existing Plant and Machinery installed at the plant. This also resulted in financial loss to MPPGCL amounting to Rs. 65 Lakhs. The supporting documents in this regard are annexed for kind reference.

Accordingly, orders were placed to M/s BHEL for work of repair of runner, Turbine Shaft/ Shaft bearing, supply of Turbine & Generator items & capital over hauling of Unit-1 of Rajghat HPS in FY 2017-18. The assets capitalized under this head during FY 2018-19 amounted to Rs. 4.47 Crores. These are need based essential and statutory works and are necessary for functioning of plant."

147. In view of the above submission, the Commission has considered the capitalization of Rs 4,47 Crore towards auxiliaries of power plants under the Regulation 20.3 (h) of the Tariff Regulations' 2015.

148. The Petitioner has claimed Rs 0.51 Crore towards circuit breakers, governor spares, regulating panel,heat detector,shaft seal and submersible pump to comply with the latest norms and requirements of grid safety. The said expenditure of Rs 0.51 Crore is also allowed under Regulation 20.3 (h) of the Tariff Regulations, 2015.

149. As per the proviso to Regulation 20.3 (i), the additional capitalization towards the minor items or the assets including tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, computers, fans, washing machines, heat convectors, mattresses, carpets etc. brought after the cut-off date shall not be considered for additional capitalization for determination of tariff w.e.f. 1.4.2016. Therefore, the Commission has not considered the additional capitalization of Rs. 0.065 Crore towards computers, coolers, stabilizers in Rajghat HPS in this order.

150. Further, the capital spares amounting to Rs 0.45 Crore are also not considered in this order as it is claimed after the cut-off date of the project.

151. Accordingly, the additional capitalization of Rs 4.98 Crore is allowed under the Regulation 20.3(g) and (h) of the Regulations, 2015. The details of the additional capitalization and its funding considered in this order are as given below:

Table 51: Additional Capitalization and Funding admitted **(Rs in Crore)**

Particular	FY 2018-19
Asset Addition	4.98
Loan component	3.49
Equity component	1.49

Birsinghpur HPS:

152. The petitioner filed the additional capitalization of Rs. 0.01 Crore in Birsinghpur Hydro Power station during FY 2018-19 towards hydel power generation plants and furniture &

fixtures.

153. The petitioner confirmed that the additional assets in Birsinghpur through equity of Rs. 0.01 Crore. The details of the additional assets in Birsinghpur HPS filed in the petition are as follows:

Table 52: Details of Additional Capitalization **(Rs. in Crore)**

Account Code	Details	Amount
10.531	Hydel Power Generation plants	0.006
10.904	Furniture	0.004
Total		**0.010**

154. Vide Commission's letter dated 07th March' 2020, the petitioner was asked to file several details/ documents regarding the additional capitalization in Birsinghpur HPS. By affidavit dated 02nd July' 2020 and 07th October' 2020, the petitioner filed the following reply to the queries raised by the Commission:

The order copies & accounting vouchers with respect to above mentioned additional Capitalization were already submitted before Hon'ble Commission vide Annexure-10L of letter No. 457 dated 02.07.2020. Further, the funding details of aforesaid capitalization were also submitted before Hon'ble Commission vide Annexure- 11B of letter No. 457 dated 02.07.2020.

The Gross Block of Birsinghpur HPS was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & thus governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for Cut-off date for the purpose of Additional Capitalization. The above mentioned capitalization is on account of need based essential works.

The said capitalization is claimed as per Proviso 19 (2.9) (f) of MPERC Regulations,2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in the original Capital costs. Further Proviso 20.3 (g) of MPERC Regulations, 2015 provides for incurrence of any additional capital expenditure which has become necessary for efficient operation of generating station other than coal based stations. Considering above, MPPGCL humbly requests before the Commission to kindly permit the above capitalization.

155. The Commission has observed that the assets of Rs. 0.010 Crore are capitalized by the petitioner in the books of accounts for FY 2018-19 and recorded in Asset-cum-Depreciation register of Birsinghpur HPS. However, as per the proviso to Regulation 20.3 (i), the additional capitalization towards the minor items such as office equipments,

furniture, and computer etc is not considered. Therefore, the Commission has not considered the additional capitalization of Rs. 0.004 Crore towards furniture & fixtures in Birsinghpur HPS in this order.

156. Accordingly, the additional capitalization of Rs 0.006 Crore towards hydel power generation plants is allowed under the Regulation 20.3(i) of the Regulations, 2015. The details of the additional capitalization and its funding considered in this order are as given below:

Table 53: Funding details **(Rs in Crore)**

Particular	FY 2018-19
Asset Addition	0.006
Loan component	0.004
Equity component	0.002

Madhikheda HPS:

157. In Madhikheda HPS, the petitioner has claimed additional capitalization of Rs. 0.02 Crore based on the Audited Books of Accounts of FY 2018-19 under following heads:

Table 54: Details of Additional capitalization **(Rs in Crore)**

Account Code	Details of Assets	Amount
10.583	Battery Operated Insulation Tester	0.02
10.589	Digital tester	0.003
10.904	Others office equipments	0.002
Total		**0.02**

158. The Commission has observed that the assets of Rs. 0.02 Crore are capitalized by the petitioner in the books of accounts for FY 2018-19 and recorded in Asset-cum-Depreciation Register of Madhikheda HPS. However, as per the proviso to Regulation 20.3 (i), the expenditure towards the minor items or assets including office equipments, furniture, and computer, tools & tackles, air conditioners, voltage stabilizers, etc after the cut-off date shall not be considered for additional capitalization. Therefore, the Commission has not considered the additional capitalization of Rs. 0.002 Crore towards other office equipments in Madhikheda HPS in this order.

159. The additional capitalization of Rs 0.023 Crore towards battery operated insulation tester and digital tester is allowed under the Regulation 20.3(i) of the Regulations, 2015. The details of the additional capitalization and its funding considered in this order are as given below:

Table 55: Funding details **(Rs in Crore)**

Particular	FY 2018-19
Asset Addition	0.023
Loan component	0.016
Equity component	0.007

160. The petitioner has also requested to consider the submission on additional capitalization of assets (Rs 93.96 Crore) in power stations disallowed by this Commission's order dated 19.07.2019 in petition No. 01 of 2019 for True-up of Generation Tariff of Power Stations of MPPGCL for FY 2017-18. The petitioner had also filed review Petition No 35 of 2019 for review of the order dated 19.07.2019 in petition No. 01 of 2019 Vide Commission's order dated 19th November' 2019, the Commission disposed of the Review Petition No. 35 of 2019 with the following observation:

"In view of the observations of Commission at para 8 of this order, it is found that the issues raised by the review petitioner in the present petition do not fall under any of the abovementioned circumstances articulated in Rule 1 Order 47 of CPC for review in the instant case. Therefore, the subject review petition is not maintainable and hence disposed of".

161. Since, the review order dated 19th November' 2019 has attained finality, Hence, the Commission has not considered the request of the petitioner to re-consider its review order for additional capitalization of assets which have been disallowed in true up order for FY 2017-18 and the review order issued by the Commission.

162. Based on the above, the power station wise additional capitalization and corresponding funding thereof considered in this true-up order for FY 2018-19 are as given below:

Table 56: Details of Asset Additions Admitted with corresponding Funding

(Rs. in Crore)

S.No	Particulars	Addition Admitted for FY 2018-19		
		Asset Addition	Loan Addition including excess Equity	Equity Addition
1	ATPS PH-3	-	-	-
2	STPS PH-2&3	-	-	-
3	STPS PH-4	19.56	13.69	5.87
4	SGTPS PH-1 & 2	0.02	0.01	0.01
5	SGTPS PH-3	14.38	10.07	4.31

6	SSTPP PH-1	36.34	25.44	10.90
7	Gandhi Sagar	0.20	0.14	0.06
8	Pench	0.05	0.03	0.01
9	Rajghat	4.98	3.49	1.49
10	Bargi	0.02	0.01	0.01
11	Bansagar PH-1,2& 3	3.16	2.21	0.95
12	Bansagar PH-4 (Jhinna)	-	-	-
13	Birsinghpur	0.01	0.00	0.00
14	Madhikheda	0.023	0.016	0.007
	TOTAL	**78.73**	**55.11**	**23.62**

Debt-Equity Ratio:

163. Regulation 25 of the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 provides that:

"25.1 For a project declared under commercial operation on or after 1.4.2016, the debt-equity ratio would be considered as 70:30 as on COD. If the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan:
Provided that:
a. where equity actually deployed is less than 30% of the capital cost, actual equity shall be considered for determination of tariff.
b. the equity invested in foreign currency shall be designated in Indian rupees on the date of each investment.
c. any grant obtained for the execution of the project shall not be considered as a part of capital structure for the purpose of debt : equity ratio."

25.2 The generating company shall submit the resolution of the Board of the company regarding infusion of fund from internal resources in support of the utilization made or proposed to be made to meet the capital expenditure of the generating station.

25.3 In case of the generating station declared under commercial operation prior to 1.4.2016, debt- equity ratio allowed by the Commission for determination of tariff for the period ending 31.3.2016 shall be considered.

25.4 In case of the generating station declared under commercial operation prior to 1.4.2016, but where debt: equity ratio has not been determined by the Commission for determination of tariff for the period ending 31.3.2016, the Commission shall approve the debt : equity ratio based on actual information *provided by the generating company.*

25.5 Any expenditure incurred or projected to be incurred on or after 1.4.2016 as may be admitted by the Commission as additional capital expenditure for determination of tariff, and renovation and modernisation expenditure for life extension shall be serviced in the manner specified in clause 25.1 of this Regulation

164. Regulation 25.3 of Tariff Regulations' 2015 provides that in case of generating station/unit declared under commercial operation prior to 01st April' 2016, debt equity ratio allowed by the Commission for determination of tariff for the period ending 31st March' 2016 shall be considered.

165. In view of the above, the Commission has considered the same power station wise opening loan and equity as on 01st April' 2018 as closing loan and equity balances as on 31st March' 2018 considered in last true-up order for FY 2017-18 issued on 19th July' 2019.

166. Further, Regulation 25.5 of Tariff Regulations, 2015 provide that any expenditure incurred on or after 01st April' 2016 as may be admitted by the Commission as additional capital expenditure for determination of tariff shall be determined in the manner specified in Regulations 25.1 of this Regulation. Therefore, the debt and equity components for the additional capitalization admitted in this order has been considered accordingly.

167. The petitioner submitted that all the assets under additional capitalization have been funded through equity/internal resources. Therefore, debt:equity in all the power stations (except SSTPP PH-1) of 70:30 has been considered in accordance to the Tariff Regulations, 2015 in this order. In SSTPP PH-1, the actual debt-equity ratio as filed by the petitioner has been considered on the asset additions admitted by the Commission in this order.

Annual Capacity (fixed) Charges:

168. The tariff for supply of electricity from a thermal power generating station and hydro power generating station (comprises of Capacity (fixed) charge and Energy (variable) charge) is to be derived in the manner specified in the "Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015. As per Regulation 27 of the Tariff Regulations, 2015, the Annual Capacity (fixed) Charges consist of:

(a) Return on Equity;
(b) Interest on Loan Capital;
(c) Depreciation
(d) Interest on Working Capital;
(e) Operation and Maintenance Expenses;

Provided that special allowance in lieu of R&M where opted in accordance to Regulation 22 or separate compensation allowance in accordance with Regulation 23, wherever applicable shall be recovered separately and shall not be considered for computation of working capital.

a. Return on Equity:

Petitioner's submission:

169. With regard to the return on equity, the petitioner broadly submitted the following:

i). The proviso 25.1 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2015 specifies debts Equity ratio of 70:30 of capital cost for the purpose of determination of Return on Equity.

ii). In accordance with above, the normative Equity as on 01.04.2018 admitted by the Commission in the True Up order for FY 2017-18 and considered in this true up petition..

iii). On account of Asset additions at the existing stations as well as new projects, there is infusion of Equity during FY 2018-19. The details regarding asset additions and funding thereof during FY 2018-19 are as given below:

Table 57: Detail of Equity for additional assets claimed by the petitioner (Rs. in Crore)

Sr. no.	***Stations***	***Additional Capitalization Climed***	***Funding Through***	***Equity 30% of GB***	***Normative Equity***	***Balance Excess Equity treated as Loan***
			Equity/Internal Resources			
1	*ATPS PH-3*	*11.93*	*11.93*	*3.58*	*3.58*	*8.35*
2	*STPS PH-2&3*	*-*	*-*	*-*	*-*	*-*
3	*STPS PH-4*	*32.07*	*32.07*	*9.62*	*9.62*	*22.45*
4	*SGTPS PH-1&2*	*9.80*	*9.80*	*2.94*	*2.94*	*6.86*
5	*SGTPS PH-3*	*34.28*	*34.28*	*10.28*	*10.28*	*23.99*
6	*SSTPP PH-1*	*59.76*	*17.93*	*17.93*	*17.93*	*-*
7	***Total Thermal***	***147.85***	***106.01***	***44.35***	***44.35***	***61.66***
8	*Gandhi Sagar*	*0.20*	*0.20*	*0.06*	*0.06*	*0.14*
9	*Pench*	*0.06*	*0.06*	*0.02*	*0.02*	*0.042*
10	*Rajghat*	*5.49*	*5.49*	*1.65*	*1.65*	*3.843*

11	*Bargi*	*0.05*	*0.05*	*0.02*	*0.02*	*0.04*
12	*Bansagar PH-1,2 &3*	*3.36*	*3.36*	*1.01*	*1.01*	*2.35*
13	*Bansagar PH-4*	-	-	-	-	-
14	*Madhikheda*	*0.02*	*0.02*	*0.01*	*0.01*	*0.01*
15	*Birsinghpur*	*0.01*	*0.01*	*0.003*	*0.003*	*0.007*
13	***Total Hydel***	***9.19***	***9.19***	***2.76***	***2.76***	***6.43***
14	*HQ & S&I*	*0.26*	*0.26*	*0.08*	*0.08*	*0.18*
Total		***157.29***	***115.46***	***47.19***	***47.19***	***68.27***

iv). *As per proviso 30.2 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2015 the Return on Equity is to be computed at a base rate of 15.5% which is to be grossed up by the tax rate. Since MPPGCL has not paid any Tax during FY-2018-19, MPPGCL has worked out the Return on Equity on pre tax basis at a base rate of 15.50% as tabulated below:-*

Table 58: Return on Equity for FY 2018-19 claimed by the Petitioner (Rs. in Crore)

Sr. No.	***Station***	***Adjusted Normative Equity as on 01.04.2018***	***Normative Equity Addition due to Asset Addition***	***Total Normative Equity as on 31.03.2019***	***Average Equity***	***ROE @15.50%***
1	*ATPS PH-3*	*256.63*	*3.58*	*260.21*	*258.42*	*40.05*
2	*STPS PH-2&3*	*179.28*	-	*179.28*	*179.28*	*27.79*
3	*STPS PH-4*	*639.40*	*9.62*	*649.02*	*644.22*	*99.85*
4	*SGTPS PH-1&2*	*655.07*	*2.94*	*658.01*	*656.54*	*101.76*
5	*SGTPS PH-3*	*575.51*	*10.28*	*585.79*	*580.66*	*90.00*
6	*SSTPP PH-1*	*1,400.64*	*17.93*	*1,418.57*	*1,409.60*	*218.49*
7	***Total Thermal***	***3,706.53***	***44.36***	***3,750.89***	***3,728.72***	***577.95***
8	*Gandhi Sagar*	*3.32*	*0.06*	*3.38*	*3.35*	*0.52*
9	*Pench*	*31.03*	*0.02*	*31.05*	*31.04*	*4.81*
10	*Rajghat*	*25.45*	*1.65*	*27.10*	*26.27*	*4.07*
11	*Bargi*	*26.55*	*0.02*	*26.57*	*26.56*	*4.12*
12	*Bansagar PH-1,2&3*	*352.20*	*1.01*	*353.21*	*352.70*	*54.67*
13	*Bansagar PH-4*	*35.05*	-	*35.05*	*35.05*	*5.43*
14	*Madhikheda*	*15.65*	*0.01*	*15.66*	*46.25*	*2.43*
15	*Birsinghpur*	*46.25*	*0.00*	*46.25*	*15.65*	*7.17*
16	***Total Hydro***	***535.50***	***2.76***	***538.26***	***536.88***	*83.22*
17	*HQ*	*1.51*	*0.08*	*1.59*	*1.55*	*0.24*
	Total	***4,243.54***	***47.19***	***4,290.73***	***4,267.14***	***661.41***

** After adjustment of written off and transfer of assets.*

Provision in Regulations:

170. Regulation 30 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 provides that:

"Return on equity shall be computed in rupee terms, on the paid up equity capital determined in accordance with Regulation 25.

Return on equity shall be computed at the base rate of 15.50% for thermal generating stations and hydro generating stations:

Provided that:

(a) in case of projects commissioned on or after 1st April, 2016, an additional return of 0.5 % shall be allowed, if such projects are completed within the timeline specified in Appendix-I:

(b) the additional return of 0.5% shall not be admissible if the project is not completed within the timeline specified above for reasons whatsoever:

(c) the rate of return of a new project shall be reduced by 1% for such period as may be decided by the Commission, if the generating station is found to be declared under commercial operation without commissioning of any of the Restricted Governor Mode Operation (RGMO)/ Free Governor Mode Operation (FGMO):

(d) as and when any of the above requirements are found lacking in a generating station based on the report submitted by the respective SLDC/RLDC, ROE shall be reduced by 1% for the period for which the deficiency continues:

Commission's analysis:

171. In this order, the Commission has considered the power station wise opening equity as on 1st April, 2018 as per the closing equity admitted in true-up order for FY 2017-18 issued on 19th July' 2019. In some of the power stations, the opening equity (as admitted by the Commission as closing equity in last true up order) have been revised in this order after considering the impact of some write-off/adjustment of assets filed by the petitioner.

172. The petitioner filed the additional capitalization in some of the thermal and hydel power stations for FY 2018-19 and claimed return on equity on additional equity infusion in respect of additional capitalization. The power station wise details of equity additions towards asset additions and considered by the Commission have been discussed in details in the additional capitalization part of this order.

173. The Commission has considered the power station wise equity addition only to the extent

of additional capitalization admitted in this true-up order. The equity over and above the normative equity is considered as normative loan.

174. Based on the above, the power station-wise break-up of normative equity eligible for return on equity in this true-up order is worked out as given below:

Table 59: Opening Equity, Additions and Closing Equity for FY 2018-19 (Rs. in Crore)

Sr.No.	Power Station	Adjusted Opening Equity as on 01.04.2018	Equity Addition during FY 2018-19	Closing Equity as on 31.03.2019
1	ATPS PH-3	256.63	-	256.63
2	STPS PH-2 & 3	179.29	-	179.29
3	STPS PH-4	639.41	5.87	645.28
4	SGTPS PH 1 &2	655.09	0.01	655.09
5	SGTPS PH-3	575.54	4.31	579.85
6	SSTPP PH-1	1400.64	10.90	1411.54
7	Gandhi Sagar	3.32	0.06	3.38
8	Pench	31.03	0.01	31.04
9	Rajghat	25.45	1.49	26.94
10	Bargi	26.55	0.01	26.56
11	Bansagar PH-1,2 &3	352.20	0.95	353.15
12	Bansagar PH-4	35.05	-	35.05
13	Birsinghpur	15.65	0.00	15.65
14	Madhikheda	46.25	0.007	46.26
	Total	**4242.09**	**23.62**	**4265.71**

**Adjusted opening equity has been considered after write-off/Adjustment of assets.*

175. Considering the above, the Return on equity for FY 2018-19 is worked out by applying base rate of return on equity as given below:

Table 60: Return on Equity for FY 2018-19 determined in this Order

Sr. No.	Station	Average Equity	Rate of Return on Equity	Return on Equity
		Rs. Crores	**%**	**Rs. Crores**
1	ATPS PH-3	256.63	15.50	39.78
2	STPS PH-2&3	179.29	15.50	27.79
3	STPS PH-4	642.34	15.50	99.56
4	SGTPS PH-1&2	655.09	15.50	101.54
5	SGTPS PH-3	577.69	15.50	89.54
6	SSTPP PH-1	1406.09	15.50	217.94
	Total Thermal	**3717.14**		**576.16**
7	Gandhi Sagar	3.35	15.50	0.52
8	Pench	31.04	15.50	4.81

9	Rajghat	26.19	15.50	4.06
10	Bargi	26.55	15.50	4.12
11	Bansagar PH-1,2 &3	352.67	15.50	54.66
12	Bansagar PH-4	35.05	15.50	5.43
13	Birsinghpur	15.65	15.50	2.43
14	Madhikheda	46.25	15.50	7.17
	Total Hydro	**536.76**	15.50	**83.20**
Total		**4253.90**		**659.36**

b. Interest and finance charges on loan capital:

Petitioner's submission:

176. With regard to interest on loan, the petitioner broadly submitted the following:

a. *"The Power Station wise Normative opening loan balances as on 01.04.2018 (including excess equity) admitted by the Commission in the True Up order for FY 2017-18 and considered as opening loan in the instant petition.*

b. *During FY 2018-19, Assets were transferred/written-off as reflected in Audited Books of Accounts for FY 2018-19. The same is elaborated in the Chapter Additional Capitalization/Decapitalization and funding thereof.*

c. *Accordingly, the normative loan balance as admitted by the Commission in the True-Up Order for FY 2017-18 has been adjusted & detailed hereunder: The summery of assets addition and funding thereof along with working of Normative & excess Equity is tabulated as under:*

Table 61: Adjusted Opening Normative Loan Balance (Rs. in Crore)

Sr No	***Stations***	***Opening Bal as on 1.4.2018 (as per MPERC True up order for FY 18)***	***Loan Adjustments in reference to***			***Adjusted Opening Bal. as on 01.04.2018***
			Assets transfer between power stations		***Towards assets written off/adjustments***	
1	*ATPS PH-3*	*402.77*			*(0.01)*	*402.76*
2	*STPS PH-4*	*1,908.09*	*(0.14)*		*(0.04)*	*1,907.91*
3	*SGTPS PH -1&2*	*-*		*0.77*	*(0.77)*	*-*
4	*SGTPS PH-3*	*514.12*		*0.17*	*(0.93)*	*513.36*
5	*SSTPP PH-1*	*4,553.25*				*4,553.25*
	Total Thermal	***7,378.23***	***(0.14)***	***0.93***	***(1.74)***	***7,377.29***
6	*GandhiSagar*	*0.36*				*0.36*
7	*Bansagar PH-4*	*6.86*				*6.86*
8	*Madhikheda HPS*	*34.57*			*(0.002)*	*34.57*
	Total Hydro	***41.79***	***-***	***-***	***-***	***41.79***
Total		***7,420.02***	***(0.14)***	***0.93***	***(1.74)***	***7,419.07***

d. *Considering, above, the power station wise Opening, Closing and Average balances of loan considering the repayment equal to depreciation charged* *during FY 2018-19 as per proviso 32.3 of MPERC Regulation 2015 are indicated below:-*

Table 62: Details of the Opening & Closing Loan Balance (Rs. in Crore)

Sr No.	Stations	Adjusted Opening Bal 1/4/2018	Additions		Total Additional Loan	Principal repayment (Dep)	Closing Bal 31/3/2019
			Loan	Excess Equity			
1	ATPS PH-3	402.76	-	8.35	8.35	51.06	360.05
2	STPS PH-2&3	-	-	-	-	-	-
3	STPS PH-4	1,907.91	-	22.45	22.45	165.75	1,764.62
4	SGTPS PH-1&2	-	-	6.86	6.86	6.86	-
5	SGTPS PH-3	513.36	-	23.99	23.99	103.70	433.66
	SSTPP PH-1	4,553.25	41.83	-	41.83	367.90	4,227.19
6	**Total Thermal**	**7,377.29**	**41.83**	**61.66**	**103.49**	**695.27**	**6,785.51**
7	Gandhi Sagar	0.36	-	0.14	0.14	0.04	0.46
8	Pench	-	-	0.04	0.04	0.04	-
9	Rajghat	-	-	3.84	3.84	3.84	-
10	Bargi	-	-	0.04	0.04	0.04	-
11	Bansagar PH-1,2 &3	-	-	2.35	2.35	2.35	-
12	Bansagar PH-4	6.86	-	-	-	6.16	0.70
13	Madhikheda	34.57	-	0.01	0.01	11.36	23.23
14	Birsinghpur	-	-	0.007	0.01	0.007	-
15	**Total Hydel**	**41.79**	**-**	**6.43**	6.43	**23.84**	**24.38**
16	HQ & S&I	3.52	-	0.18	0.18	0.27	3.43
	Total	**7,422.59**	**41.83**	**68.27**	**110.10**	**719.37**	**6,813.33**

177. The petitioner considered the excess equity which is over and above the normative equity as loan and claimed the interest on this amount in the subject petition. The overall weighted average rate of interest is applied to arrive at the interest on excess equity.

178. The petitioner worked out the Interest charges (including interest on excess equity) for FY 2018-19 by applying weighted average rate of interest on loans as given below:

Table 63: Interest on Loan as filed (Rs. in Crore)

Sr No	Stations	Average Loan.	Wt. Average Rate of Int.	Interest Amount
1	ATPS PH-3	381.41	11.10%	42.33
2	STPS PH-2&3	-	14.36%	-
3	STPS PH-4	1,836.27	11.01%	202.16
4	SGTPS PH-1&2	-	13.32%	-
5	SGTPS PH-3	473.51	11.44%	54.17
6	SSTPP PH-1	4,390.22	11.01%	483.33
7	**Total Thermal**	**7,081.40**		**782.00**

8	*Gandhi Sagar*	*0.41*	*14.36%*	*0.06*
9	*Pench*	*-*	*14.36%*	*-*
10	*Rajghat*	*-*	*14.36%*	*-*
11	*Bargi*	*-*	*14.36%*	*-*
12	*Bansagar PH-1,2 &3*	*-*	*14.36%*	*-*
13	*Bansagar PH-4*	*3.78*	*14.36%*	*0.54*
14	*Madhikheda*	*28.90*	*14.36%*	*4.15*
15	*Birsinghpur*	*-*	*14.36%*	*-*
16	***Total Hydel***	***33.08***	***0.00***	***4.75***
17	*HQ & S&I*	*3.47*	*14.36%*	*0.50*
Total		***7,117.96***		***787.25***

Provision in Regulations:

179. Regulation 32 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations 2015, provides that:

"The loans arrived at in the manner indicated in Regulation 25 shall be considered as gross normative loan for calculation of interest on loan.

The normative loan outstanding as on 1.4.2016 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2016 from the gross normative loan.

The repayment for each of the year of the tariff period 2016-19 shall be deemed to be equal to the depreciation allowed for the corresponding year/period. In case of de- capitalization of assets, the repayment shall be adjusted by taking into account cumulative repayment on a pro rata basis and the adjustment should not exceed cumulative depreciation recovered upto the date of de-capitalisation of such asset.

Notwithstanding any moratorium period availed by the generating company, the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the depreciation allowed for the year or part of the year.

The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio after providing appropriate accounting adjustment for interest capitalized:

Provided that if there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered:

Provided further that if the generating station does not have actual loan, then the weighted average rate of interest of the generating company as a whole shall be considered.

The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest.

The generating company shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event the costs associated with such re-financing shall be borne by the beneficiaries and the net savings shall be shared between the beneficiaries and the generating company in the ratio of 2:1.

The changes to the terms and conditions of the loans shall be reflected from the date of such re-financing--------".

Commission's analysis:

180. The petitioner claimed the interest on loan by applying the power station-wise weighted average rate of interest worked out by considering the actual loan portfolio as on 1st April' 2018. The Power Station- wise details of weighted average interest on loan worked out by the petitioner are as given below:

Table 64: Weighted Average Rate of Interest filed by petitioner

Sr No	Particulars	PFC Loan	GoMP Loan	Total
1	ATPS PH-3	10.92%	14.36%	**11.10%**
2	STPS PH-2&3	0.00%	14.36%	**14.36%**
3	STPS PH-4	11.00%	14.36%	**11.01%**
4	SGTPS PH 1&2	11.16%	14.36%	**13.32%**
5	SGTPS PH 3	11.15%	14.36%	**11.44%**
6	SSTTP PH-1	11.00%	14.36%	**11.01%**
7	**Total Thermal**	**11.01%**	**14.36%**	**11.04%**
8	Gandhi Sagar		14.36%	**14.36%**
11	Pench		14.36%	**14.36%**
12	Rajghat		14.36%	**14.36%**
13	Bargi		14.36%	**14.36%**
14	Bansagar PH-1,2&3		14.36%	**14.36%**
15	Bansagar PH-4		14.36%	**14.36%**
15	Birsinghpur		14.36%	**14.36%**
16	Madhikheda		14.36%	**14.36%**
17	**Total Hydro**	**0.00%**	**14.36%**	**14.36%**
18	HQ		14.36%	**14.36%**
Total		**11.01%**	**14.36%**	

181. Vide Commission's letter dated 07th March' 2020, the petitioner was asked to file the basis of the power station wise weighted average rate of interest on term loan as worked out in the subject petition. The petitioner was also asked to explain the reasons for higher

rate of interest on GoMP loan.

182. By letter dated 02nd July' 2020, the petitioner submitted the detailed working of Weighted Average Rate of Interest worked out in the subject petition along with supporting documents in this regard. In respect of GoMP Loan, the petitioner submitted that same is provided to MPPGCL without any Primary/collateral security, accordingly slightly higher rate of interest is charged by GoMP on its discretion.

183. Considering above, the Commission has considered the following power station wise Opening & Closing balances of loan considering loan additions towards additional capitalization and the repayment equal to depreciation charged during FY 2018-19 as given below:

Table 65: Power Station wise loan Balances including Excess Equity (Rs. in Crore)

Sr. No.	Power Station	Adjusted Opening Loan as on 01.04.2018 (A)	Loan addition during FY 2018-19 (B)	Normative Repayment (C)	Closing Loan D= A+B-C
1	ATPS PH-3	402.76	0.00	50.79	351.97
2	STPS PH-2 & 3	-	-	-	-
3	STPS PH-4	1907.91	13.69	165.43	1756.17
4	SGTPS PH 1 &2	0.00	0.01	0.01	-
5	SGTPS PH-3	513.34	10.07	103.16	420.25
6	SSTPP PH-1	4553.25	25.44	367.31	4211.38
7	Gandhi Sagar	0.36	0.14	0.04	0.46
8	Pench	-	0.03	0.03	-
9	Rajghat	-	3.49	3.49	-
10	Bargi	-	0.01	0.01	-
11	Bansagar PH-1,2 &3	-	2.21	2.21	0.00
12	Bansagar PH-4	6.86	-	6.16	0.70
13	Birsinghpur	-	0.004	0.00	-
14	Madhikheda	34.57	0.016	11.36	23.23
	Total	**7419.05**	**55.11**	**710.01**	**6764.16**

**Adjusted Opening Loan has been considered after adjustment/Write-off of assets.*

184. The power station- wise interest amount on loan (including excess equity) is worked out by applying the power station wise wt. average rate of interest on term loan as given below:

Table 66: Power Station Wise Loan Balances including excess equity (Rs. in Crore)

Sr. No.	Power Station	Average Loan	Wt. Avg Rate of Interest	Interest Amount on Loan
1	ATPS PH-3	377.37	11.10%	41.89
2	STPS PH-2 & 3	-	-	-

3	STPS PH-4	1832.04	11.01%	201.71
4	SGTPS PH 1 &2	-	13.32%	-
5	SGTPS PH-3	466.79	11.44%	53.40
6	SSTPP PH-1	4382.32	11.01%	482.49
7	Gandhi Sagar	0.41	14.36%	0.06
8	Pench	-	-	-
9	Rajghat	-	-	-
10	Bargi	-	-	-
11	Bansagar PH-1,2 &3	-	-	-
12	Bansagar PH-4	3.78	14.36%	0.54
13	Birsinghpur	-	-	-
14	Madhikheda	28.90	14.36%	4.15
	Total	**7091.60**		**784.24**

d) Depreciation:

Petitioner's submission

185. With regard to the depreciation, the petitioner broadly submitted the following:

a. *"The Power Station wise break up of Fixed Assets as reflected in the Audited books of account FY 2018-19, along with asset additions and adjustment/deductions are tabulated below:-*

Table 67: Gross Block details for FY 2018-19 **(Rs. in Crore)**

Station		***Adjusted Op. Balance of Acc. Dep.01.04.18***	***Dep. Amount for FY 19***	***Acc. Dep reduction towards write off/ adjustments***	***Cl. Balance of Acc. Dep 31.03.19***	***Average Gross Block***
1	*ATPS PH-3*	*457.43*	*51.06*	*(0.01)*	*508.48*	*1130.36*
2	***ATPS Chachai***	***457.43***	***51.06***	***(0.01)***	***508.48***	***1130.36***
3	*STPS PH-2&3*	*553.55*	*0.00*	*(3.94)*	*549.61*	*606.78*
4	*STPS PH-4*	*676.56*	*165.75*	*(0.01)*	*842.30*	*3205.54*
5	***STPS Total***	***1230.11***	***165.75***	***(3.94)***	***1391.92***	***3812.33***
6	*SGTPS PH-1&2*	*1711.15*	*48.87*	*(2.60)*	*1757.42*	*2211.64*
7	*SGTPS PH-3*	*946.28*	*103.70*	*(0.66)*	*1049.32*	*2055.46*
8	*SSTPP PH-1*	*1319.83*	***367.90***	***-***	***1687.73***	***7305.81***
10	***Total Thermal***	***5664.80***	***737.28***	***-7.22***	***6394.86***	***16515.60***
11	*Gandhi Sagar*	*9.44*	*0.04*	*(0.02)*	*9.46*	*11.07*
12	*Pench*	*82.81*	*1.59*		*84.40*	*103.43*
13	*Rajghat*	*57.08*	*4.52*	*(0.001)*	*61.60*	*104.91*
14	*Bargi*	*68.70*	*1.75*		*70.45*	*88.46*
15	*Bansagar PH-1,2&3*	*800.14*	*40.93*	*(0.61)*	*840.47*	*1175.98*
16	*Bansagar PH-4*	*74.95*	*6.16*		*81.11*	*116.85*

17	*Madhikheda*	*111.75*	*11.36*	*-*	*123.10*	*218.00*
18	*Birsinghpur*	*39.98*	*0.90*		*40.88*	*52.40*
19	***Total Hydro***	***1244.85***	***67.25***	***-0.63***	***1311.47***	***1871.09***
20	*HQ*	*0.00*	*0.27*	*(0.12)*	*0.15*	*5.07*
Total		***6909.65***	***804.80***	***(7.96)***	***7706.48***	***18391.77***

b. *The depreciation on the Gross Block has been computed based on the following:-*

- *The rates for depreciation are considered as approved by Commission in Appendix-II of MPERC Regulation of 2015.*
- *The salvage value of assets is considered as 10% i.e. none of the assets are depreciated more than 90% of the gross value.*
- *Proviso 33.7 of MPERC regulation 2015 specifies that the rate of depreciation continued to be charged at the rate specified in Appendix-II till cumulative depreciation reaches 70%. Thereafter the remaining depreciable value is spread over the remaining life of the asset such that the maximum depreciation does not exceed 90%.*
- *In case of asset addition made during the year, the depreciation is charged on prorata basis based on the commercial operation of the assets for part of the year.*
- *The Assets additions on account of need based R&M works at STPS PH-2&3 is not considered as special allowance has opted for these units.*
- *The assets in the records of MPPGCL are only for its own share,* therefore depreciation is computed for MPPGCL share only.

186. Considering the above, the depreciation on various power stations has been worked out by the petitioner as tabulated below:-

Table 68: Opening GFA, Additions, Deductions, Closing GFA by the petitioner

(Rs in Crore)

Sr No	Power Stations	Adjusted Gross Block As at 01.04.18	Additions	Asset Deduction	GFA as at 31.03.19
1	ATPS PH-3	1124.40	11.93	-0.01	1,136.32
2	STPS PH-2&3	608.97	0.00	(4.37)	604.60
3	STPS PH-4	3189.53	32.07	-0.05	3,221.55
4	SGTPS PH-1&2	2208.19	9.80	(2.910)	2,215.08
5	SGTPS PH-3	2038.99	34.28	(1.32)	2,071.95
6	SSTPP PH-1	7275.93	59.76	-	7,335.69
6	Gandhi Sagar	10.98	0.20	(0.02)	11.16
7	Pench	103.40	0.06	-	103.46
8	Rajghat	102.17	5.49	(0.01)	107.65

9	Bargi	88.43	0.05	-	88.48
10	Bansagar PH-1,2&3	1174.63	3.36	(0.67)	1,177.32
11	Bansagar PH-4	116.85	0.00		116.85
12	Madhikheda	217.99	0.02	(0.003)	218.01
13	Birsinghpur	52.40	0.01	-	52.41
	Total Hydro	**1866.85**	**9.19**	**(0.70)**	**1,875.34**
14	HQ & S&I	5.02	0.26	(0.16)	5.12
Total		**18,317.89**	**157.29**	**(9.54)**	**18,465.64**

Table 69: Depreciation Claimed by Petitioner for FY 2018-19 (Rs. in Crore)

Sr No	***Power Station***	***Average Gross Block***	***Wt. Av. Rate of Dep***	***Dep. Amount for FY 18-19***
1	*ATPS PH-3*	*1130.36*	*4.52%*	*51.06*
2	***ATPS Chachai***	***1130.36***		***51.06***
3	*STPS PH-2&3*	*606.78*	*0.00%*	*0.00*
4	*STPS PH-4*	*3205.54*	*5.17%*	*165.75*
5	***STPS Total***	***3812.33***	***-***	***165.75***
6	*SGTPS PH-1&2*	*2211.64*	*2.21%*	*48.87*
7	*SGTPS PH-3*	*2055.46*	*5.04%*	*103.70*
8	***SGTPS Total***	***4267.10***	***-***	***152.57***
9	*SSTPP PH-1*	*7305.81*	*5.04%*	*367.90*
10	***Total Thermal***	***16515.60***	***-***	***737.28***
11	*Gandhi Sagar*	*11.07*	*0.36%*	*0.04*
12	*Pench*	*103.43*	*1.54%*	*1.59*
13	*Rajghat*	*104.91*	*4.31%*	*4.52*
14	*Bargi*	*88.46*	*1.97%*	*1.75*
15	*Bansagar PH-1,2&3*	*1175.98*	*3.48%*	*40.93*
16	*Bansagar PH-4*	*116.85*	*5.28%*	*6.16*
17	*Madhikheda*	*218.00*	*5.21%*	*0.90*
18	*Birsinghpur*	*52.40*	*1.71%*	*11.36*
19	***Total Hydro***	***1871.09***	***-***	***67.25***
20	*HQ*	*5.07*	*5.26%*	*0.27*
Total		***18391.77***		***804.80***

Provision in Regulations:

187. Regulation 33 of the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 provides that:

"*Depreciation shall be computed from the date of commercial operation of a generating station or unit thereof. In case of the tariff of all the units of a generating station for which a single tariff needs to be determined, the depreciation shall be computed from the effective date of commercial operation of the generating station taking into consideration the depreciation of individual units.*

Provided that effective date of commercial operation shall be worked out by considering the actual date of commercial operation and installed capacity of all the units of the generating station for which single tariff needs to be determined.

The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission. In case of multiple units of a generating station, weighted average life for the generating station shall be applied. Depreciation shall be chargeable from the first year at the commercial operation.

The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset:

Provided that in case of hydro generating station, the salvage value shall be as provided in the agreement signed by the developers with the State Government for development of the Plant:

Provided further that the capital cost of the assets of the hydro generating station for the purpose of computation of depreciated value shall correspond to the percentage of sale of electricity under long-term power purchase agreement at regulated tariff:

Provided also that any depreciation disallowed on account of lower availability of the generating station or generating unit shall not be allowed to be recovered at a later stage during the useful life and the extended life.

Provided that the salvage value for IT equipment and software shall be considered as NIL and 100% value of the assets shall be considered depreciable.

Land other than the land held under lease and the land for reservoir in case of hydro generating station shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.

Depreciation shall be calculated annually based on Straight Line Method and at rates specified in Appendix-II to these Regulations for the assets of the generating station:

Provided that the remaining depreciable value as on 31st March of the year closing after a period of 12 years from the effective date of commercial operation of the station shall be spread over the balance useful life of the assets.

In case of the existing projects, the balance depreciable value as on 1.4.2016 shall be worked out by deducting the cumulative depreciation as admitted by the Commission upto 31.3.2016 from the gross depreciable value of the assets.

The rate of Depreciation shall be continued to be charged at the rate specified in Appendix-II till cumulative depreciation reaches 70%. Thereafter the remaining depreciable value shall be spread over the remaining life of the asset such that the maximum depreciation does not exceed 90%.

Depreciation shall be chargeable from the first Year of commercial operation. In case of commercial operation of the asset for part of the Year, depreciation shall be charged on pro rata basis.

The generating company shall submit the details of proposed capital expenditure during the fag end of the project (five years before the useful life) along with justification and proposed life extension. The Commission based on prudence check of such submissions shall approve the depreciation on capital expenditure during the fag end of the project.

In case of de-capitalization of assets in respect of generating station or unit thereof, the cumulative depreciation shall be adjusted by taking into account the depreciation recovered in tariff by the de-capitalized asset during its useful services."

Commission's Analysis:

188. In the subject true-up petition, the petitioner claimed the additional capitalization as per the Annual Audited Accounts for FY 2018-19. The power station wise "additional capitalization" admitted by the Commission for FY 2018-19 has been discussed in detail in preceding part of this order. The petitioner mentioned that in case of asset addition made during the year, the depreciation is charged on pro-rata basis based on the commercial operation of the assets for part of the year.

189. While determining the depreciation, the Commission has considered the base figure of Opening GFA same as closing GFA admitted in the true up order for FY 2017-18. Considering the impact of assets transferred and write-off/adjustment in various power stations, the adjusted/ revised opening GFA and cumulative depreciation as on 1st April,

2018 is worked out in this order. Based on the revised/adjusted opening GFA, the closing GFA after considering the addition of assets during the year is worked out as given below:

Table 70: Power Station wise Opening & Closing GFA Balances (Rs. in Crore)

Sr. No.	Power Station	Adjusted Opening GFA as on 01.04.2018	Addition during FY 2018-19	Closing GFA as on 31.03.2019	Average GFA
1	ATPS, Chachai PH-3	1124.39	0.00	1124.39	1124.39
2	STPS, PH-2&3	604.60	0.00	604.60	604.60
3	STPS, PH-4	3189.48	19.56	3209.04	3199.26
4	SGTPS, PH-1&2	2205.28	0.02	2205.30	2205.29
5	SGTPS, PH-3	2037.67	14.38	2052.05	2044.86
6	SSTPP PH-1	7275.93	36.34	7312.27	7294.10
	Total Thermal	**16437.35**	**70.30**	16507.65	**16472.50**
7	Gandhi Sagar	10.96	0.20	11.16	11.06
8	Pench	103.40	0.05	103.45	103.42
9	Rajghat	102.16	4.98	107.14	104.65
10	Bargi	88.43	0.02	88.45	88.44
11	Bansagar PH 1,2&3	1173.96	3.16	1177.12	1175.54
12	Bansagar PH-4 (Jhinna)	116.85	0.00	116.85	116.85
13	Birsinghpur	52.40	0.01	52.41	52.40
14	Madhikheda	217.99	0.02	218.01	218.00
	Total Hydro	**1866.15**	**8.43**	1874.58	**1870.36**
Total		**18303.50**	**78.73**	**18382.23**	**18342.86**

**Opening GFA has been considered after adjustment/write-off of assets.*

190. Regulation 33 provides that the salvage value of the assets shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the assets. It has been observed by the Commission that the closing cumulative depreciation in STPS PH 2&3 and Gandhi Sagar has already reached the limit of 90% in FY 2014-15 true up order dated 20th May’ 2016. Since the additional capitalization of Rs. 0.20 Crore has been admitted for Gandhisagar HPS in this order, therefore in light of the provision under Regulation, 2015, the Commission has allowed depreciation by considering the weighted average rate of depreciation as per depreciation register in this plant for FY 2018-19.

191. The depreciation for FY 2018-19 for power stations has been worked out in this order by considering the weighted average rate of depreciation as per the power station-wise assets-cum-depreciation registers submitted by the petitioner

192. Regulation 33.7 of the Regulations, 2015 provides that the rate of depreciation shall be continued to be charged at the rate specified under Regulations, till cumulative depreciation reaches 70%. Thereafter, the remaining depreciable value shall be spread

over the remaining life of the assets till the maximum depreciation does not exceed 90%.

193. The Commission observed that the opening cumulative depreciation in SGTPS PH-1&2, Pench HPS, Bargi HPS, and Birsinghpur HPS exceeded 70% during the true-up of FY 2017-18 and the balance depreciation of these power stations have been already spread over the balance useful life.

194. Based on the above, the power station-wise depreciation is worked out for FY 2018-19 in this true-up order as given below:

Table 71: Depreciation for FY 2018-19

Sr. No.	Power Station	Applicable Wt. avg. rate Dep.	Dep. Amount	Opening Cumm. Dep.	Opening Cumm. Dep. % of Opening GFA	Closing Cumm. Dep.	Closing Cumm. Dep. % of Closing GFA
		%	Rs Cr.	Rs Cr.	%	Rs Cr.	%
1	ATPS, PH-3	4.52%	50.79	457.42	40.68%	508.21	45.20%
2	STPS, PH-2&3	0.00%	0.00	549.61	90.90%	549.61	90.90%
3	STPS PH-4	5.17%	165.43	676.55	21.21%	841.98	26.24%
4	SGTPS, PH-1&2	2.21%	48.74	1708.55	77.48%	1757.29	79.68%
5	SGTPS, PH-3	5.04%	103.16	945.62	46.41%	1048.78	51.11%
6	SSTPP,PH-1	5.04%	367.31	1319.83	18.14%	1687.14	23.07%
	Total Thermal		**735.42**	**5657.58**		**6393.00**	
7	Gandhi Sagar	0.36%	0.04	9.43	85.99%	9.46	85.58%
8	Pench	1.54%	1.59	82.81	80.09%	84.40	81.61%
9	Rajghat	4.31%	4.51	57.08	55.87%	61.59	58.85%
10	Bargi	1.97%	1.74	68.70	77.69%	70.44	79.65%
11	Bansagar PH (I to III)	3.48%	40.91	799.53	68.11%	840.44	71.49%
12	Bansagar PH (IV)	5.28%	6.16	74.95	64.14%	81.11	69.42%
12	Birsinghpur	1.71%	0.90	39.98	76.30%	40.88	78.01%
13	Madhikheda	5.21%	11.36	111.75	51.26%	123.10	56.47%
	Total Hydro		**67.21**	**1244.22**		**1311.43**	
	Total		**802.64**	**6901.80**	**0.00**	**7704.44**	

e) Operation and Maintenance Expenses:

Petitioner's submission

195. With regard to operation and maintenance expenses of thermal and hydel power stations,

the petitioner broadly submitted the following:

a. *In MPERC (Terms and conditions for determination of Generation Tariff) Regulations, 2015, MPERC has prescribed norms for O & M expenses as a function of the capacity of the plant. The O&M expenses as per provision 35.7, 35.8, 35.9 & 35.10 of the MPERC Tariff Regulations, 2015 comprises of Employee cost, Repair & Maintenance (R&M) Cost and Administrative & General (A&G) Cost.*

b. *For the year FY 2018-19, O&M Charges in Rs. Lakh/MW specified by the Commission for various Thermal & Hydro power station of MPPGCL are tabulated below:-*

Table 72: Amount in Rs. Lakh/MW/Year

Thermal Station/House		Norms for O&M Expenses for FY 2018-19
ATPS, Chachai	PH-3	27.34
STPS, Sarni	PH-2	27.34
	PH-3	27.34
	PH-4	30.51
SGTPS, Birsinghpur	PH-1	27.34
	PH-2	27.34
	PH-3	21.95
SSTPP Khandwa	PH-1	18.38
Hydro	All	10.96

196. The petitioner filed the true-up of O&M expenditure as given below:

Table 73: Operation and Maintenance Claimed for FY 2018-19 (Rs. in Crore)

S. No.	*Station*	*As per MPERC orders/ Norms*	*As considered by MPPGCL on Actual Availability*	*Diff. Rs. Crores.*
1	*ATPS PH-3*	*57.41*	*57.41*	*0.00*
2	*STPS PH-2&3*	*226.92*	*174.7*	*-52.22*
3	*STPS PH-4*	*152.55*	*152.55*	*0.00*
4	*SGTPS PH-1&2*	*229.66*	*195.55*	*-34.11*
5	*SGTPS PH-3*	*109.75*	*109.75*	*0.00*
6	*SSTPP PH-1*	*220.56*	*183.68*	*-36.88*
7	***Total Thermal***	***996.85***	***873.64***	*-123.21*
8	*Gandhi Sagar*	*12.6*	*12.55*	*-0.05*
9	*Pench*	*17.54*	*17.6*	*0.06*
10	*Rajghat*	*4.93*	*3.46*	*-1.47*
11	*Bargi*	*9.86*	*10.35*	*0.49*
12	*Bansagar PH-1,2&3*	*44.39*	*45.37*	*0.98*

13	*Bansagar PH-4*	*2.19*	*2.35*	*0.16*
14	*Birsinghpur*	*2.19*	*1.61*	*-0.58*
15	*Madhikheda*	*6.58*	*6.7*	*0.12*
16	***Total Hydro***	***100.28***	***100.01***	*-0.27*
Total		***1097.14***	***973.65***	*-123.49*

Provision in Regulations:

197. Regarding the operation and maintenance expenses of thermal power stations, Regulation 35.7 & 35.8 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015, provides as under:

> " 35.7 *Operation and Maintenance Expenses for thermal and hydro power stations for the Tariff period shall be determined based on normative O&M expenses specified by the Commission in these Regulations. The normative operation and maintenance expenses for the thermal generating stations are specified separately for the thermal power stations commissioned on or before 31.03.2012 and the power stations commissioned on or after 01.04.2012. The normative operation and maintenance expenses are also specified separately for the existing and new projects."*

Table 74: Operation and Maintenance Norms for Existing Thermal Generating Units

Units (MW)	***FY 2018-19***
	Rs. Lacs/MW
120	31.52
200/210/250	27.34
500	21.95

198. Above mentioned norms are applicable for the Thermal Generating Stations which were commissioned on or before 31.03.2012. The O&M Norms for new Thermal Generating units commissioned on or after 01.04.2012 provided in Regulation 35.8 are as under:

Table 75: Operation and Maintenance Norms for New Thermal Generating Units

Units (MW)	***FY 2018-19***
	Rs. Lacs/MW
45	36.24
200/210/250	30.51
300/330/350	25.47
500	20.43
600 and above	18.38

199. Further, Regulation 35.10 of the Regulations, 2015, regarding Hydro Power Stations provides the following O&M norms:

Table 76: Operation and Maintenance Norms for Hydro Generating Units

Year	O&M Expenses Rs. in lakh/MW
2018-19	10.96

Commission's Analysis:

200. For Thermal and Hydel Power Stations, the Commission has worked out the power station wise annual O&M expenses by applying normative O&M expenses specified under the Tariff Regulations, 2015. The power station-wise operation and maintenance expenses allowed in this order are as given below:

Table 77: Operation and Maintenance Expenses for FY 2018-19

Sr. No.	Power Station	Capacity	Norms for O&M Expenses	Annual O&M Expenses as per norms
		MW	Lacs/MW/year	Rs. in Crores
1	ATPS, PH-3	210	27.34	57.41
2	STPS PH 2&3	830	27.34	226.92
3	STPS, PH-4	500	30.51	152.55
4	SGTPS, PH-1&2	840	27.34	229.66
5	SGTPS, PH-3	500	21.95	109.75
6	SSTPP, PH-1	1200	18.38	220.56
7	Gandhi Sagar	115	10.96	12.60
8	Pench	160	10.96	17.54
9	Rajghat	45	10.96	4.93
10	Bargi	90	10.96	9.86
11	Bansagar PH-1,2&3	405	10.96	44.39
12	Bansagar PH-4	20	10.96	2.19
13	Birsingpur HPS	20	10.96	2.19
14	Madhikheda	60	10.96	6.58
Total		**4995**		**1097.14**

f) Compensation Allowance and Special allowance:

Petitioner's submission

201. With regard to the compensation allowance, the petitioner broadly submitted the following:

"The Commission in proviso 23 of the Regulation RG-26(III) of 2015 has also permitted "Compensation Allowances" to the Thermal Generating stations depending upon their age to meet the requirement of capital nature of minor assets. Accordingly, Compensation Allowance for various Thermal Power Stations of MPPGCL has been worked out as described below:

***SGTPS Birsinghpur**: - The units No. 1(210 MW) has completed its useful life on 26.03.2018, therefore nor considered for claiming compensation allowance. The unit No 2 is older than 21 years, therefore the compensation allowance @ 1.00 Lakhs/MW/Year has been considered. The age of the Unit No. 3 & 4 will be in the age group of 11 to 15 years therefore compensation has been considered @ 0.50 Lakhs/MW/Year. "*

The total amount of Compensation Allowance claimed by the petitioner is as given below:-

Table 78: Compensation Allowance claimed by petitioner for FY 2018-19 (Rs. in Crore)

Sr. No.	Particulars	As per MPERC Regulation for FY 18	As considered by MPPGCL on Actual Availability
1	ATPS PH 3	0.00	0.00
2	**ATPS**	0.00	0.00
3	STPS PH 2	0.00	0.00
4	STPS PH 3	0.00	0.00
5	STPS PH 4	0.00	0.00
6	**STPS**	0.00	0.00
7	SGTPS PH 1	4.20	1.79
8	SGTPS PH 2	2.10	1.79
9	SGTPS PH 3	0.00	0.00
10	**SGTPS**	**6.30**	**3.58**
11	SSTPP PH-1	0.00	0.00
12	**SSTPP**	0.00	0.00
13	**Total Thermal**	**6.30**	**3.58**

Provision in the Regulations:

202. With regard to compensation allowance, Regulation 23.1 of the Regulations, 2015 provides that:

"In case of coal-based thermal generating station or a unit thereof, a separate compensation allowance shall be admissible to meet expenses on new assets of capital nature which are not admissible under Regulation 20 of these Regulations, and in such an event, revision of the capital cost shall not be allowed on account of compensation allowance but the compensation allowance shall be allowed to be recovered separately.

The Compensation Allowance shall be allowed in the following manner from the year following the year of completion of 10, 15, or 20 years of useful life:"

Table 79: Compensation Allowance for Thermal Generating Units (Rs. lakh/MW/Year)

Years	Compensation Allowance

0-10	*Nil*
11-15	*0.20*
16-20	*0.50*
21-25	*1.00*

Commission's Analysis:

203. Regulation 23.2 provided for admissibility of a separate unit-wise compensation allowance in Lac/MW/year for different bands of years of operation of the thermal Generating Unit(s) up to 25 years i.e., its useful life only.

204. Date of commercial operation of Unit No.1 and 2 of SGTPS Birsinghpur PH-I (2x210 MW) are 26.03.1993 and 27.03.1994, respectively. The Unit No. 1 has completed its useful life (25 years) on 26.03.2018, therefore not eligible for compensation allowance. Further, Unit No. 2 is older than 21 years therefore, Unit No. 2 is eligible for compensation allowance @ Rs. 1.00 Lakhs/MW/Year.

205. Date of commercial operation of Unit No. 3 and 4 of SGTPS Birsingpur PH-II (2x210 MW) are 28.02.1999 and 23.11.1999, respectively. Therefore, Unit No. 3&4 fall under the completed useful life of 16 to 20 years and are eligible for compensation allowance @ Rs. 0.50 Lakhs/MW/Year.

206. In view of the above, the compensation allowance for Unit No. 2, 3 and 4 of SGTPS, Birsing'pur is worked as given below:

Table 80: Compensation allowance admitted for FY 2018-19 (Rs. in Crore)

Sr. No.	Power Station	Capacity in MW	Years. of Operation	Compensation Expenses lakhs/MW	Compensation Expenses Allowed
1	SGTPS PH-1 (Unit No.2)	210	1993-94	1.00	2.10
2	SGTPS PH-2 (Unit No. 3&4)	420	1998-99	0.50	2.10
	Total	**840**			**4.20**

Special Allowance:

Petitioner Submission:

207. With regard to the special allowance, the petitioner submitted the following:

" The Commission in proviso 21 read with proviso 22 of the Regulation RG-26(III) of 2015 for Renovation & Modernization has provided that in case of thermal

generating stations, the Generating Company may by its discretion can avail a special allowance either for a unit or a group of units as compensation for meeting the requirement of expenses including Renovation & Modernization works beyond the useful life of the generating stations.

Further, the Commission vide order dated 14.07.2016 at para 114 page 58, has continued the Special Allowance for Unit No. 6, 7, 8 & 9 of STPS, Sarni. Accordingly, the Truing up of the same has been considered in the instant petition.

Table 81: Special Allowance for FY 2018-19 (Rs. in Crore)

S. No	Particulars	As per MPERC Order for FY 18	MPPGCL as per Norms	Diff.
1	**STPS PH 2&3**	87.26	87.26	0.00
	Total	**87.26**	**87.26**	**0.00**

Provision in the Regulations:

208. With regard to special allowance, Regulation 22.2 of the Regulations, 2015 provides that:

"The Special Allowance shall be @ Rs. 7.5 lakh/MW/year for the year 2016-17 and thereafter escalated @ 6.35% every year during the balance period, unit- wise from the next financial year from the respective date of the completion of useful life with reference to the date of commercial operation of the respective unit of generating station:

Provided that in respect of a unit, which will opt for Special Allowance during the tariff period 2016-17 to 2018-19 and in commercial operation for more than 25 years as on 1.4.2016, this allowance shall be admissible from FY 2016-17:

Provided further that the special allowance for the generating stations, which, in its discretion, has already availed of a "special allowance" in accordance with the norms specified in clause (18.5) of Madhya Electricity Regulatory Commission (Terms and Conditions for Determination Generation Tariff) Regulations,2012, shall be allowed Special Allowance by escalating the special allowance allowed for the year 2015-16 @ 6.35% every year during the tariff period 2016-17 to 2018-19."

Commission's Analysis:

209. Regulation 22.1 of the Regulations, 2015 provides the special allowance for coal based thermal power stations instead of availing R&M for meeting the requirement of expenses including R&M beyond the useful life of generating station. Proviso of Regulations 22.2 of the Regulations 2015 further provides that the special allowance for generating stations which already availed special allowance as per Regulations, 2012 shall be

allowed special allowance by escalating the special allowance allowed for the year FY 2015-16 @ 6.35% every year during the Tariff period FY 2016-17 to FY 2018-19.

210. The Commission vide order dated 14th July, 2016 determined the special allowance for Unit No 6, 7, 8 & 9 of STPS, Sarni PH-2 & 3. In view of the above, the Commission has allowed the special allowance for FY 2018-19 for the units of STPS PH-2&3 as given below, by allowing 6.35% increase on special allowance of Rs. 9.89 Crore/MW for FY 2017-18:

Table 82: Special Allowance Allowed for FY 2018-19 **(Rs. in Crore)**

Sr. No.	Power Station	Special Allowance Rs. Lakhs/MW	Total amount allowed
1	STPS PH-2&3	10.51	87.26

g) Interest on Working Capital:

Petitioner submission:

211. With regard to interest on working capital, the petitioner broadly submitted the following:

"The Working capital has been calculated in Commission's order dated 14.07.2016 in accordance to proviso 34 of Tariff Regulations, 2015. Accordingly cost of Coal towards stock for 30 days for non-pit-head generating stations for generation corresponding to the NAPAF or the maximum coal stock storage capacity whichever is lower and cost of Coal for 30 days for generation corresponding to normative annual plant availability factor , 2 Months cost of main Secondary Oil corresponding to NAPAF, O&M expenditure for 1 month, 20% of Normative O&M Expenses as maintenance spares for thermal and 15% of Normative O&M Expenses as maintenance spares for Hydro and 2 months Receivables has been considered for calculating interest on Working Capital."

The Normative Interest on Working Capital as approved by the Commission in the Tariff order is reproduced below after applying Actual Availability:-

Table 83: Interest on Working Capital **(Rs. in Crore)**

S.No.	Station	As per MPERC Order	As considered by MPPGCL on Norms	Diff.
1	ATPS PH-3	17.54	17.54	-
2	STPS PH-2&3	64.93	64.93	-
3	STPS PH-4	50.14	50.14	-
4	SGTPS PH-1&2	68.02	68.02	-
5	SGTPS PH-3	42.2	42.2	-
6	SSTPP PH-1	118.7	119.64	(0.94)

7	**Total Thermal**	**361.54**	**362.47**	**(0.94)**
8	Gandhi Sagar	0.67	0.67	-
9	Pench	1.06	1.06	-
10	Rajghat	0.42	0.42	-
11	Bargi	0.64	0.64	-
12	Bansagar PH-1,2&3	4.32	4.32	-
13	Bansagar PH-4	0.38	0.38	-
14	Birsinghpur	0.19	0.19	-
15	Madhikheda	0.83	0.83	-
16	**Total Hydro**	**8.51**	**8.51**	**-**
	Total	**370.04**	**370.98**	**(0.94)**

Provision in Regulations:

212. Regulation 34 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2015 regarding working capital for coal based generating stations provides that:

"*The Working Capital for Coal based generating stations shall cover:*

(i) Cost of coal towards stock, if applicable, for 15 days for pit-head generating stations and 30 days for non-pit-head generating stations for generation corresponding to the normative annual plant availability factor or the maximum coal stock storage capacity whichever is lower;

(ii) Cost of coal for 30 days for generation corresponding to the normative annual plant availability factor;

(iii) Cost of secondary fuel oil for two months for generation corresponding to the normative annual plant availability factor, and in case of use of more than one secondary fuel oil, cost of fuel oil stock for the main secondary fuel oil;

(iv) Maintenance spares @ 20% of operation and maintenance expenses specified in Regulation 35;

(v) Receivables equivalent to two months of capacity charges and energy charges for sale of electricity calculated on the normative annual plant availability factor; and

(vi) Operation and maintenance expenses for one month.

213. Regarding working capital for hydel power stations Regulation 34.1 (B) of the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 provides that:

"Hydro Generating Station, the Working Capital shall include:

(a) Receivables equivalent to two months of fixed cost;

(b) Maintenance spares @ 15% of operation and maintenance expenses specified in Regulation 35; and

(c) Operation and maintenance expenses for one month.

214. With regard to interest rate on working capital, Regulation 34.3 of the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 provides that:

"Rate of interest on working capital shall be on normative basis and shall be considered as the bank rate as on 1.4.2016 or as on 1st April of the year during the tariff period 2016-17 to 2018-19 in which the generating station or a unit thereof, is declared under commercial operation, whichever is later."

Commission's analysis:

215. While determining the interest on working capital, Regulations 34.2 of Regulations, 2015 provides that no fuel price escalation shall be provided during the tariff period for calculating the working capital. The details of working capital worked out by the Commission as per the provisions under the Regulations, 2015 as given below:

(i) Cost of coal 60 days for non pit- head and 45 days for pit head as considered vide MYT Order dated 14th July' 2016 is considered as follows.

Table 84: Cost of Coal as per MYT Order dated 14th July' 2016 (Rs in Crore)

Sr. No	Power Station	Amount
1	ATPS PH-3	41.35
2	STPS PH-2 & 3	189.28
3	STPS PH-4	115.38
4	SGTPS PH 1 &2	191.81
5	SGTPS PH-3	113.18
6	SSTPP PH-1	321.86
	Total	**972.86**

(ii) Cost of main secondary fuel oil for two months equivalent to normative plant availability factor as considered in MYT Order dated 14th July' 2016 as stated below is considered:

Table 85: Cost of Secondary Fuel as per MYT Order dated 14th July' 2016 (Rs in Crores)

Sr. No	Power Station	Amount
1	ATPS PH-3	1.38
2	STPS PH-2 & 3	5.42
3	STPS PH-4	1.06
4	SGTPS PH 1 &2	4.03
5	SGTPS PH-3	2.22
6	SSTPP PH-1	1.85
	Total	**15.96**

(iii) Maintenance spares 20% of O&M for thermal and 15% of O&M for Hydel Station as considered in MYT Order dated 14th July' 2016 have been considered as follows:

Table 86: Maintenance spares 20% of O&M for thermal and 15% of O&M for Hydel Station

Sr. No.	Station	Amount (Rs in Crores)
1	ATPS PH-3	11.48
2	STPS PH-2&3	45.38
3	STPS PH-4	30.51
4	SGTPS PH-1&2	45.93
5	SGTPS PH-3	21.95
6	SSTPP PH-1	44.11
	Total Thermal	**199.36**
7	Gandhi Sagar	1.89
8	Pench	2.63
9	Rajghat	0.74
10	Bargi	1.48
11	Bansagar PH-1,2&3	6.66
12	Bansagar PH-4	0.33
13	Birsinghpur	0.33
14	Madhikheda	0.99
	Total Hydro	**15.05**
Total		**214.41**

(iv) O&M expenses for one month for the purpose of working capital as considered in MYT Order dated 14th July' 2016 has been considered as follows:

Table 87: O&M expenses for one month **(Rs in Crores)**

Sr. No.	Power Station	Amount
1	ATPS PH-3	4.78
2	STPS PH-2&3	18.91
3	STPS PH-4	12.71
4	SGTPS PH-1&2	19.14
5	SGTPS PH-3	9.15
6	SSTPP PH-1	18.38
	Total Thermal	**83.07**
7	Gandhi Sagar	1.05
8	Pench	1.46
9	Rajghat	0.41
10	Bargi	0.82
11	Bansagar PH-1,2&3	3.70
12	Bansagar PH-4	0.18
13	Birsinghpur	0.18
14	Madhikheda	0.55
	Total Hydro	**8.35**
Total		**91.42**

Receivables have been worked out on the basis of two months of Annual Capacity Charges (determined in this order) and Energy Charges (as determined in MYT order dated 14th July' 2016):

(v) Proviso of Regulation 27 of the Tariff Regulations, 2015 provides as under:

Provided that special allowance in lieu of R&M where opted in accordance to Regulation 22 or separate compensation allowance in accordance with Regulation 23, wherever applicable shall be recovered separately and shall not be considered for computation of working capital.

(vi) In view of the above, the special allowance opted by the petitioner in STPS PH-2&3 in lieu of R&M and compensation allowance in SGTPS PH-1&2 are not considered in computation of Receivables for working capital. Accordingly, the Power Station-wise receivables worked out in this order is as given below:

Table 88: Receivable for two months (Rs in Crore)

Sr. No.	Power Stations	Two Months Energy Charges as per order dated 14.07.2016	Two months Annual Capacity Charges determined in this Order	Total Receivables For two Months
1	ATPS PH-3	42.84	34.42	77.26
2	STPS PH- 2 & 3	194.88	52.75	247.63
3	STPS PH-4	116.47	111.08	227.55
4	SGTPS PH 1 &2	196.75	74.14	270.89
5	SGTPS PH-3	115.89	65.99	181.88
6	SSTPP PH 1	324.27	233.92	558.19
	Thermal	**991.10**	**572.29**	**1563.39**
7	Gandhi Sagar	-	2.31	2.31
8	Pench	-	4.16	4.16
9	Rajghat	-	2.32	2.32
10	Bargi	-	2.72	2.72
11	Bansagar PH-1,2 &3	-	24.03	24.03
12	Bansagar PH-4	-	2.45	2.45
13	Birsinghpur	-	0.95	0.95
14	Madhikheda	-	5.01	5.01
	Total Hydro	**-**	**43.94**	**43.94**
15	**Total**		**616.23**	**1607.33**

216. Further, the State Bank of India Base rate as applicable/ prevailing on 01.04.2018 is 8.70% + 3.50% = 12.20%. Accordingly, the interest on working capital is worked out as given below:

Table 89: Interest on Working Capital for FY 2018-19 **(Rs. in Crore)**

S.No.	Station	Total Working Capital Considered above	Applicable rate Of Interest on working capital	Interest on Working Capital Determined in this Order
1	ATPS PH-3	136.25	12.20%	16.62
2	STPS PH-2&3	506.62	12.20%	61.81
3	STPS PH-4	387.21	12.20%	47.24
4	SGTPS PH-1&2	531.80	12.20%	64.88
5	SGTPS PH-3	328.38	12.20%	40.06
6	SSTPP PH-1	944.39	12.20%	115.22
7	**Total Thermal**	**2,834.64**		**345.83**
8	Gandhi Sagar	5.25	12.20%	0.64
9	Pench	8.25	12.20%	1.01
10	Rajghat	3.47	12.20%	0.42
11	Bargi	5.02	12.20%	0.61
12	Bansagar PH-1,2&3	34.39	12.20%	4.20
13	Bansagar PH-4	2.96	12.20%	0.36
14	Birsinghpur	1.46	12.20%	0.18
15	Madhikheda	6.55	12.20%	0.80
16	**Total Hydro**	**67.34**		8.22
Total		2901.98		**354.04**

h) Non-Tariff Income:

Petitioner's Submission:

217. The Power Station wise Non-Tariff Income as per the Audited Books of Accounts for FY 2018-19 on 100% operating capacity have been worked out by the petitioner as follows:

Table 90: Non-Tariff Income Claimed for FY 2018-19 **(Rs. in Crore)**

Sr No	Stations	Considered in instant petition on (100% Basis)
1	ATPS PH-3	3.75
2	STPS PH-2&3	7.57
3	STPS PH-4	4.67
4	SGTPS PH-1&2	15.13
5	SGTPS PH-3	9.19
6	SSTPP PH-1	11.34
7	**Thermal**	**51.64**
8	Gandhi Sagar	0.26
9	Pench	0.52
10	Rajghat	0.25
11	Bargi	0.33
12	Bansagar PH-1,2 &3	1.75

13	Bansagar PH-4	0.09
14	Birsinghpur	-0.01
15	Madhikheda	0.21
16	**Hydel**	**3.40**
17	HQ & S&I	0.00
	Total	**55.04**

Provision under Regulations

218. With Regard to Non-Tariff income, Regulation 53 of the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 provides that:

> *53.1 Any income being incidental to the business of the Generating Company derived from sources, including but not limited to the disposal of assets, income from investments, rents, income from sale of scrap other than the de-capitalized/written off assets, income from advertisements, interest on advances to suppliers /contractor, income from sale of ash/rejected coal, and any other miscellaneous receipts other than income from sale of energy shall constitute the non-tariff income.*
>
> *53.2 The amount of Non-Tariff Income relating to the Generation Business as approved by the Commission shall be deducted from the Annual Fixed Cost in determining the Annual Fixed Charge of the Generation Company:*
>
> *Provided that the Generation Company shall submit full details of its forecast of Non-Tariff Income to the Commission in such form as may be stipulated by the Commission from time to time. Non-tariff income shall also be Trued-up based on Audited Accounts.*

Commission's Analysis:

219. On scrutiny of the non-tariff income claimed in the petition and recorded in the Annual Audited Accounts, it was observed that the petitioner has worked out non-tariff income of Rs. 54.63 Crore on share basis and Rs. 55.04 on 100% capacity basis, whereas as per note 27 of Annual Audited Accounts, for FY 2018-19, the other income is indicated Rs 413.53 Crore.In para 4.8.4 of the petition, the petitioner filed the detailed break-up of non-tariff income in light of the amount of other income recorded in Annual Audited Accounts

220. On perusal of the aforesaid details, it is observed that the net non-tariff income after deducting the amount in certain heads like Rs. 0.04 Crore on account of other misc receipts at LBC Bargi, income of Rs 6.41 Crore from interest from fixed deposits, income of Rs. 6.46 Crore Other misc receipts (Sale of Steam), etc. are not indicated in Note-27 of Annual Audited Accounts. Vide Commission's letter dated 07th March' 2020, the petitioner was asked to reconcile the aforesaid income with the other Income recorded

at note No. 27.1 of Annual Audited Accounts for FY 2018-19.

221. In Para 4.8.3 (k) of the petition, the petitioner also claimed the reduction of Rs 43.15 Crore in Non-Tariff Income on account of sale of de-capitalized assets of 2x120 MW ATPS PH- 2. The petitioner was also asked to file the detailed information with supporting documents regarding the income and expenditure arising from such sale and proceeds of ATPS PH-2.

222. By affidavit dated 02nd July' 2020, the petitioner filed its response on the aforesaid queries raised by the Commission as given below:

a). As desired by Commission, the head wise details are as under:-

Income Head	***Amount (in Rs. Crores)***	***Reference in Note- 27.1 of Annual Audited Accounts for FY 2018-19***
Interest from Fixed deposits (R&M & e-Genco Loans)	*6.41*	*Included under the head Interest from Fixed deposits at Serial No.3*
Other Misc. receipts at LBC Bargi	*0.04*	*Included under the head Other Misc. Receipts at Serial No.11*
Income from Sale of Steam	*6.46*	
Interest on SLDC Charges	*0.80*	
Reversal of Ex-Gratia Provision	*3.00*	
Misc. income of SSTPP PH-2.	*0.04*	

b). It is to submit that, as per Standard Accounting Practice, the profit from sale of Assets is recognized as Income in the Annual Financial Statements of the company. Accordingly, MPPGCL has recognized the profit from the sale of Assets of ATPS PH-2 amounting to Rs.43.15 Crores as Income and reflected the same at Serial No. 12 of Note-27.1 of Audited Accounts for FY 2018-19. The detailed working in this regard is annexed as Annexure- 18.

223. On detailed scrutiny of the petition and additional submission in respect of non tariff income filed by the petitioner, it is observed that the note 27.1 of Annual Audited Accounts for FY 2018-19 indicated the other income of Rs. 413.53 Crore. The aforesaid other income includes following income:

Table 91: Non-Tariff Income Filed by the petitioner

Sr. No.	Particular	Rs. in Crore
1	Other income as per note 27.1 of Annual Audited Accounts	**413.53**
2	Interest Income on tariff Revisions	37.11
3	Interest Income on Unwinding of discount on Deposits/returns	18.79
4	Surcharge delayed due to delayed payment by MPPMCL	226.56
5	Interest Income on wage revision arrears due to unwinding of	5.81

	discounts.	
6	Reversal of Impairment loss of dada dhuni wale project	0.20
7	Profit from sale of Decapitalized Assets of ATPS PH-1	43.15
8	I Income from O&M Contract (LBC Bargi + PGCIL).	2.15
9	Other Misc Receipt at LBC Bargi	0.04
10	Interest from Fixed Deposit (R&M & e-Genco Loans)	6.41
11	Other Misc Receipts (Sale of Steam)	6.46
12	Interest on SLDC Charges.	0.80
13	Reversal of Ex-Gratia Provision	3.00
14	Interest on FD through FLY Ash income	6.65
15	Income from Grant	1.73
16	Misc Income of SSTPP PH-2	0.04
17	**Net Income on Share Basis**	**54.63**

224. The petitioner has submitted the head-wise details of non-tariff income as given below:-

i. **Interest income on Tariff Revisions**

Regarding the income towards interest income on tariff revisions, the petitioner submitted that vide order dated 30.12.2017 in petition No. 09 of 2017, the Commission has determined the Final generation Tariff of SSTPP PH-1 Khandwa and vide order dated 34.07.2018 in petition No 02 of 2018, the Commission also determined True Up Generation Tariff of Power Stations of MPPGCL for FY 2016-17. In accordance with aforesaid orders, MPPGCL has billed the differential amount on the MPPMCL and claimed the interest as per proviso 8.15 of MPERC regulations 2015 amounting to Rs. 37.11 Crores.

As per requirement of Ind AS the said interest amount is included in the amount of other income. However, said interest is integral part of Revenue from sale of Energy and billed as per MPERC Regulations, it is therefore requested not to consider the same as Non-Tariff income. In view of the above this amount is not considered under non-tariff income.

ii. **Interest Income on unwinding of discount on Deposits/ Retention**

MPPGCL has adopted Indian Accounting Standard (INDAS) from FY 2016-17 onwards. The said Accounting Standard provides for recognition of notional income on account of expected gain considering discounting of Interest on Security Deposit. Accordingly, in compliance to Ind AS, MPPGCL has recognized notional income of Rs. 17.05 Crores at SSTPP Stage-II, Khandwa and balance of Rs. 1.74 Crores at other existing Power Stations (Total Rs. 18.79 Crores) in the

Financial Statement of Accounts for FY 2018-19.

Here it is to mention that this amount of Rs. 18.79 Crores is merely a Book adjustment and no actual cash is received by MPPGCL. In view of the above amount of Rs. 18.79 Crores is not considered as part of Non-Tariff income.

iii. **Interest Income on wage revision arrears due to unwinding of discounts**

The petitioner submitted that MPPGCL has adopted Indian Accounting Standard (INDAS) from FY 2016-17 onwards. The said Accounting Standard provides for recognition of notional income on account of expected gain considering discounting of Interest on Wage revision Arrears. Accordingly, in compliance to Ind AS, MPPGCL has recognized notional income of Total Rs. 5.81 Crores in the Financial Statement of Accounts for FY 2018-19. Here it is to mention that this amount of Rs. 5.81 Crores is merely a Book adjustment and no actual cash is received by MPPGCL. In view of the above amount of Rs. 5.81 Crores is not considered as part of Non-Tariff income.

iv. **Income from O&M Contracts**

The Total Income from O&M Contract is Rs. 2.15 Crores is a sort of reimbursement towards expenditure incurred by MPPGCL, therefore, the same may kindly not to be considered as part of Non- Tariff income. In view of the above amount of Rs. 2.15 Crores is not considered as part of Non-Tariff income

v. **Reversal of Impairment loss for Dada Dhuniwale Khandwa Power Limited (DDKPL)**

The petitioner submitted that MPPGCL has adopted Indian Accounting Standard (Ind AS) from FY 2016-17 onward. Here it is to mention that Dada Dhuniwale Khandwa Power Limited is a Joint Venture Power Project of MPPGCL and BHEL with equal share. The JV Company was incorporated for development of 2x800MW Thermal Power Project in Khandwa District. Both MPPGCL and BHEL had infused Rs. 22.50 Crores towards initial Equity. Consequently, due to non-availability of coal for the project, it was decided by both the developers to wind-up this joint venture.

Accordingly, DDKPL is in voluntary liquidation process and company in its AGM held on 15.11.2017 has appointed Liquidator for the same. In FY 2016-17 MPPGCL has impaired 50% of expenses incurred on the project in accordance with applicable INDAS as reflected in Note 33 at page 89 of Audited Annual Statements of Accounts for FY 2016-17. The same was not considered as expense by the Commission in FY 2016-17. However, impairment to the extent of Rs. 0.20 Crores has been reversed after receipt of such amount during FY 2018-

19.

As this income pertains to DDKPL a Power Station under construction (now in wind-up stage), Rs. 0.20 Crores is not considered as part of Non-Tariff income.

vi. Interest on Fixed Deposit on R&M and e-Genco Loans

The petitioner submitted that the MPPGCL keeps the GoMP R&M Loan Fund as Flexi Fixed Deposit (FFD) amounting to Rs. 127.27 Crores in the Union Bank of India and makes payment through this fund under R&M Scheme. This R&M fund also include Rs. 78 Crore for Project e-Genco.

In the FY 2018-19, MPPGCL received Interest on FFD as Rs.6.41 Crores from Union Bank of India and this include Rs. 2.27 Crores Interest on R&M Fund and balance amounting to Rs. 4.14 Crores for e-Genco. The e-Genco project has not been implemented till date. Further the works proposed through GoMP R&M Loan are mainly for compliance of statutory guidelines (Grid Code /CEA Regulations etc.) and need based schemes essential for efficient running of units. In view of the above, this is not considered for determination of Non-Tariff income.

vii. Interest on Fixed Deposit through Fly Ash Income

The petitioner with regard to income from interest on FDR against sale of Fly ash submitted that MPPGCL keeps fund of sales of Fly Ash in the form of Fixed Deposit Receipt (FDR) and earn interest thereon and also this amount of Interest is treated as fund of Fly Ash which can be used exclusively for Infrastructural development in the Thermal Power Station as per MoEF & CC Notification No. 763 dated 14.09.1999. This fund of Rs 6.65 Crore cannot be used for any other activity in thermal power station. In view of the above, this is not considered as a part of non-tariff income.

viii. Other Misc. Receipts - Sale of Steam from SSTPP Stage-1

The petitioner submitted that MPPGCL wish to submit that for initial synchronization of newly commissioned 660 MW Units at SSTPP Khandwa, the auxiliary steam was to be provided by MPPGCL to M/s L&T on chargeable basis @ Rs. 1294 /MT. An amount of Rs. 6.46 Crores have been recovered in accordance with the above provisions.

Any expenses incurred towards operating norms above the set value are disallowed. The steam provided from SSTPP Stage-I for commissioning of Units of SSTPP Stage-2 has not been used for energy generation; also the actual Station Heat Rate of Stage-1 is higher that the norms set. Hence additional expenses incurred towards differential SHR have not been allowed by Hon'ble

Commission. It can be concluded that cost of steam supplied by Stage-1 for commissioning of Stage-2 Units has already been disallowed. In view of the above, this is not considered as a part of non-tariff income.

ix. Reversal of Ex-gratia provision

The petitioner submitted that the Payment of Bonus Act, 1965 read with subsequent amendments provide for the payment of Bonus/ Exgratia to persons employed in certain establishments on the basis of profits or on the basis of production or productivity and for matters connected therewith. In compliance to the above act the erstwhile MPEB/ MPSEB from time to time had issued various orders/ circulars for payment of Bonus/ Exgratia to its employees. This procedure is also adopted by MPPGCL. An amount of Rs. 3.00 Crores towards reversal of Ex-gratia provision is embedded in the head other Misc Receipts of Note 27.1 (Other Income) of Audited Books of Accounts for FY 2018-19. In view of the above, this is not considered as a part of non-tariff income.

x. Income from Grant

The petitioner submitted that the Commission in the True Up Tariff petition for FY 2017-18 (petition No. 01 of 2019) has not permitted the additional capital expenditure towards assets whose funding was met from Grant. Further, MPPGCL has adopted Indian Accounting Standard (INDAS) from FY 2016-17 onwards. The said Accounting Standard provides for recognition of notional income as adjustment towards treatment of grant received. MPPGCL has recognized notional income of Total Rs. 1.73 Crores in the Financial Statement of Accounts for FY 2018-19, which is merely a Book adjustment.

In view of the above, Income from Grant amounting to Rs. 1.73 Crores is not considered as part of Non-Tariff Income.

xi. Profit from sale of Decapitalized Assets of ATPS PH-2

The BoD of MPPGCL has resolved to retire its 2 units each of 120 MW at ATPS, Chachai from the commercial operations w.e.f. 01.05.2014 and 13.01.2015 respectively. GoMP and subsequently CEA, New Delhi has also approved the same. It was also decided to sell these units, associated inventories and capital spares after its valuation. The sale process was carried out through e-auction method in July 2018 and the plant has been sold in August 2018 to M/s Safah Multitrade Pvt. Ltd. Mumbai.

The Hon'ble Commission in the above-mentioned regulation has clearly stated that income from sale of scrap other than the decapitalized/written off assets is to be considered as Non-Tariff Income and Income from sale of De-capitalized/

written off Assets are not to be considered as Non-Tariff Income. Hence, the Income from sale of De-capitalized/ written off assets of 2x120 MW (PH-II) of ATPS, Chachai of Rs 43.15 Crore does not fall under the category of Non-Tariff Income.

xii. **Surcharge due to delayed payment by MPPMCL**

The petitioner submitted that MPPGCL had entered into a mechanism with MPPMCL for providing Rebate upto 3% on timely payment of bills by MPPMCL w.e.f. 01.09.2017. The surcharge for the period April 2017 to August 2017 worked out to Rs. 99.995 Crores. As the discussion for finalization of such rebate mechanism for improvement in liquidity position of MPPGCL were under active consideration of both the companies, thus, billing of the Surcharge was not done. Further, GoMP vide its letter dated 20.09.2018 has considered the request of MPPMCL not to levy any delayed payment surcharge Rs. 109.75 Crores pertaining to FY 2017-18 and Rs. 116.82 Crores pertaining to FY 2018-19, total amounting to Rs. 226.56 Crores and have decided to write-off the same in FY 2018-19 in the Audited Books of Accounts of MPPGCL for FY 2018-19. The amount of Rs. 226.56 Crores is merely a Book adjustment and no cash has been received. In view of the above, this is not considered as a part of non-tariff income.

xiii. **Interest on SLDC Charges**

The petitioner submitted that MPPGCL has booked the accrued interest of Rs. 0.80 Crores towards payment of SLDC Charges in the Audited Book of Accounts for FY 2018-19. This a notional Pooling entry made in compliance to BSC Code and no actual payment has been received against the same. The amount of Rs. 0.80 Crores is merely a Book adjustment and no cash has been received. Therefore, the Income from Interest from SLDC charges amounting to Rs. 0.80 Crores is not considered as part of Non-Tariff Income.

225. The aforesaid incomes are captured in Annual Audited Account under the head of operating income. Proviso 53.1 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 provides that:

Any income being incidental to the business of the generating company derived from sources, including but not limited to the disposal of assets, income from investments, rents, income from sale of scrap other than the decapitalized/ written off assets, income from advertisements, interest on advances to suppliers/contractors, income from sale of fly ash/rejected coal, and any other miscellaneous receipts other than income from sale of energy shall constitute the non tariff/other income."

226. In view of the provisions under above mentioned Regulation, the Commission has maintained the consistent approach of considering the interest income on sale of fly ash of Rs. 6.65 Crore as a part of Non-Tariff Income.

227. Accordingly, the break-up of non-tariff income and power station wise non-tariff income on 100% operating capacity considered in this order is as given below:

Sr No	Non-Tariff Income Particulars	Total Amount considered in petition (on 100% basis) (Rs in Crore)	
1	Int Income on tariff Revisions	(Not included)	37.11
2	Int on SLDC Charges	-do-	0.80
3	Int income on unwinding of discount on Deposits	-do-	18.79
4	Surcharge due to delayed payment by MPPMCL	-do-	226.56
5	Int Income on wage revision arrears due to unwinding of discounts	-do-	5.81
6	Reversal of impairment loss of DDKPL	-do-	0.20
7	Profit from sale of decapitalised assets of ATPS PH-1	-do-	43.15
8	Income from O&M contract	-do-	2.15
9	Int from fixed deposit	-do-	6.41
10	Other Misc Receipts (Sale of Steam)	-do-	6.46
11	Reversal of Ex-Gratia Provision	-do-	3.00
12	Int on FD	-do-	6.65
13	Income from Grant	(Not included)	1.73
14	**Considered in petition (share Basis)**		**54.63**
15	**Considered in petition on 100% basis**		**55.05**
16	**Add Income from fly Ash**		**6.65**
	Total non-tariff income		**61.71**

Table 92: Non -Tariff Income admitted for FY 2018-19 (Rs. in Crore)

Sr No.	Stations	Approved Non-Tariff Income (Including Int. Income on sale of fly ash)
1	ATPS PH-3	4.18
2	STPS PH-2&3	7.77
3	STPS PH-4	4.79
4	SGTPS PH-1&2	18.82
5	SGTPS PH-3	11.39
6	SSTPP PH-1&2	11.36
	Total Thermal	**58.31**
7	Gandhi Sagar	0.26
8	Pench	0.52
9	Rajghat	0.25
10	Bargi	0.33
11	Bansagar PH-1,2 &3	1.75
12	Bansagar PH-4	0.09
13	Birsinghpur	(0.01)
14	Madhikheda	0.21
	Total Hydel	**3.40**
Total		**61.71**

i) Other Charges:

Petitioner's Submission:

228. With regard to other charges, the petitioner broadly submitted the following:

Other Charges comprises of Rent, Rates & Taxes, MPERC Fees, Entry Tax, Water Charges, Cost of Chemical, Cost of Consumable, Publication Charges. Water Charges which are payable to Government have been paid based on rates specified by GoMP. Rent, Rates and Taxes for power stations has been taken on actual. SLDC charges have claimed in accordance with Regulation 39 allocated to Thermal Power Stations on MW capacity basis.

Considering the above elements, the total Other Charges work out by the petitioner for FY 2018-19 are as given below:

Table 93: Other Charges Claimed **(Rs. in Crore)**

S. No.	Particulars	Total
1	Rent, Rates & Taxes	1.03
2	Wage Revision Arrears	0.32
3	Water Charges	69.63
4	Cost of Chemicals & Consumables	15.13
5	MPERC Fee + Publication Exp.	1.1
6	EL Encashment	99.21
7	7th Pay Revision Impact	72.19
Total		**258.62**

Provisions under Regulations:

229. Regarding the other charges, Regulation 35.7 and 35.9 of Tariff Regulations, 2015 provides the following:

"35.7 *The Operation and Maintenance expenses admissible to existing thermal power stations commissioned prior to 01.04.2012 comprise of employee cost, Repair & Maintenance (R&M) cost and Administrative and General (A&G) cost. These norms exclude Pension and Terminal Benefits, EL encashment, Incentive, arrears to be paid to employees, taxes payable to the Government, and fees payable to MPERC. The generating company shall claim the rate, rent & taxes payable to the Government, cost of chemicals and consumables, fees to be paid to MPERC, EL encashment and any arrears paid to employees separately as actual.*

35.9 The Operation and Maintenance expenses admissible to existing hydro power stations comprise of employee cost, Repair & Maintenance (R&M) cost and

Administrative and General (A&G) cost. These norms exclude Pension and Terminal Benefits, EL encashment, Incentive, arrears to be paid to employees, taxes payable to the Government, and fees payable to MPERC. The generating company shall claim the rate, rent & taxes payable to the Government, cost of chemicals and consumables, fees to be paid to MPERC,EL encashment and any arrears paid to employees separately as actuals."

230. Regarding Application fee, publication expenses water charges and other statutory charges, Regulation 52 of the Tariff Regulations, 2015 provides the following:

"The following fees, charges and expenses shall be reimbursed directly by the beneficiary in the manner specified herein:

1. *The application filing fee and the expenses incurred on publication of notices in the application for approval of tariff, may in the discretion of the Commission, be allowed to be recovered by the generating company directly from the beneficiaries :*

2. *The Commission may, for the reasons to be recorded in writing and after hearing the affected parties, allow reimbursement of any fee or expenses, as may be considered necessary.*

3. *SLDC Charges and Transmission Charges as determined by the Commission shall be considered as expenses, if payable by the generating stations.*

4. *RLDC/NLDC charges as determined by the Central Commission shall also be considered as expenses, if payable by the generating station.*

5. *Electricity duty, cess and water charges if payable by the Generating Company for generation of electricity from the power stations to the State Government, shall be allowed by the Commission separately and shall be trued-up on actuals.*

231. The Commission issued MYT order for MPPGCL thermal and hydro power stations on 14th July' 2016. With regard to other charges, In para 173 of the MYT order mentioned the following:

"The petitioner is allowed to recover the rate, rent and taxes payable to the Government, cost of chemicals and consumables, fees to be paid to MPERC as per Regulations 35.7 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 subject to true-up based on audited accounts. The petitioner is allowed to recover water charges on usage of water, levied by the GoMP from the beneficiaries on pro-rata basis as per provisions under Regulations subject to true-up based on audited accounts."

232. In view of the provisions under Tariff Regulations, 2015 and MYT Order, the following other charges are considered in this order:

The petitioner has claimed Rent, Rates and Taxes in thermal and hydro power stations. The petitioner is allowed to recover Rent, Rates and Taxes in thermal and hydro power stations in accordance to Regulation 35.7 and 37.9 respectively;

i. The petitioner has claimed Rs. 0.32 Crore towards wage revision arrears in Rajghat HPS. The petitioner is allowed to recover the wage revision arrears in accordance to the Regulation 35.7 and 37.9 for thermal and hydel power stations;

ii. The petitioner has claimed water charges in their thermal and hydro power stations. With regard to water charges, Regulation 52.5 provides that the water charges if payable by the Generating Company for generation of electricity from the power stations to the State Government, shall be allowed by the Commission separately and shall be trued-up on actuals. The petitioner is allowed to recover water charges in its thermal and hydro power stations in accordance to Regulation 52.5 of the Tariff Regulations, 2015;

iii. The petitioner claimed cost of Chemicals and Consumables in thermal and hydel power stations. Regulation 35.7 and 35.9 provides that the existing projects commissioned on or after 01.04.2012 shall be claim chemicals and consumables separately. In view of the above, the petitioner is allowed to recover cost of chemicals and consumables in thermal and hydro power stations in accordance to Regulation 35.7 and 37.9 respectively;

iv. The petitioner has claimed MPERC Fee and publication expenses on actual basis. The petitioner is allowed to recover the same in accordance to Regulation 52(1) of the Tariff Regulations, 2015;

v. The petitioner has claimed EL Encashment to their employees on actual basis. The petitioner is also allowed to recover the EL Encashment in thermal and hydro power stations in accordance to Regulation 35.7 and 37.9 respectively;

Impact of 7th Pay Revision:

233. It is observed that in the subject petition, the petitioner has claimed the Impact of 7th Pay Commission of Rs 72.18 Crore on actual basis under the "other charges". with the following submission:

"The GoMP vide letter No. 6916/2017/13 dated 31.10.2017 has issued order for Pay revision of employees. MPPGCL vide order No. 4974 dated 29.12.2017 has adopted Seventh pay commission from 01.01.2016. The arrears on account of pay revision for

the period 01.01.2016 to 31.12.2017 have been booked in Audited Books of Accounts for FY 201718. MPPGCL has claimed the same in the instant petition in accordance with proviso 35.7 & 35.9 of MPERC Regulations, 2015 in the Chapter- 4.2 -Other Charges.
It is to mention that the Commission at Para 105 of MYT order dated 14.07.2016 for Control period FY 17 to FY 19 has stated as under:

With regard to impact of 7th pay Commission, the same shall dealt with in accordance with the Regulation 35.5 of MPERC Regulations 2015, at an appropriate stage of implementation of 7th pay commission after prudence check on the details and documents filed by MPPGCL on satisfaction of the Commission."

As evident from above, the impact of 7th pay commission was not considered by the Hon'ble Commission while prescribing the O&M Norm for the Control period FY 2016-17 to FY 2018-19.
The Commission in its True up order dated 19.07.2019 (Petition No. 01 of 2019) at para 196 at page 79 has directed to claim the same in Trueup Petition of Subsequent years. Accordingly, the impact of 7th pay commission has been claimed in Chapter 4.2- Other Charges:

234. Vide letter dated 07th March' 2020, the petitioner was asked submit the following:

> "*In Para 4.2.7 of the petition, the petitioner has claimed the impact of Rs. 72.19 Crores on account of 7th pay revision under the head other charges. The petitioner is required to reconcile the figures of 7th Pay revision's impact with the Annual Audited Accounts. The petitioner is also required to provide the detailed breakup of amount claimed under 7th pay revision over and above the normative O&M expenses*"

235. By affidavit dated 02nd July' 2020, the petitioner submitted that

> *The Commission on 01.01.2016 had notified the Multi Year Generation Tariff Regulation, 2015 for control period FY 2016-17 to FY 2018-19, wherein the norms of Operation & Maintenance Expenses were set for Thermal Power Stations at Proviso 35.7 & 35.8 and for Hydro Power Station at proviso 35.10.*
>
> *In the above context, it is to mention that the Commission at Para 105 of MYT order dated 14.07.2016 for Control period FY 17 to FY 19 has stated as under:*
>
> ***"****With regard to impact of 7th pay Commission, the same shall dealt with in accordance with the Regulation 35.5 of MPERC Regulations 2015, at an appropriate*

stage of implementation of 7th pay commission after prudence check on the details and documents filed by MPPGCL on satisfaction of the Commission."

As evident from above, the O&M Norms specified by the Commission excludes the impact of 7th Pay revision of MPPGCL employees.

Subsequently, the GoMP has issued order for Pay revisions of employees vide letter No. 6916/2017/13 dated 31.10.2017. MPPGCL vide order No. 4974 dated 29.12.2017 has adopted Seventh pay commission from 01.01.2016. The Commission in its True up order dated 19.07.2019 (Petition No. 01 of 2019) at para 196 at page 79 has directed to claim the impact of pay revision in Trueup Petition of Subsequent years in which actual payment is made.

In the instant petition MPPGCL has claimed the impact of pay revision in FY 2017-18 is for 3 months (Jan.'18, Feb.'18 and Mar.'18) & the impact in FY 2018-19 is for whole Financial Year. The power station wise gist of total amount is tabulated in table below:

Rs in Crores

Station	***Capacity in MW***	***FY 2017-18 (3 Months)***	***FY 2018-19***
ATPS PH-3	*210*	*1.29*	*5.09*
STPS PH-2&3	*830*	*2.51*	*9.98*
STPS PH-4	*500*	*1.51*	*6.01*
STPS Total	***1330***	***4.03***	***15.99***
SGTPS PH-1&2	*840*	*1.60*	*6.45*
SGTPS PH-3	*500*	*0.95*	*3.84*
SGTPS Total	*1340*	***2.55***	***10.29***
SSTTP PH-1	*1200*	*2.29*	*9.25*
Total Thermal		***10.16***	***40.63***
Gandhi Sagar	*115*	*0.24*	*0.93*
Pench	*160*	*0.12*	*0.64*
Rajghat	*45*	*0.11*	*0.48*
Bargi	*90*	*2.80*	*11.22*
Bansagar PH-1,2&3	*405*	*0.80*	*3.20*
Bansagar PH-4	*20*	*0.04*	*0.16*
Bansagar Total	***425***	***0.84***	***3.36***
Birsinghpur	*20*	*0.04*	*0.15*
Madhikheda	*60*	*0.10*	*0.39*
Total Hydel	***915***	***4.23***	***17.17***
Grand Total	***6750***	***14.39***	***57.80***

It is to submit that actual Employees related Expenses are booked in Schedule-29 of Annual Audited Accounts of MPPGCL under the Head - Employees Benefit Expenses. The impact of pay revision are already embedded/incorporated under Serial No.1 (Salaries) & Serial No.4 (Dearness Allowance) of above mentioned Schedule-29 of Annual Accounts for FY 2018-19 duly audited by the Statutory Auditor.

As desired by the Commission, the Employee wise & Power Station wise voluminous detailed working of pay revision impact for FY 2017-18 (3 months) and FY 2018-19, are annexed as Annexure-14A & 14B. As the Employee details were available for complex, therefore the Power Station figures have been arrived on prorate MW basis. Further, salary expenses on the employees at Head Office Jabalpur and employees of MPPGCL on deputation in other companies & Energy Department have been parked on the nearest power station i.e Bargi HPS.

236. On perusal of the details regarding 7th pay Commission impact on employee cost filed by the petitioner, the Commission observed the following:

   i. The Commission issued and notified MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2015 for the control period FY 2016-17 to FY 2018-19. In the aforesaid Regulations, the norms for O&M expenses for thermal power stations have been specified separately for the power stations commissioned on or before 31.03.2012 and power stations commissioned on or after 01.04.2012.

   ii. Regarding the O&M expenses for power stations commissioned on or before 31.03.2012, Regulation 35.2 of the aforesaid Regulations stated the following:

      "The cost components for employee expenses, repair & maintenance expenses and administrative and general expenses are considered as per Regulations 35.7 to 35.8 and 35.10 to 35.11 of these Regulations. The Operation and Maintenance expenses including employee expenses, repair and maintenance expenses, and administrative and general expenses, for the power stations commissioned prior to 01.04.2012 are derived by considering the average of these expenditures for past four years (i.e. FY2010-11 to FY2013-14) as per Annual Audited Accounts. The average expenditure of the aforesaid four years is considered as base opening figure for FY 2012-13. Thereafter, the figures of O&M expenditure are derived upto FY 2015-16 by applying the annual escalation rate specified for the relevant year in the applicable Regulations."

iii. Further, the Commission issued MYT Order on 14th July' 2016 for the control period FY 2016-17 to FY 2018-19 in terms of the provisions under Regulations, 2015. Regarding the *impact of 7th pay Commission,* in para 105 of the aforesaid MYT Order, the Commission mentioned the following:

> "*With regard to impact of 7th pay Commission, the same shall dealt with in accordance with the Regulation 35.5 of MPERC Regulations 2015, at an appropriate stage of implementation of 7th pay commission after prudence check on the details and documents filed by MPPGCL on satisfaction of the Commission.*

iv. The Commission also issued true-up order for FY 2017-18 on 19th July' 2019 in petition No. 1 of 2019. In para 194 to 196 of the aforesaid true-up order, the Commission mentioned the following:

- *The Commission has observed that the petitioner has claimed the differential O&M amount of Rs 14.43 Crore for the period 01st January' 2018 to 31st March' 2018 on account of the arrears of the 7th pay revision of employees which is on normative basis.*

- *On scrutiny of the details under the subject petition, it is observed that the amount of arrears from January' 2018 to March' 2018 has been provisionally worked out by the petitioner. However, this amount has not been reflected in the Annual Audited Accounts for FY 2017-18.*

- *In view of the above, this amount towards the 7th Pay Commission arrears for January' 2018 to March' 2018 shall be allowed in the subsequent year/(s) i.e. the year in which actual payment shall be made by the petitioner. The petitioner is at liberty to claim the same in true up petition of subsequent year. Accordingly, the Commission has considered the normative O&M Expenses of Rs. 1031. 95 Crore in this order.*

v. In para 4.2.7 of the subject petition, the petitioner claimed the Rs. 72. 18 Crore towards impact of 7th pay revision of MPPGCL's employees considering the three months for FY 2017-18 (January, February and March 2018) and impact in FY 2018-19 is for whole financial year.

vi. By affidavit dated 2nd July' 2020, the petitioner submitted that the amount of Rs. 14.39 Crore pertains to FY 2017-18 (three months) and Rs. 57.80 Crores pertains to FY 2018-19. The petitioner has also filed the power station-wise break-up of aforesaid amount towards impact of 7th pay revision.

vii. It is to submit that actual Employees related Expenses are booked in Schedule-29 of Annual Audited Accounts of MPPGCL under the Head - Employees Benefit Expenses. The impact of pay revision are already embedded/incorporated under Serial No.1 (Salaries) & Serial No.4 (Dearness Allowance) of above mentioned Schedule-29 of Annual Accounts for FY 2018-19 duly audited by the Statutory Auditor.

viii. Vide letter dated 7th March' 2020, the petitioner was asked to reconcile the figures of 7th Pay revision's impact with the Annual Audited Accounts. In response, the petitioner has submitted that actual Employees related Expenses are booked in Schedule-29 of Annual Audited Accounts of MPPGCL under the Head - Employees Benefit Expenses. The petitioner further submitted that the impact of pay revision are already embedded/incorporated under Serial No.1 (Salaries) & Serial No.4 (Dearness Allowance) of above mentioned Schedule-29 of Annual Accounts for FY 2018-19 duly audited by the Statutory Auditor.

ix. The petitioner also filed the Employee wise & Power Station wise detailed working of pay revision impact for FY 2017-18 (3 months) and FY 2018-19 as Annexure-14A & 14B**.** The petitioner informed that the employee details were available for complex, therefore the Power Station-wise figures have been arrived on prorate MW basis. Further, salary expenses on the employees at Head Office Jabalpur and employees of MPPGCL on deputation in other companies & Energy Department have been parked on the nearest power station i.e Bargi HPS.

x. The petitioner has claimed the impact of 7th pay revision under other expenses however, these expenses are the part of employee expenses under O&M expenses.

237. In view of the all above, the Commission has considered the impact of 7th Pay Commission of Rs 72.18 Crore over and above the normative O&M Expenses in this order on the basis of actual payment made for FY 2017-18 (3 months) and FY 2018-19. The power station-wise details of O&M expenses including the impact of 7th pay revision are as given below:

Table 94: Total impact of 7th pay revision allowed in this Order

S. No.	Power Station	Capacity	Impact of 7th Pay (17-18) 3 Months	Impact of 7th Pay (2018-19)	Total Impact of 7th Pay revision

		MW	Rs. in Crores	Rs. in Crores	Rs. in Crores
1	ATPS, PH-3	210	1.29	5.09	6.38
2	STPS PH 2&3	830	2.51	9.98	12.49
3	STPS, PH-4	500	1.51	6.01	7.53
4	SGTPS, PH-1&2	840	1.60	6.45	8.05
5	SGTPS, PH-3	500	0.95	3.84	4.79
6	SSTPP, PH-1	1200	2.29	9.25	11.54
7	Gandhi Sagar	115	0.24	0.93	1.16
8	Pench	160	0.12	0.64	0.76
9	Rajghat	45	0.11	0.48	0.59
10	Bargi	90	2.80	11.22	14.02
11	Bansagar PH-1,2&3	405	0.80	3.20	3.99
12	Bansagar PH-4	20	0.04	0.16	0.20
13	Birsinghpur	20	0.04	0.15	0.19
14	Madhikheda	60	0.10	0.39	0.49
Total		**4995**	**14.39**	**57.80**	**72.18**

Balance Depreciation of ATPS PH-2 (2X120 MW)

Petitioner's Submission

238. The petitioner has filed separate recovery of balance depreciation of Rs. 26.76 Crore towards assets de-commissioned at ATPS PH-2. The petitioner submitted that the Unit No. 3 & 4 (120 MW each) of ATPS PH-2 decommissioned with effect from 13th January, 2015 and 1st May, 2014 respectively. The details of balance depreciation worked out by the Petitioner are as given below:-

Table 95: Breakup of Accumulated Depreciation **(Rs in Crore)**

Particulars	Gross Block	Acc. Depreciation	%
Balance as on 31.03.2015 as admitted by MPERC	222.28	160.44	72%
Assets De-capitalized	150.18	108.40	72%
Assets Transferred to ATPS PH-3	72.05	52.00	
Assets Transferred to SGTPS PH-1&2	0.05	0.04	90%
Total	222.28	160.44	72%

Table 96: Balance depreciation of Assets De-capitalized **(Rs in Crore)**

Sr No	Particulars	Amount
1	Gross Block of Assets De-capitalized	150.18
2	Acc. Depreciation of Assets De-capitalized	108.40
3	Maximum Permissible Depreciation (90% of Gross Block)	135.16
4	**Balance Depreciation (3-2)**	**26.76**

239. The petitioner further submitted that the balance depreciation of assets de-capitalized in ATPS PH-2 has been worked out as per MPERC Regulation. The petitioner requested the Commission to permit recovery of balance depreciation of Rs. 26.76 Crores separately.

Commission's Analysis:

240. Regarding the balance recovery of depreciation and sale of de-capitalized assets, vide Commission's letter dated 07th March' 2020, the petitioner was asked to file the following:

"In Table 5.1.8.2 of the petition, the petitioner has claimed balance depreciation of Rs. 26.76 Crore towards de-capitalized assets of ATPS PH-2 (Unit No. 3&4). Further, in Para 5.1.4 of the petition, it is mentioned that the de-capitalized assets and inventories of ATPS PH-2 have been sold in August' 2018 at the value of Rs 77.00 Crore In view of the above, the petitioner is required the inform the following:

(i) Actual salvage value of these de - capitalized units, if these units have been disposed of.
(ii) Whether the sale value of the de-capitalized assets is reflected in the Annual Audited Accounts?
(iii) Reasons for under recovery of depreciation after completion of the useful life of the generating units.
(iv) Whether any loan amount in respect of ATPS PH-3 is outstanding / balance as on 31st March' 2018.
(v) Whether any major asset addition has been carried out during last five years of de-commissioning of the Units of ATPS PH-2.

241. By affidavit dated 02nd July' 2020, the petitioner submitted the following in response to aforesaid queries**:**

(i) MPPGCL has conducted the third party valuation of de-capitalized assets and inventories of ATPS PH-2 by M/s Steag Energy Services Ltd, Noida which came to Rs.68.08 Crores. The Net value (after depreciation) of these assets and inventories as per Note-12 page 34 of Audited books of Accounts for FY 2018-19 amounted to Rs. 33.39 Crores.

(ii) As per Standard Accounting Practice, the profit from sale of Assets is recognized as Income in the Annual Financial Statements of the company. Accordingly, MPPGCL has recognized the profit from the sale of Assets of ATPS PH-2 amounting to Rs.43.15 Crores as Income and reflected the same at Serial No. 12 of Note-27.1 of Audited Accounts for FY 2018-19.

(iii) Major capitalization of assets took place between FY 10 to FY 15 at ATPS PH -2 on account of R&M works scheme approved by erstwhile MPSEB. The asset additions made under said scheme was permitted by the Commission in the respective True up orders. The depreciation permitted by Commission was based on Weighted Average rate of depreciation worked out on the basis of depreciation rates prescribed in respective MPERC Regulations. As the units were retired in FY 2015-16, the amount of depreciation remained unrecovered and same is claimed by MPPGCL in the subject petition.

(iv) As desired by Commission the balance of outstanding project specific Loan for ATPS PH-3 as on 31.03. 2018 are as under:
Loan No. 20101012 - Rs. 111.42 Crs
Loan No. 20701002 - Rs. 35.51 Crs.

(v) The amount of major capitalization during last five years prior to retirement of ATPS PH-2 and admitted by the Hon'ble Commission are as under:-

Financial Year	***Amount (Rs. Crores)***
FY 2010-11	*60.14*
FY 2011-12	*16.51*
FY 2012-13	*4.04*
FY 2013-14	*0.75*
FY 2014-15	*0.25*
Total	***81.69***

242. The Unit No. 3 & 4 of ATPS PH-2 were commissioned during FY 1977-78 and completed their useful life. Both units were retired/de-commissioned on 13th January' 2015 and 01st May' 2014. The Commission observed that before decapitalization of the assets during FY 2015-16, the Board of erstwhile MPSEB approved the need-based Renovation & Modernization scheme after the cut-off date of the project for ATPS PH-II (2 X 120 MW) on 18.01.2004. In the true-up order for FY 2008-09, the Commission for the first time considered certain works under need-based R&M scheme of ATPS PH-II which were necessary for running the power plant in accordance with Regulation 19(f) of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2005. The amount of major capitalization during last five years prior to retirement of ATPS PH-2 filed by MPPGCLand admitted by the Commission under R&M scheme are as under: -

Financial Year	**Amount (Rs. Crores)**
FY 2010-11	60.14

FY 2011-12	16.51
FY 2012-13	4.04
FY 2013-14	0.75
FY 2014-15	0.25
Total	**81.69**

243. In the aforesaid period, the petitioner requested additional capitalization of Rs 81.69 Crore under R&M Scheme which were essential for future operations of the plant. The de-capitalisation of power plant in FY 2015-16 just after incurring above additional capitalization will burden the beneficiaries of this power plant with unproductive assets not supplying any electricity to the beneficiaries

244. Further, the petitioner has informed that the de-capitalized assets and inventories of ATPS PH-2 have been sold in August' 2018 at the value of Rs 77.00 Crore and has also indicated profit on sale of such assets of Rs 43.15 Crore in heading "Other Income" of the Annual Audited Accounts for FY 2018-19. With regard to Non-Tariff Income, Regulation 58.1 of Tariff Regulations, 2015 provides that :

58.1 Any income being incidental to the business of the generating company derived from sources, including but not limited to the disposal of assets, income from investments, rents, income from sale of scrap other than the decapitalized/written off assets, income from advertisements, interest on advances to suppliers/contractors, income from sale of fly ash/rejected coal, and any other miscellaneous receipts other than income from sale of energy shall constitute the non tariff/other income

While referring the above Regulation, the petitioner has requested the Commission not to consider the profit from sale of de-capitalized assets (Sale-Cost) as a non-tariff income whereas, on the other hand, the petitioner is claiming recovery of the balance depreciation of such aforesaid de-capitalized assets which are not in use for supply of electricity to the beneficiaries of power plant. The Depreciation is claimed only when the asset is put to use and the plant is in operation however, in the instant case, the balance depreciation is being claimed by MPPGCL after de-commissioning of the power plant. Therefore, it would not be justified to allow such balance depreciation and burden the beneficiaries/end consumers of electricity without any reason attributable to them after de-commissioning of power plant.

245. Further, the aforesaid Regulation provides for non-consideration of income on sale of de-capitalized assets as a part of non-tariff income, however while dealing with depreciation, the Regulation 33.2 and 15.6 also provides that for the purpose of computation of

depreciation, the value of decapitalized assets shall not form part of capital cost as under:

33.2 The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission. In case of multiple units of a generating station, weighted average life for the generating station shall be applied. Depreciation shall be chargeable from the first year at the commercial operation.

15.6 The following shall be excluded or removed from the capital cost of the existing and new projects:

(a) The assets forming part of the project, but not in use;

(b) ***De-capitalisation of Asset****;*

(c) In case of hydro generating station any expenditure incurred or committed to be incurred by a project developer for getting the project site allotted by the State government by following a two stage transparent process of bidding; and

(d) the proportionate cost of land which is being used for generating power from generating station based on renewable energy

246. The aforesaid Regulations provides that while computing depreciation on capital cost, the value of decapitalized assets shall not form the part of the capital cost. Since, decapitalization of asset is excluded from the capital cost for computation of depreciation purpose, hence no depreciation or either recovery of the depreciation can be allowed on sale of any decapitalized assets.

247. Based on all above reasons the petitioner is not allowed to recover this balance depreciation of Rs.26.76 Cr. in accordance with the Tariff Regulations, 2015 in this order.

Financial Gain/Loss on account of Controllable Parameters

248. Regarding the performance-based truing-up of energy charges on account of controllable parameters, Regulations 8.7, 8.8 and 8.9 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2015 provide as under;

8.7 "The generating company shall carry out truing up of tariff of generating station based on the performance of following Controllable parameters:

i) Station Heat Rate;

ii) Secondary Fuel Oil Consumption; and

iii) Auxiliary Energy Consumption;

8.8 The Commission shall carry out truing up of tariff of generating station based on the performance of following Uncontrollable parameters:

i) Force Majeure;
ii) Change in Law; and
iii) Primary Fuel Cost.

8.9 The financial gains by a generating company on account of controllable parameters shall be shared between generating company and the beneficiaries on monthly basis with annual reconciliation. The financial gains computed as per following formulae in case of generating station on account of operational parameters as shown in Clause 8.7 (i) to (iii) of this Regulation shall be shared in the ratio of 2:1 between generating company and beneficiaries:

Net Gain = (ECR_N– ECR_A) x Scheduled Generation

Where, ECR_N – Normative Energy Charge Rate computed on the basis of norms specified for Station Heat Rate, Auxiliary Consumption and Secondary Fuel Oil Consumption.

ECR_A – Actual Energy Charge Rate computed on the basis of actual SHR, Auxiliary Consumption and Secondary Fuel Oil Consumption for the month:-------------------------" (Emphasis Supplied)

249. In light of the above Regulations, vide Commission's letter dated 07th March' 2020, the petitioner was asked to file the power station-wise monthly details of aforesaid performance parameters actually achieved vis-à-vis normative parameters under the Regulations, 2015. However, The Commission is determining the power station-wise tariff therefore, the petitioner was also asked to file the power station-wise details of financial gain if any, on account of controllable parameters and shared with the beneficiaries in light of the Regulation 8.9 of the Tariff Regulations, 2015.

250. In response to the above, vide letter dated 02nd July' 2020, the petitioner submitted the following:

As desired by the Commission, the Month-wise details of Operational performance parameters actually achieved vis-a-vis normative parameters under the MPERC Tariff Regulations, 2015 namely Auxiliary Energy Consumption, Station Heat Rate and Secondary Oil Consumption are annexed as Annexure- 2A, 2B & 2C.

Further, it is to submit that MPPGCL in totality has not achieved any financial gains on account of controllable parameters. Hence there is no sharing of gains with the beneficiaries. The Power House-wise detailed working in this regard is annexed as

Annexure- 3A, 3 B, 3C, 3D, 3 E, 3 F & 3G respectively summarized in the table below:

Power Stations	***Financial Gain/Loss Amount in Rs Crores***
ATPS PH-3	*8.83*
STPS PH-2&3	*-145.12*
STPS PH-4	*-35.68*
SGTPS PH-1&2	*-25.85*
SGTPS PH-3	*13.39*
SSTPP PH-	*-145.43*
Total	***-329.85***

251. With regard to *performance*-based truing-up of controllable parameters, by affidavit dated 2nd December, 2020, the Respondent No. 1 (MPPMCL) in its response on the subject petition has submitted the following:

"*Auxiliary Consumption, Station Heat Rate, Transit and Specific Oil Consumption are controllable factors as provided in Regulation 8.7 of Tariff Regulations 2015 which inter alia states as under:*

"8.7 The generating company shall carry out truing up of tariff of generating station based on the performance of following Controllable parameters:

Controllable parameters:

(i) Station Heat Rate;
(ii) Secondary Fuel Oil Consumption; and
(iii) Auxiliary Energy Consumption."

The financial gains on account of Controllable Parameters are required to be shared between generating company and beneficiaries in the ratio of 2:1 in accordance with the formula provided in Regulation 8.9. The petitioner has gained on account of Controllable Parameters in following generating stations:

Name of TPS	***Auxiliary Consumption***	***GSHR (kCal/kWh)***	***SFOC (ml/kWh)***
ATPS Chachai PH-3	*-*	*46*	*0.63*
STPS Sarni PH-2&3	*0.23%*	*-*	*0.43*
STPS Sarni PH-4	*-*	*-*	*0.13*
SGTPS Birsinghpur PH-1&2	*-*	*-*	*0.55*
SGTPS Birsinghpur PH-3	*0.30%*	*4*	*0.72*
SSTPS Khandwa PH-1	*-*	*-*	*-*

It is, therefore prayed that gain achieved in above generating stations should be passed on to the beneficiaries of the respective Generating Stations in accordance with the Regulation 8.9 of Tariff Regulations, 2015.

It is to further submit that the petitioner has gained significantly from savings in Transit and Handling Losses as the normative losses are much higher to what has been the actual loss level. Thus, there is huge gains in this head to the petitioner which is resulting in higher energy charge rates in comparison to actual loss level. It is, therefore, humbly prayed that the petitioner may directed to share the gain in all Controllable Parameters and Transit and Handling Losses in the ratio of 2:1 and 50:50 respectively with the beneficiaries."

Commission's Analysis

252. Regulation 8.9 of the Tariff Regulations, 2015 provides that the net gain is the difference between the Energy Charges worked out on Normative parameters and Energy Charges worked out on Actual parameters. The aforesaid Regulations do not provide the net gain on each operating parameter separately. Therefore, the contention of the Respondent No. 1 is not in accordance to the Regulations.

253. On perusal of the details filed by the petitioner, it is observed that actual parameters achieved by the petitioner during FY 2018-19 are inferior than the normative parameters in four of the power stations namely, STPS PH-2&3, STPS PH-4, SGTPS PH-1 & 2 and SSTPP PH-1, therefore, the petitioner incurred loss in above mentioned generating stations on account of the inferior performance and poor actual operating parameters achieved by it during FY 2018-19. However, it is also observed that the petitioner has achieved financial gains on account of better performance parameters achieved in two of the generating stations namely, ATPS PH-3 and SGTPS PH-3 .

254. Regulation 8.9 of the Tariff Regulations, 2015 provides that the financial gains by a generating company on account of controllable parameters shall be shared between generating company and the beneficiaries in the ratio of 2:1 on monthly basis with annual reconciliation. Therefore, the petitioner is directed to share the gains achieved in above two generating stations namely ATPS PH-3 and SGTPS PH-3 and pass on the same to the beneficiaries of the respective Generating Stations in accordance with the Regulation 8.9 of Tariff Regulations, 2015.

255. However, the aforesaid Regulations do not provide for sharing of loss incurred by the generating company. Therefore, the loss incurred by the petitioner on the above-

mentioned stations on account of inferior operating parameters shall not be passed on to the beneficiary

Reduction in NAPAF due to shortage of Coal:

256. In para 2.1.2 of the petition, the petitioner has considered the Normative Plant Availability Factor (NAPAF) for STPS PH-IV and SSTPP PH-I as 83% due to shortage of coal however, in the Tariff Regulations, 2015, the NAPAF is 85%.

257. With regard to Normative Plant Availability Factor (NAPAF), Regulation 39.3 of the Tariff Regulations 2015 provides as under:

"Following norms shall be applicable for all the thermal generating Units/ stations for all capacities which are Commissioned on or after 01/04/2012:

Normative Annual Plant Availability Factor (NAPAF) : 85%

Provided that in view of shortage of coal and uncertainty of assured coal supply on sustained basis experienced by the generating stations, the NAPAF for recovery of fixed charges shall be 83% till the same is reviewed."

258. Aforesaid provision of the Regulation 39.3 provides that in case of shortage of coal is experienced at new power stations commissioned after 01.04.2012, the NAPAF for recovery of fixed charges shall be 83%. In this regard, the petitioner submitted that since 01.04.2017, MPPGCL is facing coal shortage at units SSTPP PH-1, Unit No.1&2 (2x600 MW) Khandwa & STPS PH-4 Unit No.10&11 (2x250 MW) Sarni, commissioned after 01.04.2012.

259. Vide Commission's letter dated 7th March' 2020, the petitioner was asked to explain the following:

"*In STPS PH-IV and SSTPP PH-I, the normative annual PAF for recovery of annual capital charges is 85% however, in the subject petition, the petitioner has considered normative annual PAF is 83% due coal shortage in these thermal power stations.*

In view of the above, the petitioner is required to file the reasons for coal shortage in these two power stations clearly indicating the factors attributable for coal shortage, agency responsible and efforts made by the petitioner in this regard. The petitioner is also required to file a statement indicating the quantity of coal received, quantity of coal consumed, shortage of coal and reduction in PAF due to coal shortage in this regard."

260. The petitioner by its affidavit 02nd July' 2020 submitted that the following:

In the above matter MPPGCL wishes to submit that there has been coal shortage at all Power Stations except ATPS PH-3 Chachai. In this regard various regular correspondences made by MPPGCL and Energy Department with Coal India and Ministry of Coal are annexed as Annexure-19 for kind reference of Hon'ble Commission.

The proviso 39.3 of MPERC Regulations,2015 provide for reduction in NAPAF% of power station in case of sustained shortage of coal and same is reproduced by the petitioner.

The Units of STPS PH-IV, Sarni and SSTPP PH-I, Khandwa have been commissioned after 01.04.2012, hence are eligible for availing reduction in NAPAF by 2% in case of sustained coal shortage. The reduction in PAF due to coal Shortage at STPS PH-IV is 1.8% and that of SSTPP PH-1 is 11.23%. The Station wise month wise statement indicating quantity of Coal received against normative coal consumption indicating sustained shortage of coal, Loss of Generation in MU due to shortage of coal are annexed as Annexure-20A, 20B & 20C.

MPPGCL wishes to submit that there has been coal shortage at all the Thermal Power Stations of MPPGCL except ATPS PH-3 Chachai. In this regard, copies of various regular correspondences made by MPPGCL and Energy Department with Coal India and Ministry of Coal have already been submitted by MPPGCL before Hon'ble Commission with the additional information submitted vide letter No. 07-12/CS-MPPGCL/ MPERC/ TU-FY19/Pt. 02 of 2020/457 dated 02.07.2020, (as Annexure-19) in support of its claim, for kind reference of the Commission.

261. On perusal of the details and documents filed by the petitioner, the Commission observed that the reduction in PAF (%) due to coal Shortage at STPS PH-IV is 1.8% and that of SSTPP PH-1 is 11.23%. Vide letter dated 2nd July' 2020, the petitioner has filed Power Station-wise and Month-wise detailed statement indicating quantity of Coal received against normative coal consumption indicating that the shortage of Coal and corresponding Loss of Generation in MU.

262. The Commission further observed that the actual PAF of STPS Sarni, achieved during FY 2018-19 is 88.7% which is more than the normative PAF of 85% and thus it is contrary to the claim of the petitioner of shortage of coal. Therefore, in STPS Sarni PH-4, normative PAF of 85% for recovery of annual fixed charges is considered in this order.

263. With regard to SSTPP PH-I, the actual PAF during FY 2018-19 is 69.10% and the petitioner has demonstrated that the reduction in PAF is due to coal shortage, therefore, the relaxation of 2% reduction in PAF is only considered for SSTPP PH-1 in this order. For the purpose of recovery of Annual Capacity Charges, the normative PAF of SSTPP PH-I shall be considered 83%.

Summary of Annual Capacity (fixed) charges:

264. The details of the head-wise and power station-wise Annual Capacity (fixed) Charges for FY 2018-19 determined in the MYT order dated 14th July, 2016 vis-a-vis determined in this true-up order at normative Annual Plant Availability Factor are summarized as given below:

Table 97: Head Wise Annual Capacity Charges at Normative Availability (Rs. in Crore)

Sr. No.	Head	AFC Allowed in MYT Order dated 14th July2016 (A)	AFC Determined in this order (B)	Difference Amount (B-A)
1	Return on Equity	630.49	659.36	28.87
2	Interest on Loan including interest on Excess Equity	798.66	784.24	(14.42)
3	Depreciation	734.62	802.64	68.02
4	O&M Expenses	1097.14	1097.14	(0.00)
5	Compensation Allowance	6.30	4.20	(2.10)
6	Special Allowance	87.26	87.26	-
7	Interest on Working Capital	370.04	354.04	(16.00)
8	**Total AFC**	**3724.50**	**3788.87**	**64.37**
9	Less: Non Tariff Income	0.00	61.71	61.71
10	**Net AFC**	**3724.50**	**3727.16**	**2.66**

Table 98: Power Station wise Annual Capacity Charges at normative availability (Rs. in Crore)

Sr. No.	Power Station	Cost Allowed in MYT Order dated 14 July, 2016 (A)	Cost Determined in this order (B)	Difference Amount (B-A)
1	ATPS PH 3	211.32	202.31	(9.01)
2	STPS (Sarni) PH 2 & 3	407.73	396.01	(11.72)
3	STPS (Sarni) PH 4	693.44	661.70	(31.74)
4	SGTPS (Birsinghpur) PH 1 & 2	448.83	430.19	(18.64)
5	SGTPS (Birsinghpur) PH 3	403.56	384.53	(19.03)
6	SSTPP PH-1	1301.35	1392.16	90.81

	Thermal Total	**3466.23**	**3466.90**	**0.67**
7	Gandhi Sagar	13.76	13.60	(0.16)
8	Pench HPS	25.22	24.43	(0.79)
9	Rajghat HPS	12.83	13.67	0.84
10	Bargi HPS	16.34	16.00	(0.34)
11	Bansagar 1,2&3	140.23	142.41	2.18
12	BansagarJhinna (HPS)	14.61	14.60	(0.01)
13	Birsinghpur HPS	5.73	5.70	(0.03)
14	Madhikheda HPS	29.55	29.84	0.29
	Hydro TOTAL	**258.27**	**260.26**	**1.99**
	Grand Total	**3724.50**	**3727.16**	**2.66**

Normative Annual Plant Availability Factor:

265. The Annual Capacity (fixed) Charges as allowed in this order are on normative annual plant availability factor (NAPAF) of thermal and hydel power stations. The recovery of Annual Capacity (fixed) Charges of thermal and hydel power stations shall be made by the petitioner in accordance with the Regulations 36 and 37 of MPERC (Terms & Conditions for determination of Generation Tariff) Regulations, 2015, for thermal and hydel power stations respectively. A comparison of normative vis-à-vis actual Plant Availability Factor (as certified by SLDC) for FY 2018-19 in respect of thermal and hydel power stations are as given below:

Table 99: Normative Vs Actual NAPAF (%) for FY 2018-19

Name of Power Station	As per MPERC Regulations, 2015	MPPGCL Actuals	Difference
Thermal Power Stations			
ATPS PH-3, Chachai	85.00%	85.00%	0.00%
STPS PH-2&3, Sarni	75.00%	57.70%	-17.40%
STPS PH-4, Sarni	85.00%	85.00%	0.00%
SGTPS PH-1&2 Birsinghpur	80.00%	68.10%	-14.50%
SGTPS PH-3 Birsinghpur	85.00%	85.00%	0.00%
SSTPP PH-1, Singaji*	83.00%	69.10%	-13.90%
Hydro Power Stations			
Gandhi Sagar	85.00%	84.32%	-0.68%
Pench	85.00%	85.60%	0.60%
Rajghat	85.00%	34.42%	-50.58%
Bargi	85.00%	93.37%	8.37%
Bansagar PH-1,2&3	85.37%	89.16%	3.79%
Bansagar PH-4	85.00%	97.56%	12.56%
Birsinghpur	85.00%	40.25%	-44.75%
Madhikheda	85.00%	88.27%	3.27%

Recovery of Annual Capacity (Fixed) Charges

266. The recovery of Annual capacity (fixed) charges payable to existing thermal generating stations for the FY 2018-19 are calculated in accordance with the Regulation 36 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2015.

The annual capacity (fixed) charges of a hydro generating station (inclusive of incentive) are computed, based on norms specified under Regulations, 2015 and recovered under capacity charges (inclusive of incentive) and energy charge in accordance with clause 37 of the Regulations, 2015. The power station-wise recovery of Annual capacity (fixed) charges at normative PAF and at actual PAF along with the true-up amount payable to thermal and hydel generating stations for the FY 2018-19 are as given below:

Power Station wise Annual Capacity Charges approved for FY 2018-19:

(Recovery at Normative vis-à-vis actual Availability):

Table 100

ATPS PH-3 **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	Return on Equity	38.25	39.78	39.78	1.53
2	Interest on Loan	47.95	41.89	41.89	(6.06)
3	Depreciation	50.16	50.79	50.79	0.63
4	O&M Expenses	57.41	57.41	57.41	0.00
5	Interest on Working Capital	17.54	16.62	16.62	(0.92)
	Total AFC	**211.32**	**206.49**	**206.49**	**(4.83)**
6	Less: Non Tariff Income	0.00	4.18	4.18	4.18
	Net AFC	**211.32**	**202.31**	**202.31**	**(9.01)**

Table 101:

STPS PH-2 & 3 **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	Return on Equity	28.61	27.79	21.38	(7.23)
2	Interest On Loan	0.00	0,00	0,00	0,00
3	Depreciation	0,00	0,00	0,00	0.00
4	O&M Expenses	226.92	226.92	174.58	(52.34)
5	Special Allowance	87.26	87.26	67.18	(20.08)
6	Interest on Working Capital	64.93	61.81	47.55	(17.38)
	Total AFC	**407.73**	**403.78**	**310.69**	**(97.03)**

7	Less: Non Tariff Income	-	7.77	7.77	7.77
	Net AFC	**407.73**	**396.01**	**302.92**	**(104.80)**

Table 102:

STPS PH-4 **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	Return on Equity	94.79	99.56	99.56	4.77
2	Interest on Loan	233.64	201.71	201.71	(31.93)
3	Depreciation	162.33	165.43	165.43	3.10
4	O&M Expenses	152.55	152.55	152.55	-
5	Interest on Working Capital	50.14	47.24	47.24	(2.90)
	Total AFC	**693.44**	**666.49**	**666.49**	**(26.95)**
6	Less: Non Tariff Income	-	4.79	4.79	4.79
	Net AFC	**693.44**	**661.70**	**661.70**	**(31.74)**

Table 103:

SGTPS PH-1 & 2 **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	Return on Equity	100.66	101.54	86.43	(14.23)
2	Interest on Loan	0.00	0.00	0.00	-
3	Depreciation	44.18	48.74	41.49	(2.69)
4	O&M Expenses	229.66	229.66	195.49	(34.17)
5	Compensation Allowance	6.30	4.20	3.58	(2.72)
6	Interest on Working Capital	68.02	64.88	55.23	(12.79)
	Total AFC	**448.82**	**449.01**	**382.22**	**(66.60)**
7	Less: Non Tariff Income	-	18.82	18.82	18.82
	Net AFC	**448.82**	**430.19**	**363.40**	**(85.42)**

Table 104

SGTPS PH- 3 **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	Return on Equity	89.10	89.54	89.54	0.44
2	Interest on Loan	58.15	53.40	53.40	(4.75)
3	Depreciation	104.37	103.16	103.16	(1.21)
4	O&M Expenses	109.75	109.75	109.75	-
5	Interest on Working Capital	42.20	40.06	40.06	(2.14)
	Total AFC	**403.57**	**395.92**	**395.92**	**(7.65)**
6	Less: Non Tariff Income	-	11.39	11.39	11.39

Net AFC	**403.57**	**384.53**	**384.53**	**(19.04)**

Table 105

SSTPP PH-1 **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	Return on Equity	196.70	217.94	181.45	(15.25)
2	Interest on Loan	454.82	482.49	401.69	(53.13)
3	Depreciation	310.57	367.31	305.79	(4.78)
4	O&M Expenses	220.56	220.56	183.62	(36.94)
5	Interest on Working Capital	118.70	115.22	95.92	(22.78)
	Total AFC	**1301.35**	**1403.52**	**1168.47**	**(132.88)**
6	Less: Non Tariff Income	0.00	11.36	11.36	11.36
Net AFC		**1301.35**	**1392.16**	**1157.11**	**(144.24)**

Table 106:

GANDHI SAGAR HPS **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	Return on Equity	0.49	0.52	0.52	0.03
2	Interest on Loan	0.00	0.06	0.06	0.06
3	Depreciation	0.00	0.04	0.04	0.04
4	O&M Expenses	12.60	12.60	12.55	(0.05)
5	Interest on Working Capital	0.67	0.64	0.64	(0.03)
	Total AFC	**13.76**	**13.86**	**13.81**	**0.05**
6	Less: Non Tariff Income	0.00	0.26	0.26	0.26
Net AFC		**13.76**	**13.60**	**13.55**	**(0.21)**

Table 107:

PENCH HPS **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	Return on Equity	4.67	4.81	4.83	0.16
2	Interest On Loan	0.00	0.00	0.00	0.00
3	Depreciation	1.96	1.59	1.60	(0.36)
4	O&M Expenses	17.54	17.54	17.60	0.06
5	Interest on Working Capital	1.06	1.01	1.01	(0.05)
	Total AFC	**25.22**	**24.95**	**25.03**	**(0.20)**
6	Less: Non Tariff Income	0.00	0.52	0.52	0.52
Net AFC		**25.22**	**24.43**	**24.51**	**(0.72)**

Table 108:

RAJGHAT HYDEL **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	Return on Equity	3.85	4.06	2.85	(1.00)
2	Interest On Loan	0.00	0.00	0.00	0.00
3	Depreciation	3.63	4.51	3.17	(0.46)
4	O&M Expenses	4.93	4.93	3.46	(1.47)
5	Interest on Working Capital	0.42	0.42	0.30	(0.12)
	Total AFC	**12.83**	**13.92**	**9.78**	**(3.05)**
6	Less: Non Tariff Income	0.00	0.25	0.25	0.25
Net AFC		**12.83**	**13.67**	**9.53**	**(3.30)**

Table 109:

BARGI HYDEL **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	Return on Equity	4.05	4.12	4.32	0.27
2	Interest on Loan	0.00	0.00	0.00	0.00
3	Depreciation	1.78	1.74	1.83	0.05
4	O&M Expenses	9.86	9.86	10.35	0.49
5	Interest on Working Capital	0.64	0.61	0.64	0.00
	Total AFC	**16.34**	**16.33**	**17.14**	**0.80**
6	Less: Non Tariff Income	-	0.33	0.33	0.33
Net AFC		**16.34**	**16.00**	**16.81**	**0.47**

Table 110:

BANSAGAR PH-1, 2 & 3 **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	Return on Equity	54.28	54.66	55.88	1.60
2	Interest on Loan	0.00	0.00	0.00	0.00
3	Depreciation	37.24	40.91	41.82	4.58
4	O&M Expenses	44.39	44.39	45.37	0.98
5	Interest on Working Capital	4.32	4.20	4.29	(0.03)
	Total AFC	**140.23**	**144.16**	**147.36**	**7.13**
6	Less: Non Tariff Income	-	1.75	1.75	1.75
Net AFC		**140.23**	**142.41**	**145.61**	**5.38**

Table 111:

BANSAGAR PH-4 **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	Return on Equity	5.43	5.43	5.83	0.40
2	Interest on Loan	0.49	0.54	0.58	0.09
3	Depreciation	6.12	6.16	6.62	0.50
4	O&M Expenses	2.19	2.19	2.35	0.16
5	Interest on Working Capital	0.38	0.36	0.39	0.01
	Total AFC	**14.61**	**14.69**	**15.78**	**1.17**
6	Less: Non Tariff Income	-	0.09	0.09	0.09
Net AFC		**14.61**	**14.60**	**15.69**	**1.08**

Table 112:

BIRSINGHPUR HYDEL **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	Return on Equity	2.43	2.43	1.79	(0.64)
2	Interest on Loan	0.00	0.00	0.00	0.00
3	Depreciation	0.92	0.90	0.66	(0.26)
4	O&M Expenses	2.19	2.19	1.61	(0.58)
5	Interest on Working Capital	0.19	0.18	0.13	(0.06)
	Total AFC	**5.73**	**5.69**	**4.20**	**(1.53)**
6	Less: Non Tariff Income	-	0.01	0.01	(0.01)
Net AFC		**5.73**	**5.70**	**4.21**	**(1.52)**

Table 113:

MADHIKHEDA **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	Return on Equity	7.17	7.17	7.31	0.14
2	Interest on Loan	3.63	4.15	4.23	0.60
3	Depreciation	11.36	11.36	11.57	0.21
4	O&M Expenses	6.58	6.58	6.70	0.12
5	Interest on Working Capital	0.83	0.80	0.81	(0.02)
	Total AFC	**29.55**	**30.05**	**30.63**	**1.08**
6	Less: Non Tariff Income	-	0.21	0.21	0.21
Net AFC		**29.55**	**29.84**	**30.42**	**0.87**

Table 114: Head wise Total Annual Capacity Charges allowed in this Order (Rs. in Crore)

Sr. No.	Head Wise	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	Return on Equity	630.49	659.36	601.47	(29.02)
2	Interest on Loan	798.66	784.24	703.56	(95.10)
3	Depreciation	734.62	802.64	733.97	(0.65)
4	O&M Expenses	1097.14	1097.14	973.42	(123.72)
5	Compensation Allowance	6.30	4.20	3.58	(2.72)
6	Special Allowance	87.26	87.26	67.18	(20.08)
7	Interest on Working Capital	370.04	354.04	310.83	(59.21)
8	**Total AFC**	**3724.50**	**3788.87**	**3394.00**	**(330.51)**
9	Less: Non Tariff Income	**0.00**	61.71	61.71	61.71
10	**Net AFC**	**3724.50**	**3727.16**	**3332.29**	**(392.21)**

Table 115: Power Station wise Annual Capacity Charges allowed in this Order:

(Rs. in Crore)

Sr. No.	POWER STATIONS	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	ATPS PH 3	211.32	202.31	202.31	(9.01)
2	STPS (Sarni) PH 2&3	407.73	396.01	302.92	(104.81)
3	STPS (Sarni) PH 4	693.44	661.70	661.70	(31.74)
4	SGTPS (Birsinghpur) PH 1&2	448.82	430.19	363.40	(85.42)
5	SGTPS (Birsinghpur) PH 3	403.57	384.53	384.53	(19.04)
6	SSTPP PH 1	1301.35	1392.16	1157.11	(144.24)
	Thermal Total	**3466.23**	**3466.90**	**3071.97**	**(394.26)**
7	Gandhi Sagar	13.76	13.60	13.55	(0.21)
8	Pench	25.22	24.43	24.51	(0.71)
9	Rajghat HPS	12.83	13.67	9.53	(3.30)
10	Bargi HPS	16.34	16.00	16.81	0.47
11	Bansagar 1,2&3(HPS)	140.23	142.41	145.61	5.38
12	BansagarJhinnaPH-4 (HPS)	14.61	14.60	15.69	1.08
13	Birsinghpur HPS	5.73	5.70	4.21	(1.52)
14	Madhikheda HPS	29.55	29.84	30.42	0.87
	Hydro TOTAL	**258.27**	**260.26**	**260.32**	**2.05**
	Grand Total	**3724.50**	**3727.16**	**3332.29**	**(392.21)**

267. This order is for true-up of the Multi-year tariff order dated 14th July, 2016 to the extent it was applicable for FY 2018-19. 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 its amendments and recalculate its bills for the energy supplied to Distribution Companies of the State / M.P. Power Management Company Ltd. since 1st April, 2018 to 31st March,

2019. The petitioner must also provide information to the Commission in support of having complied with this Order. The deficit amount as a result of this true-up shall be passed on to the three Distribution Companies of the state in terms of Regulation 8.15 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2015, in the ratio of energy supplied to them in FY 2018-19 in six equal monthly installments.

268. With the above directions, this petition No. 02 of 2020 is disposed of.

(Shashi Bhushan Pathak) **Member**	**(Mukul Dhariwal)** **Member**	**(S.P.S Parihar)** **Chairman**

Date : 29th April' 2021

Place: Bhopal

Annexure-1

Petitioner's Response on the comments offered by the Respondent No.1 (MPPMCL) along with the observations

MPPMCL Comment:

(1) Performance Parameters and Operating norms of Thermal Power Stations: Plant Availability Factor:

In accordance with Regulations 39 and 40 of the MPERC Regulations, 2015, Normative Annual Plant Availability Factor ('NAPAF') should be 85% for the plants commissioned on or after 01.04.2012 and, the Regulations allow that in case of shortage of coal and uncertainty of assured coal supply on sustained basis, NAPAF shall be 83%. The petitioner has unilaterally reduced the NAPAF to 83% for STPS (Sarni) PH IV and SSTPS (Khandwa) PH I. As per MPERC Tariff Regulations, 2015 review of NAPAF is permissible only in the event of shortage of coal and uncertainty of assured coal supply on sustained basis. Therefore, it is requested that if petitioner has ever suffered shortage of coal on sustained basis in respect of STPS (Sarni) PH IV and SSTPS (Khandwa) PH I, they should well demonstrate the same through its inventory of coal vis-a-viz its generation and Declared Capacities during FY 2018-19 citing specific reason for such shortage of coal and who is attributable for this shortage of coal.

In this context, to show that the claim of the petitioner is baseless, it is to submit that actual PAF of STPS Sarni PH-4 was 88.7% which is more than the NAPAF of 85% and thus it is just contrary to the claim of the petitioner of shortage of coal. This well demonstrates that there was no shortage of coal to the petitioner.

Further, the claim for NAPAF @ 83% in case of SSTPS Khandwa PH-I is also arbitrary, baseless and misconceived. It is to submit that the performance of SSTPS Khandwa PH-I is not up to the mark as actual station heat rate of this very new generating station is 2629 kCal/kWh against normative GSHR of 2384 kCal/kWh i.e. more by about 10.3%. This implies that 10% more coal has been consumed for same amount of generation. If GSHR has been kept within the normative level the actual PAF would have been much higher than 69.1%. In view of all these parameters it is to submit that the lower PAF is solely attributable to the petitioner and accordingly the claim of the petitioner may kindly be rejected.

It is also requested that the petitioner is required to substantiate its claim with data to demonstrate on records that there is shortage of coal and uncertainty of assured coal supply on sustained basis which has not been done. Therefore, the claim of the petitioner is misconceived and baseless and may kindly be rejected in the interest of justice.

Petitioner's Response:

MPPGCL wishes to submit that there has been coal shortage at all the Thermal Power Stations of MPPGCL except ATPS PH-3 Chachai. In this regard, copies of various regular correspondences made by MPPGCL and Energy Department with Coal India and Ministry of Coal have already been submitted by MPPGCL before Hon'ble Commission with the additional information submitted vide letter No. 07-12/CS-MPPGCL/ MPERC/ TU-FY19/Pt. 02 of 2020/457 dated 02.07.2020, (as Annexure-19) in support of its claim, for kind reference of the Commission.

The proviso 39.3 of MPERC Regulations, 2015 provide for reduction in NAPAF % of power station in case of sustained shortage of coal and same is reproduced below:-

"39.3 Following norms shall be applicable for all the thermal generating Units/ stations for all capacities which are Commissioned on or after 01/04/2012:

> ***(A) Normative Annual Plant Availability Factor (NAPAF) : 85%***
>
> *Provided that in view of shortage of coal and uncertainty of assured coal supply on sustained basis experienced by the generating stations, the NAPAF for recovery of fixed charges shall be 83% till the same is reviewed.*
>
> ***…."***

The Units of STPS PH-IV, Sarni and SSTPP PH-I, Khandwa have been commissioned after 01.04.2012, hence are eligible for availing reduction in NAPAF by 2% in case of sustained Coal shortage.

The reduction in PAF (%) due to coal Shortage at STPS PH-IV is 1.8% and that of SSTPP PH-1 is 11.23%. The Station wise, Month wise detailed statement indicating quantity of Coal received against normative coal consumption indicating sustained shortage of Coal, Loss of Generation in MU due to shortage of Coal have already been submitted by MPPGCL before Hon'ble Commission with the additional information submitted vide letter No. 07-12/CS-MPPGCL/ MPERC/ TU-FY19/Pt. 02 of 2020/457 dated 02.07.2020 (as Annexure-20A, 20B & 20C). The Commission is humbly requested to kindly consider the MPPGCL's submission.

Observation:

Regulation 39.3 of the Tariff Regulations, 2015 provides that in case of shortage of coal is experienced at new power stations commissioned after 01.04.2012, the NAPAF for recovery of fixed charges shall be 83%. In this regard, the petitioner submitted that since 01.04.2017, MPPGCL is facing coal shortage at units SSTPP PH-1, Unit No.1&2 (2x600 MW) Khandwa & STPS PH-4 Unit No.10&11 (2x250 MW) Sarni commissioned after 01.04.2012.The petitioner also submitted the coal shortage was also faced in its other thermal power but those thermal power stations commissioned prior to 01.04.2012.

The petitioner submitted that the reduction in PAF due to coal shortage at STPS PH-4 is 1.8% and that of SSTPP PH-1 is 11.23%. The petitioner has filed detailed statement regarding station-wise and month-wise details indicating quantity of coal received against normative coal consumption indicating sustained shortage of coal and loss of generation in MU. The petitioner has also filed copies of various correspondences made by the petitioner and Energy Department with Coal supply companies and Ministry of Coal in this regard.

On perusal of the all details and documents filed by the petitioner, the Commission observed the petitioner has demonstrated that the there is reduction in PAF in STPS PH-IV and SSTPP PH-I due to coal shortage. However, the actual PAF of STPS Sarni PH-4 achieved during FY 2018-19 is 88.7% which is more than the normative PAF of 85% therefore, the claim of the petitioner in case of STPS PH-IV is contrary to Regulations. Therefore, in STPS Sarni PH-4, normative PAF of 85% for recovery of annual fixed charges is considered in this order whereas relaxation of 2% reduction in PAF is only considered for SSTPP PH-1 in accordance to the provisions under the Tariff Regulations, 2015 however, reduction in PAF due to coal shortage is very high i.e, 11.23%.

MPPMCL Comment:

(2) Auxiliary Consumption, Station Heat Rate, Transit and Specific Oil Consumption are controllable factors as provided in Regulation 8.7 of Tariff Regulations 2015 which inter alia states as under:

> *"8.7 The generating company shall carry out truing up of tariff of generating station based on the performance of following Controllable parameters:*
> *Controllable parameters:*
> *i. Station Heat Rate;*
> *ii. Secondary Fuel Oil Consumption; and*
> *iii. Auxiliary Energy Consumption."*

The financial gains on account of Controllable Parameters are required to be shared between generating company and beneficiaries in the ratio of 2:1 in accordance with the formula provided in Regulation 8.9. The petitioner has gained on account of Controllable Parameters in following generating stations:

Name of TPS	Auxiliary Consumption	GSHR (kCal/kWh)	SFOC (ml/kWh)
ATPS Chachai PH-3	-	46	0.63
STPS Sarni PH-2&3	0.23%	-	0.43
STPS Sarni PH-4	-	-	0.13

SGTPS Birsinghpur PH-1&2	-	-	0.55
SGTPS Birsinghpur PH-3	0.30%	4	0.72
SSTPS Khandwa PH-1	-	-	-

It is, therefore prayed that gain achieved in above generating stations should be passed on to the beneficiaries of the respective Generating Stations in accordance with the Regulation 8.9 of Tariff Regulations, 2015.

It is to further submit that the petitioner has gained significantly from savings in Transit and Handling Losses as the normative losses are much higher to what has been the actual loss level. Thus, there is huge gains in this head to the petitioner which is resulting in higher energy charge rates in comparison to actual loss level. It is, therefore, humbly prayed that the petitioner may directed to share the gain in all Controllable Parameters and Transit and Handling Losses in the ratio of 2:1 and 50:50 respectively with the beneficiaries.

Petitioner's Response:

On the matter related to this, it is to submit that the Month-wise details of Operational performance parameters actually achieved vis-a-vis Normative Operational performance parameters as per the MPERC Tariff Regulations, 2015, namely Auxiliary Energy Consumption, Station Heat Rate and Secondary Oil Consumption, have already been submitted by MPPGCL before Hon'ble Commission with the additional information submitted vide letter No. 07-12/CS-MPPGCL/ MPERC/ TU-FY19/Pt.02 of 2020/457 dated 02.07 2020 (as Annexure- 2A, 2B & 2C).

In the matter, MPERC Regulations, 2015 provides that the financial gains by a generating company on account of controllable parameters shall be shared between generating company and the beneficiaries on monthly basis with annual reconciliation.

From the above, it is clearly evident that Regulation provides for sharing of financial gains by a generating company on account of controllable parameters. In the matter it is humbly submitted that Regulation does not provide for Power House wise sharing of financial gain.

In light of above, it is also to submit that MPPGCL, been a generating company, has not achieved any financial gains on account of controllable parameters. Hence no sharing of gains had been made with the beneficiaries. The Power House wise detailed working in this regard, have already been submitted by MPPGCL before Hon'ble Commission with the additional information submitted vide letter No. 07-12/CS-MPPGCL/ MPERC/ TU-FY19/Pt. 02 of 2020/457 dated 02.07 2020 (as Annexure- 3A, 3B, 3C, 3D, 3E, 3F & 3G). The Hon'ble Commission is humbly requested to kindly consider the MPPGCL's submission.

Observation:

Regulation 8.9 of the Tariff Regulations, 2015 provides that the net gain is the difference between the Energy Charges worked out on Normative parameters and Energy Charges worked out on Actual parameters as follows:

"*Net Gain = (ECR_N– ECR_A) x Scheduled Generation*

ECR_N – Normative Energy Charge Rate computed on the basis of norms specified for Station Heat Rate, Auxiliary Consumption and Secondary Fuel Oil Consumption.

ECR_A – Actual Energy Charge Rate computed on the basis of actual SHR, Auxiliary Consumption and Secondary Fuel Oil Consumption for the month: "

The aforesaid Regulation does not provide the net gain on each operating parameter separately.

In response to the queries/issues raised by the Commission, vide letter dated 2nd July' 2020, the petitioner filed the Month-wise details of Operational performance parameters actually achieved vis-a-vis Normative Operational performance parameters as per the MPERC Tariff Regulations, 2015, namely Auxiliary Energy Consumption, Station Heat Rate and Secondary Oil Consumption,

On perusal of the details filed by the petitioner, it is observed that actual parameters achieved by the petitioner during FY 2018-19 are inferior than the normative parameters in four thermal power stations namely, STPS PH-2&3, STPS PH-4, SGTPS PH-1 & 2 and SSTPP PH-1, therefore, the petitioner incurred loss in terms of energy charges in above-mentioned generating stations on account of the inferior performance and poor actual operating parameters achieved by it during FY 2018-19, however, it is also observed that the petitioner has achieved financial gains in terms of energy charges on account of better performance parameters achieved in two of the generating stations namely, ATPS PH-3 and SGTPS PH-3 .

"The financial gains by a generating company on account of controllable parameters shall be shared between generating company and the beneficiaries on monthly basis with annual reconciliation. The financial gains computed as per following formulae in case of generating station on account of operational parameters as shown in Clause 8.7 (i) to (iii) of this Regulation shall be shared in the ratio of 2:1 between generating company and beneficiaries ----."

Regulation 8.9 of the Tariff Regulations, 2015 provides that the financial gains by a generating company on account of controllable parameters shall be shared between generating company and the beneficiaries in the ratio of 2:1 on monthly basis with annual reconciliation as follows:

Therefore, the petitioner has been directed to share the gains achieved in above two generating stations namely ATPS PH-3 and SGTPS PH-3 and passed on to the beneficiaries of the respective Generating Stations in accordance with the Regulation 8.9 of Tariff Regulations, 2015.

MPPMCL Comment:

(3) Performance Parameters and Operating norms of Hydro Power Stations:

That, the Petitioner has claimed the NAPAF of Bansagar Complex, 1, 2 and 3 HPS (excluding Silpara) and Bansagar- 4 HPS (Silpara) as 85.37% and 85.00% respectively under Table 2.2.2 of the petition. The NAPAF of these stations are, as per the Tariff Regulation RG-26(III) of 2015, are 85.00% and 90.00% respectively. The wrongly stated NAPAF requires to be reckoned back to the ones mentioned in the Tariff regulation RG-26(III) of 2015 and Tariff Order dated 14.07.2016 and accordingly the Normative versus Actual Plant Availability Factor would work out as under:

Table 2.2.2: Normative V/s. Actual Plant Availability Factor (in %)

S. No.	Hydro Power Station/ Unit	NAPAFAs per Tariff Regulation	Actual PAF	Difference
1	Gandhi Sagar	85	84.32	-0.68
2	Pench	85	85.60	0.60
3	Rajghat	85	34.42	-50.58
4	Bargi	85	93.37	8.37
5	Bansagar Complex (excluding Silpara)	85	89.16	4.16
6	Bansagar (Silpara)	90	97.56	7.56
7	Madhikheda	85	40.25	-44.75
8	Birsinghpur	85	88.27	3.27

It is prayed that Fixed / Capacity Charges of the respective Hydro Generating Stations needs to be recovered only in accordance with NAPAF and PAFM as provided in Regulation 37.2 of tariff regulations, 2015.

Petitioner's Response:

It is to submit that without understanding the data, observations have been made which, in no way, are correct. Commission has determined the Tariff of Bansagar Complex for the Control Period FY 2016-17 to FY 2018-2019 vide MYT order dated 14.07.2016, wherein Tariff of Bansagar PH-I, II & III (Tons HEP, Silpara HEP and Devlond HEP) was approved on Complex/ combined basis and that of BANSAGAR PH-IV (Jhinna) was decided separately.

It appears that the Normative Vs Actual Plant Availability Factor (in %) submitted in Table 2.2.2. have been misconstrued and calculated wrongly by MPPMCL in its comments, without referring the MYT Tariff Order dated 14.07.2016. In the supporting Table furnished under the comment/observation, the information towards Availability of Power Houses of Bansagar Complex has unnecessarily been clubbed in a wrong manner by distorting the facts, creating confusion and is far away from the facts.

It is humbly requested that Hon'ble Commission may please refer the MPPGCL's instant True Up Petition under subject which is being filed on the basis of Multi Year Tariff determined by the Hon'ble Commission for the control period for FY 2016-17 to FY 2018-19 for clarity in the matter, please. As such the information/ calculations submitted by Respondent No.1 (MPPMCL) is misleading and against the methodology adopted by Hon'ble Commission.

Observation:

In Regulation 40.3 of the Tariff Regulations, 2015, the normative PAF of Bansagar (PH-1, 2 and 4 excluding Silpara) is 85% and normative PAF of Silpara is 90%. Further, in table 44 of the MYT order the same NAPAF mentioned by the Commission. In the subject true-up petition, the petitioner in table 2.2.2 of the petitioner mentioned the weighted average Normative PAF of 85.37% for Bansagar PH-1, 2 and 3 and 85% for Bansagar PH-IV (Jhinna). However, the Commission determined tariff for Bansagar (PH-1, 2 and 3) and Bansagar PH-IV separately therefore, the separate NAPAF have been mentioned by the petitioner for recovery of Annual Capacity (fixed) Charges.

In view of the above, the NAPAF mentioned by the petitioner in table 2.2.2 of the subject petition is in accordance to the Tariff Regulations, 2015 as well as MYT Order dated 14th July' 0216.

MPPMCL Comment:

(4) FIXED COST:

Operation & Maintenance Expenses:

That, the Hon'ble Commission vide this order dated 14.07.2016 has allowed O&M expenses on normative basis. Petitioner has merged the components of O&M Expenses. For a proper True-Up, the Petitioner should give a head-wise break-up of expenses for prudence check by the Hon'ble Commission.

Petitioner's Response:

It is to submit that the provisions of MPERC MYT Regulations 2015, in reference to O&M Expenses, have been completely misconstrued by MPPMCL.
The proviso 35.1 of MPERC clearly states that:-

" Operation and Maintenance Expenses for thermal and hydro power stations for the Tariff period shall be determined based on normative O&M expenses specified by the Commission in these Regulations."

Further, the proviso 35.7, 35.8, 35.9 & 35.10 of MPERC Regulations 2015, duly stipulates the Norms of O&M Expenses for the Thermal & Hydro Power Stations. Adhering to aforesaid norms specified in MYT Regulations, 2015, MPPGCL has claimed the O&M Expenses in the instant True Up petition for Thermal and Hydel power stations. It is pertinent to mention here that the concept of claiming the actual O&M Expenses, in True Up petition, was applicable upto 31.03.2009. It is to submit that all the MPERC Generation Tariff Regulations notified after 01.04.2009 allows O&M expenses on Normative Basis only. Thus, the observation made in the matter, comparing the Normative O&M Expenses with actual O&M expenses, is incorrect & is against the spirit and provisions of MPERC Regulations, 2015.

Observation:

The Commission has considered Operation and Maintenance based on the norms specified under the Tariff Regulations, 2015. Only Normative O&M expenses have been allowed for thermal and hydro power stations in this order.

MPPMCL Comment:

(5) Water Charges:

That, proviso to Regulation 35.8 provides that water charges shall be allowed based on water consumption depending upon type of plant, type of cooling, water system etc. subject to prudence check. The petitioner is also required to provide details regarding the same along with the petition. The petitioner has not provide any details regarding actual water consumption vis-a-vis normative water consumption depending upon type of the plant, cooling system etc. and cost of water being levied by State Govt. to arrive at the water charges payable by the beneficiaries to the generating company. MoEFFCC vide notification dated 07.12.2015 has prescribed a limit of water consumption and directed the thermal power plant to reduce their specific water consumption up to maximum of 3.5 m^3/MWh within a period of two years from the date of publication of Notification that is by 06.12.2017. It is prayed that while considering the water charges, the actual water consumption or the prescribed limit of 3.5 m^3/MWh whichever is lower may only be allowed to the petitioner.

Petitioner's Response:

It is to submit that the proviso 35.8 of MPERC Regulations, 2015, referred is regarding submission of relevant details towards Water charges which were required to be submitted along with the MYT petition for the Control Period FY 2016-17 to FY 2018-19. The same was duly complied by MPPCGL at the time of filling of petition for Determination of Multi Year Tariff for the control period for FY 2016-17 to FY 2018-19.

In respect of True Up Petition, proviso 52 of MPERC regulations 2015 states as under:-

"Electricity duty, Cess and Water Charges if payable by the Generating Company for generation of electricity from the power stations to the State Government shall be allowed by the Commission separately and shall be trued-up on actuals."

Hon'ble Commission in its MYT Tariff Order dated 14.07.2016 has allowed recovery of Water charges on usage of water, levied by the GoMP subject to true-up based on audited accounts. Considering the same, MPPGCL has claimed the True up of water charges on actual, as captured in the Audited Books of Accounts of MPPGCL for FY 2018-19. The same may therefore, kindly be permitted.

Observation:

The petitioner has claimed water charges in their thermal and hydro power stations. With regard to water charges, Regulation 52.5 provides that the water charges if payable by the Generating Company for generation of electricity from the power stations to the State Government, shall be allowed by the Commission separately and shall be trued-up on actuals. The Commission has considered the water charges in thermal and hydro power stations in accordance to Regulation 52.5 of the Tariff Regulations, 2015 in this order.

MPPMCL Comment:

(6) Additional Capitalization / De- Capitalization & Funding of thereof:

That, as per the Tariff Order dated 14th July, 2016, no Additional Capitalization or De-Capitalization of assets were provided in respect of any Power Generating Station of the Petitioner for FY 2018-19. Contrary to the Tariff Order, the Petitioner, for FY 2018-19, has claimed Additional Capitalization to the tune of Rs. 157.29 Crores, and De-

Capitalization of Assets to the tune of Rs. 9.54 Crores. The Petitioner has further claimed Transfer of Assets between STPS-IV, SGTPS- I, II & III.

The Respondent strongly objects to Additional Capitalization, De-Capitalization and Transfer of such assets for the reason that the same were not allowed or envisaged in the Tariff Order dated 14th July, 2016. The Petitioner has also not given any justification for such Additional Capitalization, De-Capitalization and Transfer of such assets and the details thereof. In para 4.3.1 the petitioner has claimed an amount of ₹ 147.85 Cr towards additional capitalization of thermal power plant which is highly objectionable in view of the fact that the petitioner is being allowed Compensation Allowance and Special Allowance to carry out such additional capital expenditure indicated in Regulation and consumable spares are inclusive in O&M expenses. Further, an amount of ₹ 0.26 Lakh has been claimed in the head of HQ which is not admissible in view of prevailing Regulations. It is prayed that this Hon'ble commission may kindly direct the petitioner to provide the details and justification for claiming such a huge add. Capitalization for its prudence check or else the same may be disallowed.

Further, the Petitioner has transferred assets of the value of Rs. 0.20 Crores which have been received at SGTPS- I&II and SGTPS – III at the value of Rs. 1.33 Crores (Rs. 1.09 + Rs. 0.24 = Rs. 1.33 Crores). The difference in the value of the said assets transferred has not been explained by the Petitioner. The Petitioner has not given the details and justification for such transfer of assets from one Generating Station to the other. It is prayed that this Commission may kindly direct the petitioner to provide the details and justification for such transfers.

It is prayed that, consequent to the objections of the answering Respondent in relation to Additional Capitalization, De-Capitalization and Transfer of Assets, the respective Closing Gross Block of Assets at the end of Financial Year, the Normative Equity, Normative Loan, Interest thereon, Accumulative Depreciation, etc. may kindly be adjusted back accordingly while truing up exercise.

Petitioner's Response:

It is to submit that the Proviso 20 of MPERC Regulations provides the counts under which the projected & actual additional capitalization can be submitted by the petitioner. Accordingly, in the MYT petition filed by MPPCGL for FY 2016-17 to FY 2018-19, MPPGCL has considered the Power station wise projected Additional capitalization.

Further, as desired by the Hon'ble Commission subsequent to filing of Petition for determination of Multi Year Tariff for FY 2016-17 to FY 2018-19, MPPGCL has also submitted the relevant supporting documents in regard to aforesaid projected additional capitalization.

In this regard, the Hon'ble Commission in the MYT order dated 14.07.2016 stated as under:-

"95. The power station-wise additional capitalization during FY 2016-17 and FY 2017- 18 are required to be scrutinized on several counts specified in the Regulations and this exercise may be possible while undertaking true-up for the FY 2016-17 and FY 2017-18 respectively. Hence, the Commission has not considered the additional capitalization claimed during FY 2016-17 and FY 2017-18 in this order."

Based, on above, MPPGCL has submitted the power station wise actual additional capitalization/ de-capitalization in the respective True up petitions for FY 2016-17 & 2017-18. The same was considered by Hon'ble Commission in True up orders for respective Financial Years in accordance with the provisions of MPERC regulations 2015 after prudent check of supporting documentation submitted by MPPGCL.

In line with the above and adhering to MPERC regulations, MPPGCL has filed the Power station wise actual additional Capitalization/ de capitalization in the instant True up petitions as per Audited Books of Accounts for FY 2018-19. The relevant information & supporting documents in this regard as desired by the Hon'ble Commission has already been submitted by MPPGCL before Hon'ble Commission with the additional information submitted vide letter No. 07-12/CS-MPPGCL/MPERC/TU-FY19/Pt.02 of 2020/717 dated 07.10.2020 for prudent check.

Further the explanation, clearly elaborating details towards the assets transferred between the Power stations, has also been submitted by MPPGCL before Hon'ble Commission with the additional information submitted vide letter No. 07-12/CS-MPPGCL/MPERC/TU-FY19/Pt.02 of 2020/717 dated 07.10.2020 for prudent check. It is also questioned that since MPPCGL has claimed Special Allowance and Compensation Allowance, therefore, the additional capitalization claimed by MPPGCL should not be permitted. Here it is to clarify that MPPCGL has opted the Special Allowance for STPS Sarni PH-2 & 3 only and hence not claimed any additional capitalization at STPS Sarni PH-2&3 in the instant True up petition. Further MPPCGL has claimed the Compensation Allowance at SGTPS Birsinghpur PH-1&2 as per proviso 23.1 of MPERC regulations 2015 which states as under:-

"23.1 In case of coal-based thermal generating station or a unit thereof, a separate compensation allowance shall be admissible to meet expenses on new assets of capital nature which are not admissible under Regulation 20 of these Regulations"
Accordingly, MPPGCL has claimed the additional capitalization at SGTPS PH-1&2 in accordance with proviso 20 of MPERC regulations 2015 and for capital expenditure

which are not covered under the ambit of proviso 20, Compensation Allowance was claimed by MPPGCL.

As evident from the above that MPPGCL has claimed the additional capitalization as per the relevant provisions of MPERC Regulations and also submitted the supporting documents, as desired by the Commission for prudent check. It is humbly requested before the Hon'ble Commission to kindly permit the same.

Observation:

Regarding the additional capitalization, in para 57 of the MYT Order dated 14th July' 2016, the Commission mentioned the following:

> *"MPPGCL has filed the power station-wise additional capitalization during FY 2016-17 and 2017-18, which is required to be scrutinized on several counts specified in the Regulations 2015. Based on the information made available by MPPGCL, this exercise may be carried out while undertaking true-up for the FY 2016-17 and 2017-18 based on Annual Audited Accounts for the respective year. Hence, the Commission shall consider the impact of asset addition FY 2016-17 and 2017-18 at the time of dealing with the true-up petition of the above years."*

All the Thermal Power stations of MPPGCL under subject petition have achieved the cut-off date in accordance with Regulations, 2015. Therefore, the additional capitalization claimed during FY 2018-19 in the subject petition is beyond the cut-off date and the same has been examined in accordance with Regulation 20.3 of Tariff Regulations, 2015. The petitioner has filed the details of additional capitalization, write-off and transfer of assets in annexures filed with the subject petition and supplementary details in additional submissions filed with the Commission and the same has been examined accordingly.

MPPMCL Comment:

(7) Income from Grant:

That, vide para no. 4.8.3 (j) of the Petition, the Petitioner has submitted that there is an income of total Rs. 1.73 Cr in the financial statement of accounts for FY 2018-19 and has prayed for not considering this income from grant amounting to Rs. 1.73 Cr as part of Non-Tariff income. The claim of the petitioner is arbitrary and without any legal basis. Therefore, it is prayed that petitioner's claim may kindly be disallowed and the total amount of Rs. 55.04 Cr. inclusive of grant of Rs. 1.73 Cr be considered as part of Non-Tariff income and accordingly deducted from annual fixed cost in accordance with Regulation 53.2 of Tariff Regulations, 2015.

Petitioner's Response:

It is to submit that the MYT Regulations, 2015 at proviso 15.6 provides as under:-

"15.6 The following shall be excluded or removed from the capital cost of the existing and new projects:

(a) The assets forming part of the project, but not in use;

(b) De-capitalization of Asset;

(c) In case of hydro generating station any expenditure incurred or committed to be incurred by a project developer for getting the project site allotted by the State government by following a two stage transparent process of bidding; and

(d) The proportionate cost of land which is being used for generating power from generating station based on renewable energy:

Provided that any grant received from the Central or State Government or any statutory body or authority for the execution of the project which does not carry any liability of repayment shall be excluded from the Capital Cost for the purpose of computation of interest on loan, return on equity and depreciation;"

Accordingly, Commission in the True Up Tariff petition for FY 2017-18 (Petition No. 01 of 2019) has not permitted the additional capital expenditure towards assets whose funding was met from Grant.

Further, MPPGCL has adopted Indian Accounting Standard (INDAS) from FY 2016-17 onwards. The said Accounting Standard provides for recognition of Notional income as adjustment towards treatment of grant received. MPPGCL has recognized Notional income of Total Rs. 1.73 Crores in the Financial Statement of Accounts for FY 2018-19, which is merely a Book adjustment. Therefore, based on above submission, MPPGCL humbly request Hon'ble Commission not to consider the Income from Grant amounting to Rs. 1.73 Crores as part of Non-Tariff Income.

Observation:

Income from grant has been considered under non-tariff income and deducted from Annual Capacity (fixed) Charges in accordance to the Tariff Regulations, 2015.

MPPMCL Comment:

(8) Profit from sale of De-capitalized Assets of ATPS-II:

That, the Petitioner has claimed that it has earned a profit of Rs. 43.15 Cr on account of sale proceeds of 2x120 MW units at ATPS phase II through e-auction, and prayed that this profit may not be considered as Non-Tariff income. In this regard it is to submit that as the heading of paragraph 4.8.3 (k) suggests that the amount of Rs. 43.15 Cr is a profit from sale of De-capitalized Assets of ATPS phase-II and hence the same should come under the ambit of Non-Tariff/other income. Accordingly, it is humbly prayed that this amount of profit from sale proceeds amounting to Rs. 43.15 Cr may be considered for deduction from Annual Fixed Cost in accordance with Regulation 53 of Tariff Regulations, 2015.

Petitioner's Response;

On the matter related to Point-9, it is to submit that the MYT Regulations, 2015 at proviso 53- Regarding ***Non Tariff/ Other Income*** *provides as under:-*

"53. Non Tariff /Other Income

53.1 Any income being incidental to the business of the generating company derived from sources, including but not limited to the disposal of assets, income from investments, rents, income from sale of scrap other than the decapitalized /written off assets, income from advertisements, interest on advances to suppliers/contractors, income from sale of fly ash/rejected coal, and any other miscellaneous receipts other than income from sale of energy shall constitute the non tariff/other income."

It is to submit here that the BoD of MPPGCL has resolved to retire its 2 units each of 120 MW capacity at ATPS, Chachai from the commercial operations w.e.f. 01.05.2014 and 13.01.2015 respectively. GoMP and subsequently CEA, New Delhi has also approved the same.

The Hon'ble Commission in the above mentioned regulation has clearly stated that income from sale of scrap other than the de-capitalized/ written off assets is to be considered as Non-Tariff Income and Income from sale of De-capitalized/ written off Assets are not to be considered as Non-Tariff Income.

Accordingly, the Income from sale of De-capitalized/ written off assets of 2x120 MW (PH-II) of ATPS, Chachai, does not fall under the category of Non-Tariff Income.
MPPGCL therefore, humbly request Hon'ble Commission not to consider the Income from sale of De-capitalized/ written off assets of 2x120 MW (PH-II) of ATPS, Chachai, amounting to Rs. 43.15 Crores, as Non-Tariff Income.

Observation:

The non-tariff income is considered as per the Annual Audited Accounts for FY 2018-19 in accordance to the Regulation 58.1 of the Tariff Regulations, 2015. Further, the issue of balance depreciation has been dealt as per provisions under the Tariff Regulations, 2015 and not considered in this order.

MPPMCL Comment:

(9) Additional Capitalization Disallowed in True-Up Petition for FY 2017-18:

In the present petition for True-Up of FY 2018-19, the Petitioner is seeking review / revision of the earlier order dated 19.11.2019 passed by this Hon'ble Commission in Review Petition no. 35 of 2019 filed against True up order dated 19.07.2019 for FY 2017-18 and is praying for Additional Capitalization of Assets which was not permitted earlier for FY 2017-18. This amount to seeking review of the Review Petition which is not permissible under law. If the petitioner was aggrieved with the order dated 19.07.2019 in RP no. 35 of 2019 they must have challenged the same before the appropriate forum within prescribed time frame of 45 days. This order was not contested by the petitioner and hence the same has attained finality. It is to further submit that the True-Up Order dated 19.07.2019 for FY 2017-18 has also attained finality and cannot be re-opened or reviewed in the garb of present True-Up for FY 2018-19. The claim of the Petitioner is grossly misconceived and highly arbitrary on this count and needs to be rejected out-rightly as opposed strongly.

Petitioner's Response:

It is to submit that the Commission vide its order dated 19.07.2019, issued in petition No. 01 of 2019, had determined the True-up of Generation Tariff of Power Stations of MPPGCL for FY 2017-18 and conveyed the aforesaid order vide MPERC Letter No. MPERC/D(T)/1118 dated 29.07.2019, received on 31.07.2019.

In the aforementioned order, on the issue of "Additional Capitalization", elaborated on page 23 to 56 in True-Up Order for FY 2017-18 dated 19.07.2019; Additional Capitalization of Assets at Power Stations of MPPGCL to the tune of Rs. 104.02 Crores has not been considered.

*In the above context, it is to submit that amongst the items not considered for additional capitalization to the tune of Rs. 104.02 Crores, some of the major items were pertaining to **decree from Hon'ble Court (Land & Revenue)** & other items not considered for Additional Capitalization of Assets, are either **mandatory in nature**, or **as per original scope of project**, **Capital Spares procured as per Original Project Cost within limits**, **Liability created towards payment in Books of Accounts,** etc. As such all these assets qualify for admittance of Additional Capitalization as per the provisions of Regulation.*

As elaborated above, since the assets were qualifying for admittance under Additional Capitalization as per the provisions of Regulation on various counts i.e. on account of Decree from Hon'ble Court (Land & Revenue) or Mandatory in nature or in the Original scope of project or Capital Spares procured as per Original Project Cost within limits or Liability created towards payment in Books of Accounts, etc., MPPGCL in the instant *petition has again submitted the same before Hon'ble Commission and humbly requested before the Hon'ble Commission to kindly consider the additional Capitalization pertaining to FY 2017-18, not considered earlier, in light of detailed explanation & various supporting documents submitted by MPPGCL vide letter No. 07-12/CS-MPPGCL/MPERC/TU-FY19/Pt.02 of 2020/717 dated 07.10.2020 for prudent check and relevant proviso of MPERC Regulations*.

Observation:

The review order dated 19th November' 2019 has attained finality. Therefore, the request of the petitioner for consideration of additional capitalization disallowed in true-up order for FY 2017-18 has not been considered in this order.

MPPMCL Comment:

(10) Equity:

In para 4.3.1 the petitioner has claimed additional capitalization amounting to Rs. 157.29 Cr out of which Rs. 115.46 Cr is claimed to be through equity and balance Rs. 41.83 Cr as loan component for which no justification and no details of additional asset and its necessity has been provided. Further, against this additional capitalization the petitioner in para 7.1.1 has claimed an increase in RoE over and above MPERC order to the tune of Rs. 30.93 Cr. This additional capitalization is claimed by petitioner for FY 2018-19. Thus, even if we consider claimed amount of equity of Rs. 115.46 Cr than the average equity during the year would have been Rs. 57.73 Cr. Considering normative rate of return of 15.5% on average equity infused during the year, the amount of RoE comes out to Rs. 8.95 Cr (57.73 x 15.5% = 8.95). Therefore, the claim of the petitioner is erroneous, misconceived and highly arbitrary and same may kindly be disallowed.

Petitioner's Response:

It is to submit that as elaborated under reply to point-7 above, the various information & supporting documents in respect of additional capitalization, as desired by the Hon'ble Commission, were already submitted before Hon'ble Commission vide letter No. 07-12/CS-MPPGCL/MPERC/TU-FY19/Pt.02 of 2020/717 dated 07.10.2020 for prudent check.

The tentative calculation of RoE submitted by MPPMCL under this point is irrational; because MPPGCL has considered the Power station wise Normative Equity, as on 01.04.2018, as approved by MPERC vide its Order issued against the True up order for FY 2017-18.

The normative equity addition due to asset capitalization has been considered as per proviso 25.1 of MPERC Regulations and accordingly RoE has been worked out & claimed in the instant True petition.

In this regard it is humbly requested before Commission to kindly refer Chapter 4.7 – Return on Equity, of instant petition wherein the Power Station wise detailed calculations has clearly been elaborated by MPPGCL.

It is humbly requested before the Commission to kindly permit the same.

Observation

In the subject true-up petition, the petitioner submitted that all the assets under additional capitalization have been funded through equity/internal resources. Therefore, debt: equity in all the power stations except SSTPP PH-1 of 70:30 has been considered in accordance to the Tariff Regulations, 2015 in this order. In SSTPP PH-1, the actual equity incurred is less than normative equity therefore, the actual debt-equity ratio as filed by the petitioner has been considered on the asset additions admitted by the Commission in this order. Regulation 25.5 of MPERC Tariff Regulations provides as under:

MPPMCL Comment:

(11) Depreciation:

In para 7.1.1 the petitioner has also claimed additional depreciation to the tune of Rs. 70.18 Cr. As per MYT order an amount of Rs. 734.62 Cr have been allowed as depreciation for FY 2018-19. Against this the petitioner has claimed depreciation amounting to Rs. 804.80 Cr for the year. This is grossly misconceived and arbitrary specifically in view of the fact that the claimed additional capitalization is only Rs. 157.29 Cr, and the average additional capitalization during the period would be Rs. 78.65 Cr and therefore additional depreciation considering @ 5.6% would comes out to Rs. 4.40 Cr. Thus, the claim of petitioner is erroneous and may kindly be disallowed.

Petitioner's Response:

It is to submit that as elaborated under reply to point-7 above, the various information & supporting documents in respect of additional capitalization, as desired by the Commission, was already submitted before Commission vide letter No. 07-12/CS-MPPGCL/MPERC/TU-FY19/Pt.02 of 2020/717 dated 07.10.2020 for prudent check.

The tentative calculation of Depreciation submitted by MPPMCL in its comments/observation is irrational; because MPPGCL has considered the Power station wise Gross Block, as on 01.04.2018, as approved by MPERC vide its Order issued against the True up order for FY 2017-18. The asset capitalization for FY

2018-19 has been considered as per proviso 20 of MPERC Regulations and accordingly Depreciation has been worked out & claimed in the instant True petition. In this regard, it is humbly requested before Commission to kindly refer Chapter 4.4 – Asset & Depreciation of instant petition wherein the Power Station wise detailed calculations has clearly been elaborated by MPPGCL. It is humbly requested before the Commission to kindly permit the same.

Observation:

The petitioner has filed the year-wise and power station-wise Asset-cum Depreciation register for the project. The rate of depreciation mentioned in aforesaid depreciation -cum-asset-asset-cum-depreciation registers has been examined in light of the rate specified in Appendix-II of MPERC Tariff Regulations, 2015. Accordingly, the rate of depreciation has been considered as per the asset-cum-depreciation registers and the annual depreciation has been computed.

The difference of depreciation amount with respect to the amount allowed in MYT order is not only towards the additional capitalization claimed during FY 2018-19 but also the depreciation on additional capitalization considered during FY 2016-17 and FY 2017-18. Moreover, in case of SSTPP PH-I, the figure of capital cost was considered as per the provisional tariff order, however the capital cost approved in final tariff order had been considered in last true-up order.

MPPMCL Comment:

(12) Special Allowance:

It is humbly submitted that in MYT order inadvertently an amount of Rs. 87.26 Cr has been allowed to the petitioner. By escalating the amount of Special Allowance allowed in FY 2015-16 @ 6.35 % the Special Allowance to FY 2018-19 comes out to Rs. 87.22 Cr. It is humbly prayed to kindly consider the amount of Special Allowance @ Rs. 87.22 Cr please.

Petitioner's Response:

It is to submit that without understanding the provision provided in the Regulations, erroneous calculations of Special Allowance at STPS Sarni have been submitted by MPPMCL in its comments/ observation under this point which, in no way, are correct.
The correct calculation works out to be as under:-
The Hon'ble Commission vide order dated 23.07.2015 in petition 23 of 2015 has permitted Special Allowance for Units of PH - 2 & 3 STPS, Sarni till FY 2015-16. The Figure permitted for FY 2015-16 as per aforesaid order was Rs. 8.74 Lakh/ MW.

Considering the above and the escalation factor of 6.35% per year provided in the Regulation, the Special Allowance in Lakhs/MW for STPS PH2&3 works out to be as under:-

Lakh/MW

FY 17	***FY 18***	***FY 19***
9.29499	***9.88522***	***10.51293***

And accordingly, the amount of Special Allowance in Rs. Crores works out to be as under:-

Rs. Crores

Power House	***Capacity in MW***	***FY 17***	***FY 18***	***FY 19***
STPS PH2&3	***830.00***	***77.15***	***82.05***	***87.26***

As evident from above, the Special Allowance permitted by Hon'ble Commission is correct and is as per the provisions provided in the Regulations and no error is made by the Hon'ble Commission in its calculation.

Observation:

The Commission has considered Special Allowance for STPS PH- II&III in accordance to the provisions under Tariff Regulations, 2015.

MPPMCL Comment:

(13) Requirement for True up of FY 2018-19:

That, petitioner in its instant true up petition has claimed an amount of Rs. 363.08 crores for their thermal and hydroelectric generating plant towards less recovery of AFC approved by Hon'ble commission on account of actual availability of plants being lower than NAPAF. It is to submit that the quoted under recovery is inclusive of non-tariff income of Rs. 55.04 Cr whereas the actual under recovery is Rs. 308.12 Cr only. This under recovery is only due to non-achievement of normative availability i.e. NAPAF which is solely attributable to the petitioner and accordingly it is prayed to disallow the claim being beyond the scope of Regulations. In this context the Regulation 39.1 provides as under.

"39.1 Recovery of capacity charge, energy charge and incentive by the generating company shall be based on the achievement of the operational norms specified in these Regulations."

Further it is pertinent to mention that Regulation 36 of MPERC (Terms and conditions for determination of generation Tariff) Regulations, 2015 provides methodology for computation of capacity charges and energy charges for thermal generating stations and provision 37 of said Regulation provides the method of determination of capacity charges (inclusive of incentive) payable to hydroelectric generating station for a calendar month. It may kindly be seen that recovery of capacity charges is linked to PAF_n (Plant availability factor). This means if the plant is not available for generation of electricity up to normative plant availability factor specified by the Commission, the generating company will not be entitled for recovery of capacity charges up to that extant. Accordingly, Petitioner's claim is beyond the scope of Regulation 36 and 37 of MPERC (Terms and conditions for determination of generation Tariff), Regulation 2015 and therefore it is prayed that same shall be disallowed.

Petitioner's Response:

It appears that the submission made by MPPMCL is to educate the Commission, regarding how to decide the True up of Tariff and also puts a question on the approach adopted by Hon'ble Commission in determination of true up amount.

In the matter it can be inferred that before submission of observations under discussions, probably the earlier True up orders issued by Hon'ble Commission have not been referred/ studied properly by MPPMCL, wherein the Hon'ble Commission has considered the Fixed Cost Approved vide its MYT orders at Normative Availability and the Fixed cost approved vide its True Up order at actual availability reduced by Non Tariff Income. The difference of same is considered as true up amount of Fixed Cost, while the Other charges are allowed as per actual as captured in the Audited Books of accounts of MPPGCL and in accordance with MPERC Regulations. There is no doubt that approach adopted by Hon'ble Commissions in fact is correct, justified and is as per the provisions of MPERC Regulations.

Following the same methodology of Commission, MPPGCL has worked out the True Up for FY 2018-19 and submitted in the instant petition. MPPGCL has adopted the same approach in all earlier True up Tariff petitions filed before Commission. The calculation submitted by MPPMCL is in contradiction to the methodology adopted by Commission. It is humbly requested before the Commission not to consider the same.

Observation:

The Commission has determined Annual Capacity (fixed) Charges in accordance to the provisions under the Tariff Regulations, 2015. The recovery of Annual Capacity (fixed) Charges payable to thermal generating stations is allowed in accordance to Regulation 36 of the Tariff Regulations, 2015. In case of hydro power stations, the recovery of Annual Capacity (fixed) Charges is allowed in accordance to Regulation 37 of the Tariff Regulations, 2015.

MPPMCL Comment:

(14) In para 7 of the petition the requirement for true up of FY 2018-19 has been shown to Rs. 363.08 Cr. This is arbitrary, misconceived and baseless. The actual requirement for true up (subject to prudence check) for FY 2018-19 as claimed by petitioner in para 7.1.1 is of amount Rs. 33.47 Cr, i.e. the difference between the AFC of Rs. 3724.51 Cr as per Hon'ble Commission's order dated 14.07.2016 and AFC of Rs. 3757.99 Cr claimed by petitioner as per norms subject to prudence check by this Hon'ble Commission. It is humbly prayed that recovery of only Rs. 33.47 Cr subject to prudence check by this Hon'ble Commission may only be allowed to petitioner in the interest of justice.

Petitioner's Response:

It appears that before submission of observations under discussions, probably the earlier True up orders issued by Hon'ble Commission has not been referred/ studied properly by MPPMCL, wherein the Hon'ble Commission has considered the Fixed Cost Approved vide its MYT orders at Normative Availability and the Fixed cost approved vide its True Up order at actual availability reduced by Non-Tariff Income. The difference of same is considered as true up amount of Fixed Cost, while the other charges are allowed as per actual, as captured in the Audited Books of accounts of MPPGCL and are in accordance with MPERC regulations. There is no doubt that approach adopted by Hon'ble Commissions in fact is correct, justified and is as per the provisions of MPERC Regulations.

Following the same methodology of Hon'ble Commission, MPPGCL has worked out the True Up for FY 2018-19 and submitted in the instant petition. MPPGCL has adopted the same approach in all earlier True up Tariff petitions filed before Hon'ble Commission. The observations made are as such baseless, misconstrued and arbitrary and were made without any reasonable working of facts/ provisions of Regulations/ approach adopted by Hon'ble Commission while issuing Orders for True up of Tariff of MPPGCL in all earlier True up Tariff petitions filed before Hon'ble Commission.

Observation:

In the subject true-up petition, the true-up amount claimed at Normative Annual Plant Availability Factor (NAPAF) is Rs. 33.47 Crore and at Actual Plant Availability Factor is Rs. (- 363.08) Crore. There is reduction in recovery of AFC due to lower actual PAF and the petitioner has filed negative true-up.

Therefore, the Respondent No. 1 has wrongly understood the true-up amount. The petitioner has not claimed true-up amount Rs. 363.08 Cr. on actual availability it has claimed Rs. (- 363.08) Crore.

Annexure-II

Petitioner's Response on the comments offered by the Stakeholder along with the observations:

Comment:

The Recovery of Annual Fixed Charges is prorata linked to PAFM. The under-performance of Thermal Power Stations of MPPGCL has reduced the Annual Fixed Cost (AFC) by Rs. 366.47 Crores. The comparison between NAPAF as approved in Regulations, 2015 vis-à-vis the actual PAF for FY 2018-19 is shown in para 2.1.2 of the subject petition but the petitioner has not given any reasons from deviating from the norms as specified in the Regulations, 2015**.** The petitioner needs to be full transparent to the consumers of the State and to safe guard the interest of consumers of state of MP since, this amount is will put additional burden due to purchase of Power from NTPC / IPPs power stations at higher rate. As such the consumers of MP are ultimately burdened on account of above.

Petitioner's Response:

The reasons for deviation of operating parameters from norms has already been submitted before Hon'ble Commission vide letter No. 07-12/CS-MPPGCL/ MPERC/ TU-FY 19/Pt.02 of 2020/457 dated 02.07.2020. It is further to submit that full transparency is being kept between Hon'ble Commission and MPPGCL. The Tariff Regulations notified by Hon'ble Commission are adequate in all respects to safe guard the interest of consumers of state of MP. Poor performance / outage of Thermal Power Stations affect the availability of the station which in turns reduces the Plant Availability Factor Monthly (PAFM). The Recovery of Annual Fixed Charges is prorata linked to PAFM. The underperformance of Thermal Power Stations of MPPGCL has reduced the Annual Fixed Cost (AFC) by Rs. 366.47 Crores. This amount is not required to be paid by MPPMCL to MPPGCL thus compensating any additional burden due to purchase of Power from NTPC / IPPs power stations at higher rate. As such the consumers of MP are not burdened on account of above. MPPGCL humbly request Hon'ble Commission that the comment under Point 1) of Shri Rajendra Agrawal is misleading and therefore may please be quashed.

Observation:

The petitioner in its additional submission has explained the reasons for poor operational performance of the generating units along with its action plan for improvement for improvement of performance of these units. Poor performance / outage of Thermal Power Stations affect the availability of the station which in turns reduces the Plant Availability Factor Monthly (PAFM). The Commission has determined the tariff based on the normative parameters specified under the Tariff Regulations, 2015. As per the provisions under Regulation 36 of MPERC Tariff Regulations, 2015, the recovery of true-up Annual Fixed Charges determined by the Commission is based on the actual Annual

Plant Availability Factor achieved by the generating Unit during FY 2018-19. Therefore, the impact of poor performance is borne by the generator.

Comment:

The petitioner in its para 17(a) has mentioned that the Energy Charges (Variable Charges) has been billed in accordance to proviso 28, 29 & 36.6 of MPERC (Terms & Condition for Determination of Generation Tariff) (Revision III) Regulation, 2015. Therefore, no truing up of Energy Charges has been considered in this petition. The tariff is determined on the basis of capacity charges and energy charges in accordance with Section 62 and 64 of Electricity Act, 2003. The petitioner needs to be transparent in submitting the details regarding energy charges while filing the true up petition.

Petitioner's Response:

MPPGCL in its True Up Tariff petition for FY 2018-19 has clearly mentioned at Para 17(a) that the Energy Charges (Variable Charges) are being billed strictly in accordance to Regulation No. 28, 29 & 36.6 of MPERC (Terms & Condition for determination of Generation Tariff) (Revision-III) Regulation, 2015. The Regulation 36.5 clearly provides for Fuel Price Adjustments (FPA) and is reproduced hereunder:-

"36.5 The energy charge shall cover the primary and secondary fuel cost and shall be payable by every beneficiary for the total energy scheduled to be supplied to such beneficiary during the calendar month on ex-power plant basis, at the energy charge rate of the month (with fuel price adjustment). Total Energy charge payable to the generating company for a month shall be:
(Energy charge rate in Rs./kWh) x {Scheduled energy (ex-bus) for the month in kWh.}"

Since the cost of Coal of relevant month is to be considered for Bill of Energy Charges, therefore, no truing up of Energy Charges in the said petition is required. This is a standard practice adopted by MPPGCL and being approved by Hon'ble Commission regularly. MPPGCL is complying with Regulations 36.7 and all relevant documents are being submitted with monthly Energy Bills raised to MPPMCL. MPPGCL wishes to clarify that as and when desired by Hon'ble Commission, the copies of monthly Energy Bill raised on MPPMCL clearly indicating Energy Charges (Variable Charges) are being submitted.

It appears that Shri Rajendra Agrawal is unaware of the above mentioned Regulation & practices in regards to Energy Charges Bill, hence the observation raised may please be quashed.

Observation:

With regard to truing-up exercise, Regulation 8.4 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 provides as under:

> *" A Generating Company shall file a petition at the beginning of the Tariff period. A review shall be undertaken by the Commission to scrutinize and true up the Tariff on the basis of the capital expenditure and additional capital expenditure actually incurred in the Year for which the true up is being requested. The Generating Company shall submit for the purpose of truing up, details of capital expenditure and additional capital expenditure incurred for the period from 1.4.2016 to 31.3.2019, duly audited and certified by the auditor."*

In term of above provision, the truing up exercise is mainly based on additional capital expenditure during the year for which true up is sought by the petitioner. Further the interest on working capital being a component of Annual Fixed Cost is also determined as per norms provided in MPERC Tariff Regulations. No escalation in fuel cost is considered during truing up exercise while computing interest on working capital.

Further, Regulation 36.7 provides that 'the generating company shall provide to the beneficiaries of the generating station, the details of parameters of GCV and price of fuel i.e. domestic coal, imported coal, e-auction coal, etc. The aforesaid Regulation also provides that the details of blending ratio of the imported coal with domestic coal, proportion of e-auction coal and the weighted average GCV of the fuels as received shall also be provided separately to the procurer, along with the bills of the respective month.

In view of the aforesaid provisions, the procurer has to verify the actual price of coal and GCV of coal on month-to-month basis.

Comment:

The petitioner has not disclosed any information regarding energy charges which indicates to some serious money laundering in the generating stations. The petitioner has also not provided any details regarding coal supply details such as the cost involved in coal supplied through RCR mode when compared with Rail mode which has impact on ECR and ultimately the burden is been imposed on consumers**.**

Petitioner's Response:

The Coal to the Thermal Power Stations of MPPGCL are supplied through subsidiary companies of Coal India Limited (CIL) namely South Eastern Coalfields Limited (SECL), Western Coalfields Limited (WCL) and Northern Coalfields Limited (NCL). The supply of Coal is governed by Fuel Supply Agreements signed between these companies and MPPGCL. The copies of such Fuel Supply Agreements are being submitted before Hon'ble Commission from time to time.

MPPGCL wish to clarify that the mode of transportation of coal i.e. Road-Cum-Rail is being carried out for the coal supplied by NCL. The Fuel Supply Agreement (FSA) signed between NCL & MPPGCL has inbuilt clause for mode of transportation as Rail/Road/ Road-cum-Rail (RCR) and specified in Schedule-I of FSA signed on 20.06.2018. The relevant pages of FSA are annexed as Annexure-1 for kind reference of Hon'ble Commission. It is further to mention that the format of FSA is framed by CIL and abides to all Coal companies and by Power Generating companies. The Central sector company namely NTPC and other IPPs have also adapted the mode of transportation as RCR.

It is to submit that the Coal companies transport/transfer coal from Coal Mines upto Railway siding by road for which Transportation Charges are levied in Coal Invoice/Bill and payable by MPPGCL. When the coal companies are unable to transport coal through road upto railway siding or due to lapse of coal transportation contract at Coal Company's end or due to inability of Railway siding to handle large volume of coal, the shortage of coal results. In such situation coal companies requests the power generating companies to transport coal through Road-Cum-Rail mode to fulfill their demands/requirements. Under such circumstances/compulsion, MPPGCL has awarded contracts as per the procedure through open tender, for coal transportation through Road-Cum-Rail mode. In such cases, the Coal companies in transparent manner do not levy Road Transportation Charges in Coal Invoice/Bill payable by MPPGCL, thus no additional burden is imposed on the consumers.

It is to further submit that on need based requirement, such Mode of transportation i.e. RCR has been availed by MPPGCL else normal supply method of coal companies prevails. In regard to obtaining prior approval of MPPMCL towards RCR method of coal transportation, it is to submit that MPPGCL complies with all directives specified in PPAs and Regulation 36.7 & 36.9, as such there is no requirement.

It is further to submit that the cost involved in coal supplied through RCR mode when compared with Rail mode is negligible and has no noticeable impact on ECR. Hence no burden has been imposed on consumers. In regard to compliance of Regulation 8.7, a detailed working on Controllable Parameters has been submitted vide letter No. 07-12/CS-MPPGCL/ MPERC/ TU-FY 19/Pt.02 of 2020/ 457 dated 02.07.2020. Further, events specified in Regulation 8.8 have not occurred in FY 2018-19.

In view of the above MPPGCL humbly request Hon'ble Commission to kindly quash the observation raised.

Observation:

The petitioner filed the month wise details of Actual Station Heat Rate, Actual Auxiliary Energy consumption and Actual Secondary Fuel Oil Consumption achieved by its Projects during FY 2018-19 vis-à-vis the normative values under the applicable MPERC Tariff Regulations 2015.

In view of the provisions under the Tariff Regulations, 2015, the procurer has to verify the actual price of coal and GCV of coal on month-to-month basis.

Comment

Regulation 36.7 of the Tariff Regulation provides that:

"Provided further that copies of the bills and details of parameters of GCV and price of fuel i.e. domestic coal, imported coal, e-auction coal, etc., details of blending ratio of the imported coal with domestic coal, proportion of e-auction coal shall also be displayed on the website of the generating company. The details should be available on its website on monthly basis for a period of three months."

The petitioner is violating this act by not providing the requisite information on its website.

Petitioner's Response

The observation made in Point No. 4 by Shri Rajendra Agrawal is baseless and false. MPPGCL hereby submits that the Regulation 36.7 is being regularly complied. The details of blending ratio of the imported coal with domestic coal, proportion of e-auction coal and the weighted average GCV of the fuels as received is being regularly provided to MPPMCL along with the bills of the respective month.

Further, GCV and price of fuel i.e. domestic coal, imported coal, e-auction coal, etc., details of blending ratio of the imported coal with domestic coal, proportion of e-auction coal is also regularly being displayed on MPPGCL's website. The copy of data displayed on web site is annexed herewith as Annexure-2 for kind reference please. It appears that Shri Rajendra Agrawal is unaware of the practices in regards to Energy Charges Bills issued to MPPMCL and Coal data display on website; hence the observation raised may please be quashed.

Observation:

Regulation 36.7 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2015 provides that the copies of the bills and details of parameters of GCV and price of fuel i.e. domestic coal, imported coal, e-auction coal, etc, details of blending ratio of the imported coal with domestic coal, proportion of e-auction coal shall be displayed on the website of the generating company. It is further mentioned that the details should be available on its website on monthly basis for a period of three months.'

In view of the aforesaid provision of the Regulations, the petitioner is required to update the aforesaid details on its web site also. Therefore, the petitioner is directed to ensure that all information related to fuel be updated on its web site in accordance with the aforesaid Regulation.

Comment

The rate of interest on working capital has been considered as 12.80% by the petitioner whereas SBI MCLR for FY 2018-19 was 8.15% and after adding 350 basis points, it comes out to be 11.65%. The claim if the petitioner is wrong.

Petitioner's Response

In regard to calculation of Interest on Working Capital, MPPGCL wish to submit that the Regulation 34 has been complied in the True-up Tariff Petition. The stakeholder has mentioned SBI-MCLR for calculation of IoWC, which is incorrect as the Regulation specifies for Bank Rate which is SBI PLR plus 350 points. The terminology of MCLR has recently been introduced in Regulation, 2020 which is not applicable for FY 2018-19.

Observation:

Regarding the rate of interest on working capital, Regulation 34.3 of the Regulations, 2015 provides that the rate of interest on working capital shall be considered as per the bank rate as on 01.04.2016 or as on 01st April of the year during the tariff period FY 2016-17 to FY 2018-19. Further, the bank rate means the base rate of interest as specified by the State Bank of India from time to time plus 350 basis points. The State Bank of India's Base rate applicable/ prevailing as on 01.04.2018 was 8.70% + 3.50% = 12.20% which has been considered in this order.

In view of the above, the Commission has considered the rate of interest on working capital in accordance to the Tariff Regulations, 2015.

Comment:

The petitioner has not provided any details in the petition related to present efficiency/productivity of the power plants.

Petitioner's Response:

MPPGCL wishes to submit that the issue raised in Point No 6 by Shri Rajendra Agrawal has no relevance with the subject Trueup Tariff Petition for FY 2018-19 (Petition No. 2 of 2020) as the issue raised are related to performance in current financial year i.e. FY 2020-21. However, reason for the outages of Thermal and Hydro generating stations under preview of this petition is as follows:-

(i) *PH- 2&3 STPS, Sarni.*

The PH-2 (200MW + 210MW) & PH-3 (2x210MW) have attained an age of 40 years and 37 years respectively. They have already lived its useful life and awaiting retirement. The PH-3 has been on forced shut down on instruction from the Addl. Chief Secretary (Energy), GoMP on 15.07.2019. At present the Unit No.7 (PH-2) is running on 160-175 MW load for providing Grid Stability on 220KV side on requirements of SLDC. Once the approval of Energy Department is issue for retirement, these units will be decommissioned immediately.

(ii) <u>Bansagar (Tons) HPS.</u>

Three Units of 105 MW installed capacity at Bansagar (Tons) HPS, Sirmour was commissioned in 1991-92 and are about 29 years old. The Unit No. 3 tripped on 17.06.2020 on generator stator earth fault with heavy sound and fire. BHEL, the OEM deputed team on 22.06.2020 to ascertain the quantum of work for repairing the machine. After inspection BHEL suggested for complete replacement of the stator bars, core punching, complete refurbishment of wound pole including field coil assembly etc. in generator and to carry out the COH work of turbine in view of another 20 to 25 years healthy availability of the unit. Bansagar PH-1 HPS being peaking station, generation is being done by Unit No. 1 & 2 continuously for avoiding spillage of water from dam. Further, after due approval of BoD, the order for complete replacement of the stator bars, core punchings etc. and COH of turbine of Unit No.3 & 1 has been placed on M/s BHEL on 14.08.2020.

(iii) <u>Gandhi Sagar HPS.</u>

*The 5x23 units of Gandhisagar Hydel Power Station were commissioned between the years 1960 to 1966. On **14.09.2019** due to heavy rains in the catchment area of Gandhisagar Dam, the inflow of water increased dangerously. The WRD authorities could not warn MPPGCL in time regarding fast rise in water level in the dam. The water started overflowing from the dam and sharply filling in to power station complex through ventilators. The ingress of water was so fast that the units of Gandhi Sagar HPS were submerged due to massive flooding. The water also entered in to Power House through Pen stock gallery after reaching at level of 1317 ft. which is 5ft above the FRL (1312 feet) of the Gandhisagar Dam. The entry of water through lift Gallery was observed at 19:00 Hrs At 19:35 hrs Maintenance team reached at Power Station. Efforts were made to divert the water by keeping sand bags at various locations. On observing heavy inrush of water flow in to the HPS, the maintenance team rushed to penstock gallery by road at 20:30 hrs since lift was inaccessible.*

On inspection it was found that the gallery was submerged with water with no access for manual gate operation. Immediately, the 4 running units were stopped between 21:00 hrs to 21:07 hrs after intimation to SLDC.

All Penstock gates, except gate of U#2, were closed remotely. Due to inaccessibility of Power Pack unit at Penstock gallery, the manual closing of Gate NO.2 was not possible. The inflow was above 16 Lacs cusecs where as discharge was to the tune of 5 lacs cusecs. The ingress of water was beyond the dewatering capacity of HPS. For safety of Plant Personnel and station, the DC supplies of all units were switched off. All persons in Power House were evacuated by 22:00 Hrs. At 02:00 Hrs, the water entered in 130 KV switchyard due to collapsing of wall between switchyard and tailrace. All emanating feeders from HPS switchyard were arranged to be hand tripped at respective receiving ends. The information about submergence of Gandhi Sagar Hydro Power Station has already been submitted before Hon'ble Commission vide letter No. 1120 dated 01.10.2019.

Since the incident of such magnitude is unprecedented and MPPGCL has no experience to deal with such situation as regards to revival / R&M and up-gradation of units, at the same time the machines are nearly 58 years old with obsolete Class "B" insulation.

M/s. WAPCOS Ltd., a Govt. of India Undertaking under Ministry of Jal Shakti, has been assigned the work of restoration of Units. The Unit No. 5 has been restored and synchronized on 10.09.2020; similarly, Unit No. 1 has been restored and synchronized on 31.10. 2020.The restoration/revival of unit no. 4 is in process. The R & M of unit no. 2 & 3 is being taken up.

In view of the above MPPGCL humbly request Commission to kindly quash the observation raised by the stakeholder.

Observation:

The petitioner in its additional submission dated 02nd July' 2020 has explained the reasons for lower operational performance of the aforesaid generating units along with its action plan if any, for improvement in the aforesaid performance of these units.