

**MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION  
BHOPAL**

Date : 19<sup>th</sup> November, 2010

**Subject: In the matter of petition filed by MPPGCL for determination of Provisional Generation Tariff of Amarkantak Thermal Power Station Extn. Unit-5 (210MW), Chachai for FY2009-10 to FY2011-12.**

**(Petition No.23 of 2010)**

**ORDER**

**(Date of Hearing: 9<sup>th</sup> November, 2010)**

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

**1. M.P. Power Trading Company Ltd., Rampur, Jabalpur**  
**2. M.P. Poorv Kshetra Vidyut Vitaran Company Ltd., Jabalpur**  
**3. M.P. Madhya Kshetra Vidyut Vitaran Company Ltd., Bhopal**  
**4. M.P. Paschim Kshetra Vidyut Vitaran Company Ltd., Indore**  
**5. M.P. Power Transmission Co. Ltd. Jabalpur**  
**6. M.P. State Electricity Board, Rampur, Jabalpur** } - **Respondents**

Shri S.P. Soni, Chief Engineer (CP), Shri P.K. Nema (SE) and Shri Sanjeev Arora (EE) appeared on behalf of the petitioner.

The petition is in the matter of determination of Provisional Generation Tariff of Amarkantak Thermal Power Station (ATPS) Extn. Unit-5 (210MW), Chachai for the control period FY2009-10 to FY2011-12.

2 Madhya Pradesh Power Generating Company Limited (hereinafter called MPPGCL or petitioner) has mentioned in subject petition that the unit was formally synchronized on 16<sup>th</sup> June, 2008 and started generation w.e.f. 13<sup>th</sup> March, 2009. The date of commercial operation of the unit is 9<sup>th</sup> September, 2009 and the unit supplied infirm power to the grid during 13<sup>th</sup> March, 2009 to 9<sup>th</sup> September, 2009.

3 The petitioner had also filed an Interlocutory Application (IA) on 3<sup>rd</sup> May, 2010 in the matter for Ad-Interim Ex-Party order for provisional generation tariff of ATPS Extn. Unit-5 (210MW), Chachai for the same period. This application was registered as IA 25/2010 by the Commission. The petitioner in its Interlocutory Application prayed to allow him to bill and recover annual charges on monthly basis w.e.f. date of commercial operation in terms of his prayer in Para 1 to 9 of the main petition i.e. the subject petition.

4 On preliminary scrutiny of the main petition (subject petition) for approval of provisional generation tariff, the Commission vide letter dated 21<sup>st</sup> June, 2010 sought several information gaps and additional information from the petitioner for proper scrutiny of the petition.

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5 Considering the request of the petitioner in Interlocutory Application filed subsequent to subject petition, the hearing was conducted on 22<sup>nd</sup> June, 2010 in IA No.25/2010 when the petitioner requested the Commission to permit MPPGCL to bill and recover the annual charges on monthly basis w.e.f. CoD (i.e. 9<sup>th</sup> September, 2009) till disposal of the main petition. The Commission, on request of the petitioner processed the main petition No.23/2010 (subject petition) based on information available with the subject petition and issued order dated 6<sup>th</sup> July, 2010 for determination of provisional tariff of ATPS Extn. Unit-5, Chachai (210 MW) in terms of total annual capacity charges for FY 2009-10 (203 days) and FY 2010-11 along with the rate of ex-bus per unit energy charge subject to monthly adjustment of actual price and GCV of coal in terms of the Regulations.

6 In response to the Commission's letter referred in para 4 of this order, MPPGCL filed its response on 12<sup>th</sup> July, 2010. The Commission had broadly observed the following on perusal of the response filed by the petitioner:

a) *The petitioner has informed the following three types of capital costs :*

|  |                          |
|--|--------------------------|
| <i>(i) Capital cost as approved by GoMP</i>              | <i>Rs.1104.00 crores</i> |
| <i>(ii) Capital expenditure on accrual basis</i>         | <i>Rs.1154.35 crores</i> |
| <i>(iii)Capital expenditure made on project till COD</i> | <i>Rs. 932.17 crores</i> |

*It was stated by MPPGCL in its reply that the supplies/works worth Rs.1154.35 crores were already put to effective use till COD. However, the payments were not released based on the payment terms agreed with various vendors. It was also stated by the petitioner that the revised project cost of Rs.1239.67 crores is under approval from GoMP.*

b) *Interest during construction and finance charges have increased from Rs.29.09 crores to Rs.168.80 crores on account of delay in completion of the project (i.e. from scheduled COD to actual COD). Further, the actual IDC and finance charges as on COD have increased by Rs.88.32 crores from original capital cost approved by GoMP.*

c) *On the issue of design heat rate, MPPGCL submitted that the performance guarantee test has not been carried out so far hence, the certified design heat rate shall be submitted after performance guarantee test reports are provided by BHEL. The Commission had desired the guaranteed design heat rate not the certified design heat rate.*

7 In view of the above response by the petitioner, the Commission vide letter No.2046 dated 31<sup>st</sup> July, 2010 asked the petitioner to file firm and final capital cost along with audited financial statements and design heat rate for determination of final tariff of ATPS, Chachai Extn. Unit-5.

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8 Since MPPGCL could not file its response to the Commission's above-mentioned letter even after more than a couple of months, the Commission fixed a formal hearing in the matter on 9<sup>th</sup> November, 2010. Meanwhile, MPPGCL vide letter dated 3<sup>rd</sup> November, 2010 has submitted the following in response to the core issues raised by the Commission:

**a. Capital Cost:**

MPPGCL has submitted the following status of capital costs of the project .

- i. **Rs.1104.00 cr.** is the estimated project cost figure which was approved vide GoMP No.2109/2008/13 dated 20/03/2008.
- ii. **Rs.1154.35 cr.** is the accrued expenditure/liability on the project till CoD, which is arrived at on actual execution of the project, and is the project cost till CoD, as per the clause No.17 of Regulations 2009.
- iii. **Rs.1239.67 cr.** is the estimated value of the project cost on completion of the balance of works as per the original scope of work. This is the sum of the project cost till CoD (Rs.1154.35 cr.) and the value of balance of works remaining as per original scope of works (Rs.85.32 cr.), (Rs.1154.35+85.32 = 1239.67).
- iv. **Rs.932.17 cr.** is the amount of actual payments made till CoD.

MPPGCL has mentioned that the inference of the Commission with capital expenditure till CoD is only Rs.932.17 cr. (considered in the ad-interim order) is not in the right perspective. MPPGCL has confirmed that **Rs.932.17 cr.** is the amount of actual payments made till CoD. However, it is mentioned by MPPGCL that the supplies/works worth Rs.1154.35 cr. were already put to effective use till CoD and this capital expenditure till CoD is on accrued basis.

**b. Increase in Interest During Construction (IDC) and Finance Charges (FC) from Rs.29.09 cr. to Rs.168.89 cr. on account of delay in completion of project (i.e. from scheduled CoD and actual CoD)**

MPPGCL has submitted the following :

- i. IDC and FC component is Rs.80.48 cr. in the estimated project cost of Rs.1104 cr. as approved by GoMP.
- ii. This figure of Rs.80.48 cr. towards IDC and FC was arrived considering the loan drawals to suit realistic completion schedule.
- iii. Drawal schedule could not be adhered to due to delay in execution of the project for the reasons mainly attributable to BHEL.MPPGCL has therefore, drawn loans as per the actual progress of the project rather than the original drawal schedule.

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- iv. There had also been interest rate hikes from time to time from 9.7% to 13.75% and the weighted interest rate till CoD was upto 11.7%. The increase in IDC and FC component by Rs.88.32 cr. till CoD is on account of increase in interest rates and particularly due to delay in execution of project for reasons mainly attributable to BHEL.
- v. MPPGCL has submitted that all out efforts were made by them to pursue BHEL for activities of the project through various joint coordination meetings and regular correspondence with BHEL. The matter was also taken up by the Secretary/Energy Minister, GoMP and CEA with the top authorities of BHEL.

**c. Design Heat Rate:**

MPPGCL has submitted the following :

- i. No specific agreement has been reached with BHEL on the units design heat rate. However, based on the guaranteed figures of Turbine Heat Rate (1952.1 kCal/kWh), Boiler Efficiency (86.2%) and Generator Efficiency (98.82%), as given in the contract agreement, the calculated design heat rate of the unit comes out to 2292 (say 2300) kCal/kWh.).
- ii. Copies of the relevant pages of the contract agreement are enclosed herewith as Annexure.
- iii. MPPGCL, in its petition, has therefore, considered the design heat rate of 2300 kCal/kWh as per the norms given in the Regulations, 2009.

**d. Firm and final capital cost along with audited financial statements**

MPPGCL has submitted the following:

“Since all the works of the project, as per the original scope of work, have not been completed yet it would not be possible to submit the firm and final capital cost along with audited financial statements, as of now for determination of final tariff. The same shall be submitted in the final petition which shall be filed on completion of all the works of the project and audit of the financial statements thereafter. Since the cut off date for the subject project is 31<sup>st</sup> March, 2012, as per the Regulations, 2009, MPPGCL would submit the final petition on completion of project works”

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9 The petitioner in its last written submission and also during the course of hearing requested the Commission to reconsider the following issues while passing another provisional tariff of ATPS, Chachai, Extn. Unit-V (210 MW) for FY 2010 to FY 2012 :

- a) To consider assessed liability of Rs.1154.35 cr. as the project cost till CoD for calculation of capacity/fixed charges instead of Rs.932.17 cr. already considered by the Commission.
- b) Revenue earned from sale of infirm power may be applied for reduction in capital cost only and the funding components, through equity and loan may be taken as actuals. Consequently, the return on equity as claimed by MPPGCL may be allowed.
- c) To consider the grossed up rate of return as per clause 22.3 of MPERC (Terms & Conditions for determination of Generation Tariff) Regulation, 2009 for calculating Return on Equity.
- d) To consider loan drawals during FY 2009-10 and FY 2010-11 also after CoD while determining the interest and finance charges on loan.
- e) To consider receivables from energy charges also for determination of the requirement of working capital.
- f) To determine provisional tariff for the complete control period i.e. upto FY 2011-12 since the ad-interim ex-party order dated 6<sup>th</sup> July, 2010 has been passed by the Commission for FY 2009-10 and FY 2010-11 only.

10 Having heard the oral submission by the petitioner during the course of hearing on 9<sup>th</sup> November, 2010, the Commission has observed the following :

- (i) Since all works of the project have not been completed as per original scope of work hence, the petitioner is not able to file the firm and final capital cost along with audited financial statement as on date.
- (ii) The audit of financial statement can be undertaken on completion of the project therefore, the audited financial statement can be filed with the Commission thereafter.
- (iii) The final petition would be filed on completion of project works since the cut off date of the project is 31<sup>st</sup> March, 2012 as per the Regulations, 2009.
- (iv) The petitioner is seeking provisional tariff on the basis of capital cost of Rs.1154.35 crores, which has been put to effective use till CoD while this capital cost being accrued expenditure/liability on the project till CoD has not been approved by the Government of Madhya Pradesh till date.
- (v) The audited accounts upto CoD with the capital cost and other claims of the petition are not ready as on date.

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11 In view of the above observations, the Commission decides as under :

- (i) The provisional generation tariff has already been determined by the Commission in ad-interim ex-party order dated 6<sup>th</sup> July, 2010 based on the capital cost of Rs.932.17 cr., which is the amount of actual payments made till CoD and the design heat rate of the unit (2300 kcal/kwh) as requested by the petitioner in the subject petition.
- (ii) The provisional tariff, as approved by the Commission is based on the admissibility of the capital cost and other claims as filed by the petitioner as per the Regulations.
- (iii) The Commission does not find it reasonable to go for another provisional tariff at this instant when the figures, as claimed by the petitioner have neither attained finality nor have been recorded in the statutory documents as per Regulations.
- (iv) The petitioner should pursue completion of the audited financial statements incorporating all its claims as per the Regulations and file the petition for determination of final tariff of the project without waiting for cut off date.
- (v) The issues related to provisional generation tariff order dated 6<sup>th</sup> July, 2010, raised by the petitioner for reconsideration and discussed in para 9 of this order shall be dealt appropriately with the petition for final generation tariff since most of them are related to firm and final capital cost and its consequential effects.
- (vi) The processing fee already deposited with the subject petition shall be adjusted in the petition for final tariff in accordance with the MPERC (Fees, Fine and Charges) Regulation, 2010 as amended from time to time.
- (vii) The Commission would now determine the final tariff of the project as and when the firm and final capital cost duly approved by the State Government along with the audited financial statement are made available to the Commission by the petitioner.

12 In view of the above, the petitioner is directed to file the petition for final tariff of the project with all requisite information and documents as per the Regulations, 2009 at the earliest. With this direction, the subject petition is disposed of.

Ordered accordingly.

**(C.S. Sharma)**  
**Member (Economics)**

**(K.K. Garg)**  
**Member (Engineering)**

**( Rakesh Sahni)**  
**Chairman**