MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

5th Floor, "Metro Plaza", Bittan Market, Bhopal - 462016

Petition No. 68 of 2016

PRESENT:
Dr. Dev Raj Birdi, Chairman
A.B. Bajpai, Member
Alok Gupta, Member

IN THE MATTER OF:

Determination of the Final Generation Tariff for Unit No. 1 (600 MW) of 2 x 600 MW sub-critical coal based Thermal Power Project at District Anuppur (M.P.) from its COD i.e. 20th May' 2015 to 31st March' 2016 under Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 and Multi-year Tariff from FY 2016-17 to FY 2018-19 under Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015.

AND IN THE MATTER OF:

M/s. M B Power (Madhya Pradesh) Limited **Petitioner**

Versus

1. **M. P. Power Management Co. Ltd., Jabalpur**
2. **M. P. Poorv Kshetra Vidyut Vitaran Co. Ltd., Jabalpur**
3. **M. P. Madhya Kshetra Vidyut Vitaran Co. Ltd., Bhopal** **Respondents**
4. **M. P. Paschim Kshetra Vidyut Vitaran Co. Ltd., Indore**

ORDER

(Passed on this day of 1st December '2017)

1. M/s M B Power (Madhya Pradesh) Limited (hereinafter referred to as "the petitioner" filed the subject petition on 29th November' 2016 for determination of final generation tariff in respect of Unit No. 1 (600 MW) of 2X600 MW (Phase I) sub critical coal based power project at District Annupur (Madhya Pradesh) for the period commencing its COD i.e. 20thMay 2015 to 31st March 2016 under Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 and Multi-year Tariff from FY 2016-17 to FY 2018-19 under Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015. The petitioner also filed amended petition on 15th April' 2017 due to change in figure in capital cost of the project.

2. The date of commercial operation of Unit No.1 of the petitioner's power plant are as given below:

Table 1: Capacity and COD of Unit No. 1

S. No.	Unit	Installed Capacity (MW)	Date of Commercial Operation
1.	Unit No. 1	600 MW	20th May, 2015

3. In its amended petition filed on 15th April' 2017, the petitioner broadly submitted the following"

*1. That the Petitioner is a generating company within the meaning of Section 2(28) of the Electricity Act, 2003 ("**Act**") and is filing the present tariff Petition for determination of final tariff for supply of power from its Unit – 1 of 600 MW installed capacity of Phase-I 1200 MW (2 x 600 MW) sub-critical coal based Anuppur thermal power Project in District Anuppur, Madhya Pradesh ("Project") for the period commencing from:-*

(a) 20th May 2015 to 31st March 2016: under Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for determination of Generation Tariff) Regulations, 2012; and

(b) Multi-year Tariff from FY 2016-17 to FY 2018-19 (Control Period): under Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for determination of Generation Tariff) Regulations, 2015.

2. *It is submitted that the Petitioner has entered into a Power Purchase Agreement ("PPA") with Madhya Pradesh Power Management Company Limited, formerly known as Madhya Pradesh Power Trading Company Limited (hereinafter "Respondent No.1"), on 05.01.2011 as amended on 31.07.2013 for sale of 30% of the Installed Capacity . Unit 1 of the Project had commenced supply of Power from Commercial Operation Date ("COD"), i.e., 20th May 2015.*
3. *It is submitted that the Government of Madhya Pradesh vide notification dated 03.06.2006 notified the MP Electricity Reforms Transfer Scheme Rules, 2006 for regulating transfer and vesting the functions, properties, interest, right and obligations of Madhya Pradesh State Electricity Board. Pursuant to unbundling, the function relating to Bulk Purchase and Supply of Electricity along with related agreement/arrangements in the State Government were transferred and vested by the State Government in Respondent No. 1. As such, Respondent No.1 is a:-*
   - *(a) Trading licensee, entitled to undertake transaction of sale and purchase of electricity and is the Holding Company of all Distribution Licensees within the State of Madhya Pradesh.*
   - *(b) Government Company as defined under Section 617 of the Companies Act, 1956.*
4. *Pursuant to the Notification dated 03.06.2006, the Petitioner entered into two separate PPA's being:-*
   - *(a) Power Purchase Agreement (PPA) dated 05.01.2011 with Respondent No. 1 being the lead procurer for Madhya Pradesh Poorva Kshetra Vidyut Vitaran Nigam Limited (hereinafter "Respondent No. 2"), Madhya Pradesh Madhya Kshetra Vidyut Vitaran Nigam Limited (hereinafter "Respondent No. 3") and Madhya Pradesh Pashchim Kshetra Vidyut Vitaran Nigam Limited (hereinafter "Respondent No. 4") for supply of an aggregate of 30% of the installed capacity of the Project for a period of 20 years at Regulated tariff to be determined by the Commission (hereinafter "Non Concessional PPA"); and*
   - *(b) PPA dated 04.05.2011 with GoMP (Respondent No. 1 being the nominated agency) for supply of 5% of the net power generated comprising of variable charges to be co-terminus with the life of the Project (hereinafter "Concessional PPA")*
5. *This Hon'ble Commission by its Order dated 07.09.2012 passed in Petition No. 7 of 2012 and Order dated 04.02.2013 passed in Petition No. 82 of 2012 has accorded approval to the aforesaid Non-Concessional PPA.*

6. *It is submitted that this Hon'ble Commission by its Order dated 29.07.2015 passed in Petition No. 31 of 2015 has approved the provisional tariff for Unit 1 with effect from COD, i.e., 20.05.2015 to 31.03.2016. The provisional tariff so determined was subject to adjustment as per MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2012 on determination of final tariff by the Commission after submission of audited accounts.*
7. *It is further submitted that this Hon'ble Commission by its order dated 09.03.2016 passed in Petition No. 06 of 2016 had allowed the Petitioner to provisionally bill the Respondent No. 1, for the period starting from 01.04.2016 till approval of tariff, as per the order passed on 29.07.2015 in Petition No. 31 of 2015 for its Unit-I (600 MW). Further, this Hon'ble Commission also directed the Petitioner to file the final tariff petition at the earliest but not later than 30th November 2016 along with the Audited Accounts and all other required details / documents.*
8. *The chronology of events of filing Tariff Petitions for determination of Tariff for2 x 600 MW coal based thermal power Project at District Anuppur (M.P) and orders passed by this Hon'ble Commission are listed in the chart herein below:-*

Chronology of List of Events under Petition No. 19/2014 & Petition No. 31/2015

Sl.	***Petition/ Affidavit/ Order Date***	***Particulars***
1	*05.11.2014*	*Petition No. 19 of 2014 was filed by the Petitioner before this Hon'ble Commission for Determination of Tariff of 2x600 MW Coal based Thermal Power Plant in District Auppur, Madhya Pradesh for period commencing from 30th November, 2014 for Phase-I (Unit 1 and Unit 2).*
2	*25.11.2014*	*Petition No. 19 of 2014 was listed for Motion hearing before this Hon'ble Commission. After hearing, daily order was issued by Hon'ble Commission with the direction to file:-* *A. DPR with estimated Project cost,* *B. Revised DPR with revised Project cost,* *C. Board Resolution for Project cost of Rs. 6240 Cr.,* *D. Board Resolution for rev. estimated Project cost of Rs. 8306.03 Cr,* *E. Designed/Guaranteed performance parameters of Turbine and Boiler,* *F. Letter of Assurance from the Lenders,* *G. Common Loan Agreement,* *H. Agreement with Lenders for additional loan,* *I. Copies of contracts,* *J. Details of Project funding,* *K. Unit-wise quarterly draw down schedule for Project funding, and, Actual IDC Computation*
3	*06.12.2014*	*In compliance with this Hon'ble Commission's order dated 25.11.2014, relevant documents/ details were filed by way of Affidavit, as detailed below :-*

<table>
<tr><th>Sl.</th><th>Petition/ Affidavit/ Order Date</th><th>Particulars</th></tr>
<tr><td></td><td></td><td>
<table>
<tr><th>S.No.</th><th>Documents</th><th>Date/ Details</th></tr>
<tr><td>A</td><td>DPR with estimated Project cost with respect to Project cost of Rs. 6240 Crore</td><td>May 2009</td></tr>
<tr><td>B</td><td>Revised DPR with revised Project cost</td><td>PIM dated Sep 2014 with appraised revised Project Cost.</td></tr>
<tr><td>C</td><td>Board Resolution for Project cost of Rs. 6240 Crore</td><td>21.10.2009</td></tr>
<tr><td>D</td><td>Board Resolution for revised estimated Project cost of Rs. 8306.03 Crore</td><td>30.06.2014</td></tr>
<tr><td>E</td><td>Designed/Guaranteed performance parameters of Turbine and Boiler</td><td></td></tr>
<tr><td>F</td><td>Letter of Assurance from the Lenders</td><td>Letter from Axis Bank dated 10 June 2010; Letter from SBI dated 17 June 2010</td></tr>
<tr><td>G</td><td>Common Loan Agreement</td><td>16.11.2010
Amendment-25.04.2011</td></tr>
<tr><td>H</td><td>Agreement with lenders for additional loan</td><td>Axis Bank-17.06.2014
SBI Bank- 26.06.2014</td></tr>
<tr><td>I</td><td>Copies of EPC Contracts</td><td>20 Dec 2010</td></tr>
<tr><td>J</td><td>Details of Project funding</td><td>Submitted for both Original & Revised cost</td></tr>
<tr><td>K</td><td>Unit-wise quarterly draw down schedule for Project funding</td><td>Submitted quarter wise draw down schedule as on 30.11.2014</td></tr>
<tr><td>L</td><td>Actual IDC computation</td><td>IDC computation Submitted</td></tr>
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</td></tr>
<tr><td>4</td><td>19.12.2014</td><td>Petition No. 19 of 2014 was listed before this Hon’ble Commission for Motion hearing. After hearing, daily order was issued by this Hon’ble Commission wherein Hon’ble Commission admitted the petition.</td></tr>
<tr><td>5</td><td>27.12.2014</td><td>In Petition No. 19 of 2014, this Hon’ble Commission raised queries by its communique dated 27.12.2014 and directed Petitioner to furnish details regarding COD, Capital Cost, Transmission line, Interest and Finance Charges, Oil expenses, Infirm power, Coal Cost and additional tariff formats.</td></tr>
<tr><td>6</td><td>19.01.2015</td><td>The Petitioner by its letter dated 27.12.2014 requested Hon’ble Commission to extend time for submission of information sought in Petition No. 19 of 2014. The prayer of the Petitioner was granted by</td></tr>
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Sl.	Petition/ Affidavit/ Order Date	Particulars
		Hon'ble Commission till 05.02.2015.
7	04.02.2015	*In compliance with the Hon'ble Commission's direction dated 19.02.2015, Petitioner filed relevant details in Petition No. 19 of 2014.*
8	28.02.2015	*Hon'ble Commission by its communique dated 28.02.2015 directed Petitioner to furnish details regarding documentary evidencefor delay, related party contracts, apportionment of common cost, Banker's certificates, Unit wise break up of actual expenditure upto COD of the Unit(s) duly reconciled with Annual Audited Accounts and details of balance works as on the date of COD.*
9	06.05.2015	*Hon'ble Commission by its order dated 06.05.2015 disposed-off Petition No. 19 of 2014 with liberty granted to the Petitioner to approach with all requisite details and documents as when the generating unit is declared under COD.*
10	05.06.2015	*The Petitioner based on the liberty granted by this Hon'ble Commission filed Petition No. 31 of 2015 before this Hon'ble Commission for determination of tariff and subsequently filed Application for early hearing of the case.*
11	23.06.2015	*The Petition No. 31 of 2015 was listed before this Hon'ble Commission wherein this Hon'ble Commission allowed the Application filed for early hearing of the petition and restored Petition No. 19 of 2014 as Petition No. 31 of 2015.*
12	07.07.2015	*This Hon'ble Commission after hearing the Petition No. 31 of 2015 admitted the same by its order dated 08.07.2015.*
13	10.07.2015 15.07.2015	*Hon'ble Commission raised several queries by its communique dated 10.07.2015 in Petition No. 31 of 2015 and directed the Petitioner to furnish:* *A. The details as break-up/status of margin money for working capital,* *B. Excise Duty/ Custom Duty (ED/CD) and finance charges,* *C. Chartered Accountant certificate for break-up of fuel cost and infirm power, and,* *D. Summary of UI transaction as on COD of the unit.* *The above information was submitted to the Hon'ble Commission.*
14	29.07.2015	*Hon'ble Commission by its order dated 29.07.2015 issued the provisional tariff order for Unit-1 in Petition No. 31 of 2015. Hon'ble Commission also directed the Petitioner to file the final tariff petition at the earliest along with the Audited Accounts and all other required details / documents.*

The Petitioner craves liberty of this Hon'ble Commission to treat the details, documents and submissions tendered in Petition No. 19 of 2014 and Petition No. 31 of 2015 as part and parcel of the instant Petition. The same are not being repeated/ submitted again herein for the sake of brevity.

***COD of Unit No.1**: The Petitioner submits that as per the terms of the PPA, the scheduled COD (SCOD) of Unit 1 was November 2014. In terms of the provisions of the PPA and based on communication exchanged with Respondent No.1 i.e.,* *letters dated 16.04.2015 & 26.08.2015, the revised SCOD of the Unit 1 as 20.05.2015 was accepted by Respondent No.1. Copy of the approval letter of Respondent No.1 dated 16.04.2015 has already been submitted to Hon'ble Commission as Annexure 53 - Page 3463 of the Petition no. 31 of 2015. Copy of Communication dated 26.08.2015 issued by Respondent No.1 is enclosed as Annexure 1.*

4. The following Annual Capacity Charges and Energy Charges for Unit No. 1 from 20th May' 2015 to 31st March' 2016 are filed in the subject petition:

Table 2: Annual Capacity Charges and Energy Charges for Unit No. 1 claimed from 20th May' 2015 to 31st March' 2016

Sr. No.	Particular	Units	From 20th May' 2015 to 31st March' 2016*
1	Return on equity	Rs. Cr.	211.69
2	Interest & Finance charges on loan	Rs. Cr.	433.05
3	Depreciation	Rs. Cr.	226.58
4	Operation & Maintenance expenses	Rs. Cr.	90.54
5	Secondary fuel oil expenses	Rs. Cr.	11.94
6	Interest on working capital	Rs. Cr.	64.38
7	**Annual Capacity (fixed) charges (Rs in Crore)**	Rs. Cr.	**1038.18**
8	No. of days of Unit No. 1 operation	Days	317
9	Capacity (Fixed) charges for no. of days of operation	Rs. Cr.	899.19
10	Share of MPPMCL as per Non-Concessional PPA	**%**	30%
11	**Annual Capacity (Fixed) Charges for Contracted Capacity (30%)**	Rs. Cr.	**269.76**
12	**Rate of Energy Charge from Coal**	**Rs./kWh**	**1.969**

As per amended petition dated 15.04.2017

5. For MYT period from 1st April' 2016 to 31st March' 2019, the following Annual Capacity Charges and Energy Charges of Unit No. 1 are filed in the subject petition

Table 3: Annual Capacity Charges and Energy Charges claimed in the petition for FY 2016-17 to 2018-19

Sr. No.	Particular	Unit	FY 2016-17	FY 2017-18	FY 2018-19
1	Return on equity	Rs. Cr.	284.63	291.53	291.53
2	Interest & Finance charges on loan	Rs. Cr.	431.31	411.20	378.59
3	Depreciation	Rs. Cr.	239.73	245.76	245.76
4	Operation & Maintenance expenses	Rs. Cr.	97.62	103.80	110.28
5	Interest on working capital	Rs. Cr.	64.70	64.91	64.58
6	**Annual capacity (fixed) charges**	Rs. Cr.	**1118.00**	**1117.20**	**1090.74**

7	Share of MPPMCL as per Non-Concessional PPA	**%**	**30 %**	**30 %**	**30 %**
8	**Capacity (Fixed) Charges for Contracted Capacity (30%)**	**Rs. Cr.**	**335.40**	**335.16**	**327.22**
9	**Rate of Energy Charge ex-bus**	**Rs./kWh**	**1.969**	**1.969**	**1.969**

As per amended petition dated 15.04.2017

6. With the aforesaid submission, the petitioner in its amended petition prayed the following:

   (a) Determine the Final Generation Tariff for Unit No. 1 of the Project as required under the Non-Concessional PPA dated 05.01.2011 for the period from 20.05.2015 till 31.03.2016;

   (b) Determine the Multi Year tariff for Unit No. 1 of the Project as required under the Non-Concessional PPA dated 05.01.2011 for the three years of the control period from 01.04.2016 till 31.03.2019;

   (c) Allow the recovery of the filing fees and also the publication expenses from the beneficiary as per Para 145;

   (d) Allow the recovery of the publication expenses from the beneficiary as and when incurred;

   (e) Consider the norms for Auxiliary power consumption and Station Heat rate for tariff determination as pleaded in Section 135 to 142 of this instant petition;

   (f) Allow the recovery of statutory charges, water charges, duties, taxes and cess on pass through basis from the beneficiary for the period from COD to 31.03.16 and 01.04.2016 to 31.03.2019 as per Para 143;

   (g) Allow recovery of carrying cost in case of any shortfall of revenue on account of difference in the estimated expenditure and actual expenditure of the Project in terms of Regulation 8.5 of MPERC Regulations 2012 & Regulation 7.10 (iv) of MPERC Regulations 2015.

7. The Commission has examined the subject petition in accordance with the provisions under Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Generation Tariff) (Revision-II) Regulations, 2012 {RG-26 (II) of 2012} (hereinafter called “the Regulations’ 2012”) and Madhya

Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 {RG-26 (III) of 2015} (hereinafter called "the Regulations' 2015") for FY 2015-16 and for new control period (FY 2016-17 to FY 2018-19) respectively.

Procedural History

8. Motion hearing in the subject petition was held on 24th January' 2017, when the petition was admitted and the petitioner was directed to serve copies of its petition to all Respondents in the matter. The Respondents were also asked to file their comments/response on the petition, by 20th February' 2017.

9. Vide letter dated 15th February' 2017, Respondent No.1 (MPPMCL) sought eight weeks' time extension for submission of its response/comments on the subject petition.

10. Vide letter dated 15th April' 2017, Respondent no. 1 (M. P. Power Management Company Ltd.) filed its response comments on the petition.

11. Vide Commission's letter dated 7th February' 2017, the information gaps on the subject petition were communicated to the petitioner and it was asked to file a comprehensive reply along with relevant supporting documents by 10th March' 2017.

12. Vide letter dated 7th March' 2017, the petitioner sought two weeks' time extension for filing its response. Vide Commission's letter dated 14th March' 2017, the petitioner was allowed to file its response at the earliest but not later than 30th March' 2017

13. By affidavit dated 28th March' 2017, the petitioner filed its reply to the issues raised by the Commission. Vide another affidavit dated 28th March' 2017, the petitioner also filed an additional submission with respect to certain items such as unamortized finance cost to borrowing, provision for contingent liability payable to PGCIL, which were not estimated or claimed at the time of filing of subject petition.

14. By affidavit dated 15th April' 2017, the petitioner filed the amended petition incorporating its aforesaid additional submissions with respect to expenses which were not estimated or claimed at the time of filing the subject petition.

15. The public notice on the subject petition inviting comments/suggestions from all stakeholders was published on 1st May' 2017, in the following newspapers:
    a) The Hitavada, Bhopal (English)
    b) Nav Duniya, Bhopal, Gwalior and Jabalpur (Hindi)
    c) Raj Express, Indore (Hindi)

16. The public hearing in the matter was held on 30th May' 2017. The petitioner received the comments on the petition from one objector. The petitioner submitted its reply to all the issues raised by the aforesaid objector. While finalizing this order, all submissions made by Respondent No. 1 and other stakeholder, relevant to the subject petition have been examined in light of the reply filed by the petitioner.

17. On perusal of the response filed by the petitioner on 28th March' 2017 to the issues raised by the Commission, it was observed that the response was lacking clarity on certain issues. Therefore, vide Commission's letter dated 19th May' 2017, the petitioner was asked to file a comprehensive reply on all such issues along with the relevant supporting documents by 29th May' 2017.

18. Vide letter dated 23th May' 2017, the petitioner sought two weeks' time extension for filing the response to the issues raised by the Commission vide its letter dated 19th May' 2017. Vide Commission's letter dated 27th May' 2017, the petitioner was allowed to file its response at the earliest but not later than 15th June' 2017.

19. By affidavit dated 22th May' 2017, the petitioner filed its reply to the comments offered by (M.P. Power Management Company Ltd.) Respondent No. 1 in the matter.

20. By affidavit dated 13th June' 2017, the petitioner filed its reply to the issues raised by the Commission vide its letter dated 19th May' 2017. However, the contents in the aforesaid affidavit were slightly amended by the petitioner by affidavit dated 13th July' 2017.

21. On perusal of above submissions of the petitioner, a meeting with the concerned representatives of petitioner and the office of the Commission was held on 7thSeptember' 2017 in the office of the Commission. Detailed discussions were held in the said meeting on various issues related to capital cost of the project including FERV and funding etc. In response to aforesaid meeting, the petitioner by affidavit dated 16th and 29th September' 2017 submitted the information as discussed in above meeting.

22. The response of the petitioner on the issues raised by the Commission during scrutiny of the subject petition is mentioned in **Annexure-I** with this order. The comments offered by MPPMCL and the response of the petitioner on each comment is mentioned in **Annexure-II** enclosed with this order.

CAPITAL COST

Provision under Regulations

23. Regulation 17 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 provide the following with regard to capital cost for a project:

"Capital cost for a Project shall include:

a) the Expenditure Incurred or Projected to be incurred on original scope of work, including interest during construction and financing charges, any gain or loss on account of foreign exchange risk variation during construction on the loan - (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, - up to the Date of Commercial operation of the Project, as admitted by the Commission, after prudent check shall form the basis for determination of Tariff.

b) capitalized initial spares subject to the ceiling norms as specified below:

i. Coal-based/lignite-fired thermal generating stations - 2.5% of original Project Cost.

ii. Hydro generating stations - 1.5% of original Project Cost.

Provided that where the benchmark norms for initial spares have been published as part of the benchmark norms for capital cost under first proviso to 17.2, such norms shall apply to the exclusion of the norms specified herein

c) additional capital expenditure determined under Regulation 20.

Subject to prudent check, the capital cost admitted by the Commission shall form the basis for determination of Tariff:

Provided that, prudent check of capital cost may be carried out based on the benchmark norms specified by the Central Commission from time to time:

Provided further that in case where benchmark norms have not been specified by the Central commission, prudent check may include scrutiny of the reasonableness of the capital expenditure, financing plan, interest during construction, use of efficient technology, cost over run, and such other matters as may be considered appropriate by the Commission for determination of Tariff………………………"

Petitioner's submission on capital costs

A. Detailed Project Report (DPR) and Board of Director (BOD) Approvals for Unit No. 1&2

24. The petitioner filed the following capital cost as approved by BOD of the company as on different dates for Unit No. 1&2:

Table 4: -Capital cost for Unit No.1&2 as approved by BOD of the company*

(Rs. in Crore)

Sr. No.	Particulars	BOD as on 21/10/2009 (DPR)	BOD as on 30/06/2014	BOD as on 16/02/2016
1	Cost of Land & Site Development	101.75	149.05	144.00
2	Boiler, Turbine & Generator (BOP Facilities)	3,825.00	4,124.36	4,267.43
3	Barrage at River (incl. Raw Water Pipeline & Pump House)	78.24	145.48	156.59
4	Railway Siding	35.00	124.43	141.81
5	Total	**3,938.24**	**4,394.27**	**4,565.83**
6	Building & Civil works (including Ash Dyke)	995.67	1,132.88	895.11
7	Pre-operative/Pre-commissioning Expenses	179.00	456.10	432.48
8	Interest during Construction/Finance Charges	926.47	1,597.72	1,895.35
9	Working Capital Margin	98.99	-	-
10	Custom & Excise Duty on Offshore/Onshore Equipments	-	576.03	576.03
11	Capital Expenditure	**6,240.12**	**8,306.03**	**8,508.80**
12	FERV Charged to Revenue	-	-	158.49
13	Unamortized Finance Cost to Borrowings	-	-	34.93
14	Total Capital Expenditure	**6240.12**	**8306.03**	**8702.23**

As per Annexure 4 of data gap Reply dated 13th June' 2017

B. Estimated Capital cost for Unit No.1

25. Against the aforesaid estimated capital cost for Unit No. 1&2, the petitioner has estimated the capital cost of Rs. 4909.66 Crore and Rs. 5110.06 Crore towards Unit No. 1 as on 20th May' 2015 and 31st March' 2016 respectively as under:

Table 5: Capital Cost as on 20th May' 2015 and 31st March' 2016 of Unit No. 1

(Rs in Crore)

Sr. No	Particulars	As on COD of Unit No. 1 (i.e. as on 20th May' 2015)	Additional Capitalization between 21st May' 2015 to 31st March' 2016	As on 31st March' 2016
1	Land & Site Development	128.62	0.00	128.62
2	Plant and Machinery	2647.88	144.64	2792.52
3	Building and Civil Work	752.80	0.00	752.80
4	Pre Operative Expense	258.77	11.05	269.82
5	IDC	1047.48	44.72	1092.20
6	**Capital Cost excluding CD/ED provisions**	**4835.56**	**200.40**	**5035.96**
7	Provision for Custom and Excise Duty #	27.41	0.00	27.41
8	FERV Loss Charged to Revenue attributed to Unit 1	46.69	0.00	46.69
9	**Total Capital Expenditure**	**4909.66**	**200.40**	**5110.06**

C. Actual Capital Cost Incurred for Unit No.1

26. Against the above capital cost estimate for Unit No. 1, the petitioner filed actual capital cash expenditure as on 20th May' 2015 (COD of Unit No.1) and 31st March' 2016 as under:

Table 6: Cash Expenditure incurred as on 20th May' 2015 and 31St March' 2016

(Rs. in Crore)

Sr. No	Particulars	Actual Cash Expenditure As on COD of Unit No. 1 (i.e. 20th May' 2016)	Additional Capitalization between 21th May' 2015 to 31st March' 2016	Actual Cash Expenditure as on 31st March' 2016
1	Capital Expenditure	4835.56	200.40	5035.96
2	Add: Cash Payments for Custom/ Excise Duty	27.41	0.00	27.41
3	Capital Expenditure as on accrual basis (1+2)	4862.97	200.40	5063.37
4	Less: Liability (net of advances)	225.42	-0.71	224.71
5	**Actual Cash Expenditure (3-4)**	**4637.55**	**201.11**	**4838.66**
6	Add: FERV Losses charged to Revenue attributed to Unit 1	46.69	0.00	46.69
7	**Cash Expenditure for Tariff Determination**	**4684.24**	**201.11**	**4885.34**

Commission's Analysis

27. The petitioner submitted the Annual Audited Accounts for FY 2015-16 along with expenditure incurred and capitalized duly certified by the Chartered Accountant.

D. Capital Cost Certified By Chartered Accountant

28. Vide Commission's letter dated 7th February' 2017, the petitioner was asked to file the break-up of project cost as mentioned under format TPS 5B towards Unit No. 1&2 and Unit No. 1 separately in Format A, duly certified by statutory auditor of the company.

29. It was also observed from the above tables that the petitioner has claimed additional capitalization from 21th May' 2015 to 31st March 2016. Out of aforesaid additional capitalization, the petitioner has shown additional capitalization of Rs. 11.05 Crore and Rs. 44.72 Crore towards pre-operating expenses and IDC (interest during construction) also respectively i.e. post COD of Unit No.1. In view of the aforesaid observation, vide Commission's letter dated 7th February' 2017, the petitioner was asked to explain the reasons of claiming the aforesaid expenditure post COD of Unit No. 1**.**

30. By affidavit dated 28th March' 2017, the petitioner submitted the detail break up of Capital Cost of Unit No. 1 as given in the following tables:

Table 7: Capital Cost of Unit No. 1 as on its COD and 31st March' 2016(Rs. in Crore)

Sr. No	Particular	Actual Cash expenditure for Unit No. 1 as on its COD (i.e. 20th May 2015)	Additions During 21th May' 2015 to 31st March 2016 towards Unit No. 1	Actual Cash Expenditure for Unit No. 1 (upto 31st March 2016)
1	**Cost of Land & Site Development**			
1.1	Free Hold Land incl. R&R	74.30	0	74.30
1.2	Lease Hold Land	5.82	0	5.82
	Sub Total- Land & Site Development	**80.12**	0	**80.12**
2	**Plant & Equipment**			
2.1	Boiler, Turbine & Generator	1,194.42	32.47	1,226.89
2.2	Coal Handling System	183.08	6.88	189.96
2.3	Ash Handling System	54.63	3.30	57.93
2.4	Water System	182.91	7.30	190.21
2.5	Fuel Handling & Other Mechanical Systems	71.55	4.42	75.97
2.6	Switchyard & Other Electrical Systems	293.59	14.81	308.40

2.7	Control & Instrumentation Systems	44.22	2.38	46.60
2.8	Taxes & Duties (CD, ED & Other taxes)	-		-
2.9	Raw Water Reservoir	130.16	0	130.16
2.1	Temp. Construction & Enabling works	130.31	0	130.31
2.11	Barrage (Barrage + Pump House+Raw Water Pipeline)	129.98	22.87	152.85
2.12	Railway Siding (including Locos)	138.32	1.01	139.33
2.13	Taxes on Barrage & Railway Siding	-		-
2.14	Mandatory Spares for BOP	4.50	0.30	4.80
	Sub Total - Plant & Machinery	**2,557.67**	95.73	**2,653.40**
3	**Building & Civil Works**		0	
3.1	General Civil Works for Main Plant Building,	513.06	2.01	515.07
	Plant Roads and Drains & Other Misc. Civil Works etc		0	
3.2	Raw Water Reservoir	-		-
3.3	Township (Boundary Wall, Roads & Parking, External Sewarage, Residential Quarters etc)	51.44	16.2	67.64
3.4	Other Buildings	39.48	0	39.48
	(Admin Building, canteen watch Towers,		0	
	Fire Stations, Time Office, Security House, Drivers Rest Room/Helipad) + BOUNDARY WALL		0	
3.5	Ash dyke (including interim dyke)	76.81	0	76.81
	Sub Total - Civil Works	**680.79**	18.21	**699**
4	Pre-Operative Expenses/Pre-Commissioning Expenses	259.02	0	259.02
5	Interest during Construction (IDC)/Finance Charges (FC)	1,092.20	0	1,092.20
	Sub Total - IDC, FERV & Contingency		0	
6	Project Cost	4,669.79	113.94	4,783.73
7	Custom & Excise Duty on Offshore/Onshore Equipments	27.41	0	27.41
8	Capital Expenditure	4,697.20	113.94	4,811.14
9	FERV Charged to Revenue	46.69	0	46.69
10	Total Capital Expenditure	4,743.89	113.94	4,857.83
11	Unamortized Finance Cost to Borrowings/Provision for Finance Charges	27.52	0	27.52
12	**Total Capital Cost**	**4,771.40**	**113.94**	**4,885.34**

31. By affidavit dated 28th March' 2017, the petitioner also submitted the following with regard to the additional capitalization (pre-operating expenses and IDC) claimed Post COD till 31st March' 2016 towards Unit No.1.

"The certificate of expenditure as submitted on the date of COD of Unit No. 1 (20.05.2015) & as on 31.03.2016 indicates the actual expenditure capitalized excluding the actual expenditure incurred for the facility of Railway Siding which was capitalized post COD of Unit-1 (20.05.2015) on 30.06.2015. The expenditure of Rs 11.05 Crore& Rs 44.72 Crore on account of Pre-operative expenditure and Finance Charges/IDC respectively allocable to railway siding has been capitalized with effect from 30.06.2015 (i.e. the date on which the said asset was made operational and put to use). The relevant document of Railways go-ahead approval dated 17.06.2015 is attached hereto and marked as Annexure 11A.

The Petitioner further submits the details of date wise work done in regard to Railway Siding facility and allocation of associated cost in terms of temporary construction/site enabling facilities & soft cost towards preoperative/pre-commissioning expenditure & IDC/Finance Charges is attached hereto and marked as Annexure 11B.

Accordingly, the ***Petitioner hereby resubmits the cash expenditure*** *for Unit No.1 as on the date of its COD (20.05.2015) and as on 31.03.2016 along with un-discharged liabilities (net of advances) which as duly certified by the Statutory Auditor and attached hereto and marked as Annexure 11C and detailed as hereunder:*

Particulars (Rs Crore)	Capital Expenditure for Unit-1 as on its COD (20.05.2015)	Cash Expenditure for Unit-1 as on its COD (20.05.2015)	Cash Expenditure for Unit-1 as on 31.03.2016	Un-discharged Liabilities for Unit-1 as on 31.03.2016
Free Hold Land	122.80	74.30	74.30	48.50
Lease Hold Land	5.82	5.82	5.82	-
Plant & Machinery				
BTG & BOP	2498.17	2289.36	2361.23	136.95
Barrage	155.04	129.98	152.85	2.20
Railway Siding	139.30	138.32	139.33	(0.02)
Building & Civil Works				
General Civil Works*	675.90	603.97	622.19	53.71
Ash Dyke#	76.91	76.81	76.81	0.09
Pre-operative Expenditure##	269.82	259.02	259.02	10.80
IDC/Finance Charges	1090.20	1090.20	1090.20	-
CD/ED paid in Cash	27.41	27.41	27.41	-

Particulars (Rs Crore)	Capital Expenditure for Unit-1 as on its COD (20.05.2015)	Cash Expenditure for Unit-1 as on its COD (20.05.2015)	Cash Expenditure for Unit-1 as on 31.03.2016	Un-discharged Liabilities for Unit-1 as on 31.03.2016
FERV Losses Charged to Revenue	*46.69*	*46.69*	*46.69*	*-*
Unamortized Cost to Borrowings	*-*	*27.52*	*27.52*	*(27.52)*
Total Cash Expenditure@	***5110.06***	***4771.40***	***4885.34***	***224.71***

General Civil Works include Power House Buildings, Store Buildings, Roads and Drains, Township, Administrative Building & other miscellaneous buildings, #Interim Dyke

Includes Project Management Expenses along with Pre-Commissioning Expenses (net of infirm power)

@excluding Rs 27.52 Crore of unamortized cost of borrowings attributable to Unit-1 (refer Form 5B attached hereto as Annexure 4)

32. It is observed from the above table regarding capital cost of Unit No.1 that the petitioner revised the figure of cash expenditure of Unit No. 1 as on its CoD dated 20th May' 2015 from Rs. 4684.23 Crore to Rs. 4771.40 Crore.

33. Further, in response to query related to additional capitalization, vide aforesaid affidavit, the petitioner clarified that the works related to railway siding of Rs. 201.11 Crore have been capitalized on 30.06.2015. Therefore, out of total cash expenditure of Rs. 4771.40 Crore, the net cash expenditure as on 20.05.2015 (COD of Unit No.1) actually capitalized is Rs. 4570.29 Crore are as given below::

Sr. No	Particulars	Rs. Crore
A	*Cash Expenditure as on 20.05.2015*	*4771.40*
B	*Less: Cash Expenditure pertaining to capitalization of Railway Siding post COD of Unit-1 till 31.03.2016*	*201.11*
C	***Net Cash Expenditure as on 20.05.2015pertaining to capitalization [C = A – B]***	***4570.29***
D	*Add: Liabilities discharged from COD of Unit-1 (20.05.2015) till 31.03.2016*	*113.94*
E	*Cash Expenditure as on 31.03.2016 (E = B+C +D)*	*4885.34*
F	*Add: Liabilities to be discharged post 31.03.2016*	*224.71*
G	***Total Capital Expenditure for Unit-1 (G = E + F)***	***5110.06****

** Excluding Rs 27.52 Crore of unamortized cost of borrowings attributable to Unit-1*

E. Capital Cost as per amended petition for Unit No.1

34. It is further observed that vide amended petition dated 15th April' 2017, the petitioner revised the estimated capital cost of Unit No. 1 from Rs. 5110.06 Crore to Rs. 5137.58 Crore on account of Unamortized finance cost to borrowings as under:

Table 8: Revised estimated Capital Cost of Unit No. 1 filed in amended petition

(Rs in Crore)

Particulars	Capital Expenditure for Unit No. 1 as on its COD
Freehold Land	122.80
Leasehold Land	5.82
Plant & Machinery	2792.51
Building & Civil Works	752.80
Pre-operative Expenditure	269.82
IDC & Finance Charges	1092.20
Custom/Excise duty (Cash)	27.41
Sub Total	**5063.36**
Add: FERV Losses charged to revenue (allocated to Unit No.1)	46.69
Total	**5110.06**
Add: Unamortized finance cost to borrowings under Prepaid advances	**27.52**
Total	**5137.58**

35. In the aforesaid amended petition, the petitioner finally submitted the following capital cash expenditure incurred for Unit No.1 as on its COD and as on 31st March 2016:

Table 9: Revised Capital Cost actually incurred for Unit No. 1 **(Rs in Crore)**

Particulars	As on COD of Unit 1 20th May 2016	During FY 15-16 post COD of Unit No. 1*	As on 31st March 2016
Cash Expenditure	4496.08	315.06	4811.15
Add: FERV charged to Revenue attributed to Unit 1	46.69	-	46.69
Add: Unamortized Finance Cost to Borrowings	27.52	-	27.52
Cash Expenditure considered for tariff determination	**4570.29**	**315.06**	**4885.35**

* *Cash Expenditure of Rs. 201.11 Crore pertaining to capitalization of Railway Siding post COD of Unit-1 till 31.03.2016* and *Liabilities discharged from COD of Unit-1 (20.05.2015) till 31.03.2016 of Rs 113.94 Crore.*

F. Total Capital Cost towards Unit No.1 & 2 filed by the petitioner

36. While examining the above tables for capital cost of Unit No.1&2, it is observed that the initial estimated project cost of Rs. 6240 Crore has been revised to Rs. 8306 Crore which was further revised to Rs. 8702 Crore. Against the aforesaid final revised cost estimate of Rs. 8702 Crore towards Unit No. 1&2, the actual cash expenditure of Rs. 7048.69 Crore and Rs. 7701.46 Crore towards both the Units has been incurred as on 20th May' 2015 and 31st March' 2016 respectively. The aforesaid actual cash expenditure has been certified by the Chartered Accountant also.

37. Vide Commission's letter dated 7th February' 2017, the petitioner was asked to submit the detailed break-up of project cost, along with the reasons for increase in initial project cost from Rs. 6240 Crore (as approved in Board's Resolution dated 21st October' 2009) to the actual project cost of Rs. 7048.69 Crore incurred as on COD of Unit No. 1 (Annexure-11 of the petition) under each cost items as mentioned in TPS 5Bon account of each of the following factors:-

a. Price/Rate variation
b. Exchange rate variation towards loan taken in foreign currency
c. Exchange rate variation towards payment in foreign component towards contract signed in foreign component.
d. Additional works
e. Taxes & Duties and Others (Pls. Specify and quantify each item separately).
f. The above items are to be mentioned in two part:
    i. Cost increased upto Schedule COD of Unit 1
    ii. Between Schedule COD to actual COD of unit 1.

38. By affidavit dated 28th March' 2017, the petitioner submitted the following reasons of increase in capital cost:

"By additional Affidavit (Volume IV) dated 06.12.2014 filed before this Commission in Petition No. 31/2015 (Pages 672-682), the Petitioner has already submitted all the reasons for variations from the initial Project capital cost of Rs. 6240 Crore to the revised Project capital cost of Rs. 8000 Crore in Project Information Memorandum prepared by lenders, for each and every item. The said affidavit was filed along with all the necessary Board Resolutions [additional Affidavit – Volume V dated 06.12.2014 in the Petition No. 31/2015 (Pages 836-842)] approving both the costs. The Petitioner however, humbly, re-submits the necessary documents/references in support of its submission and the same are attached

hereto and marked as Annexure 3A.Further, as directed by the Commission, the required information is furnished in "Format-B1"attached hereto and marked as Annexure 3B.

13. The Petitioner has already submitted in its previous submissions, that the total capital cost of the Project is Rs. 8306.03 Crore as against the initial Project cost of Rs. 6240 Crore as envisaged in the DPR, as explained below:

(a) The original appraised Project cost at the time of financial closure (16.11.2010) was Rs. 6,240 Crore with the debt equity ratio of 75:25.

(b) Subsequently, the appraised Project cost was revised by the bankers to Rs. 8,000 Crore. The additional Project cost of Rs. 1,760 Crore is being financed in Debt: Equity ratio of 70:30.

(c) Out of the appraised cost of Rs. 8,000 Crore, 'Margin money for working capital' to the tune of Rs. 270 Crore was excluded by the Petitioner from the Project capital cost being claimed in the Petition No. 31/2015.

(d) In addition, an amount of Rs. 576.03 Crore towards Customs Duty & Excise Duty has been included as a part of the Project capital cost. In respect of this, the Petitioner has partly paid in cash through equity, an amount of Rs. 28.75 Crore and for the balance, the Petitioner has obtained a non-fund based facility (BG facility) pending the grant of final 'Mega Power Status' for the Project. This Mega Power Status was provisionally approved by Ministry of Power vide the provisional Mega Power Certificate dated 18.01.2012. Once the same is released/ refunded to the Petitioner after grant of final Mega Power Status, the Petitioner would approach the Commission for suitable adjustment in the capital cost.

Further, with respect to the above amount of Rs 28.75 Crore, it is submitted that this amount has already been paid by the Petitioner in cash towards Custom and Excise Duty for equipment procured for the Project in the initial period i.e. from 06.06.2011 to 08.02.2012. Out of this amount of Rs 28.75 Crore, an amount of Rs. 14.79 Crore was paid in cash by the Petitioner towards Custom Duty prior to the issuance of the provisional Mega Power Certificate dated 18.01.2012 by the Ministry of Power. This amount was paid for import of foundation bolts on merit rate to enable start of construction as per the schedule. The balance amount of Rs. 13.96 Crore comprises of two components i.e. Rs. 9.48 Crore towards Custom Duty and Rs. 4.48 Crore towards Excise Duty, which was paid post issuance of provisional Mega Power Certificate pending registration of the Project with the appropriate authorities.

The Petitioner further submits that there is no process/provision for refund of this amount of Rs 28.75 Crore paid in cash by the Petitioner towards Custom and Excise Duty as the material has already been assessed on merit rate. As such the Petitioner humbly requests the Commission to kindly consider Rs. 28.75 Crore as a part of the Project capital cost. Nonetheless, in the event of receiving any refund against this amount, the Petitioner would duly approach the Commission for suitable adjustment in the Project capital cost.

(e) Thus, the total Capital cost so arrived was Rs. 8306.03 Crore as under:

Particulars	***Amount (Rs. Crore)***
Appraised Project Cost	*8000.00*
Less. Margin Money for Working Capital	*(-) 270.00*
Add. Custom & Excise Duty	*576.03*
Total Capital Cost	***Rs 8306.03***

14. With respect to this Commission's observation regarding actual Capital cost being Rs. 7048.69 Crore, it is humbly submitted that the amount of Rs. 7048.69 Crore is not the Project cost, but it is the actual cash expenditure (i.e. net of liabilities) incurred by the Petitioner, for the Project, till the date of COD of Unit-1. The same has also been considered by this Commission while approving the provisional tariff for Unit-1 in its order dated 29.07.2015 in Petition No. 31/2015.

15. In Petition No. 68/2016, the Petitioner has filed the estimated Project cost as Rs. 8667.30 Crore on account of various reasons as stated in this Petition.

16. The Petitioner humbly submits that while estimating the revised capital cost based on Annual Audited accounts for FY 2015-16 comprising of capitalized assets, capital work in progress and provision for balance works, the Petitioner has inadvertently missed the unamortized cost of finance to borrowings which has been incurred while raising/drawing the long term debts for the Project. On account of this, the estimated capital cost of the Project as filed in the Petition No. 68/2016 is hereby revised from Rs. 8667.30Crore to Rs. 8702.23 Crore.

This revision in the capital cost of the Project is also being submitted by the Petitioner before this Commission and the Respondents by way of additional submissions in the Petition No. 68/2016.

17. With regard to above submission, the Revised Capital Cost as on Project COD is summarized as hereunder:

Sr. No	Particulars (All Values in Rs Crore)	Estimated Capital Cost as on Project COD as filed in Pet. No. 68/2016	Revised Capital Cost as on Project COD	Variance
1	Land & Site Development	144.00	144.00	-
2	Plant & Machinery$	4578.41#	4565.83	(12.58)
3	Building & Civil Works$	882.54	895.11	+12.58
4	Pre-operative Expenses*	432.48	432.48	-
5	Finance Charges/IDC	1895.35	1895.35	-
6	Custom Duty/Excise Duty	576.03	576.03	-
7	Add: FERV Losses Charged to Revenue	158.49	158.49	-
8	**Capital Expenditure**	8667.30	8667.30	-
9	Add: Unamortized Finance Cost to Borrowings	-	34.93	+34.93
10	**Total Capital Cost**	**8667.30**	**8702.23**	**+34.93**

#readjusted with Custom/Excise duty paid in Cash – Rs 28.75 Crore

$Reclassification and regrouping of assets based on capitalization

**includes Project Management Expenditure (net of other incomes) & Pre-commissioning expenses (net of revenue from sale of infirm power)*

39. Subsequent to the technical validation meeting held on 7th September in the Commission's office, the petitioner, by affidavit dated 29th September' 2017 revised the capital cash expenditure towards Unit No.1&2 from Rs. 7048.69 Crore to Rs. 6932.83 Crore as per details given below:

Table 10: Capital Cash Expenditure for Unit No. 1&2 and Unit No. 1 as on its CoD

(Rs in Crore)

	Unit No.1 (Claimed)	
Particular	**Capital Cost incurred towards Unit No.1&2 as on COD of Unit No.1**	**Capital Cost incurred towards Unit No.1 as on its COD**
Land & Site Development	81.32	80.12
BTG & BOP	3765.21	2,284.02
Civil Works & Structural Works	734.82	680.79
Barrage	129.98	129.98
Railway Siding	138.32	-
Hard Cost	**4849.65**	**3174.91**
Pre Operative Expense-establishment charges	295.62	176.67
Pre Operative Expense-startup fuel	69.61	69.61
IDC	1561.13	1,047.48
FERV	93.14	46.69
Custom and Excise	28.75	27.41
Unamortized Final Cost	34.93	27.52
Soft Cost	**2083.18**	**1395.38**
Total Capital cost including IDC and FC	**6932.83**	**4570.29**

G. Item-Wise Capital Cost as Filed by the Petitioner and its analysis

Land

40. Vide BoD approval dated 30.06.2014, the initial cost of Rs. 101.75 Crore towards land has been revised to Rs. 149.05 Crore. In Petition No. 31/2015, the petitioner submitted the following reasons for increase in Land cost:

    1. *"Net increase of Rs. 6.35 Crore due to increase in anticipated cost of land acquired for the main plant and compensation for right of way for raw water pipeline as against the initially estimated cost and cost of land acquired for ash dyke and barrage outside the main plant area.*
    2. *Additional cost impact of Rs. 23.59 Crore is attributed requirement of additional land estimated approximately 103 Acres outside the main plant premises for the Railway Siding in terms of the revised Engineering Scale Plan approved by the South East Central Railway.*
    3. *Additional cost impact of Rs.19.85 Crore is estimated in revised Project cost in terms of the provisions of Madhya Pradesh Rehabilitation and Resettlement Plan, 2002 and, National Rehabilitation and Resettlement Plan, 2007 for the people affected by acquisition of additional land for Railway Siding, barrage and ash pipeline."*

41. Further, vide BoD approval dated 16.02.2016, the estimated cost of Rs. 149.05 Crore towards Land is finally revised to Rs. 144 Crore. Against the aforesaid final revised estimated cost of Rs.144 Crore towards Land for Unit No. 1&2, the petitioner has apportioned the estimated cost of Rs. 128.62 Crore towards Unit No. 1.

42. With regard to allocation of cost to Unit No. 1, vide Commission's letter dated 7th February' 2017, the petitioner was asked to furnish the break-up and basis of allocation of capital cost between Unit-1&2 in terms of Regulation 8.3 of MPERC Tariff Regulation 2012.

43. By affidavit dated 28th March' 2017, the petitioner submitted the following regarding the allocation of capital expenditure between Unit No.1 and Unit No 2.

    "The allocation of capital expenditure between Unit No. 1 and Unit No. 2 has been carried out based on technical assessment/engineering estimates in respect of the assets including common facilities put to use along with commissioning of Unit-1.The Petitioner further submits that based upon the Audited financial statements up-to 31.03.2016, the Petitioner is in a position to segregate the total capital expenditure of the Project between Unit-1 and Unit-2, in line with the above as well as the Accounting Standards issued by the Institute of

Chartered Accountants of India read along-with Regulations 8.3 of MPERC Regulations 2012.

In line with this, the basis of allocation for following heads as observed by this Commission is as follows:-

S. No.	Particular	Basis of Allocation as technical assessment and Accounting Policy
1	Raw Water Reservoir	Raw Water Reservoir is a common facility for both the Units; However Unit wise construction is not technically feasible as there is single pump house facility with single pond without any partition and it will cater to the water requirement for both the Units. Hence the construction of Raw water reservoir has been executed in one go and the entire Reservoir facility has been put to use to run the Unit-1; Hence the entire cost incurred under the same is capitalized to Unit-1.
2	Ash Dyke	The ash dyke, constructed & put to use till the date, is an interim ash dyke within the premises of the Project with the capacity of 1.5 MCM and cater to Unit-1 only. The construction of mother dyke has been deferred and proposed to be completed within cut off period.
3	Other Buildings (Admin Building, Canteen, Watch towers, Fire Stations, Time Office, Security House, Drivers Rest Room/Helipad, Boundary Wall)	Other Buildings i.e. Administration Building, Canteen, Watch Tower, Fire Stations, Time office, Security House, Driver Rest Room, Helipad and Boundary wall are common facilities but are required for Unit-1 and have been put to use along with Unit-1. Unit wise segregation is not technically feasible Hence the entire cost incurred under the same is capitalized to Unit-1.
4	Free Hold Land including R&R	On the basis of the facilities/Assets/Building created/constructed/put to use and capitalized accordingly.

Considering the afore-detailed facilities including Residential towers/township capitalized with commissioning of Unit-1 as per the prevailing accounting standards, the Petitioner hereby submits that approximately 85% of total Building & Civil works cost has been allocated to Unit-1 and balance to Unit-2.

The detailed break up and basis of allocation of common facilities between Unit-1 and Unit-2, included in the total capital cost under each asset-classification is attached hereto and marked as Annexure 5.

Further, as per the prevailing industry practices for the coal based thermal power projects consisting of 2 (two) Units, the common facilities like railway siding, fuel handling system, ash handling system, switch yard, water storage facilities, barrage etc. are generally put to use along with Unit-1 and hence these common facilities are capitalized at the time of COD of Unit-1 only. Thus, the capital cost of Unit-1 and Unit-2 of such projects are not in 50:50 proportions and instead the capital cost allocated to Unit-1 is generally higher than that of

Unit-2. This is evident from the tariff orders issued by the concerned Electricity Regulatory Commissions for the various thermal power projects, based on which a brief comparison of the capital cost allocation between Unit-1 & Unit-2 as a percentage of the overall Project capital cost is tabulated as under:-

- *Estimated Project capital cost of the Petitioner's Project: Rs8702.23 Crore*
- *Estimated capital cost of Unit-1 claimed by the Petitioner: Rs. 5110.06 Crore i.e. 58.72% of the estimated Project capital cost.*
- ***Hence estimated Project capital cost allocation between Unit-1 and Unit-2 of the Petitioner's Project: 58.72% and 41.28% respectively.***

S.No	Project	Sector	Capacity (MW)	Cost Allocation (as a % of overall Project cost)	
				Unit-1	Unit-2
1	Mauda-I	Central(NTPC)	2X500	64.20%	35.80%
2	Simhadri-II	Central (NTPC)	2X500	57.45%	42.55%
3	Vindhyachal-IV	Central (NTPC)	2X500	56.74%	43.26%
4	Udupi TPS	IPP(Karnataka)	2X600	55.82%	44.18%
5	Kalisindh TPS	State(Rajasthan)	2X600	55.20%	44.80%

Accordingly, it is submitted that the basis of allocation of the capital cost of the Petitioner's Project between Unit-1 and Unit-2 as claimed by the Petitioner (i.e. 58.72%: 41.28%) is reasonable and in accordance with the industry practices."

44. The petitioner further submitted that it has incurred cash expenditure of Rs. 81.32 Crore towards Land for Unit No.1&2 (as on COD of Unit No.1), out of which it has claimed Rs. 80.12 Crore towards Unit No. 1.The allocation of the aforesaid cost of Land for Unit No.1 is considered in this order as per Regulation 8.3 of MPERC (Terms and Condition for Determination of Generation Tariff) Regulations, 2012.

BTG & BOP (Including Taxes & Duties)

45. The petitioner submitted that the EPC contract of the Project was awarded on International Competitive Bidding ("ICB") basis to M/s Lanco Infratech Limited which includes import of Main Plant Equipment's, i.e., Boiler, Turbine and Generator by way of Off-shore Supply Contract at a lump sum value of US $360 Million. Further, the balance of payments (BOP) includes the works like Coal Handling System, Ash Handling System, Water System, Fuel Handling & Other Mechanical Systems, Switchyard & Other Electrical Systems, Control & Instrumentation Systems, Raw Water Reservoir, Temp. Construction & Enabling works and duties & taxes.

46. Vide BoD approval dated 30.06.2014, the initial cost of Rs. 3825 Crore towards BTG & BOP has been revised to Rs. 4124.36 Crore. Further, vide BoD approval dated 16.02.2016, the estimated cost towards BTG and BOP has been finally revised to Rs. 4267.43 Crore. The petitioner submitted the following reasons for increase in aforesaid estimated cost:

    a. *The Value of Offshore Supply Contract ($360 M) was reappraised considering Rs 60/$ for the balance payments as on 30.11.2013 (initial exchange rate was Rs 49/$)in terms of INR by the lead Lender State Bank of India;*
    b. *Additional Work of Piling amounting to Rs 99.18 Crore was required; not envisaged earlier during initial appraisal*
    c. *Variation is on account of Reclassification and regrouping in light of finalization of audited annual accounts for FY 2015-16 based on which capitalization has been done*

47. Against the final revised estimated cost of Rs. 4267.43 Crore towards BTG and BOP of Unit No. 1&2, the petitioner has estimated the cost of Rs. 2498.17 Crore towards Unit 1.

48. The petitioner further submitted that it has incurred cash expenditure of Rs. 3765.21 Crore towards Unit No.1&2 (as on COD of Unit No.1), out of which it has claimed Rs. 2284.02 Crore towards BTG and BOP of Unit No.1.The petitioner submitted that the main reasons for increase in aforesaid cost are foreign exchange variation and additional work of piling thus, for the purpose of determination of tariff, the Commission has considered Rs. 2284.02 towards BTG and BOP of Unit No.1 in this order.

Barrage (including Land and Taxes)

49. Vide BoD approval dated 30.06.2014, the initial cost of Rs. 78.24 Crore towards Barrage has been revised to Rs. 145.48 Crore. Further, vide BoD approval dated 16.02.2016, the estimated cost of Rs. 145.48 Crore towards Barrage is finally revised to Rs. 156.59 Crore. The petitioner submitted the following reasons for increase in aforesaid estimated cost:

    a. *Additional work of construction of Fish Pass arrangement in Barrage as mandated by National Green Tribunal;*
    b. *Additional work of increase in number of radial gates to control flood as mandated by WRD, Bhopal*
    c. *Increase in diameter of raw water pipeline to optimize the requirement of land requirement for laying of pipeline from barrage to the Plant site.*

d. *Price Escalation for time overrun on account of hindrances by local villagers, labour strikes, unseasonal heavy rainfall damaging the barrage)approximately Rs 4.99 Crore.*

e. *Change in BOQ on account of change in soil embankment construction works after damage from flash flood amounting Rs. 6.21 Crore.*

50. Against the aforesaid final revised estimated cost of Rs. 156.59 Crore towards Barrage for Unit No.1&2, the petitioner has apportioned the estimated cost of Rs. 155.04 Crore towards Unit No.1.

51. The petitioner further submitted that it has incurred cash expenditure of Rs. 129.98 Crore towards Barrage for Unit No.1&2 (as on COD of Unit No.1). The entire amount of Rs. 129.98 Crore is claimed by the petitioner towards Unit No.1 only. The aforesaid actual cash expenditure towards Barrage is allocated to Unit No.1 in this order in line with Regulation 8.3 of MPERC Regulations, 2012

Civil & Structural Works

52. In BoD approval dated 30.06.2014, the initial cost of Rs. 995.67 Crore towards civil and structural works was revised to Rs. 1132.88 Crore. Further, vide BoD approval dated 16.02.2016, the estimated cost of Rs. 1132.88 Crore towards civil and structural works finally revised to Rs. 895.11 Crore. The petitioner submitted the following reasons for increase in aforesaid cost:

a. *Additional work of HDPE lining in Reservoir as mandated by MoEF; however the work under this head is reclassified and regrouped with Plant & machinery.*

b. *Additional cost impact in the work of Ash dyke on account of excessive quantum of rock encountered in the proposed area for ash dyke within the premises of the plant; location shifted to CHP area; Additional work of HDPE lining as mandated by MoEF.*

c. *Additional in scope of township works in number of residential and other associated facilities on account of change in O&M manpower planning (being underestimated at the time of financial closure)*

53. Against the aforesaid final revised estimated cost of Rs. 895.11 Crore towards civil and structural works for both Units, the petitioner has apportioned the estimated cost of Rs. 752.80 Crore towards Unit No. 1.

54. The petitioner further submitted that it has incurred cash expenditure of Rs. 734.82 Crore towards civil and structural works for both Units (as on COD of Unit No.1), out

of which it has claimed Rs. 680.79 Crore towards Unit No.1.The aforesaid actual cash expenditure towards civil and structural works is allocated to Unit No. 1 in the same ratio of the allocation considered in this order for BTG.

Railway Siding

55. In BoD approval dated 30.06.2014, the initial cost of Rs. 35 Crore towards Railway Siding has been increased to Rs.124.43 Crore. Further, vide BoD approval dated 16.02.2016, the estimated cost of Rs. 124.43 Crore towards Railway Siding is finally revised to Rs. 141.81 Crore. The petitioner submitted the following reasons for increase in aforesaid cost:

a. *Increase in track length from initially envisaged 6.3 Km to 22.3 Km as per the Engineering Scale Plan approved by Railways (SECR); Though later on Railways had given approval to Petitioner to construct the same entry same exit line of length 17.5 Km and proposed to postpone the construction of balance line as new entry line.*

b. *Impact of association codal and inspection charges for increase scope of work;*

c. *Price Escalation for time overrun on account of agitation by local politically motivated miscreants affecting the railway siding works outside the premises amounting Rs. 9.10 Crore.*

d. *Change in BOQ on account of additional requirement in Signaling and Telecommunication works, OHE & Electronic interlocking works/railway supervision charges amounting Rs. 8.28 Crore.*

56. Against the aforesaid final revised estimated cost of Rs. 141.81 Crore towards Railway Siding for both the Units, the petitioner has apportioned the estimated cost of Rs. 139.30 Crore towards Unit No. 1.

57. The petitioner further submitted that it has incurred cash expenditure of Rs. 138.32 Crore towards Railway Siding for Unit No.1&2 (as on COD of Unit No.1). However, as the facility of Railway Siding was not put to use as COD of Unit No.1, therefore, the petitioner has not capitalized any amount towards Railway Siding as on COD of Unit No.1. Accordingly, the Commission has not considered any amount towards Railway siding for Unit No.1 as on its COD. The actual cash expenditure towards Railway siding is dealt with in this order under additional capitalization during FY 2015-16 in terms of provisions under Regulation 8.3 of MPERC Tariff Regulations, 2012.

58. Based on the above, the Hard Cost considered in this order is as given below:

H. Summary of Hard Cost considered:

Table 11: Hard cost for Unit No.1 (Rs. In Crore)

Particular	Hard cost considered for Unit No.1 as on its COD
Land & Site Development	40.66
BTG & BOP	2284.02
Civil Works & Structural Works	445.75
Barrage	64.99
Railway Siding	0.00
Hard Cost	**2835.42**

I. Soft Cost

(i) Interest During Construction and Financing charges

59. Vide BoD approval dated 30.06.2014, the initial cost of Rs 926.47 Crore towards interest during construction inclusive of finance charges was revised to Rs. 1597.72 Crore. In petition no. 31/2015, the petitioner submitted the following reasons for increase in aforesaid cost:

1. *Time over-run in commissioning of Project by 10 months from envisaged schedule at the time of Financial Clouser;*
2. *Increase in actual interest rate (current prevailing at 14.50% p.a. for original term loan of Rs. 4,680.00 Crore and 14.50% p.a. proposed for (debt funding of cost overrun) during construction period compared to interest rate assumed at FC (11.75% p.a.).*
3. *As per the initial estimates, underwriting, upfront and processing fee on loan was considered @1.4%, whereas in the revised estimate, syndication fee on sanctioned debt amount was also considered leading to an increase of Rs. 21.38 Crore;*
4. *The revised cost estimate also includes amount of Rs. 29.06 Crore on account of financing cost (1.75%) of additional debt of Rs. 1,232 Crore and working capital loan of Rs. 750 Crore @1.00%*
5. *Additional cost (@1.5%) has been incurred / estimated in the form of Indian Letter of Credit / Foreign Letter of credit;*
6. *Buyer's credit financing charges*
7. *Bank Guarantee charges @2% towards BG requirement towards Custom and Excise Duty payments;*
8. *The ECB financing charges and its hedging cost for Exchange rate variation*

for facility extended by India Infrastructure Finance Company (UK) has been considered in the total financing charges.

60. Further, vide BoD approval dated 16.02.2016, the estimated cost of Rs. 1597.72 Crore towards interest during construction inclusive of finance charges was finally revised to Rs. 1895.35 Crore. The petitioner stated that the increase in IDC is due to change in COD and on account of events beyond the control of the petitioner.

61. Vide Commission's letter dated 7th Feb' 2017, the petitioner was asked to furnish the following details/documents regarding interest during construction and finance charges duly certified by the statutory auditor along with soft copy of computation in excel sheet:

a. Finance Charges
   i. LC Commission
   ii. Bank Charges
   iii. Processing Fees
   iv. Other items to be specified

b. Hedging Cost

c. Interest during Construction on Domestic Loans

d. Interest during Construction on Foreign Loans and additional interest over interest overdue and principle overdue & Penalty, if any and other items to be specified.

62. By affidavit dated 28th March' 2017, the petitioner submitted the following break-up of expenditure towards Interest during Construction and Finance Charges for the Project:

S. No	***Particulars (Rs. in Crore)***	***As on SCOD of Unit-1 (30.11.2014)***	***As on COD of Unit-1 (20.05.2015)***	***As on 31.03.2016***	***As on Project COD (07.04.2016)***
1	*Interest during Construction*	*1163.73*	*1381.70*	*1682.18*	*1682.18*
2	*Finance Charges**	*177.83*	*214.36*	*242.11*	*242.11*
	IDC including FC	***1341.56***	***1596.06***	***1924.29***	***1924.29***

**including unamortized finance cost of borrowing*

The break-up of IDC and Finance Charges as required by the Commission is attached hereto and marked as Annexure 7.The Certificate regarding the same duly certified by Statutory Auditor is attached hereto and marked as Annexure 2B."

63. In its above reply, the petitioner did not file unit-wise information, therefore, vide Commission's letter dated 19th May' 2017, the petitioner was again asked to furnish the unit-wise details for interest during construction and finance charges as on 30th

November' 2014 (SCOD), 20th May' 2015 (Actual CoD of Unit 1), 31st March' 2016 and 6th April' 2016 (Actual CoD of Unit 2).

64. In response to above, by affidavit dated 13th June' 2017 and subsequently revised by affidavit dated 13th July' 2017, the petitioner submitted the following unit wise details for IDC, Finance Charges as on the specified dates (on cash basis):

	30.11.2014*	***20.05.2015^***	***31.03.2016^***	***06.04.2016^***
Interest during Construction (Rs Crore)				
Unit 1	*818.05*	*971.27*	*971.27*	*971.27*
Unit 2	*345.68*	*410.43*	*710.91*	*710.91*
Sub Total	***1163.73***	***1381.70***	***1682.18***	***1682.18***
Finance Charges (Rs Crore)				
Unit 1	*100.32*	*120.92*	*120.92*	*120.92*
Unit 2	*77.51*	*93.44*	*121.18*	*121.18*
Sub Total	***177.83***	***214.36***	***242.10***	***242.10***

**Since unit wise cost up to earlier SCOD i.e. 30.11.2014 is not ascertainable, soft cost up-to the said date has been notionally bifurcated on the basis of % of soft cost allocated to each Unit on the date of COD of Unit 1.*

^ Cost up-to 20.05.2015, 31.03.2016 and 06.04 2016 is on the basis of actual capitalization / incurred.

65. In terms of the clause 4.1.5 of the PPA dated 5th January, 2011 executed between the parties, the scheduled COD of the Unit No. 1 of the project was November, 2014 whereas, the Unit No. 1 was actually declared under commercial operation on 20th May' 2015. There is delay in CoD of around six months. Therefore, Vide Commission's letter dated 7th February' 2017, the petitioner was asked to submit the reasons for delay in achieving COD on the following counts:

- Delay attributable to contractor/vendor.
- Delay due to the reasons attributable to petitioner or
- The reasons beyond the control of both petitioner and contractor/vendor."

66. By affidavit dated 28th March' 2017, the petitioner submitted the following:
"It is submitted that the Power Purchase Agreement ("PPA") dated 05.01.2011 executed between the Petitioner and MPPMCL (Respondent No. 1) has been duly approved by this Commission by its Order dated 07.09.2012. The Article 4.1.6 of the said PPA provides, as under:-

*"Revised Scheduled Commercial Operation Date: **The Parties may mutually agree to revise the Scheduled CoD** for Commissioning of any Unit or the Power*

Station (hereinafter referred to as Revised Scheduled Commercial Operation Date or Revised Scheduled CoD) ***and such Revised Scheduled CoD shall thereafter be the Scheduled CoD****."* *[Emphasis Supplied]*

It is submitted that in terms of the provisions of the PPA, the Scheduled COD of theUnit-1 has been revised to 20.05.2015 and this revised Scheduled COD has been duly approved and accepted by the Procurer, MPPMCL vide letters dated 16.04.2015 & 26.08.2015. The copies of the said letters issued by the MPPMCL dated 16.04.2015 & 26.08.2015, have already been submitted to this Commission as Annexure-53 of the Petition No. 31/2015 and as Annexure-1 of the Petition No. 68/2016 respectively. Nonetheless, a copy of the above referred order of the Commission dated 07.09.2012 and copies of the letters issued by MPPMCL (Respondent No. 1) dated 16.04.2015 and 26.08.2015 are attached hereto and marked as Annexure 1A (Colly).

Without prejudice to the aforesaid it is submitted that the detailed reasons for delay in achieving COD of Unit-1 along with the supporting documents/justifications have already been submitted while filing replies to this Commission's Order dated 06.05.2015 as additional affidavit in its submission dated 05.06.2015 (Page 3386-3390) in Petition No. 31/2015. Nonetheless, the reasons for the delay have been summarized herein below.

It is submitted that it was informed to this Commission that despite adhering to the Prudent Utility Practices and despite all efforts by the Petitioner, there has been a delay in achieving the COD of Unit-1 of the Petitioner's Project owing to several hurdles faced by the Petitioner during the construction phase of the Project which were beyond the control of the Petitioner. The said reasons have been summarized herein below:

(a) Delay in grant of Stage-II Forest Clearance by MoEF;
(b) Delay on account of unwarranted Public Interest Litigations (PILs) by meddlesome interlopers for personal gains;
(c) Disturbances/unrest at Project Site by miscreants and motivated elements;
(d) Unseasonal and unprecedented rains/ Floods;
(e) Delay in barrage construction.
(f) Delay due to other external factors.

1. *A brief explanation on each of the reasons for delay is set out herein below for this Commission's consideration:-*

(a) Delay in grant of Stage-II Forest Clearance by MoEF:

(i) It is submitted that certain portion of forest land falls within the main plant area. The Stage-I Forest Clearance for the said land was granted by Ministry of Environment & Forests (MoEF) on 04.06.2010. Thereafter the Stage-II Forest Clearance was granted by the MoEF on 17.08.2011, i.e., after more than 14 months from the date of grant of Stage-I Forest Clearance.

(ii) As per the existing industry practices, Stage-II Forest Clearance is generally granted within 5 to 6 months of Stage-I Forest Clearance. Accordingly, the Petitioner anticipated grant of Stage-II Forest Clearance within the year 2010 and hence on 20.12.2010, awarded the EPC Contract for Main Plant Activities to M/s Lanco Infratech Limited.

(iii) However this Stage-II Forest Clearance was granted by MoEF to the Petitioner only on 17.08.2011.

(iv) Further, there was delay on account of the fact that MoEF vide letter dated 23.09.2011 imposed a stay on Stage-II Forest Clearance in the wake of several Public Interest Litigations (PILs) filed before Hon'ble High Court of Madhya Pradesh. These PILs were eventually disposed-off by the Hon'ble High Court of Madhya Pradesh in favor of the Petitioner. Accordingly, MoEF vide letter dated 19.03.2012 vacated the stay and re-instated Stage-II Forest Clearance. Thereafter, the forest land was transferred to the Petitioner. Copies of the Stage-I and Stage-II Forest Clearance and MoEF letters dated 23.09.2011 and 19.03.2012 are attached hereto and marked as Annexure 1B (Colly). A table demonstrating the above unwarranted delays is provided herein below for this Commission's ease of reference:

Period			***Details***	***Delay in commencement of construction works***
From	***To***	***Total Days***		
04.06.2010	*17.08.2011*	*439 days (Against the general timelines of ~ 180 days.)*	*Period elapsed between Grant of Stage-I and Stage-II Forest Clearance by MoEF.*	*~ 8 months*
23.09.2011	*19.03.2012*	*178 days*	*Stay on the granted Stage-II Forest Clearance.*	*~ 6 months*
Total delay in transfer of forest land on account of above				*~ 14 months*
Delay in commencement of construction works due to above delay in transfer of forest land				***~ 10 months***

(v) ***As is evident from the above table, grant of Stage-II Forest Clearance was delayed by MoEF by around 8 months (vis-à-vis general timelines***

***between grant of Stage-I & Stage-II Forest Clearance). Further a period of another 6 months was lost due to the stay imposed on this Forest Clearance by MoEF. Thus, transfer of forest land was delayed by a period of more than 14 months (8 months + 6 months), which consequently delayed the commencement of various construction activities including those at Coal Handling Plant Area & IDCT Area by around 10 months. This delay was beyond the Petitioner's control and is attributable to the Govt. agencies**.*

(b) Protests/Agitations/Demonstrations at the Project Site:

(i) The Petitioner respectfully submits that during the construction period, the Project witnessed constant disturbances/unrest at the Project Site on account of protests/ demonstrations/ agitations carried out by residents/ villagers. These protests/ demonstrations/ agitations were politically motivated and were carried out at the instance of external and unscrupulous elements for personal gains and these resulted in intermittent closure of Project Site, thereby severely interrupting the ongoing construction activities. The major events which resulted in interruption/stoppage of construction works at the Site from time to time and delayed the commissioning of the Project are detailed in the table below:

Period		***Reasons of Work Interruption***	***No. of Days***	***Area Affected***	***Documentary Evidence***
From	***To***				
24.01.2011	*01.02.2011*	*Labour Unrest; Local Villagers intruded the plant; fatal attacks*	*9 days*	*Complete Site was closed*	*News Articles in local dailies from 25.01.2011 to 01.02.2011*
26.02.2011	*12.03.2011*	*Local Villagers Unrest on petty wage issues; committed fatal attacks; Work re-commenced after 12.03.2011*	*15 days*	*Complete Site was closed*	*News Articles in local dailies from 26.02.2011 to 12.03.2011*
02.12.2011	*03.12.2011*	*Agitation by Bhartiya Kisan Union at Plant Main Gate*	*2 days*	*Complete Site was closed*	*News Articles in local dailies from 02.12.2011 to 03.12.2011*

Period		Reasons of Work Interruption	No. of Days	Area Affected	Documentary Evidence
From	To				
04.02.2012	*09.02.2012*	*Agitation by Bhartiya Kisan Union at Main Gate*	*6 days*	*Complete Site was closed*	*News Articles in local dailies from 04.02.2012 to 09.02.2012*
05.05.2012	*08.05.2012*	*Political Rally by Bhartiya Kisan Union (Distt. SP and others were injured) at Main Gate*	*4 days*	*Complete Site was closed*	*News Articles in local dailies from 05.05.2012 to 08.05.2012*
25.03.2014	*27.03.2014*	*Agitations and threat to labour by political motivated elements*	*3 days*	*Complete halt of works*	*Petitioner's letter dated 27.03.2014 to the Collector and SP, Anuppur*
17.01.2015	*19.01.2015*	*Agitation by local miscreants for the part of the land for Railway Siding; Several Police officials injured; labour at plant stopped the work for two days*	*3 days*	*Complete Site was closed*	*News Articles in local dailies from 18.01.2015 to 21.01.2015*
TOTAL SITE CLOSURE ON ACCOUNT OF ABOVE: 42 Days					

(ii) *Copies of news articles/ clippings in the local newspapers and letter of the Petitioner substantiating the afore-stated delays are attached hereto and marked as Annexure 1C (Colly).* ***The Petitioner submits that on account of aforementioned reasons, the Project implementation works were severely affected for around 65 days during the construction phase,*** *i.e., 42 days direct delay on account of Project Site closure and an indirect delay of 3-4 days per interruption (totaling to around 20 days for such 6 interruptions) on account of resource and manpower re-mobilization/ re-deployment and restart of work.*

(c) ***Unconventional heavy rainfall during non-monsoon period/ floods:***

(i) *The Petitioner respectfully submits that the Project witnessed unusually heavy rainfalls/ floods repeatedly in non-monsoon months during the implementation phase of the Project, which severely affected the*

construction works. The rainfall data for District Anuppur by the Indian Meteorological Department from for the years 2010 to 2014 (already submitted by the Petitioner along with the replies filed by it to this Commission's order dated 06.05.2016) is summarized here under and is attached hereto and marked as Annexure 1D.

Average Rainfall Data (mm)						***% Departure from long term average for the respective month***				
Year	***2010***	***2011***	***2012***	***2013***	***2014***	***2010***	***2011***	***2012***	***2013***	***2014***
January		*0*	***73***	*3.5*	*8.7*		*-100%*	***147%***	*-88%*	*-70%*
February		*0*	*2.6*	***70.4***	***69.5***		*-100%*	*-90%*	***184%***	***180%***
March	*0*	*0*	*0*	*3.5*	*28.9*	*-100%*	*-100%*	*-100%*	*-83%*	*41%*
April	*0*	*0*	*0.8*	***41.0***	*0*	*-100%*	*-100%*	*-95%*	***179%***	*-100%*
May	*0*	*0*	*3.6*	*0.2*	*0*		*-100%*	*-82%*	*-99%*	*-100%*
June	*43*	*258.3*	*51.6*	*226.9*	*119.4*	*-78%*	*45%*	*-71%*	*28%*	*-33%*
July	*258.2*	*205.2*	*462.9*	*263.3*	*315.8*	*-33%*	*-47%*	*20%*	*-32%*	*-18%*
August	*264.2*	*407.6*	*297.1*	*331.6*	*309.2*	*-33%*	*5%*	*-23%*	*-14%*	*-20%*
September	*252.9*	***425.1***	*136.7*	*123.4*	*268.2*	*11%*	***90%***	*-39%*	*-45%*	*20%*
October	*4.5*	*0*	*16.5*	***204.4***	***185.7***	*-92%*	*-100%*	*-65%*	***336%***	***295%***
November	*4*	*0*	***59.6***	*0*	*0*	*-64%*	*-100%*	***636%***	*-100%*	*-100%*
December	*18.2*	*0*	*5.2*	*0*	*2.3*	*70%*	*-100%*	*-66%*	*-100%*	*-85%*

**Source: India Meteorological department (2010-2014) for District Anuppur, Madhya Pradesh*

(ii) The Table above makes it abundantly clear that the Project had witnessed unconventional heavy rainfall/ floods in the months of September 2011, January 2012, November 2012, February 2013, April 2013, October 2013, February 2014 and October 2014 i.e. a total period of 8 months during the construction phase of the Project, thereby severely affecting the construction works at the Site during the peak time. Further, during the month of August 2014, sudden and abrupt cloud outbursts were experienced leading to flash floods in the entire region for around 10-12 days, due to which the entire movement of material and labour came to a standstill. As a result the construction activities were severely affected for the month of August 2014. Copies of news articles/ clippings in the local newspapers reporting the torrential rainfall and floods are attached hereto and marked as Annexure 1E (Colly).

(iii) In this background, it is submitted that due to unseasonal and unconventional heavy rain falls and floods during these 9 months, the construction works slowed down significantly during such months causing a

delay of 12-15 days during each such month, resulting in overall delay of around 100 days during the construction phase of the Project.

(d) ***Delay in Barrage construction:*** *The barrage construction activities were severely affected primarily on account of two factors as under:-*

(i) *Hindrance by local villagers, labour strikes etc. led to stoppage of barrage construction works from time to time.* ***The cumulative stoppage of works on account of such agitations, strikes etc. is estimated to be around 139 days.***

(ii) *As already mentioned above, a sudden cloud outburst and torrential rains were witnessed during August 2014 which led to a flash flood in Son River. During this period, the barrage was under advanced stage of construction. This flash flood in River Son on 05.08.2014 caused severe damage to the trunnions of Gate Nos. 2 & 3 of the barrage. It would be worthwhile to mention here that the trunnion is embedded in the concrete and acts as a hinge for opening and closing of the barrage gate. These trunnions and other embedded parts were removed and sent to works of OEM's casting agency in Punjab. After casting, these were then dispatched to OEM works at Kota for machining and finishing and finally these were received back at the Project Site on 17.01.2015, subsequent to which, their restoration to the original condition in the barrage was completed on 02.02.2015.* ***Thus a total delay of 181 days from 05.08.2014 to 02.02.2015 is attributable to heavy rain and flash flood in River Son which caused delay in barrage construction.***

A detailed breakup of a total delay of 320 days in the construction of barrage on account of reason (i) & (ii) above (i.e. 139 days + 181 days) is attached hereto and marked as Annexure 1F.

(e) ***Delay due to other external factors:*** *Additionally, the Project witnessed unwarranted delays on account of external reasons beyond control of the Petitioner, which interalia included:*

(i) *Strikes, agitations and power shutdowns in Seemandhra region during September-October 2013 on the state bifurcation issue. Due to this, the Govt. offices and Banks in this region followed BANDH, thereby impairing and delaying the custom clearance for the offshore supplies received at Vizag/ Ganagavaram Port.*

(ii) *Major fire broke-out in Mumbai Mantaraya on 21.06.2012, due to which permission for loading/ unloading the material received at Mumbai Port and movement of the same was delayed for around seven (7) days.*

2. *Thus, as amply evident, all the above reasons leading to delay in Project implementation (for the specified duration) were beyond the control of the Petitioner.*

3. *It is noteworthy to mention here that although the cumulative delay on account of the above impediments is of the order of almost 12-14 months, however with the efficient and meticulous Project planning, management & execution skills and judicious allocation & utilization of manpower & resources, the Petitioner was able to arrest and mitigate the delay in construction and COD of Unit-1. The initial SCOD of Unit-1 as per the PPA was 30.11.2014. It is noteworthy that with its relentless efforts the Petitioner was able to complete the construction and achieve the full load Commissioning of Unit-1 on 20.04.2015 (i.e. in less than 5 months of the initial SCOD of Unit-1) and COD of Unit-1 on 20.05.2015 (i.e. in less than 6 months of initial SCOD of Unit-1). A copy of the certificate issued by CEA certifying full load commissioning of Unit-1 of the Petitioner's Project on 20.04.2015 is attached hereto and marked as Annexure 1G. In this regard, it is noteworthy that the COD of Unit-1 was achieved on 20.05.2015 since the 72 hours trial run was insisted by MPPMCL de hors the statutory requirements which is evident from:-*

(a) *On 20.02.2015, the Petitioner wrote to MPPMCL informing that the testing and commissioning activities of Unit-1 were being planned on 14.03.2015 and that the letter may be taken as prior written notice to witness and monitor testing and commissioning of Unit-1 as per Article 5.3 of the PPA. A copy of the Petitioner's letter dated 20.02.2015 is annexed hereto and marked as Annexure 1H.*

(b) *On 05.03.2015, the Petitioner wrote to MPPMCL requesting MPPMCL to appoint an authorized representative as per Article 5.3.2 of the PPA for witnessing and monitoring the Commissioning Test of Unit-1. A copy of the Petitioner's letter dated 05.03.2015 is annexed hereto and marked as Annexure 1I.*

(c) *On 12.03.2015, MPPMCL wrote the to the Petitioner informing that the Superintending Engineer of Madhya Pradesh Power Generation Company Ltd. ("MPPGCL") was authorized on behalf of MPPMCL for witnessing and monitoring the commissioning test of Unit-1 of the Project in compliance with*

Article 5.3 of the PPA. A copy of MPPMCL's letter dated 12.03.2015 is annexed hereto and marked as Annexure 1J.

(d) On 23.03.2015, the Petitioner wrote to the Superintending Engineer, MPPGCL, informing that Unit of the Project was successfully synchronized on 19.03.2015. The Petitioner requested MPPGCL to witness and monitor the Commissioning Test of Unit-1 from 30.03.2015 to 01.04.2015. A copy of the Petitioner's letter dated 23.03.2015 is annexed hereto and marked as Annexure 1K.

(e) On 01.04.2015, the Superintending Engineer, MPPGCL wrote to the Petitioner requesting the Petitioner to convey the schedule date for witnessing the Full Load Performance Test in advance to avoid the inconvenience of late receipt of information. The Petitioner was requested that before intimating the scheduled date, the Load Trial Data of the Unit evidencing that the Unit is running on stable load be conveyed so that performance of the Unit could be witnessed at "not less than 95% Av. Load for 72 hrs." A copy of MPPGCL's letter dated 01.04.2015 is annexed hereto and marked as Annexure 1L.

Accordingly it is submitted that although the Petitioner had completed commissioning of Unit-1 on 20.04.2015 as per the CEA certificate, however it was only at the insistence of MPPMCL that the Petitioner undertook 72 hours trial operation as a prerequisite for declaration of COD and as such COD of U-1 was declared on 20.05.2015. Accordingly, the Petitioner has capitalized the Unit-1 cost on 20.05.2015.

4. *It is submitted that apart from the above there might be certain delays which may be attributed to the Contractor/ Vendor. However, the same has not been quantified nor the same has been included in the present proceedings due to sensitivity of the issue. In terms of EPC Contract, the final settlement is still pending. As such, any statement in the present proceedings may jeopardize the completion of the same. Accordingly, the Petitioner will inform the Commission regarding levy of any penalty or initiation of any dispute against the contractors."*

67. The Commission has observed the following regarding delay in achieving CoD:

a. According to clause 4.1.5 of the Power Purchase Agreement (PPA) entered into between the petitioner and the respondents on 5th January' 2011, the CoD of the first unit of the petitioner's plant was to be achieved by November' 2014.

b. Further, as per the terms of clause 4.1.6 of the aforesaid PPA, scheduled CoD could be revised/ extended by both the parties.

c. The petitioner requested MP Power Management Company Limited, Jabalpur (Respondent No.1) to re-schedule CoD of Unit No.1 from November, 2014 to 20th May' 2015 citing delay in project due to delay in granting Forest Clearance by MoEF Agitations/Demonstrations at the Project Site, material movement restrictions on account of the unprecedented rainfall in the region, delay in barrage construction and other external factors.

d. Vide letters dated 16th April' 2015 & 26th August' 2015, Respondent no.1 (MPPMCL) conveyed its consent to the petitioner to revise/ extend the CoD of the Unit No. 1 of M.B. Power Plant from November, 2014 to 20th May' 2015.

e. The Commission has noted that the scheduled date of commercial operation is defined and detailed in the PPA executed between the petitioner and Respondents. Further, the parties have concurrently revised the scheduled date of commercial operation in terms of provisions under the same PPA. The revised scheduled CoD of Unit No.1 was 20th May' 2015.

68. On perusal of the reasons and documents submitted by the petitioner on record for delay in achieving CoD of Unit No.1, it is observed that the delay is primarily on account of obtaining Stage-II Forest Clearance from MoEF and certain portion of forest land falls within the Main Plant Area. As submitted by the petitioner with the copy of correspondence with Ministry of Environment & Forest, Govt. of India regarding Stage I & Stage II forest clearance, there has been further delay in handing over of forest land to the petitioner on account of certain litigations before Hon'ble High Court. Thus, the commencement of various main construction activities of the power plant was delayed by more than 14 months. It is observed that CoD of Unit No.1 was further delayed on account of various protests/ agitations carried out by residents/ villagers during the construction period. The chronology of all such events have been placed on record by the petitioner. Besides, the petitioner has submitted some other reasons also for delay in achieving CoD of Unit No. 1.

69. In view of the above mentioned facts and the reasons enumerated by the petitioner alongwith the documents placed on record in support of all such reasons, the delay in achieving commercial operation of Unit No.1 is not attributable to the petitioner.

70. Against the aforesaid final revised estimated cost of Rs. 1895.35 Crore towards IDC and Finance Charges in Unit No. 1&2, the petitioner has apportioned the estimated cost of Rs. 1092.20 Crore towards Unit No. 1.

71. The petitioner further submitted that it has incurred cash expenditure of Rs. 1561.13 Crore towards IDC and Finance Charges for Unit No.1&2 (as on COD of Unit No.1), out of which it has claimed Rs. 1047.48 Crore towards Unit No. 1

72. The aforesaid cost as claimed by the petitioner towards IDC and Finance charges is allocated to Unit No.1 in the ratio of the hard cost considered for Unit No. 1 to the total hard cost for both the Units.

(ii) Liquidated Damages

73. With regard to Liquidated Damages (LD), vide Commission's letter dated 7th February' 2017, the petitioner was asked to inform the details of penalty/LD if any, imposed on the contractor for delay in completion of works in light of provisions under the contracts awarded to various vendors. In response, by affidavit dated 28th March' 2017, the petitioner submitted that at this juncture the liquidated damages/penalty that may be attributable to the contractor for delay in completion of works cannot be quantified. In terms of EPC contract, the final settlement is still pending. As such, the Petitioner reserves its rights to quantify such liquidated damages/penalty at the time of final contract settlement and any such liquidated damages/penalty to be recovered from the contractor, would be discussed and finalized at the time of final contract settlement and submitted before Commission at the appropriate time.

74. On perusal of above reply of petitioner, it is observed that the liquidated damages/penalty may or may not be attributable to the contractor/vendor for delay in completion of work. Therefore, the petitioner is directed to furnish the detailed information of actual LD/penalty if any, deducted from contractor/vendor. The aforesaid information be filed with the petition for true up of this tariff order or with the petition to be filed for determination of final tariff for Unit No. 2 whichever is earlier.

(iii) Pre-operative Expenses (Establishment charges and Start Up Fuel)

75. Vide BoD approval dated 30.06.2014, the initial cost of Rs. 179 Crore (inclusive of start up fuel) towards Pre-operative Expenses has been revised to Rs. 456.10 Crore. Further, vide BoD approval dated 16.02.2016, the estimated cost of Rs.

456.10 Crore towards Pre-operative expenses finally revised to Rs. 432.48 Crore. In Petition No. 31/2015, the petitioner submitted the following reasons for increase in aforesaid cost:

76. *The* total *Pre-operative expenditure for the Project had been estimated at Rs. 179.00 Crore at the time of financial clouser which was further bifurcated into Rs. 119.00 Crore towards various consultancy services including project management services and Rs. 60.00 Crore towards pre-commissioning expenses.*

Expenses incurred towards consultancy services:

The project management expenses include establishment cost, administrative and general expenses, repair and maintenance expenses, insurance, corporate communication expenses etc., during the construction period. Additional cost impact over the appraised project management expenses has been estimated on account of following reasons:

-Various consultancy services availed (not restricted to engineering consultancies but includes legal, financial, commercial, tariff related consultancy and miscellaneous consultancy, etc.);

-Establishment costs of Project construction team, back office support team from head office, gradual ramp up of O&M team to take over the Project as on COD, shared resources employed with other group companies, etc.;

-Administrative and general expenses including rent, travel, horticulture, employee health and safety expenses, office expenses, repair and maintenance expenses, insurance expenses and other miscellaneous expenses.

Expenses incurred towards pre-commissioning expenses:

Initially the cost under this head was estimated at Rs. 60.00 Crore. However, the revised estimate of expenses under this head is Rs. 106.30 Crore. This increase is owing to (i) escalation in power and water charges to the extent of Rs. 15.64 Crore. The increase is mainly attributable to expense incurred towards temporary HT connection for start-up power and (ii) escalation in cost of start-up fuel after setting off revenue realized from sale of in-firm power to the extent of Rs. 30.66 Crore. The current revised estimate assumes coal at cost as per the FSA signed compared to the cost and GCV assumed at FC.

77. Vide Commission's letter dated 07th February' 2017 and subsequently vide letter dated 19th May' 2017, the petitioner was asked to submit the detail break-up of pre-operative expenditure duly certified by the statutory auditor for Unit No. 1 and 2

separately along with the basis of allocation of IEDC for Common facilities as on the following dates:

a. Upto schedule COD of Unit No.1,
b. 20th May, 2015,
c. 31st March, 2016 and
d. Project COD

78. By affidavit dated 13th June' 2017 and subsequently revised by affidavit dated 13th July' 2017the petitioner submitted the following break-up of pre-operative expenditure along with the basis of allocation:

Table 12: Pre-Operative Expenditure (Rs in Crore)

	30.11.2014*	**20.05.2015^**	**31.03.2016^**	**06.04.2016^**
Pre-operative Expenditure (Rs. Crore)				
Unit 1	208.49	259.02	259.02	259.02
Unit 2	85.49	106.21	153.59	153.72
Sub Total	**293.98**	**365.23**	**412.61**	**412.74**

**Since unit wise cost upto earlier SCOD i.e. 30.11.2014 is not ascertainable, soft cost up-to the said date has been notionally bifurcated on the basis of % of soft cost allocated to each Unit on the date of COD of Unit1.*

^ Cost up-to 20.05.2015, 31.03.2016 and 06.04 2016 is on the basis of actual capitalization/incurred

Pre-Operative Expenditure –Establishment Charges

79. Against the final revised estimated cost of Rs. 432.48 Crore towards pre-operating expenses (Rs. 362.87 Crore towards establishment charges and Rs. 69.61 Crore towards start up fuel) for Unit No. 1&2, petitioner has claimed actual expenditure incurred of Rs. 365.23 Crore (Rs. 295.62 Crore as establishment charges and Rs. 69.61 Crore as startup fuel)as on COD of Unit No. 1, for Unit No 1&2,

80. Out of total expenditure of Rs. 365.23 Crore, the petitioner has claimed actual expenditure incurred of Rs. 246.28 (Rs.176.67 Crore towards establishment charges and Rs. 69.61 Crore towards startup fuel) for its Unit No.1.

81. The aforesaid actual expenditure towards establishment charges are allocated to Unit No. 1 in the ratio of the hard cost considered for Unit No. 1 to the total hard cost for both the Units.

Preoperative Expenditure –Startup fuel (Cost of Infirm Power)

82. Regarding Infirm power, Regulation 19 of MPERC (Terms and Conditions for Determination of Generation tariff) Regulations, 2012 provides as under:

"Infirm Power shall be accounted as Unscheduled Interchange (UI) and paid for from the regional / State UI pool account at the applicable frequency-linked UI rate:

Provided that any revenue earned by the Generating Company from sale of Infirm Power after accounting for the fuel expenses shall be applied for reduction in capital cost."

83. Vide Commission's letter dated 07th February' 2017, the petitioner was asked to explain the reasons for high expenditure on start-up fuel (cost of infirm power) and revenue earned from sale of infirm power. Further, the petitioner was also asked to file the following details:

a) Month-wise details of infirm power generated from Unit No.1 and revenue earned from sale of infirm power along with the statement from concerned Load Despatch Centre duly reconciled with Annual Audited Accounts.

b) Detailed break-up of fuel expenses incurred for generation of infirm power duly certified by the CA.

c) Whether the revenue earned from sale of infirm power has been accounted for in the capital cost of the project claimed in the petition. Supporting documents be filed.

d) The petitioner is required to clarify, whether the quantity of coal is arrived after considering FSA coal only or coal from any source other than FSA. If any quantity of coal other than FSA coal is consumed for generation of infirm power, the break-up of quantity and landed cost of FSA and Non-FSA coal be provided.

e) The petitioner is required to file the copy of bill/invoice for purchase of coal and oil for generation of infirm power.

84. By affidavit dated 28th March' 2017, the petitioner submitted the following explanation to the above queries:

"the actual fuel expenditure incurred for generation of infirm power up-to COD of the Unit-1 of the Project is to the tune of Rs. 72.50 Crore, against which the Petitioner has been able to recover only Rs. 15.39 Crore as revenue realized towards sale of

infirm power, as depicted in "Note 10: Capital work-in progress" of the Petitioner's Annual Audited Accounts for FY 2015-16 (attached hereto as Annexure A).

The Petitioner further submits that the fuel expenditure of Rs 72.50 Crore has been incurred in various pre-commissioning activities for Unit-1 starting from Boiler light up activities till COD of Unit-1.

Further, in response to this Commission's observation seeking reasons for such higher expenditure on start-up fuel, it is hereby submitted that the supply of infirm power is accounted as deviation and is paid from the regional / state deviation settlement fund accounts in accordance with the Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related matters) Regulations, 2014, notified on 06.01.2014. ***As per the provisions of the aforementioned Regulations, the sale of infirm power is capped at Rs. 1.78/kWh (i.e. the prevailing per unit rate based on grid condition or Rs 1.78/kWh, whichever is lower)****. Therefore even if the generation cost of infirm power is higher, the recovery of the same is capped at 1.78/kWh. In lieu of the said provision, the total fuel expenditure on start-up fuel is observed higher with respect to the revenue realized from sale of infirm power.*

a. *The month wise details of inform power generated till 19.05.2015 from Unit-1, as declared by Western Regional Power Committee (WRPC) and revenue earned from sale of infirm power is tabulated below:-*

From	***To***	***Injection (MU's)***	***Schedule (MU's)***	***Deviation Charges (Rs. Lac)***	***Adjst. DMC (Rs. Lac)***	***Capping (Rs. Lac)***	***CAP. (Rs. Lac)***	***ADD DMC (Rs. Lac)***	***NET DMC (Rs. Lac)***
30.03.15	*05.04.15*	*4.95*	*0.00*	*-69.89*	*-70.46*	*33.04*	*0.00*	*0.00*	*-37.42*
13.04.15	*19.04.15*	*11.72*	*0.00*	*-165.82*	*-172.83*	*44.80*	*0.00*	*0.00*	*-128.03*
20.04.15	*26.04.15*	*1.99*	*0.00*	*-42.70*	*-49.62*	*15.76*	*0.00*	*0.00*	*-33.85*
27.04.15	*03.05.15*	*9.39*	*0.00*	*-173.48*	*-160.28*	*60.97*	*0.00*	*0.00*	*-99.31*
04.05.15	*10.05.15*	*30.33*	*0.00*	*-748.91*	*-691.80*	*329.21*	*0.00*	*0.00*	*-362.63*
11.05.15	*17.05.15*	*62.94*	*0.00*	*-1,065.00*	*-1,160.87*	*282.81*	*0.00*	*0.00*	*-878.06*
Total		***121.32***	***0.00***	***-2,265.80***	***-2,305.86***	***766.60***	***0.00***	***0.00***	***1,539.31***

The aforementioned details have already been submitted by the Petitioner in its PetitionNo.68/ 2016 (Para 49, Page No. 16), along with the statements from concerned Load Despatch Centre as Annexure 6 (Pages 198-219) to the said Petition.

b. The detailed break up fuel expenses incurred for generation of infirm power duly certified by the CA is attached hereto and marked as Annexure 6A.

c. The Petitioner, in Para 33 of the Petition No. 68/2016 has already submitted the detailed breakup of the total estimated capital cost of the Project distinctly demarking the inclusion of Pre commissioning Expenses (net of infirm power). Further accounting of the revenue earned from sale of infirm power can also be verified from "Note 10:Capital work-in progress" of the Petitioner's Audited Annual Accounts for FY 2015-16 (attached hereto as Annexure A).

d&e. The Petitioner affirms that no Non-FSA coal has been consumed for generation of infirm power, during the commissioning of the Unit-1.The Petitioner craves leave to submit sample bills/invoices of purchase of coal and oil, consumed for generation of infirm power as submission of all bills/invoices of purchase of coal and oil would be a tedious task, being bulk in number. The said sample bills/invoices are attached hereto and marked as Annexure 6B.

85. On perusal of above response and records submitted by the petitioner it is observed that petitioner incurred Rs. 72.50 Crore towards start-up fuel used for generation of infirm power. The details of the start-up fuel expenses, certified by the Chartered Accountant are as given below.

Table 13: Cost of Infirm Power

Sr. No.	Month	Fuel		Unit	Consumed Quantity	Amount in Crore
1	Pre-April 2015	HFO		KL	4618.10	17.62
		LDO		KL	2394.50	12.14
		Coal	FSA*	MT	-	-
				Sub Total		29.76
2	Apr-15	HFO		KL	3577.06	12.61
		LDO		KL	1138.54	5.31
		Coal	FSA	MT	22216.00	4.56
				Sub Total		22.48
3	May 2015 (upto 19.05.2015)	HFO		KL	1005.72	3.47
		LDO		KL	405.17	1.91
		Coal	FSA	MT	70269.00	14.43
				Sub Total		19.81
				Total (1+2+3)		72.05
Others						0.45
Total Start-Up Fuel Expenses						**72.50**

Fuel Supply Agreement

86. Further, it is also observed that the petitioner shown the revenue from sale of infirm power of Rs. 15.39 Crore certified by the Chartered Accountant and same is also reflected in the Annual Audited Accountant Account at Note No. 10 for FY 2015-16is as given below:

Table 14: Revenue Earned from Sale of Infirm Power

Sr. No.	DSM Account date as per Western Regional Power Committee	Period of Settlement		Infirm Power Injection	Revenue From sale of Infirm power as per DSM Account
		From	**To**	**MU**	**Rs. in Crore**
1	15-Apr-15	30-Mar-15	5-Apr-15	4.95	0.37
2	1-May-15	13-Apr-15	19-Apr-15	11.72	1.28
3	7-May-15	20-Apr-15	26-Apr-15	1.99	0.34
4	15-May-15	27-Apr-15	3-May-15	9.39	0.99
5	19-May-15	4-May-15	10-May-15	30.33	3.63
6	27-May-15	11-May-15	17-May-15	62.94	8.78
			Total	**121.32**	**15.39**

87. It is observed that while claiming the net cost of infirm power of Rs. 69.61 Crore, petitioner considered the start-up fuel cost of Rs. 72.50 Crore less revenue earned from sale of power of Rs. 3.87 Crore only whereas the actual revenue earned from sale of infirm power as per Annual Audited Accounts as well as certified by the Chartered Accountant is Rs. 15.39 Crore. Thus, for the purpose of determination capital of capital cost of Unit No.1 the Commission has considered the net cost of infirm power for Unit No. 1 as given below:

Table 15: Net Cost of Infirm Power Approved **(Rs. in Crore)**

Particular	Amount
Cost of HFO	33.69
Cost of LDO	19.37
Cost of Coal	18.99
Other cost	0.45
Total Start-Up Fuel Cost	**72.50**
Less: Revenue from sale of infirm power	**(15.39)**
Net Cost of Infirm Power	**57.11**

(iv) Foreign Exchange Rate Variation (FERV)

88. With regard to Foreign Exchange Rate Variation (FERV), it is observed that the petitioner in its BoD dated 16th February' 2016 submitted an amount of Rs.158.49 Crore towards FERV out of which Rs. 46.69 Crore has been allocated towards Unit No. 1 as on its COD and 31St March 2016.

89. Vide Commission's letter dated 7th February' 2017, the petitioner was asked to explain in detail the reasons of FERV loss and gain shown in para 22 of the petition along with all relevant supporting documents and prevailing exchange rate variation towards its claim in light of Regulation29 of MPERC (Terms and Condition for Determination of Generation Tariff) Regulations, 2012 in the given format, further, the petitioner was also asked to furnish the following.

A) Under which head of the capital cost, the hedging amount if any, has been recorded.

B) In case the petitioner has not hedged foreign exchange exposure in respect of the interest on foreign currency loan and repayment thereof, the reasons for not securing the foreign exchange exposure be submitted.

C) The petitioner was required to clearly indicate the amount of FERV loss or gain, in the profit and loss account of FY 2015-16.

D) In para 22 of the petition, Forex loss of Rs. 46.68 Crore has been allocated to Unit-1 out of total Forex loss of Rs. 158.49 Crore. In view of the aforesaid, the petitioner was required to file the basis of allocation of Forex losses to Unit-1.

90. In response to above queries, the petitioner by affidavit dated 28th March' 2017 submitted that:

"It is submitted that the Petitioner in the present Petition has claimed a total Forex Loss of Rs. 158.49 Crore till 31.03.2016 as part of the capital cost of the Project and has allocated Rs. 46.69 Crore towards capital cost of Unit-1 up-to the date of COD of Unit-1 for determination of final tariff of Unit-1. The Foreign Exchange Rate Variation (loss) of Rs 46.68 Crore has been allocated to Unit-1 out of the total FERV losses of Rs 158.49 Crore charged to P&L on the basis of actual loss/gain incurred in relation to the short term monetary items (including Buyer's Credit & current payables) as on the date of COD of Unit-1The Petitioner has also detailed the reasons for Foreign Exchange Rate Variation (FERV) Losses considered as a part of capital cost in the Petition which are reproduced herein below for this Commission's consideration:

(a) The Petitioner humbly submits that the EPC contract of the Project was awarded on the basis of International Competitive Bidding ("ICB") to M/s LancoInfratech Limited (M/s LITL) which includes import of Main Plant Equipment's, i.e., Boiler, Turbine and Generator by way of Off-shore Supply Contract at a lump sum value of US $360 Million.

(b) At the time of financial closure in November 2010, the appraised cost for this package was finalized by the Lenders at Rs. 1775.41 Crore at an exchange

rate of Rs. 49.31/ US $ with the total appraised / approved Project cost of Rs. 6240 Crore.

(c) *It is further submitted that SBI (Lead Bank), at the time of approving the revised Project cost of Rs. 8000 Crore had approved exchange rate of Rs. 60/US $ for balance offshore payments. The Petitioner in order to economize on savings in interest cost during construction (IDC), had availed Buyer's Credit facilities with a six month roll over to make US Dollar payments to the EPC Contractor. The Petitioner further submits that these Buyer's Credit facilities are short term credit facilities and are to be repaid or rolled over within the specified contracted period i.e. 1-2-3-6-12 months.*

(d) *Further in order to protect against the Foreign Exchange Rate Variation (FERV) and to reduce the overall cost of borrowing by reducing the exposure of Rupee Term Loan (RTL) facility the Petitioner has also got sanction of US $150 Million of foreign loan/External Commercial Borrowings (ECB) from India Infrastructure Finance Company(UK) Limited (IIFCL) for the Project on 28.03.2014 for Rs. 900 Crore at an average rate of Rs. 60/US $.*

(e) *It is humbly submitted that during the construction period till COD of Unit-1, there was an adverse movement of exchange parity (INR Vs USD) rates which was beyond the control of the Petitioner.*

It is further submitted that Petitioner has suffered foreign exchange losses on account of:-

(a) *Change in exchange parity during the time period between the bill raised by M/s LITL and bill payment by the Petitioner;*

(b) *Change in exchange parity during the time period of Buyer's Credits availment & repayments;*

(c) *Change in exchange parity during the time period of Buyer's Credit availment & conversion of Buyer's Credit into ECB borrowings.*

While the above adverse Foreign Exchange Rate Variation was on capital account (import of plant & machinery under the offshore supply contract) but the same has been charged to the Profit &Loss accounts in the books of accounts based on the Accounting Standards (AS-11 of ICAI) as well as the guidelines of Ministry of Corporate Affairs' (MCA) Notification dated 29.12.2011 as per following details:

FY	Forex Loss in (Rs)	Remarks	
FY 2012-13	1,07,411,89	M/s LITL Offshore Contract-direct payment	Charged to P&L as per books of accounts for FY

FY	Forex Loss in (Rs)	Remarks	
			2012-13
FY 2013-14	35,78,29,005	Buyer's Credit avail & payment to M/s LITL	Charged to P&L as per books of accounts for FY 2013-14
FY 2014-15	39,20,92,679	Buyer's Credit avail & payment to M/s LITL	Charged to P&L as per books of accounts for FY 2014-15
01.04.2015-19.05.2015	2,32,63,105	M/s LITL Offshore Contract-direct payment	Charged to P&L as per books of accounts for FY 2015-16
01.04.2015-19.05.2015	14,75,14,350	On account of Buyer's Credit outstanding paid by IIFCL UK loan	Charged to P&L as per books of accounts for FY 2015-16
Sub Total	**93,14,40,327**	**Actual Forex Losses for the Project as on the date of COD of Unit-1**	
Post COD of Unit-1 till 31.032016	65,34,79,870	Loss of Rs 25,08,937 on account of M/s LITL Offshore Contract-direct payment; Loss of Rs 65,09,70,933 on account of Conversion of Buyer's Credit by IIFCL UK Loan	Charged to P&L as per books of accounts for FY 2015-16
TOTAL forex loss charged to revenue attributed to the Project	**158,49,20,197**	**Total Forex Losses for the Project as on 31.03.2016**	
FOREX loss charged to revenue attributed to Unit-1	**46,68,71,646**	**Total Forex Losses allocated to Unit-1 as on COD of Unit-1**	

47. The matter of capitalization along with cost of assets was taken up by the Petitioner with the Institute of Chartered Accountants of India as well as the Ministry of Corporate Affairs – copies of the relevant documents are attached hereto and marked as ***Annexure 10A (Colly)***

It is submitted that under Regulation 17.1 of MPERC Tariff Regulations 2012 and Regulation 15.2 of MPERC Tariff Regulations 2015, any gain or loss on account of Foreign Exchange Risk Variation on the loan during construction period can be claimed as part of the capital cost.

In view of the above, the specific response of the petitioner to the Commission's queries are as under:

(a) The details of FERV gain or loss are summarized hereunder:

Nature of Transaction as on 31.03.2016	**Value of Transaction in Foreign Currency (in US$ Million)**	**Weighted Average Exchange Rate (Rs/US $)**	**FERV Gain /(Loss) (Rs. Crore)**	**Hedging Amount (if any) (Rs. Crore)**
Loss on Offshore Supply Contract payments	*35.84*	*66.33*	*(68.98)*	*-*
Loss on Buyers Credit	*14.22*	*62.59*	*(50.17)*	*-*
Loss on conversion of Buyers Credit into ECB	*12.77*	*58.75*	*(65.10)*	*-*
Total FERV Gain / (Loss)(as on 31.03.2016)	***62.83***		***(184.25)***	
*Less: Capitalized to Plant & Machinery as per AS-11 in the books of accounts for FY 2015-16**			*25.76*	
Net charged to Profit and Loss account up-to 31.03.2016			***(158.49)***	

** Pursuant to Long term monetary items*

(b) The details of FERV gain or loss as on various dates are summarized hereunder:-

S. No	***Net FERV Losses (+) /Gain (-) All Values in Rs. Crore***	***As on SCOD of Unit-1(30.11.2014)***	***As on COD of Unit-1 (20.05.2015)***	***As on 31.03.2016***	***As on Project COD (07.04.2016)***
1	*Loss on Offshore Supply Contract payments –up-to 31.03.2016*	*21.05*	*28.22*	*43.23*	*43.23*
2	*Loss on Buyers Credit up-to 31.03.2016*	*39.37*	*50.17*	*50.17*	*50.17*
3	*Loss on conversion of Buyers Credit into ECB up to 31.03.2016*	*-*	*14.75*	*65.10*	*65.10*
	Total	***60.42***	***93.14***	***158.49***	***158.49***

(c) The Petitioner submits that no hedging amount/charge has been recorded in the Project cost as substantial savings in the Project cost were achieved by using unhedged Buyer's Credit. Further, it is submitted that the Petitioner was intending to refinance the Buyer's Credit with External Commercial Borrowings (ECB) which was subsequently obtained from IIFCL UK as indicated in Para 44 (d) above, which has now been fully hedged.

(d) The Petitioner submits that the entire Project cost was initially funded by Rupee Term Loans (RTL) and there was no foreign currency loan/ ECB envisaged. However, the amounts to be paid against the offshore supply portion of the Project

cost (included in the EPC Contract) were converted into Buyer's Credit in USD to ensure that the over-all cost related to the funding of such expenditure is minimized. ***By use of Buyer's Credit as compared to Rupee Term Loans as envisaged earlier, the Petitioner has been able to achieve a saving of Rs 78.85 Crore in the Project cost as per the details tabulated hereunder:***

Particulars as on 31.03.2016	**Amount in Rs.**	**Remarks**
Buyer's Credit availed	*8,399,648,448*	*INR value of buyers credit as per transaction date rate*
Cost incurred for Buyers Credit		
Interest Cost	*175,204,040*	*Actual interest paid on buyers Credit availed*
Buyers Credit Charges	*640,141,037*	*Actual cost paid to the lenders for availing of Buyer's Credit*
FERV Losses	*1,152,692,721*	*This is the amount of FERV losses charged to P&L considering Buyer's Credit as short term monetary item, till the date of hedge.*
Total	***1,968,037,798***	
Equivalent RTL	*8,399,648,448*	
Interest Cost	*2,756,496,592*	*Interest on equivalent RTL calculated on the basis of weighted average of interest @13.27%*
Net Savings	***788,458,794***	

In order to protect the Foreign Exchange Rate Variation against the offshore supplies and to reduce the overall cost of borrowing by reducing the exposure of Rupee Term Loans facility, the Petitioner has also got sanction of US $150 Million of foreign loan/External Commercial Borrowings (ECB) from India Infrastructure Finance Company (UK) Limited (IIFCL) for the Project on 28.03.2014.Till date, the Petitioner has drawn the ECB facility of US $127.68 Million which is fully hedged (currency as well as interest) for the period of 10 years through State Bank of India and has utilized the same to repay the Buyer's Credit facility.

Further, it is submitted that the balance payment of US $ 35.08 Million for Offshore supplies relating to both Unit-1& Unit-2 has not been hedged[(Please refer "Note 34B: Unhedged foreign currency exposure" of the Petitioner's Annual Audited Accounts for FY 2015-16 (attached hereto as Annexure-A)]. The details of Retention outstanding for Offshore Supplies reinstated as on 31.03.2016 is attached hereto and marked as ***Annexure 10B***.

(e) *The amount of FERV gain or loss in the Profit and Loss account of FY 2015-16 is Rs 82.43 Crore [(Please Refer "Note 22: Other expenses" of the Petitioner's Annual Audited Accounts for FY 2015-16 (attached hereto as Annexure-A)]*

(f) *It is submitted that the Foreign Exchange Rate Variation (loss) of Rs 46.68 Crore has been allocated to Unit-1 out of the total FERV losses of Rs 158.49 Crore charged to P&L on the basis of actual loss/gain incurred in relation to the short term monetary items (including buyer's credit & current payables)*

91. In response to above query, the petitioner has not furnished the information of each transaction as required in the desired format. Therefore, vide Commission's letter dated 19th May' 2017, the petitioner was again asked to furnish the information as desired by the Commission.

92. By affidavit dated 13th June' 2017, the petitioner submitted the detailed information of FERV, the same has been summarized below:

Table 16: FERV (Rs in Crore)

Sl. No.	Particulars	Realized Losses		Unrealized Losses		Total Gain (+)/ Loss (-)		Total Gain (+)/ Loss (-)
		UNIT 1	UNIT 2	UNIT 1*	UNIT 2#	UNIT 1	UNIT 2	
		A	B	C	D	E = A + C	F = B + D	G = E + F
1	Loss on Lanco's Offshore Supply Contract	-6.09	-17.84	-17.96	-27.09	-24.05	-44.93	-68.98
2	Realised loss on buyers credit upto the date of repayment through ECB-IIFCL UK	-40.60	-72.72			-40.60	-72.72	-113.31
3	Reinstatement of ECB as per RBI reference rate as on March 31, 2016				-1.96	-	-1.96	-1.96
	Sub Total	**-46.69**	**-90.56**	**-17.96**	**-29.05**	**-64.65**	**-119.61**	**-184.25**
4	Less: capitalised to Plant & Machinery as per AS-11							25.76
5	**Net charged to Profit and Loss account upto March 31, 2015**							**-158.49**

**** Pertaining to Retention***

 # Pertaining to Payables & Retention

93. With regard to FERV Regulation 17.1 (a) of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 provides as under;

"Capital cost for a Project shall include:

(a) the Expenditure Incurred or Projected to be incurred on original scope of work, including interest during construction and financing charges, any gain or loss on account of foreign exchange risk variation during construction on the loan - (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, - up to the Date of Commercial operation of the Project, as admitted by the Commission, after prudent check shall form the basis for determination of Tariff.

94. Regulations 29 of MPERC (Terms and Conditions for Determination of Generation Tariff) (Revision-II) Regulations,2012 provides as under;

"29 Foreign Exchange Rate Variation (FERV)
29.1 The Generating Company may hedge foreign exchange exposure in respect of the interest on foreign currency loan and repayment of foreign loan acquired for the generating station, in part or full in the discretion of the Generating Company.

29.2 Every Generating Company shall recover the cost of hedging of Foreign Exchange Rate Variation corresponding to the normative foreign debt, in the relevant Year on Year-to-Year basis as expense in the period in which it arises and extra rupee liability corresponding to such foreign exchange rate variation shall not be allowed against the hedged foreign debt.

29.3 To the extent the Generating Company is not able to hedge the foreign exchange exposure, the extra rupee liability towards interest payment and loan repayment corresponding to the normative foreign currency loan in the relevant Year shall be permissible provided it is not attributable to the Generating Company or its suppliers or contractors.

29.4 The Generating Company shall recover the cost of hedging and Foreign Exchange Rate Variation on Year-to-Year basis as income or expense in the period in which it arises."

95. It is observed that in the aforesaid reply the petitioner sated that *adverse Foreign Exchange Rate Variation was on capital account (import of plant & machinery under the offshore supply contract)* ***but the same has been charged to the Profit &Loss accounts in the books of accounts based on the Accounting Standards (AS-11 of ICAI) as well as the guidelines of Ministry of Corporate Affairs' (MCA)*** *Notification dated 29.12.2011.*

96. It is observed that as per accounting practice of petitioner, it has charged the FERV loss and gain to the profit and loss account prior to COD of Unit No.1. However for the purpose of recovery of such cost incurred prior to COD of Unit No.1, the petitioner has claimed the same as an element of capital cost.

97. The petitioner submitted that it has incurred Rs. 93.14 Crore towards FERV for Unit No.1&2 (as on COD of Unit No.1), out of which it has claimed Rs. 46.69 Crore towards Unit No.1. By affidavit dated 29th September' 2017, the petitioner submitted *that loss of Rs. 46.69 Crore pertaining to Unit No. 1 is a realized FERV loss as on the respective dates of buyer's credit roll over/settlement in cash for the payment towards import of plant and machinery. It is further confirmed that this FERV loss of Rs. 46.69 Crore is the actual cash expenditure corresponding to Unit No.1 as on its COD.*

98. In view of the aforesaid facts/figures and in accordance with the above provisions under Regulations, the Commission has considered Rs 46.69 Crore towards loss of FERV actually incurred by the petitioner towards Unit No.1 as on its COD for arriving at the capital cost of Unit No. 1 in this order.

(v) Custom Duty/Excise Duty

99. Vide BoD approval dated 30.06.2014 & 16.02.2016, the petitioner considered the estimated cost of Rs 576.03 Crore towards custom and exercise duty. Against the aforesaid estimated cost of Rs. 576.03 Crore, the petitioner submitted that it has incurred cash expenditure of Rs. 28.75 Crore for Unit No. 1&2 (as on COD of Unit No.1), out of which it has claimed Rs. 27.41 Crore towards Unit No.1.

100. Vide Commission's letter dated 7th February' 2017, the petitioner was asked to clarify the aforesaid claim towards custom and excise duty.

101. By affidavit dated 28th March' 2017, the petitioner submitted the following regarding its claim of Custom and Excise Duty:

"An amount of Rs. 576.03 Crore towards Customs Duty & Excise Duty has been included as a part of the Project capital cost. In respect of this, the Petitioner has partly paid in cash through equity, an amount- of Rs. 28.75 Crore and for the balance, the Petitioner has obtained a non-fund based facility (BG facility) pending the grant of final 'Mega Power Status' for the Project. This Mega Power Status was provisionally approved by Ministry of Power vide the provisional Mega Power Certificate dated 18.01.2012. Once the same is released/ refunded to the Petitioner

after grant of final Mega Power Status, the Petitioner would approach the Commission for suitable adjustment in the capital cost.

Further, with respect to the above amount of Rs 28.75 Crore, it is submitted that this amount has already been paid by the Petitioner in cash towards Custom and Excise Duty for equipment procured for the Project in the initial period i.e. from 06.06.2011 to 08.02.2012. Out of this amount of Rs 28.75 Crore, an amount of Rs. 14.79 Crore was paid in cash by the Petitioner towards Custom Duty prior to the issuance of the provisional Mega Power Certificate dated 18.01.2012 by the Ministry of Power. This amount was paid for import of foundation bolts on merit rate to enable start of construction as per the schedule. The balance amount of Rs. 13.96 Crore comprises of two components i.e. Rs. 9.48 Crore towards Custom Duty and Rs. 4.48 Crore towards Excise Duty, which was paid post issuance of provisional Mega Power Certificate pending registration of the Project with the appropriate authorities.

The Petitioner further submits that there is no process/provision for refund of this amount of Rs 28.75 Crore paid in cash by the Petitioner towards Custom and Excise Duty as the material has already been assessed on merit rate. As such the Petitioner humbly requests the Commission to kindly consider Rs. 28.75 Crore as a part of the Project capital cost. Nonetheless, in the event of receiving any refund against this amount, the Petitioner would duly approach the Commission for suitable adjustment in the Project capital cost."

102. On perusal of above reply regarding custom and excise duty, it is observed that the petitioner has obtained the provisional Mega Power Certificate from the Ministry of Power, India.

103. The Commission further observed that the Ministry of Power on 12.04.2017 issued an amendment to Mega Power Policy for Provisional Mega Power Projects and provided further extension of 60 months granted to the Provisional Mega Power Projects including the petitioner's project for tie-up of Project capacity through Long Term PPAs. Accordingly, the petitioner has now been provided with a timeline up-to March 2022 for achieving power tie-up of the entire Project capacity through Long Term PPAs required for issuance of final mega power status of the project.

104. Regarding the amount of Rs 28.75 Crore claimed in the subject petition towards Customs and Excise Duty, it is observed that the petitioner is likely to obtain the final Mega Power status of its project and therefore, it is not appropriate to consider

such amount for the purpose of determination of capital cost in this order. However, the petitioner is directed to keep on updating its position in true-up petition/(s) about Mega Power Status of its power project to the Commission with regard to its claim in the subject petition.

(vi) Unamortized Finance cost to Borrowing

105. The petitioner has not envisaged the cost towards unamortized finance cost to borrowing in its BoD approval dated 21.10.2009 and 30.06.2014. Further vide BoD approval dated 16.02.2016, the petitioner considered the cost of Rs. 34.93 Crore, which is being actually incurred towards unamortized finance cost to borrowings for Unit No.1&2 (as on COD of Unit No.1), out of which it has claimed Rs. 27.52 Crore towards Unit No.1.

106. It is observed that while furnishing the reasons of increase in projects cost, by affidavit dated 28th March' 2017, the petitioner submitted the following:

"While estimating the revised capital cost based on Annual Audited accounts for FY 2015-16 comprising of capitalized assets, capital work in progress and provision for balance works, the Petitioner has inadvertently missed the unamortized cost of finance to borrowings which has been incurred while raising/drawing the long term debts for the Project. On account of this, the estimated capital cost of the Project as filed in the Petition No. 68/2016 is hereby revised from Rs. 8667.30Crore to Rs. 8702.23 Crore

(a) The outstanding unamortized finance cost of borrowings as on 31.03.2016 is Rs. 43.23 Crore out of which Rs. 34.93 Crore is related to the long term loans taken for the Project and balance is related to the working capital loan of the Project.[refer "Note 11: Loans and advances" of the Petitioner's Annual Audited Accounts for FY 2015-16 (attached hereto as Annexure A)].The detailed break-up of the outstanding unamortized finance cost to borrowings as on 31.03.2016 is attached herein and marked as Annexure3C.

Further, the details of finance charges incurred on cash basis at various dates are summarized as hereunder:

S. No	***Particulars***	***As on 30.11.2014 (Rs.)***	***As on 20.05.2015 (Rs.)***	***As on 31.03.2016 (Rs.)***
1	*Capitalised Finance Charges*	*1,166,157,363*	*1,806,262,535*	*2,071,704,469*
2	*Unamortized Finance Cost to Borrowings*	*612,132,129*	*337,384,979*	*349,346,586*
	Total	***1,778,289,492***	***2,143,647,514***	***2,421,051,055***

(d) *The cost of Rs. 34.93 Crore which is lying under the head 'Unamortized Finance Cost to Borrowings' is directly attributable to cost of the Project and was incurred for acquisition of the loans required to fund the Project cost.*

(e) *Although, as per Accounting Policies which is aligned with the Accounting Standards issued by "The Institute of Chartered Accountants of India", the finance charges has to be amortized over the period for which loans are acquired or five years, whichever is less, the Unamortized Finance Cost to Borrowings of Rs. 34.93 Crore needs to be considered as a part of the capital cost.*

In light of the above facts, the Petitioner states that the Unamortized Finance cost to Borrowings of Rs. 34.93 Crore is direct cost of the Project, and therefore prays that the same be allowed as capital cost of the Project. Accordingly, a detailed break- up of the final Project cost along-with the reasons for increase of Project cost from Rs. 8306.03 Crore to Rs. 8702.23 Crore, on account of each factor, is summarized in 'Format-B2', which is attached hereto and marked as Annexure 3D.

107. Vide Commission's letter dated 19th May' 2017, the petitioner was asked to explain the reasons for allocating the cost of Rs. 27.52 Crore to Unit No. 1 as on its COD along with all documents in support of total claim of Rs. 34.93 Crore towards un-discharged finance cost to borrowings as on 31st March' 2016.

108. By affidavit dated 13th June' 2017, the petitioner submitted the following regarding its claim of unamortized finance cost to borrowings:
"the expenses towards un-amortized finance cost to borrowings as on 31.03.2016 amounts to Rs. 34.93 Crore out of which, amount of Rs 27.52 Crore is allocated to Unit 1 based upon the actual capitalization done with respect to total cost incurred till 31.03.2016. The detailed working and the relevant supporting documents providing the rationale behind the basis of allocation are attached hereto and marked as ANNEXURE 6 (Colly).

109. On perusal of above reply, it is observed that the petitioner has shown the un-amortized finance cost to borrowing of Rs. 34.93 Crore in the Annual Audited accounts as on 31st March' 2016.

110. The Annual Audited Accounts at page 55 of the petition states the significant accounting policies related to borrowing cost adopted in preparing the Annual Accounts of the petitioner as under:

Borrowing Cost

Borrowing cost includes interest and amortization of ancillary costs incurred in connection with the arrangements of borrowings.

Borrowing cost directly related to acquisition, construction or production of an assets that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective asset. All other borrowing cost are expensed in the period in which they are incurred.

Cost incurred in raising funds are amortized equally over the period for which the funds are acquired or within five years, whichever is less.

111. The petitioner has amortized the finance cost to borrowing as per aforesaid accounting policy of amortizing the cost incurred in raising funds over the period for which the funds are acquired or within five years, whichever is less in the profit and loss account. However, in the instant petition, the petitioner has requested to consider the un-amortized finance cost to borrowing as an item of capital cost and the same is considered in this order.

112. The petitioner has submitted the break-up of unamortized cost incurred towards raising the term loan and working capital loan under annexure 3C of its reply dated 28th March' 2017 i.e. unamortized cost towards raising the term loan Rs. 34.93 Crore and unamortized cost towards raising the working capital loan of Rs. 8.29 Crore. Out of Rs. 34.93 Crore, the petitioner has apportioned Rs. 27.52 Crore towards Unit No. 1 whereas, for the purpose of determination of capital cost, the Commission has considered the apportionment of unamortized cost in the ratio as considered for the IDC in preceding part of this order.

J. Capital Spares

113. With regard to the capital spares, Regulation 17.1 (b) of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations 2012, prescribed the ceiling norms for capitalization of initial spares for coal based thermal generating stations, which is capped at 2.5% of the original project cost.

114. In form TPS 5B of the petition, the petitioner has not filed the capital spares separately. Therefore, vide Commission's letter dated 7th February' 2017, the petitioner was asked to file details of the Initial Spares capitalized as on CoD of Unit No.1 and 31st March' 2016.

115. By affidavit dated 28th March' 2017, the petitioner submitted the following regarding the initial spares:

"the values of mandatory spares covered in Offshore Contract & Onshore Supply Contract are to the tune of $10 Million & Rs. 20 Crore respectively, thereby totaling to Rs. 87 Crore (considering the exchange rate at Rs. 67/$).

Further, sub clause (b) of Regulation 17.1 of MPERC Tariff Regulations 2012 prescribes the ceiling norms for capitalization of initial spares. For Coal-based/lignite-fired thermal generating stations ceiling norms have been capped at 2.5% of the Original Project cost. The total capital expenditure incurred by the Petitioner within the original scope of the Project up to the Cut-off date is Rs. 8,702.23 Crore (As detailed in Format B1 and B2 attached hereto Annexure 3B and 3D respectively). Thus the percentage value of initial spares to the Project capital cost works out at 1.01%, which is well within the ceiling limits prescribed in Regulations 17.1(a).

The Offshore Contract & Onshore Supply Contract awarded to M/s LancoInfratech Limited have already been submitted by the Petitioner in Petition No. 31/2015(Annexure 29B, Page 1745& Annexure 29A, Page 1579 respectively).

The list of Initial Spares, capitalized up-to the date of COD of Unit-1 in light of Regulation 17.1(b) of MPERC Tariff Regulations, 2012 is attached hereto and marked as Annexure 9."

116. In view of aforesaid Regulation 17, it is noted that out of estimated cost of Rs 87 Crore towards initial spares for both the Units, the petitioner has submitted the capital spares of Rs. 33.93 Crore capitalized towards Unit No. 1 as on its COD. Accordingly, the capital spare in term of percentage of total approved capital cost is worked out as 0.84% (out of the total capital cost of Rs. 4047.95 Crore towards Unit No. 1 as on its COD), which is within the norms prescribed under Regulations, 2012. It is pertinent to mention that the amount of Rs. 33.93 Crore for capital spares considered in this order towards Unit No.1 is the part of Capital Cost considered below in this order.

K. Summary of Capital cost considered for Unit No.1

117. The capital cost considered towards Unit No.1 in this order are as under:

Table 17: The capital cost considered for Unit No.1 (Rs in Crore)

Particular	Capital Cost Considered in this order for Unit No.1 as on its COD
Land & Site Development	40.66
BTG & BOP	2284.02
Civil Works & Structural Works	445.75
Barrage	64.99
Railway Siding	0.00
Hard Cost	**2835.42**
Pre-Operative Expense-establishment charges	173.27
Startup Fuel Expenses	57.11
IDC and FC	914.99
FERV	46.69
Custom and Excise Duty	0.00
Unamortized Finance Cost	20.47
Soft Cost	**1212.53**
Total Capital cost including IDC and FC	**4047.95**

L. Additional capitalization towards Unit No. 1 between 21th May' 2015 to 31st March' 2016

Provision in Regulations:

118. With regard to additional capitalization, Regulation 20 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 provides that:

20 Additional Capitalization

20.1 The capital Expenditure 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 cut-off date may be admitted by the Commission, subject to prudent check:

(a) Undischarged liabilities

(b) Works deferred for execution

(c) liabilities to meet award of arbitration or for compliance of order or decree of a court,

(d) Change in Law,

(e) Procurement of initial capital spares within the original scope of work, subject to the provisions of Regulation 17.1(b)

Provided that the details of works included in the original scope of work along with estimates of expenditure, un-discharged liabilities and works deferred for execution shall be submitted along with the application for Tariff.

119. In the amended petition dated 15th April' 2017 the petitioner has filed an additional capitalization of Rs. 315.06 Crore between 21th May' 2015 to 31st March' 2016 towards Unit No. 1. Out of aforesaid additional capitalization, the petitioner has incurred Rs. 77.20 Crore towards BTG & BOP, Rs. 18.21 Crore towards Civil & Structural Work, Rs. 22.86 Crore towards Barrage, Rs.139.33 Crore towards Railway Siding, Rs. 12.73 Crore towards Pre-operative expenses and Rs. 44.72 Crore towards IDC.

120. Vide Commission's letter dated 7th February' 2017, the petitioner was asked to explain the reasons along with the details of works under additional capitalization in light of Regulation 20.1 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2012.

121. By affidavit dated 28th March' 2017, the petitioner submitted that the additional capitalization is within the original scope of work. The said capitalization has been made within the prescribed cut-off date.

122. Further, vide Commission's aforesaid letter dated 7th February'2017, the petitioner was also asked to explain the reasons for claiming the additional capitalization towards pre-operating expenses and IDC of Unit No. 1 post COD of Unit-1.

123. In response to above, by affidavit dated 28th March' 2017, the Petitioner submitted the following:

"that the certificate of expenditure as submitted on the date of COD of Unit-1 (20.05.2015) & as on 31.03.2016 indicates the actual expenditure capitalized excluding the actual expenditure incurred for the facility of Railway Siding which was capitalized post COD of Unit-1 (20.05.2015) on 30.06.2015. The expenditure on account of Pre-operative expenditure and Finance Charges/IDC respectively allocable to railway siding has been capitalized with effect from 30.06.2015 (i.e. the date on which the said asset was made operational and put to use). The relevant document of Railways go-ahead approval dated 17.06.2015 is attached hereto and marked as Annexure 11A.

The Petitioner further submits the details of date wise work done in regard to Railway Siding facility and allocation of associated cost in terms of temporary construction/site enabling facilities & soft cost towards preoperative/pre-commissioning expenditure & IDC/Finance Charges is attached hereto and marked as Annexure 11B.

124. The aforesaid submissions with details of various works filed by the petitioner are taken on records to check any further additional capitalization to be claimed by the petitioner in future. As the said additional capitalization under various heads is recorded in the Audited Accounts of the petitioner, the Commission has considered the additional capitalization towards BTG & BOP, Civil & Structural Work, Barrage and Railway Siding in this order. Any additional capitalization beyond 31st March' 2016 and which is not capitalized in the Annual Audited Accounts as on 31st March' 2016 (filed with the Commission) is not considered in this order.

125. Further, with regard to Railway siding cost, the petitioner in its aforesaid reply stated that facility of Railway siding was capitalized post COD of Unit-1 (20.05.2015) i.e. on 30.06.2015, therefore the cost of Railway siding was claimed post cost as an additional capitalization of Rs.139.33 Crore. The same is considered in this order. However, for the purpose of apportionment of aforesaid cost, between Unit No.1 & 2, the Commission has considered apportionment of the same towards Unit No.1as per Regulation 8.3 of MPERC tariff Regulations, 2012.

126. Further, the expenditure on account of Pre-operative expenditure and Finance Charges/IDC respectively allocable to Railway siding under additional capitalization for Unit No.1 are not considered by the Commission as these expenses are post COD of the Unit No. 1. Thus the same are not considered as part of capital cost in this Order. However, the petitioner may claim the aforesaid expenses incurred by it while filing the capital cost for Unit No. 2 as on its CoD.

127. Based on above discussion, the following item wise capital cost considered as on 31' March' 2016 towards Unit No. 1 are as under:

Table 18: Capital cost considered as on 31.03.2016 for Unit No. 1

(Rs in Crore)

Particulars	Capital Cost of Unit No.1 considered as on its COD	During FY 15-16	Capital Cost of Unit No.1 considered as on 31st March' 2016
Land & Site Development	40.66	-	40.66
BTG & BOP	2,284.02	77.20	2,361.23
Civil Works & Structural Works	445.75	18.21	463.96
Barrage	64.99	22.86	87.85
Railway Siding	-	69.66	69.66
Hard Cost	**2,835.42**	**187.94**	**3,023.37**
Pre-Operative Expense	230.37	-	230.37
IDC and FC	914.99	-	914.99

Particulars	Capital Cost of Unit No.1 considered as on its COD	During FY 15-16	Capital Cost of Unit No.1 considered as on 31st March' 2016
FERV	46.69	-	46.69
Custom and Excise	-	-	-
Unamortized Finance Cost	20.47	-	20.47
Soft Cost	**1,212.53**	**-**	**1,212.53**
Total Capital cost including IDC and FC	**4,047.95**	**187.94**	**4,235.89**

DEBT – EQUITY RATIO AND FUNDING OF THE PROJECT

Petitioner's Submission

128. The petitioner submitted the following regarding the funding of the project:

a. The petitioner had estimated the projected cost of Rs. 8702.23 Crore (duly approved by the Board) to be financed by Debt of Rs. 6287 Crore (72.25%) and Equity of Rs. 2415 Crore (27.75%).

b. Against the final revised project cost estimate of Rs. 8702.23 Crore (indicated in TPS 5B), the petitioner has incurred the capital expenditure of Rs. 7048.69 Crore as on 20th May' 2015 towards Unit No. 1&2 and Rs. 4570.29 Crore towards Unit No. 1.

c. However, by affidavit dated 29th September' 2017, the petitioner revised the aforesaid capital cash expenditure incurred of Rs. 7048.69 Crore to Rs. 6932.83 Crore.

129. Based on the information furnished in various formats, the details of project cost and its funding as submitted by the petitioner are given below:

Table 19: Debt and Equity claimed **(Rs in Crore)**

Particulars (in Rs Crore)	As on COD of Unit No. 1 20th May 2016	During FY 2015-16 post COD of Unit No. 1	As on 31st March 2016
Cash Expenditure	4496.08	315.06	4811.15
Add: FERV charged to Revenue attributed to Unit 1	46.69	-	46.69
Add: Unamortized Finance Cost to Borrowings	27.52	-	27.52
Cash Expenditure considered for tariff determination	**4570.29**	**315.06**	**4885.35**
Total Debt	**3248.29**	**227.62**	**3475.91**
Equity for Cash Expenditure	1247.79	87.44	1335.23
Equity for adding FERV Losses charged to Revenue/Unamortized Cost to Borrowings	74.21	-	74.21
Total Equity	**1322.00**	**87.44**	**1409.44**
Total - Debt & Equity	**4570.29**	**315.06**	**4885.35**

130. It is observed from the above table that the capital expenditure of Rs. 4570.29 Crore incurred upto 20th May' 2016 was funded by Debt of Rs. 3248.29 Crore and Equity of Rs.1322 Crore in the Debt: Equity ratio of 71.07:28.93.

131. Further, the petitioner has claimed additional capitalization of 315.06 Crore upto 31.03.2016, the funding of the aforesaid additional capitalization was shown in the ratio of 72.25:27.75.

Provision in Regulations:

132. With regard to Debt and Equity Ratio, Regulation 21 of MPERC (Terms and Conditions for Determination of Generation Tariff) 2012 provides that:

"21.1 In case of the generating station declared under commercial operation prior to 1.4.2013, debt-equity ratio allowed by the Commission for determination of Tariff for the period ending 31.3.2013 shall be considered. For the purpose of determination of Tariff of new generating station Commissioned or capacity expanded on or after 01.04.2013, debt-equity ratio as on the Date of Commercial operation shall be 70:30. The debt-equity amount arrived in accordance with this clause shall be used for calculation of interest on loan, return on equity and foreign exchange rate variation.

21.2 Where equity actually employed is in excess of 30%, the amount of equity for the purpose of Tariff shall be limited to 30% and the balance amount shall be considered as loan. The interest rate applicable on the equity in excess of 30% treated as loan has been specified in Regulation 23. The normative repayment shall also be considered on the equity in excess of 30% treated as loan. Where actual equity employed is less than 30%, the actual equity shall be considered."

Commission's analysis:

133. In Form 14A filed with petition, the petitioner has furnished the actual debt and equity deployed for both the Units as on 20th May' 2015. The details of such actual debt and equity are as given below:

Table 20: Actual Debt and Equity **(Rs in Crore)**

Sr. No.	Particulars	Amount	Ratio
1	Debt	5262.21	72.25%
2	Equity	2021.42	27.75%
	Total	**7283.64**	**100%**

134. From the above information provided for both the Units of project, the Commission has considered the debt and equity in the ratio of 72.25% and 27.75% for Unit No.1 as on its COD (20th May' 2015). The debt and equity considered as on 20th May' 2015 are as follows:-

Table 21: Debt and Equity **(Rs in Crore)**

Sr. No.	Particulars	Amount
1	Capital Cost approved as on 20.05.2015	**4047.95**
2	Debt	2924.53
3	Equity	1123.42

DETERMINATION OF TARIFF

135. The Commission has determined the tariff for Unit No.1 (600MW) of the M B Power Limited for the following period:-

(i) Final tariff from CoD of Unit No. 1 to 31st March' 2016 based on Annual Audited Accounts for FY 2015-16 under Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012.

(ii) Multi Year Tariff from FY 2016-17 to FY 2018-19 (Control Period) under Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015.

Determination of AFC of Unit No. 1 from COD to 31.03.2016 (FY 2015-16)

Annual Capacity (fixed) Charges

136. The tariff for supply of electricity from a thermal power generating station shall comprise of Annual Capacity (fixed) Charges and Energy (variable) Charges to be derived in the manner specified in Regulations 40 and 41 of “Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012. The Annual Capacity (fixed) Charges consist of:

(a) Return on Equity;
(b) Interest and Financing Charges on Loan Capital;
(c) Depreciation;
(d) Lease/Hire Purchase Charges;
(e) Operation and Maintenance Expenses;
(f) Interest Charges on Working Capital;
(g) Cost of Secondary Fuel Oil;
(h) Special allowance in lieu of R&M or separate compensation allowance, wherever applicable.

Return on Equity

Petitioner's Submission

137. The petitioner claimed the Return on Equity for FY 2015-16 by applying the base rate of return is as given below:

Table 22: Return on Equity claimed by the petitioner

Sr. No	Particulars	Unit	FY 2015-16
1	Opening Equity as on COD of Unit No. 1 i.e. 20th May' 2015	Rs. Cr.	1322.00
2	Addition in Equity during FY 2015-16	Rs. Cr.	87.44
3	Closing Equity as on 31st March' 2016	Rs. Cr.	1409.44
4	**Average Equity**	Rs. Cr.	**1365.72**
5	Base Rate of Return on Equity	%	15.50%
6	**Annual Return on Equity**	Rs. Cr.	**211.69**

Provision in Regulations:

138. Regulation 22 of the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012, provides as under:

22.1 "Return on equity shall be computed in rupee terms, on the paid up equity capital determined in accordance with Regulation 21.

22.2 Return on equity shall be computed on pre-tax basis at the base rate of 15.5% to be grossed up as per Regulation 22.3 of this Regulation:

Provided that in case of Projects commissioned on or after 1st April, 2013, an additional return of 0.5% shall be allowed if such Projects are completed within the timeline specified in Appendix-I :

Provided further that the additional return of 0.5% shall not be admissible if the Project is not completed within the timeline specified above for reasons whatsoever.

22.3 The rate of return on equity shall be computed by grossing up the base rate with the normal tax rate for the Year 2012-13 applicable to the Generating Company:

Provided that return on equity with respect to the actual tax rate applicable to the Generating Company, in line with the provisions of the relevant Finance Acts of the respective Year during the Tariff period shall be trued up separately.

22.4 *Rate of return on equity shall be rounded off to three decimal points and be computed as per the formula given below:*
Rate of pre-tax return on equity = Base rate / (1-t)
Where t is the applicable tax rate in accordance with Regulation 22.3 of this Regulation"

Commission's Analysis

139. While determining the return of equity for FY 2015-16, the Commission has considered opening equity of Rs. 1123.42 Crore (27.75% of the opening capital cost) which is within the norms prescribed under the Regulations, 2012. Further, the Commission has also considered equity addition of Rs. 52.16 Crore during FY 2015-16 to the extent of additional capitalization considered in this order which is also within the norms.

140. The petitioner claimed return on equity on the base rate of return (15.5%) without considering any tax rate for grossing up the base rate during FY 2015-16.

141. Accordingly, the return on equity for FY 2015-16 is worked out by applying the base rate of return as per Regulations is as given below:

Table 23: Return on Equity

Sr. No.	Particular	Unit	FY 2015-16
1	Opening Equity as on COD of Unit 1 i.e. 20th May' 2015	Rs. Cr.	1123.42
2	Addition in Equity during FY 2015-16	Rs. Cr.	52.16
3	Closing Equity as on 31st March' 2016	Rs. Cr.	1175.58
4	Average Equity	Rs. Cr.	1149.50
5	Base Rate of Return on Equity	%	15.50%
6	**Annual Return on Equity**	**Rs. Cr.**	**178.17**

Interest and Finance Charges on Loan

Petitioner's Submission

142. The petitioner filed the interest and finance charges for FY 2015-16 on the term loan by considering the weighted average rate of interest of 13.27% is as given below:-

Table 24: Interest on Loan claimed by the Petitioner

Sr. No.	Particulars	Unit	FY 2015-16
1	Opening Loan as on COD of Unit No. 1	Rs. Cr.	3248.29
2	Add: Increase in Normative Loan	Rs. Cr.	227.62
3	Less: Normative Repayment during the year	Rs. Cr.	196.25

4	Closing Normative Loan	Rs. Cr.	3279.66
5	**Average Normative Loan**	Rs. Cr.	**3263.97**
6	Weighted average Rate of Interest of actual Loans	%	13.27%
7	**Interest on Normative loan**	Rs. Cr.	**433.05**

Provision in Regulations:

143. With Regard to Interest and finance charges, Regulation 23 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 provides as under:

"23.1 The loans arrived at in the manner indicated in Regulation 21 shall be considered as gross normative loan for calculation of interest on loan.

23.2 The normative loan outstanding as on 1.4.2013 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2013 from the gross normative loan.

23.3 The repayment for the Year of the Tariff period 2013-16 shall be deemed to be equal to the depreciation allowed for that Year.

23.4 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 annual depreciation allowed.

23.5 The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each Year applicable to the Project:

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.

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

23.7 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"

Commission's Analysis

144. While determining the interest charges on loan capital, the Commission has considered the opening loan amount of Rs. 2924.53 Crore as on COD of Unit No. 1, which is 72.25% of the funding considered in this order. Further, the Commission has also considered the loan addition of Rs. 135.78 Crore during FY 2015-16 to the extent of additional capitalization considered in the same ratio of funding as considered in this order.

145. With regard to the weighted average rate of interest on loan, vide Commission's letter dated 7th February' 2017, the Petitioner was asked to file the supporting documents in respect of actual weighted average rate of interest for FY 2015-16 claimed in the petition.

146. By affidavit dated 28th March' 2017, the petitioner submitted the following

"The Petitioner in its Petition No. 68/2016, in Form-13 of the Tariff Filing Formats, has already submitted the detailed calculations for working out the weighted average rate of interest considered for FY 2015-16 @ 13.27%. In support of the same, the Bankers Certificate's for actual outstanding loan and interest paid up to 31.03.2016 has also been submitted, as Annexure 12 to the aforementioned Petition. The Petitioner, however, for the sake of convenience, re-submits the Banker's Certificate's for actual outstanding loan and interest paid upto31.03.2016 and Form 13 (computation of weighted average rate of interest) and the same is attached hereto and marked as Annexure 15 (Colly).

147. Accordingly, the Commission has considered the actual weighted average rate of interest 13.27% for FY 2015-16 as worked out and claimed by the petitioner by considering the actual loan outstanding and actual interest paid. Repayment equivalent to depreciation during the period corresponding to number of days in operation during the year is considered as per the provision under the Regulations, 2012.

148. Considering the above, the interest on loan for FY 2015-16 is determined in this order as given below:-

Table 25: Interest on loan

Sr. No.	Particular	Unit	FY 2015-16
1	Opening Loan as on CoD of the Unit	Rs. Cr.	2924.53
2	Loan Additions during the year	Rs. Cr.	135.78
3	Repayment of Loan equal to dep.	Rs. Cr.	171.93

4	Closing Loan as on 31st March' 2016	Rs. Cr.	2888.38
5	Average Loan	Rs. Cr.	2906.46
6	Weighted Average Rate of Interest	%	13.27%
7	**Annual Interest amount on Loan**	**Rs. Cr.**	**385.61**

Depreciation

Petitioner's Submission

149. The petitioner claimed the depreciation for the period from COD to 31st March' 2016 for Unit No. 1 with considering the weighted average rate of depreciation of 4.79% is as given below:-

Table 26: Depreciation claimed by the Petitioner (Rs in Crore)

Sr. no.	Name of the Assets	Gross Block as on COD of Unit No. 1 Cash Basis	Gross Block as on 31.03.2016 Cash Basis	Average Gross Block as on 31.03.2016	Depreciation Rates as per MPERC's Depreciation Rate Schedule	Depreciation Amount for FY 2015-16
1	Free Hold Land	74.30	74.30	74.30	0%	-
2	Lease Hold Land	8.36	8.36	8.36	3.34%	0.28
3	Civil & structure works	977.40	977.40	977.40	3.34%	32.65
4	Plant & equipments	3,510.24	3,825.30	3,667.77	5.28%	193.66
	TOTAL	**4,570.29**	**4,885.35**	**4,727.82**		**226.58**
	Weighted Average Rate of Depreciation (%)					**4.79%**

Provision in Regulations

150. With regard to Depreciation, Regulation 24 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 provides as under:

"24.1 For the purpose of Tariff, depreciation shall be computed in the following manner:

(a) The value base for the purpose of depreciation shall be the capital cost - of the assets as admitted by the Commission

(b) The approved/accepted cost shall include foreign currency funding converted to equivalent rupee at the exchange rate prevalent on the date of foreign currency actually availed.

(c) 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 stations, the salvage value shall be as provided in the agreement signed by the developers with the State Government for creation of the site:

Provided further that the capital cost of the assets of the hydro generating station for the purpose of computation of depreciable value shall correspond to the percentage of sale of electricity under Long-term power purchase agreement at regulated Tariff.

(d) Land other than 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.

(e) 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 Date of Commercial operation shall be spread over the balance Useful life of the assets.

(f) In case of the existing Projects, the balance depreciable value as on 1.4.2013 shall be worked out by deducting the cumulative depreciation including Advance against Depreciation if any as admitted by the Commission upto 31.3.2013 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%.

(g) 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."

Commission's Analysis

151. While determining the depreciation, the Commission has considered the opening GFA as on CoD of the unit is Rs. 4047.95 Crore as approved in this order. The Commission has also considered assets addition of Rs. 187.94 Crore during the year in respect of additional capitalization considered in this Order.

152. For the purpose of computation of depreciation, the Commission has considered the opening Gross Fixed Assets (GFA) and assets additions as given below:

Table 27: Gross Fixed Assets (Rs in Crore)

Particular	As on 20.05.2015 (COD of Unit No. 1)	Additions From 21.05.2015 to 31.03.2016	As on 31.03.2016
Capital Cost of Unit No. 1	4047.95	187.94	4235.89

153. Vide Commission's letter dated 7th February' 2017, the petitioner was asked to submit the Asset-cum-Depreciation register duly reconciled with Annual Audited Accounts. In response to above by affidavit dated 28th March' 2017, the petitioner submitted that the "Asset-cum depreciation register duly reconciled with the Annual Audited Accounts for FY 2015-16 is attached here to and marked as annexure 16".

154. On perusal of Assets Cum-depreciation Register filed by the petitioner, the Commission observed that the petitioner provided a list of the assets which is not inline of the provisions under Regulations and does not fulfill the regulatory requirement. For the tariff purpose, the petitioner is required to prepare a detailed assets-cum-depreciation register for the power station in accordance to the Regulations. The petitioner is directed to file detailed Assets-Cum-Depreciation register for the power station with final tariff petition for Unit No. 2 to be filed by the petitioners.

155. The Commission has considered the weighted average rate of depreciation as filed by the petitioner based on the rate of depreciation as per MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012. Accordingly, the depreciation on assets is determined as given below:

Table 28: Depreciation

Sr. No.	Particular	Unit	FY 2015-16
1	Opening Gross Fixed Assets as on CoD of the unit	Rs Cr.	4047.95
2	Assets Addition during the year	Rs Cr.	187.94
3	Closing Gross Fixed Assets as on 31.03.2016	Rs Cr.	4235.89
4	Average Gross Fixed Assets	Rs Cr.	4141.92
5	Weighted Average Rate of Depreciation (%)	%	4.79%
6	**Annual Depreciation**	**Rs Cr.**	**198.50**
7	Cumulative Depreciation	Rs Cr.	171.93

Operation & Maintenance Expenses

Petitioner's Submission

156. The petitioner filed the Operation and Maintenance expenses for Unit No.1 for FY 2015-16 as given below:

Table 29: Operation & Maintenance Expenses claimed (Rs. in Crore)

Particular	FY 2015-16
Annual O&M expenses	90.54

Provision in Regulations:-

157. Regarding the Operation and Maintenance expenses of thermal power stations, Regulation 36.1 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 provides as under,

"36.1 The Operation and Maintenance expenses admissible to existing thermal power stations comprise of employee cost, Repair & Maintenance (R&M) cost and Administrative and General (A&G) cost. These norms exclude Pension, Terminal Benefits and Incentive to be paid to employees, taxes payable to the Government, MPSEB expenses and fees payable to MPERC. The Generating Company shall claim the taxes payable to the Government and fees to be paid to MPERC separately as actuals. The claim of pension and Terminal Benefits shall be dealt as per Regulation 26.5."

158. The norms for Operation and Maintenance Expenses prescribed under Regulation 36.1 of the Regulations, 2012 for the generating Unit of "600 MW and above" for FY 2015-16 are as given below:

Table 30: Norms for O&M Expenses (Rs. lakh/MW/Year**)**

Particular	Units	FY 2015-16
600 MW and Above	Rs in Lakh/MW	15.09

Commission's Analysis

159. The Commission has worked out the Annual Operation and Maintenance Expenses as per the norms prescribed under aforesaid Regulations, 2012 for the generating unit of "600 MW and above" as given below:

Table 31: O& M Expenses for Generating Unit

Particular	Units	FY 2015-16
Generating Unit Capacity	MW	600
Per MW O&M Expenses Norms	Rs in Lakh/MW	15.09
Annual O&M expenses	**Rs in Crore**	**90.54**

Interest on Working Capital

Petitioner's Submission

160. The petitioner claimed the Interest on Working Capital for Unit No.1 for FY 2015-16 as given below:-

Table 32: Interest on Working Capital claimed (Rs. in Crore)

Sr. No.	Particulars		FY 2015-16
1	Cost of Coal/Lignite		137.47
2	Cost of Secondary Fuel Oil		1.99
3	Fuel Cost		NA
4	Liquid Fuel Stock		NA
5	O & M Expenses		7.55
6	Maintenance Spares		18.11
7	Receivables		310.50
8	**Total Working Capital**		**475.62**
9	**Working capital Margin**		**45.05**
10	**Total Working Capital allowed**		**430.57**
11	Rate of Interest		13.50%
12	**Interest on allowed Working Capital**		**58.13**
13	WCM funded by Debt as per FS 2015-16	**72.25%**	32.55
14	WCM funded by Equity as per FS 2015-16	**27.75%**	12.50
15	Interest on WCM funded by Long term loans	13.27%	4.32
16	Return on WCM	15.50%	1.94
	Total Interest on Working Capital		**64.38**

Provision in Regulations:

161. Regarding working capital for coal based generating stations, Regulation 37.1 of the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 provides that:

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

(i) Cost of coal for 45 Days for pit-head generating stations and two months for non-pit-head generating stations, corresponding to the normative availability;

(ii) Cost of secondary fuel oil for two months corresponding to the normative availability:
Provided that in case of use of more than one secondary fuel oil, cost of fuel oil stock shall be provided for the main secondary fuel oil.

(iii) Maintenance spares @ 20% of the normative O&M expenses;

(iv) Receivables equivalent to two months of capacity charges and energy charges for sale of electricity calculated on the Normative Annual Plant Availability Factor; and

(v) Operation and Maintenance expenses for one month."

162. Regulation 37.2 of the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 provides as under:
"37.2 The cost of fuel shall be based on the landed cost incurred (taking into account normative transit and handling losses) by the Generating Company and Gross Calorific Value of the fuel as per actual for the preceding three months and no fuel price escalation shall be provided during the Tariff period."

Commission's Analysis

(a) Cost of Coal for Working Capital

163. The petitioner power station is non pit head station. Therefore, the cost of two months' coal stock for working capital purpose is worked out based on the norms for non-pit head power station prescribed under the Regulations, 2012. The weighted average rate of coal and GCV of coal for FY 2015-16 considered as per the details(at annexure 19A and 20A) filed by the petitioner by affidavit dated 28th March' 2017. Accordingly, the two months cost of coal stock for working capital at normative availability is worked out as under:

Table 33: Two months cost of coal stock for working capital for FY 2015-16

Particular	Units	FY 2015-16
Installed Capacity of the Unit	MW	600
Gross Station Heat Rate considered for FY 2015-16	kCal/kWh	2407
Gross Generation	MUs	4479.84

Gross Calorific Value of coal as fired basis	kCal/Kg	3530
Sp. Coal Consumption	kg/kWh	0.684
Annual Coal Consumption	MT	3066307
Two months Coal Stock	MT	511051
Rate of Coal	Rs./MT	2630
Wt. Avg. Coal Cost (Two months stock) for working capital	**Rs in Cr.**	**134.39**

(b) Cost of Secondary fuel oil for Working Capital

164. Regarding the cost of secondary fuel oil for working capital, proviso of the aforesaid Regulation 37.1 provides that "in case of use of more than one secondary fuel oil, cost of fuel oil stock shall be provided for the main secondary fuel oil". Therefore, the cost of main fuel oil (HFO) is taken into account while determining the cost of oil for working capital.

165. In the subject petition, the petitioner worked out weighted average rate of HFO as Rs. 23681/KL for FY 2015-16 based on the landed price of secondary fuel oil purchased during the year. The same weighted average rate of HFO is considered by the Commission in this order. Accordingly, the cost of two months' main fuel oil stock at normative availability is worked out as given below:

Table 34: Cost of Main Secondary Fuel Oil for 2 Months stock

Particular	Units	FY 2015-16
Installed Capacity	MW	600
NAPAF	%	85%
Gross Generation	MUs	4479.84
Normative Specific Oil Consumption	ml/kWh	1.00
Quantity of Sec Fuel Oil required	KL	4479.84
Two months' stock of main fuel oil (HFO)	KL	746.64
Weighted Avg Rate of Secondary Fuel Oil (HFO)	Rs./KL	23,681
Oil Cost (Two Months Stock) for working capital	**Rs. in Crore**	**1.77**

(c) O&M Expenses for Working Capital

166. O&M Expenses of one month for working capital purpose is worked out as given below:

Table 35: O&M expenses for one Month for Working Capital (Rs in Crore)

Particular	FY 2015-16
Annual O&M Expenses	90.54
O&M Expenses for One Month	7.55

(d) Cost of Maintenance Spares for Working Capital

167. Maintenance spares for working capital worked out as per norms (20% of annual O&M expenses) under the Regulations are as follows:

Table 36: Maintenance Spares for Working Capital (Rs in Crore)

Particular	Units	FY 2015-16
Generating Unit Capacity	MW	600
Per MW O&M Expenses Norms	Rs Lakh/MW	15.09
Annual O&M Expenses	Rs. in Crore	90.54
20% of Annual O&M Expenses	**Rs. in Crore**	**18.11**

(e) Receivables for Working Capital

168. Receivables for computation of working capital have been worked out on the basis of the Annual Capacity (fixed) charges and energy charges for two months on Normative Plant Availability Factor are as given below:-

Table 37: Receivables of Two Months for Working Capital (Rs. in Crore)

Particular	FY 2015-16
Variable Charges- two months	134.39
Fixed Charges- two months	154.26
Receivables- two months	**288.65**

169. Further, with regard to the rate of interest on working capital, Regulation 27.1 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 provides as under:

"27.1 Rate of interest on working capital to be computed as provided subsequently in these Regulations shall be on normative basis and shall be equal to the State Bank of India's Base Rate as on 1st of April of that year plus 3.50%.

170. As per aforementioned Regulation, 2012, the rate of interest on working capital for FY 2015-16 has been taken equal to the State Bank of India's (SBI) base rate as on 1st April of that financial year Plus 3.5%. The SBI base rate effective from 07/11/2013 is 10%, the same is considered to remain effective as on COD of Unit No. 1. Accordingly, the rate of interest for FY 2015-16 is considered as 13.50% (10.00%+3.50%)

171. Based on the above, the interest on working capital for Unit no. 1 for FY 2015-16 is determined as given below:-

Table 38: Interest on Working Capital (Rs. in Crore)

Sr. No.	Particular	Unit	Norms	FY 2015-16
1	Cost of Coal	Rs Cr.	2 months	134.39
2	Cost of Main Secondary Fuel Oil	Rs Cr.	2 months	1.77
3	O&M Expenses for One Months	Rs Cr.	1 Month	7.55
4	Maintenance Spares 20% of O&M expenses	Rs Cr.	20% of O&M	18.11
5	Receivables for Two Months	Rs Cr.	2 Months	288.65
6	Total Annual Working Capital	Rs Cr.		**450.46**
7	Rate of Interest on Working Capital	%		13.50%
8	**Annual Interest on working Capital**	Rs Cr.		**60.81**

Cost of Secondary Fuel Oil

Petitioner's Submission

172. The petitioner worked out the weighted average landed cost of secondary fuel oil of Rs.26663/KL for FY 2015-16. The cost of secondary fuel oil as claimed by the petitioner is as given below:-

Table 39: Details of Cost of Secondary Fuel Oil

	Particular	Unit	FY 2015-16
1	Installed Capacity	MW	600
2	NAPAF	%	85%
3	Annual Gross Generation	MU's	4479.84
4	Normative Sp. Oil consumption	ml/kWh	1.00
5	Quantity of Sec. fuel oil	KL	4479.84
6	Rate of secondary fuel oil	Rs./KL	26,663
7	**Annual cost of secondary fuel oil**	**Rs. Crore**	**11.94**

Provision in Regulations:

173. With Regard to secondary fuel oil expenses, Regulation 38 of the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 provides as under:

"38 Expenses on Secondary fuel oil in Rupees shall be computed corresponding to normative Specific Fuel Oil Consumption (SFC) specified in Regulation 35, in accordance with the following formula:

= *SFC x LPSFi x NAPAF x 24 x NDY x IC x 10*

Where,

SFC- Normative Specific Fuel Oil Consumption in ml/kWh

LPSFi -Weighted Average Landed Price of Secondary Fuel in Rs./ml considered initially

NAPAF - Normative Annual Plant Availability Factor in percentage NDY - Number of Days in a Year
IC - Installed Capacity in MW"

Commission's Analysis

174. The petitioner filed the weighted average landed price of secondary fuel oil as given below:

Table 40: Landed rate of Secondary fuel Oil (Rs/ KL)

Particulars	weighted average landed rate of secondary fuel oil Rs/KL
LDO	33620
HFO	23681
Secondary Fuel Oil (weighted average rate)	26663

175. Based on the aforesaid details filed by the petitioner, the cost of secondary fuel oil is determined as given below:-

Table 41: Secondary Fuel Oil Expenses (Rs. in Crore)

Particular	Unit	FY 2015-16
Installed Capacity	MW	600.00
NAPAF	%	85%
Gross Generation	MUs	4479.84
Normative Specific Oil Consumption	ml/kWh	1.00
Quantity of Sec Fuel Oil required	KL	4479.84
Wt. Avg. Rate of Secondary Fuel Oil	Rs./KL	26663
Cost of Secondary Fuel Oil	**Rs. in Crore**	**11.94**

176. The cost of secondary fuel oil arrived at as above shall be subject to fuel price adjustment at the end of each year of tariff period in terms of the proviso to Regulation 38.2 of the Regulations, 2012 as given below:

"38.2 Initially, the landed cost incurred by the Generating Company on secondary fuel oil shall be taken based on actual of the weighted average price of the three preceding months and in the absence of landed costs for the three preceding months, latest procurement price for the generating station, before the start of the Year."

The secondary fuel oil expenses shall be subject to fuel price adjustment at the end of the each Year of Tariff period as per following formula:

SFC x NAPAF x 24 x NDY x IC x 10 x (LPSFy – LPSFi)

Where,

LPSFy = The weighted average landed price of secondary fuel oil for the Year in Rs./ml.

Foreign Exchange Rate Variation

Provisions in Regulations:-

177. Regulation 29 of the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 regarding Foreign Exchange Rate Variation provides that

29.1 The Generating Company may hedge foreign exchange exposure in respect of the interest on foreign currency loan and repayment of foreign loan acquired for the generating station, in part or full in the discretion of the Generating Company.

29.2 Every Generating Company shall recover the cost of hedging of Foreign Exchange Rate Variation corresponding to the normative foreign debt, in the relevant Year on Year-to-Year basis as expense in the period in which it arises and extra rupee liability corresponding to such foreign exchange rate variation shall not be allowed against the hedged foreign debt.

29.3 To the extent the Generating Company is not able to hedge the foreign exchange exposure, the extra rupee liability towards interest payment and loan repayment corresponding to the normative foreign currency loan in the relevant Year shall be permissible provided it is not attributable to the Generating Company or its suppliers or contractors.

29.4 The Generating Company shall recover the cost of hedging and Foreign Exchange Rate Variation on Year-to-Year basis as income or expense in the period in which it arises.

Commission Analysis

178. As discussed in preceding part of this order, the petitioner claimed the FERV loss of Rs. 46.69Crore till the CoD of Unit No.1 being part of capital cost.

179. In light of aforementioned provisions in MPERC Tariff Regulations 2012, the petitioner is entitled to recover the cost of Foreign Exchange Rate Variation as income or expense on actual basis every year based on Annual Audited Accounts of the respective year.

180. Post COD of Unit No.1, the petitioner has not claimed FERV during FY 2015-16 towards Unit No.1. Accordingly the FERV expenses are considered **as NIL**.

Non-Tariff Income

Provisions in Regulations:-

181. Regulations 31 of the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 provides as under:-

"(a) 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/contractors, 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.*

(b) 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:

182. In para 51 of the petition, the petitioner submitted that Non-tariff income of Rs 18.36 Cr. has been recorded in books of accounts for FY 2015-16 (under Note 24 of Financial Statements). Out of the aforesaid amount 8.15 Cr. has been transferred to direct expenditure & adjusted while capitalization of assets in books of account for FY 2015-16. In view of above, vide Commission's letter dated 7th February' 2017, the petitioner was asked to clarify/inform the following:

a. Under which head of capital cost, the aforementioned amount has been adjusted.

b. How the Non Tariff Income as reflected in Annual Audited Accounts of previous years has been adjusted.

c. In para 51 of the petition, the income from sale of fly ash has not been reflected in break-up of Non tariff income. The petitioner is required to indicate the income from sale to fly ash as per Annual Audited Accounts of the project.

183. In response to above, by affidavit dated 28th March' 2017, the petitioner submitted the following:

The Petitioner submits that the Non-tariff income of Rs. 18.36 Crore has been recorded in under "Note 18: Other income" of the of the Petitioner's Annual Audited Accounts for FY 2015-16 (attached hereto as Annexure-A). Further out of the above Rs. 8.15 Crore has been transferred to direct expenditure & adjusted while capitalization of assets in books of account for FY 2015-16 as depicted under "Note 24:Direct expenditure incurred during construction pending allocation" of the Petitioner's Annual Audited Accounts for FY 2015-16 (attached hereto as Annexure-A).

77. The point-wise reply to the queries of the Commission is detailed below:

(a) *The Pre-operative expenses have been capitalized to the respective assets after adjusting for the non-tariff income as a part of the soft-cost incurred towards the Project. The soft cost of the Project is allocated among the fixed assets created during the commissioning of the Project, in line with the Accounting Standards prescribed by the Institute of Chartered Accountants of India.*

(b) *The Non-Tariff Income of previous years reflected in the Audited Accounts of the Petitioner has been adjusted in the similar manner as Non-tariff Income for FY 2015-16 have been treated in the Financial Statements. As depicted in "Note 10: Capital work-in progress" of the Petitioner's Audited Annual Accounts for FY 2015-16 (attached hereto as Annexure A), Rs. 123.96 Crore of Non-Tariff income pertaining to previous years, has been transferred to direct expenditure & adjusted while capitalization of assets.*

(c) *In line with the Commission's observation, the Petitioner hereby submits the details of net income from sale of Fly Ashas detailed in the table below: [(Please refer "Note 17: Revenue from operations" of the Petitioner's Audited Annual Accounts for FY 2015-16 (attached hereto as Annexure A)]*

S. No	***Particulars***	***Amount (Rs.)***
1	*Income from Sale of Fly Ash*	*79,560*
2	*Excise duty of sale of Fly Ash*	*(-) 1,560*
	Net Income from Sale of Fly Ash	***78,000***

184. On perusal of the aforesaid response filed by the petitioner, the Commission observed the following:

(i) Note 18 of the Annual Audited Accounts for FY 2015-16 indicated that the other/ miscellaneous income during the year is Rs. 18.36 Crore.

(ii) It is further observed that the amount transferred to direct expenditure incurred during construction (pending allocation) is Rs. 8.15 Crore.

(iii) Net other/ non-tariff income is **Rs.10.21 Crore** recorded in the Annual Audited Accounts.

185. The break-up of other income as per Note 1B of Annual Audited Accounts for FY 2015-16 is as follows:

S. No.	Particular	Amount in Rs. Crore
1.	Interest income in bank deposits	16.42
2.	Interest income other's	0.25
3.	Net gain/ loss on sale of investments- mutual fund	1.62
4.	Scrape sales	0.04
5.	Miscellaneous income	0.015
	Total	**18.357**
	Less: Transferred to direct expenditure incurred during construction	(8.15)
	Net Non-tariff income	**10.21**

186. In view of the above, Non Tariff Income of Rs. 10.21Crore as filed by the petitioner in light of Annual Audited Accounts for FY 2015-16 is considered in this Order.

Summary of Annual Capacity (fixed) Charges:

187. Normative Annual Plant Availability Factor for recovery of Annual Capacity (fixed) Charges is 85% as per MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations 2012. The Annual Capacity (fixed) Charges for MB Power for Unit No. 1 for the period 21.05.2015 to 31.03.2016, i.e. pro-rated for 317 days of operation from the date of commercial operation of Unit No. 1 has been determined in this order. Considering the above, the Annual Capacity (fixed) Charges for Unit No. 1 determined in this order are summarized as given below:

Table 42: Summary of Annual Capacity (fixed) Charges for Unit No. 1

(Rs. in Crore)

Sr. No.	Particulars	FY 2015-16
1	Return on Equity	178.17
2	Interest and Finance Charges	385.61
3	Depreciation	198.50
4	Operation & Maintenance Expenses	90.54
5	Interest on Working Capital	60.81
6	Cost of Secondary Fuel oil	11.94

7	**Total Capacity (fixed) Charges**	**925.58**
8	No. of Operational Days Applicable for the Period	317.00
9	Total Capacity Charges for applicable days	801.67
10	Less:-Non Tariff Income	10.21
11	**Net Capacity Charges for applicable days**	**791.46**
12	**Capacity Charges for contracted Capacity i.e. (30%) of installed Capacity**	**237.44**

188. The Annual Capacity (fixed) Charges as determined above for the period upto 31.03.2016 are final as these charges are based on Annual Audited Accounts of FY 2015-16.

189. The recovery of Annual Capacity (fixed) Charges shall be made by the petitioner in accordance with clause 40.2 and clause 40.3 of MPERC (Terms and Conditions for Determination of Generation tariff) Regulations, 2012 on pro-rata basis with respect to actual Annual Plant Availability Factor.

Energy (variable) Charges for FY 2015-16

Petitioner's submission

190. The petitioner claimed the energy charges from COD of Unit No.1 (i.e. 20th May' 2015) to 31st March' 2016 based on the preceding three months (January' 2016 to March' 2016) actual fuel price and calorific value as per Regulation 37.2 of MPERC (Terms and Conditions for Determination of Generation tariff) Regulations, 2012. The petitioner mentioned that the norms of operations in terms of station heat rate, Auxiliary energy consumption etc have been considered in terms of Regulations 35 of the MPERC Regulations, 2012.

191. With the above approach, the energy charges for Unit No.1 for the period from COD (20th May' 2015) till 31st March 2016 is claimed by the petitioner in the subject petition are as follows:

Table 43: Energy Charges claimed

	Particulars	Unit	FY 2015-16
1	Installed Capacity	MW	600
2	Normative Annual Plant Load Factor (NAPAF)	%	0.85
3	Gross Generation at generator terminals	MU's	4479.84
4	Net Generation at ex-bus	MU's	4188.65
5	Gross Station Heat Rate	kCal/kWh	2407
6	Sp. Fuel Oil Consumption	ml/kWh	1.00
7	Aux. Energy Consumption	%	6.50%

	Particulars	Unit	FY 2015-16
8	Transit and handling Loss	%	0.80%
9	Weighted average GCV of Oil	kCal/ltr.	9920
10	Weighted average GCV of Coal (as fired)	kCal/kg	3588
11	Weighted Average price of Coal	Rs./MT	2734
12	Heat Contributed from Oil	kCal/kWh	9.92
13	Heat Contributed from Coal	kCal/kWh	2397
14	Specific Coal Consumption	kg/kWh	0.668
15	Sp. Coal consumption including transit loss	kg/kWh	0.675
16	Rate of Energy Charge from Coal	Rs./kWh	1.969

Provisions in Regulations:-

192. For determining the Energy (variable) Charges of thermal power station for FY 2015-16 i.e. from COD of Unit No. 1 to 31st March' 2016, Regulation 41 of MPERC (Terms and Conditions for Determination of Generation tariff) Regulations, 2012 provides as under;

41.1 "The energy (variable) charges shall cover main fuel costs and shall be payable for the total energy scheduled to be supplied to such Beneficiary during the calendar month on ex-power plant basis, at the specified variable charge rate (with fuel price adjustment).

41.2 Energy (variable) Charges in Rupees per kWh on ex-power plant basis shall be determined to three decimal places as per the following formula:
For coal fired stations
ECR = (GHR – SFC x CVSF) x LPPF x 100 / {CVPF x (100 – AUX)} Where,
AUX= Normative Auxiliary Energy Consumption in percentage.
ECR = Energy Charge Rate, in Rupees per kWh sent out.
GHR = Gross Station Heat Rate, in kCal per kWh.
SFC = Specific Fuel Oil Consumption, in ml/kWh
CVSF = Calorific value of Secondary Fuel, in kCal/ml.
LPPF =Weighted average Landed price of Primary Fuel, in Rupees per kg, per liter or per standard cubic meter, as applicable, during the month.
CVPF = Gross Calorific Value of Primary Fuel as fired, in kCal per kg, per liter or per standard cubic meter.

Provided that Generating Company shall provide details of parameters of GCV and price of fuel i.e. domestic coal, imported coal, e-auction coal, liquid fuel etc., details of blending ratio of the imported coal with domestic coal, proportion of e-auction coal with details of the variation in energy charges billed to the

beneficiaries along with the bills of the respective month:
Provided further that a copy of the bills and details of parameters of actual GCV and price of fuel i.e. domestic coal, imported coal, e-auction coal, liquid fuel 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 for a period of a quarter on monthly basis.

41.3 Variable charge for the month shall be worked out on the basis of ex-bus energy scheduled to be sent out from the generating station in accordance with the following formula:
Monthly Energy Charge (Rs.) =
Variable Charge Rate in Rs.*/ kWh X Scheduled Energy (ex-bus) for the month in kWh corresponding to Scheduled Generation."*

Commission's Analysis:
Operating Parameters:

193. While calculating the energy (variable) charges, the petitioner considered norms for specific Oil consumption and auxiliary consumption as per MPERC (Terms and Conditions for Determination of Generation), Regulations' 2012.

a) Gross Station Heat Rate

194. For FY 2015-16, the base rate of energy charges shall cover primary (main) fuel cost and based on the parameters like auxiliary energy consumption, station heat rate, specific fuel consumption etc. prescribed under MPERC Regulations, 2012.

195. The petitioner filed the Gross Station Heat Rate considering Guaranteed Design Turbine Cycle Heat Rate and Guaranteed Boiler Efficiency at designed operating parameters of the generating Unit.

196. While processing the provisional tariff petition for MB Power Limited, the Commission in tariff order dated 29th July' 2015 considered the Station Heat Rate of Unit No. 1 as 2407 kCal/kWh based on the certificate of supplier guaranteed performance parameters for design heat rate of thermal generating unit.

197. Regarding the Gross Station Heat Rate of new thermal power stations Commissioned on or after 1st April 2012, Regulation 35.2 (B) provides as under:
Coal-based and lignite-fired Thermal Generating Stations = 1.065 X Design Heat

Rate(kCal/kWh)

Where the Design Heat Rate of a Unit means the Unit heat rate guaranteed by the supplier at conditions of 100% MCR, zero percent make up, design coal and design cooling water temperature/back pressure:

Provided that the design heat rate shall not exceed the following maximum design Unit heat rates depending upon the pressure and temperature ratings of the Units:

Pressure Rating (Kg/cm2)	***150***	***170***	***170***	***247***	***247***
SHT/RHT (0C)	*535/535*	*537/537*	*537/565*	*537/565*	*565/593*
Type of BFP	*Electrical Driven*	*Turbine driven*	*Turbine driven*	*Turbine Driven*	*Turbine Driven*
Max Turbine Cycle Heat rate (kCal/kWh)	*1955*	*1950*	*1935*	*1900*	*1850*
Minimum Boiler Efficiency					
Sub-Bituminous Indian Coal	*0.85*	*0.85*	*0.85*	*0.85*	*0.85*
Bituminous Imported Coal	*0.89*	*0.89*	*0.89*	*0.89*	*0.89*
Max. Design Unit Heat Rate (kCal/kWh)					
Sub-Bituminous Indian Coal	**2300**	**2294**	**2276**	**2235**	**2176**
Bituminous Imported Coal	*2197*	*2191*	*2174*	*2135*	*2079*

Provided further that in case pressure and temperature parameters of a Unit are different from above ratings, the maximum design Unit heat rate of the nearest class shall be taken:

Provided also that where Unit heat rate has not been guaranteed but turbine cycle heat rate and boiler efficiency are guaranteed separately by the same supplier or different suppliers, the Unit design heat rate shall be arrived at by using guaranteed turbine cycle heat rate and boiler efficiency

Provided also that if one or more Units were declared under commercial operation prior to 1.4.2012, the heat rate norms for those Units as well as Units declared under commercial operation on or after 1.4.2012 shall be lower of the heat rate norms arrived at by above methodology and the norms as per the Regulation 35.

Note: In respect of Units where the boiler feed pumps are electrically operated, the maximum design Unit heat rate shall be 40 kCal/kWh lower than the maximum design Unit heat rate specified above with turbine driven BFP.

198. In view of the above, the Commission has considered the Gross Station Heat Rate of 2407 Kcal/kWh for Unit No. 1 for MB Power Limited as considered in the tariff

order issued on 29th July' 2015, in petition No.31/2015 as given below:

- Turbine Cycle Heat Rate: 1945.70 Kcal/kWh
- Guaranteed Boiler Efficiency: 86.10%
- Design Heat Rate: 1945.7/86.10%=2259.81 Kcal/kWh
- Gross Station Heat Rate for Tariff purpose:2259.81 x 1.065 = 2407 Kcal/kWh.

b) Auxiliary Energy Consumption

199. The norms for Auxiliary Energy Consumption for FY 2015-16 are considered by the Commission as per Regulation 35.2 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012, in this order.

200. Accordingly, auxiliary energy consumption for induced draft cooling tower of 6.50% is considered as per Regulation 35.2 (D) of the Regulations, 2012 as given below:

Table 44: Auxiliary energy consumption

Sr. No.	Particular	Percentage
1	Auxiliary energy consumption for unit 500 MW & above	6.00%
2	Add: auxiliary energy consumption for induced draft cooling tower	0.5%
3	Total auxiliary energy consumption considered	6.50%

c) Specific Fuel Oil Consumption:

201. The norms for Specific Fuel Oil Consumption for FY 2015-16 is 1.00 ml/kWh considered by the Commission as per Regulation 35.2 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012, in this order.

202. The subject thermal power project is non pit-head, the normative transit loss of 0.8% is considered as per Regulation 41.4 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations' 2012.

203. The operating parameters considered for determining the energy charges of Unit No. 1 for FY 2015-16 are summarized as follows:

Table 45: operating parameters considered for FY 2015-16

Sr. No.	Particular	Norms
1	Gross Station Heat Rate (kCal/kWh)	2407
2	Auxiliary Consumption (%)	6.50
3	Specific Fuel Consumption (ml/kWh)	1.00
4	Transit Losses (%)	0.80

Landed Cost of Coal

204. The petitioner worked out the energy charges for FY 2015-16 by considering the landed cost of coal of Rs. 2734/MT based on the rate of coal for preceding three months.

205. With regard to landed cost of coal, Regulation 41.4 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 provides as under;

"*The landed cost of coal shall include price of coal corresponding to the grade and quality of coal inclusive of royalty, taxes and duties as applicable, transportation cost by rail/road or any other means, and, for the purpose of computation of Energy Charges, shall be arrived at after considering normative transit and handling losses as percentage of the quantity of coal dispatched by the Coal Supply Company during the month as given below:*

Pit head generating stations : 0.2%
Non-Pit head generating stations : 0.8%

As per the above provision, it should be ensured that for computing energy charges, quantity of coal as dispatched by the Coal Supply Company is taken after accounting for permissible transit and handling losses alone.

206. Vide Commission's letter dated 7th February' 2015, the petitioner was asked to file the detail calculation for arriving at the weighted average rate of coal purchased during FY 2015-16 as per MPERC Tariff Regulations, 2012 claimed in the petition along with supporting documents like copy of the bills/invoices.

207. By affidavit dated 28th March' 2017, the petitioner filed the weighted average landed cost of FSA and Non FSA coal for FY 2015-16 along with the copy of sample invoice/bill purchased during the year.

208. Based on the above information, for the purpose of computation of energy charges the weighted average landed price of FSA and Non FSA coal has been worked out as follows:

Table 46: Weighted Average Prices of Coal during FY 2015-16

Month	Price (Rs/MT)	Qty (MT)	Price (Rs/MT)	Qty (MT)	Weighted Avg. price (Rs/MT)
	FSA Coal		NON FSA coal		Blended Coal

15-May	2001	11,388	4,910	1,696	14.56
15-Jun	1,984	34,471	4,600	6,787	46.62
15-Jul	1,701	57,654	4,559	13,033	73.71
15-Aug	1,679	100971	4,486	28,533	139.26
15-Sep	1,862	158650	4,501	35,344	212.73
15-Oct	1,800	142699	4,754	49,657	230.72
15-Nov	1,857	162155	4,501	76,738	302.61
15-Dec	2,036	210286	4,426	102968	413.70
16-Jan	2,130	221285	4,224	121375	460.58
16-Feb	2,117	198871	3,946	94,352	371.32
16-Mar	2,135	219891	3,509	87,701	363.78
Total		**1,518,321**		**618,184**	**2629.58**

Gross Calorific Value (GCV) of Coal

209. While claiming the Energy Charges, the petitioner considered Gross Calorific Value of coal for FY 2015-16 as fired basis is 3588 kCal/kg. In this regard, vide Commission's letter dated 7th February' 2017, the petitioner was asked to file the GCV of coal procured during FY 2015-16.

210. By affidavit dated 28th March' 2017, the petitioner filed the monthly weighted average GCV of FSA and Non FSA coal.

211. Based on the above information, for the purpose of computation of energy charges the weighted average GCV of FSA and Non FSA coal has been worked out as follows:

Table 47: Weighted Average GCV of Coal during FY 2015-16

Month	GCV (kCal/Kg)	Qty (MT)	GCV (kCal/Kg)	Qty (MT)	Weighted Avg. GCV (kCal/Kg)
	FSA		NON FSA		Blended
15-May	3,069	11,388	4,480	1,696	19.91
15-Jun	3,125	34,471	4,199	6,787	63.76
15-Jul	3,171	57,654	4,178	13,033	111.06
15-Aug	3,161	100971	3,909	28,533	201.59
15-Sep	3,227	158650	3,929	35,344	304.62
15-Oct	3,367	142699	4,017	49,657	318.25
15-Nov	3,420	162155	3,903	76,738	399.75
15-Dec	3,620	210286	3,540	102968	526.91
16-Jan	3,614	221285	3,532	121375	574.97
16-Feb	3,615	198871	3,524	94,352	492.12

16-Mar	3,621	219891	3,515	87,701	516.96
Total		**1,518,321**		**618184**	**3529.91**

212. Based on the aforesaid, the energy charges ex-bus for MB Power for Unit No. 1 (600MW) for FY 2015-16 is determined as given below:

Table 48: Energy Charges Computed

Particular	**Unit**	**FY 2015-16**
Capacity	MW	600
NAPAF	%	85
Gross Station Heat Rate	kCal/kWh	2407
Sp. Fuel Oil Consumption	ml/kWh	1.00
Aux. Energy Consumption	%	6.50%
Transit Loss	%	0.80
Weighted average GCV of Oil	kCal/Ltr.	9920
Weighted average GCV of Coal (as fired basis)	kCal/kg	3530
Weighted Average landed price of Coal	Rs./MT	2630
Heat Contributed from HFO	kCal/kWh	9.92
Heat Contributed from Coal	kCal/kWh	2397
Specific Coal Consumption	kg/kWh	0.679
Sp. Coal Consumption including Transit Loss	kg/kWh	0.684
Rate of Energy Charge	Rs./kWh	1.800
Rate of Energy Charge at ex bus	**Rs./kWh**	**1.925**

213. The base rate of energy charges shall however be subject to month to month adjustment of actual fuel price and actual GCV of Coal. The above energy charges have been calculated for the purpose of calculation of two month's billing which is used for calculation of interest on working capital. However, the actual billing of energy charges for FY 2015-16 shall be as per the formula provided in MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012.

Other Charges

214. The petitioner sought approval for the recovery of the filling fees for determination of Tariff paid to the Commission. The petitioner also sought approval for recovery of the statutory charges, water charges, duties, taxes and cess and the publication expenses from the beneficiaries.

215. The petitioner is allowed to recover the fees towards filling of the subject petition directly from the beneficiary on submission of documentary evidence.

216. Regarding the recovery of the, water charges, duties, taxes and cess, Regulation 42 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 20122012 provides that ;

"Electricity duty and cess and water charges if payable by the Generating Company for generation of electricity from thermal power stations to the State Government, shall be allowed by the Commission separately and shall be trued-up on actuals."

217. The petitioner is allowed to recover Electricity Duty, Cess and water charges from the beneficiary on pro rata basis, if payable to the State Government for generation of electricity from its generating units in term of the aforesaid provision under Regulations on submission of documentary evidence.

218. With regard to publication expenses Regulation 30 of MPERC (Term & Conditions for Determination of Generation Tariff) Regulations, 2012 provides that

30.1 The expenses incurred by the petitioner on publication of notice for tariff/true-up petition, as approved by the Commission for inviting comments/suggestions from stakeholders shall be allowed by the Commission while determining the Tariff.

219. The petitioner is allowed to recover the publication expenses towards publication of notice for subject petition directly from the beneficiary on submission of documentary proof.

Tariff for control period FY 2016-17 to FY 2018-19 for Unit No.1

Capital Cost and Additional capitalization

220. For the control period FY 2016-17 to FY 2018-19, the opening capital cost as on 1st April' 2016 is considered same as closing figure of capital cost as on 31st March' 2016 for FY 2015-16 considered in this order. Similarly, the opening figure of funding (loan and equity) as on 1st April' 2016 is considered same as the closing figure for funding as on 31st March' 2016 considered in this order.

221. The petitioner filed the provisional additional capitalization during FY 2016-17 and its corresponding funding as given below:

Table 49: Additional Capitalization and Funding during FY 2016-17 (Rs in Crore)

Particulars	Amount
Additional Capitalization during FY 2016-17	252.22
Loan	182.22
Equity	70.00

Provision in Regulations:

222. With regard to additional capitalization after COD and upto to cut-off date of the unit, Regulation 20 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 provides that:

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.

Commission Analysis

223. On perusal of the documents filed by the petitioner, the Commission observed that the proposed additional capitalization during FY 2016-17 requires detailed examination on several counts specified in the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015. Based on the information made available by petitioner, this exercise may be carried out while undertaking true up exercise for FY 2016-17 based on Annual Audited Accounts and other necessary details in this regard.

224. Accordingly, the status of opening Gross Fixed Assets (GFA) as on 1st April' 2016 will remain same in this order as considered above by the Commission as on 31st March' 2016.

Annual Capacity (fixed) Charges for Control Period FY 2016-17 to FY 2018-19

225. As per Regulation 27 of the MPERC (Terms and Conditions for Determination of General Tariff) Regulations, 2015, the annual Capacity (fixed) Charges shall consist of the following components:

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

Return on Equity

Petitioner's Submission

226. The petitioner filed the Return on Equity by grossing up the base rate of return with MAT during the control period of FY 2016-17 to FY 2018-19 is as given below:-

Table 50: Return on Equity Filed **(Rs in Crore)**

Sr. No.	Particulars	Unit	FY 2016-17	FY 2017-18	FY 2018-19
1	Opening Equity	Rs. Cr.	1409.44	1479.44	1479.44
2	Addition in Equity	Rs. Cr.	70.00	0	0
3	Closing Equity as on 31st March	Rs. Cr.	1479.44	1479.44	1479.44
4	**Average Equity**	Rs. Cr.	**1444.44**	**1479.44**	**1479.44**
5	Rate of Return	%	15.50%	15.50%	15.50%
6	Tax Rate (MAT Rate)	%	21.34%	21.34%	21.34%
7	Rate of return on equity	%	19.71%	19.71%	19.71%
8	**Annual Return on Equity**	Rs. Cr.	**284.63**	**291.53**	**291.53**

Provisions in the Regulation:

227. With regard to Return on Equity, Regulation 30 and 31 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 provides that:

30. Return on Equity:

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

30.2 Return on equity shall be computed at the base rate of 15.5% 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 generation 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:

31. Tax on Return on Equity:

31.1 The base rate of return on equity as allowed by the Commission under Regulation 30 shall be the shall be grossed up with the effective tax rate for the Year respective financial years.For this purpose, the effective tax rate shall be considered on the basis of actual tax paid in the respective financial year in line with the provisions of the relevant Finance Acts by the concerned generating company. The actual income tax on other income stream including deferred tax i.e., income of non generation business shall not be considered for the calculation of "effective tax rate".

31.2 Rate of return on equity shall be rounded off to three decimal places and shall be computed as per the formula given below:

Rate of pre-tax return on equity = Base rate / (1-t)

Where t is the applicable tax rate in accordance with Regulation 31.1 of this Regulation and shall be calculated at the beginning of every financial year based on the estimated profit and tax to be paid estimated in line with the provisions of the relevant Finance Act applicable for that financial year to the company on pro-rata basis by excluding the income of non-generation business and the corresponding tax thereon. In case of generating company paying Minimum Alternate Tax (MAT), "t" shall be considered as MAT rate including surcharge and cess. For example: - In case of the generating company paying

(i) Minimum Alternate Tax (MAT) @ 20.96% including surcharge and cess:
Rate of return on equity = 15.50/(1-0.2096) = 19.610%

(ii) In case of generating company paying normal corporate tax including surcharge and cess:
(a) Estimated Gross Income from generation business forFY2016-17 is Rs 1000 Crore.
(b) Estimated Advance Tax for the year on above is Rs 240 Crore.
(c) Effective Tax Rate for the year 2016-17 = Rs 240 Crore/Rs 1000 Crore =24%
(d) Rate of return on equity = 15.50/ (1-0.24) = 20.395%

31.3 The actual tax paid together with any additional tax demand including interest thereon, duly adjusted for any refund of tax including interest received from the income tax authorities pertaining to the tariff period 2016-17 to 2018-19 on actual gross income of any financial year shall be trued-up every year. However, penalty, if any, arising on account of delay in deposit or short deposit of tax amount shall not be claimed by the generating company. Any under-recovery or over-recovery of grossed up rate on return on equity after truing up, shall be allowed to be recovered or refunded to beneficiaries on year to year basis."

Commission's Analysis

228. Equity balances (as on 31st March' 2016) admitted for FY 2015-16 by the Commission in this order is considered as the base figures for opening equity balance as on 01st April' 2016.

229. The Commission has not considered the proposed additional capitalization during FY 2016-17 and its corresponding equity in this order.

230. Further, the petitioner has not filed the addition during FY 2017-18 and FY 2018-19. Therefore, the equity balance as on 1st April' 2016 of the control period shall remain unchanged during the control period.

231. On scrutiny of the petition, it was observed that the petitioner claimed Return on Equity by grossing up the base rate with MAT. Therefore, vide Commission's letter dated 7th February' 2017, the petitioner was asked to explain with supporting documents whether the petitioner's M.B. Power Limited is eligible for MAT in accordance with the balance sheet of M.B. Power Limited.

232. In response, by affidavit dated 28th March' 2017, the petitioner submitted the following:
"In respect of the financial statements for FY 2015-16, the petitioner has not paid any taxes on account of Income Tax, as this was the first year of operation with only one Unit being operational. However, during the period FY 2016-17 to FY 2018-19, the income tax liability would be attracted on the book profits earned by the petitioner, ending into payment of MAT or Corporate Tax, as the case may be. Therefore, the petitioner in its Tariff Petition is only seeking grossing up of base rate of return on equity with MAT as per the provisions of the MPERC Tariff Regulations."

233. Regulation 31.1 of the Regulations 2015 provides that the base rate of return on equity shall be grossed up with the effective tax rate of the respective financial year. For this purpose the effective tax rate shall be considered on the basis of actual tax paid in the respective financial year by the generating company.

234. In terms of the above Regulation, the Commission shall deal with the tax liability based on the Annual Audited Accounts during truing- up exercise for each financial year under the control period. Accordingly, while computing the return on equity in this order, the Commission has not considered the grossing up of the base rate of return (i.e.15.5%) with MAT at this stage and worked out the Return on Equity for the control period FY 2016-17 to FY 2018-19 at the base rate as given below:

Table 51: Return on Equity Allowed **(Rs. in Crore)**

Sr. No.	Particular	Unit	FY 2016-17	FY 2017-18	FY 2018-19
1	Opening Equity (Normative)	Rs. Cr.	1175.58	1175.58	1175.58
2	Equity Additions	Rs. Cr.	0.00	0.00	0.00
3	Closing Equity	Rs. Cr.	1175.58	1175.58	1175.58
4	Average Equity	Rs. Cr.	1175.58	1175.58	1175.58
5	Rate of Return on Equity (%)	%	15.50%	15.50%	15.50%
6	**Annual Return on Equity**	**Rs. Cr.**	**182.22**	**182.22**	**182.22**

235. The petitioner is directed to file the details of its actual tax status in light of the Annual Audited Account with the true-up petitions of each year of the control period.

Interest on Loan Capital

Petitioner's submission:

236. The petitioner submitted the detailed break-up of opening loan balances, addition during the year, repayment during the year, closing balance of loan, Weighted average rate of interest and Interest on loan as given below:

Table 52: Loan and Interest Filed **(Rs. in Crore)**

Sr. No.	Particulars	Unit	FY 2016-17	FY 2017-18	FY 2018-19
1	Opening Loan	Rs. Cr.	3279.66	3222.16	2976.40
2	Add: Increase in Normative Loan	Rs. Cr.	182.23	0.00	0.00
3	Less: Normative Repayment during the year	Rs. Cr.	239.73	245.76	245.76
4	Closing Normative Loan	Rs. Cr.	3222.16	2976.40	2730.64
5	**Average Normative Loan**	Rs. Cr.	**3250.91**	**3099.28**	**2853.52**
6	Weighted average Rate of Interest of actual Loans	%	13.27%	13.27%	13.27%
7	**Interest on Normative loan**	Rs. Cr.	**431.31**	**411.20**	**378.59**

Provisions in Regulation

237. With regard to interest and finance charges, Regulation 32 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 provides that:

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

32.2 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.

32.3 The repayment for 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 up to the date of de-capitalisation of such asset.*

32.4 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 annual depreciation allowed.

32.5 The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio after proving 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.*

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

32.7 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.

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

32.9 In case of dispute, any of the parties may make an application in accordance with the MPERC (Conduct of Business) Regulation, 2004, as amended from time to time:

> *Provided further that beneficiaries shall not withhold any payment on account of the interest claimed by the generating company during the pendency of any dispute arising out of re-financing of loan.*

Commission's analysis:

238. Loan balances (as on 31st March' 2016) admitted in this order for FY 2015-16 by the Commission is considered as the base figures for loan balance as on 01st April' 2016.

239. The Commission has not considered the proposed additional capitalization during FY 2016-17 and its corresponding loan in this order.

240. The petitioner has not filed the asset addition during FY 2017-18 and FY 2018-19. Therefore, the loan balance for each financial year is worked out accordingly by considering the normative repayment equivalent to depreciation for the respective year.

241. The petitioner considered the same weighted average rate of interest of 13.27% (worked out for FY 2015-16) for FY 2016-17 to FY 2018-19 also and the same has been provisionally considered by the Commission during the control period.

242. Based on the above details, the interest on loan is worked out during the control period as given below:

Table 53: Interest on Loan considered (Rs. in Crore)

Sr. No.	Particular	Unit	FY 2016-17	FY 2017-18	FY 2018-19
1	Opening Loan	Rs. Cr.	2888.38	2685.76	2483.13
2	Loan Additions	Rs. Cr.	0.00	0.00	0.00
3	Repayment of Loan	Rs. Cr.	202.63	202.63	202.63
4	Closing Loan	Rs. Cr.	2685.76	2483.13	2280.50
5	Average Loan	Rs. Cr.	2787.07	2584.44	2381.82
6	Weighted average Rate of Interest	%	13.27%	13.27%	13.27%
7	**Annual Interest on Loan**	**Rs. Cr.**	**369.77**	**342.89**	**316.01**

243. The petitioner is directed to file actual weighted average rate of interest in respect of each lending agency along with supporting documents while filing the true-up petitions for each year of the control period.

Depreciation

Petitioner's submission:

244. The petitioner submitted the opening Gross Fixed Assets, additions during the year, closing Gross Fixed Assets and depreciation for control period from FY 2016-17 to FY 2018-19 as given below:-

Table 54: Depreciation on the Assets Filed (Rs. in Crore)

Particular	Unit	FY 2016-17	FY 2017-18	FY 2018-19
Opening Gross Fixed Assets	Rs. Cr.	4885.4	5137.59	5137.59
Assets Addition	Rs. Cr.	252.23	0	0
Closing Gross Fixed Assets	Rs. Cr.	5137.59	5137.59	5137.59
Average Gross Fixed Assets	Rs. Cr.	5011.47	5137.59	5137.59
Weighted Average Rate of Depreciation (%)	%	4.78%	4.78%	4.78%
Annual Depreciation	Rs. Cr.	**239.73**	**245.76**	**245.76**
Cumulative Depreciation	Rs. Cr.	466.31	712.07	957.83

Provisions of the Regulation:

245. With regard to Depreciation Regulation 33 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulation, 2015 provides that:

"33.1 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.

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.

33.3 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 stations, the salvage value shall be as provided in the agreement signed by the developers with the State Government for creation of the site:

Provided further that the capital cost of the assets of the hydro generating station for the purpose of computation of depreciable 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 generating station or generating unit shall not be allowed to be recovered at a later stage during the useful life and extended life.

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

33.4 Land other than 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.

33.5 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 Date of Commercial operation shall be spread over the balance Useful life of the assets.

33.6 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 up to 31.3.2013 from the gross depreciable value of the assets.

33.7 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%.

33.8 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."

33.9 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.

33.10 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:-

246. Gross Fixed Assets (as on 31st March' 2016) admitted in above para's for FY 2015-16 by the Commission is considered as the base figures for Gross Fixed Assets as on 01st April' 2016.

247. The proposed additional capitalization during FY 2016-17 and its corresponding depreciation is not considered in this order.

248. The petitioner has not filed the assets addition during FY 2017-18 and FY 2018-19. Accordingly, the Gross Fixed Assets as on 01 April' 2016 is considered same for the entire control period.

249. The depreciation during the control period has been determined on the aforesaid Gross Fixed Assets by applying the weighted average rate of depreciation as filed by the petitioner during the control period.

250. Based on above, the depreciation is worked out in this order as given below:-

Table 55: Depreciation allowed **(Rs. in Crore)**

Particular	Unit	FY 2016-17	FY 2017-18	FY 2018-19
Opening Gross Fixed Assets	Rs Cr.	4235.89	4235.89	4235.89
Assets Addition	Rs Cr.	0.00	0.00	0.00
Closing Gross Fixed Assets	Rs Cr.	4235.89	4235.89	4235.89
Average Gross Fixed Assets	Rs Cr.	4235.89	4235.89	4235.89
Weighted Average Rate of Depreciation (%)	%	4.78%	4.78%	4.78%
Annual Depreciation	**Rs Cr.**	**202.63**	**202.63**	**202.63**
Cumulative Depreciation	Rs Cr.	374.55	577.18	779.81

251. The petitioner is directed to file the detailed Assets-cum-depreciation register of the power station in accordance to the provisions under the Regulations along with the true up petition or final tariff petition for Unit No.2 to be filed by the petitioner.

Interest on Working Capital

Petitioner's submission:

252. The petitioner filed the interest on working capital for control period from FY 2016-17 to FY 2018-19 as given below :-

Table 56: Interest on Working Capital filed **(Rs. in Crore)**

Sr. No.	Particulars		FY 2016-17	FY 2017-18	FY 2018-19
1	Cost of Coal/Lignite		132.89	132.89	132.89
2	Cost of Secondary Fuel Oil		0.97	0.97	0.97
3	Fuel Cost		NA	NA	NA
4	Liquid Fuel Stock		NA	NA	NA
5	O & M Expenses		8.14	8.65	9.19
6	Maintenance Spares		19.52	20.76	22.06
7	Receivables		320.19	320.06	315.65
8	**Total Working Capital**		**481.71**	**483.33**	**480.76**
9	**Working capital Margin**		135.00	135.00	135.00
10	**Total Working Capital allowed**		**346.71**	**348.33**	**345.76**
11	Rate of Interest		12.80%	12.80%	12.80%
12	**Interest on allowed Working Capital**		**44.38**	**44.59**	**44.26**
13	WCM funded by Debt as per FS 2015-16	**72.25%**	97.53	97.53	97.53
14	WCM funded by Equity as per FS 2015-16	**27.75%**	37.47	37.47	37.47
1*5	Interest on WCM funded by Long term loans	13.27%	12.94	12.94	12.94
16	Return on WCM	15.50%	7.38	7.38	7.38
	Total Interest on Working Capital		**64.70**	**64.91**	**64.58**

Provisions in Regulation:

253. With regard to interest on working capital Regulation 34 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulation, 2015 provides that:

34.1 "The Working Capital shall cover:

(1) Coal- based thermal generating stations

(a) 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;

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

(c) Cost of secondary fuel oil for two months for generation corresponding to the normative 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.

(d) Maintenance spares @ 20% of the Operation & maintenance expenses specified in Regulation 35 ;

(e) Receivables equivalent to two months of capacity charges and energy charges for sale of electricity calculated on the Normative Annual Plant Availability Factor; and

(f) Operation and Maintenance expenses for one month.

34.2 The cost of fuel shall be based on the landed cost incurred (taking into account normative transit and handling losses) by the Generating Company and Gross Calorific Value of the fuel as per actual for the three months preceding the first month for which tariff is to be determined and no fuel price escalation shall be provided during the Tariff period."

34.3 "Rate of interest on working capital shall be on normative basis and shall be considered as the bank rate as on 1.04.2016 or on 1st April of the year during the tariff period 2016-17 to 2018-19in which the generating station or a unit thereof, is declared under commercial operation, whichever is later.

34.4 Interest on working capital shall be payable on normative basis notwithstanding that the Generating Company has not taken loan for working capital from any outside agency.

Commission's analysis:

254. The working capital for thermal power stations is worked out based on the aforesaid norms for working capital as given below:

(a) Cost of coal towards stock and cost of coal towards generation

255. Vide Commission's letter dated 7th February' 2017, the petitioner was asked to explain the basis of the cost of coal for 60 days considered in the subject petition against the provisions under Regulations, 2015.

256. By affidavit dated 28th March' 2017, the petitioner submitted the following:

As already submitted by the Petitioner in Form-2 of the Tariff Filing Formats in the Petition No. 68/2016, stating plant characteristics, the thermal power plant of the Petitioner is a Non-Pit head generating stations and therefore under clause sub-clause (a) of clause (1) of Regulation 34.1 of MPERC Tariff Regulation, 2015, for the purpose of determination of working capital requirement the cost of coal towards stock has to be considered for a period of 30 days. In addition more 30 days are allowed for cost of coal for all the generating thermal power stations.

Accordingly, in line with the above provisions, the Petitioner has considered:

a. Cost of coal towards stock for 30 days (Non Pithead)AND

b. Cost of coal required for 30 days generation

Further, the Petitioner hereby submits that its coal stock storage capacity is for around 70 days. Accordingly, for the reasons cited above, the Petitioner has considered cost of coal for 60 days (30 days for stock for generation corresponding to the normative annual plant availability factor and for cost of coal for 30 days for generation corresponding to the normative annual plant availability factor).

257. It is observed from the above reply, that the petitioner has storage capacity of more than one month. Accordingly, as per above Regulations, the Commission has considered cost of coal towards stock for 30 days for non-pit head generating stations for generation and cost of coal for 30 days for generation corresponding to the normative annual plant availability factor. Therefore, the cost of coal for 60 days has been considered for working capital purpose.

258. The weighted average rate of coal and GCV of coal for FY 2015-16 is computed from the information furnished by (at annexure 19A and 20A of) affidavit dated 28th March' 2017 filed by the petitioner. Accordingly, the two months cost of coal for working capital is as under:

Table 57: Cost of Coal for Working Capital

Particular	Unit	FY 2016-17	FY 2017-18	FY 2018-19
Installed Capacity of Unit	MW	600	600	600
Gross Station Heat Rate	kCal/kWh	2362	2362	2362
Gross Generation	MUs	4467.60	4467.60	4467.60
Gross Calorific Value of coal (on received basis)	kCal/Kg	3587	3587	3587
Sp. Coal Consumption	kg/kWh	0.662	0.662	0.662

Annual Coal Consumption	MT	2958668	2958668	2958668
Two months Coal Stock	MT	493111	493111	493111
Rate of Coal	Rs./MT	2708	2708	2708
Coal Cost (Two months stock)	**Rs in Cr.**	**133.52**	**133.52**	**133.52**

(b) Secondary Fuel Oil Cost

259. The petitioner filed the cost of secondary fuel oil based on the fuel oil procured during financial year FY 2015-16. The petitioner submitted the details of different fuel oil procured and worked out the weighted average rate of secondary fuel oil.

260. Regulation 34.1 (c) of the Regulations, 2015 provides that, in case of use of more than one secondary fuel oil, cost of fuel oil shall be provided for the main secondary fuel oil. Accordingly, the fuel oil component in working capital is worked out as given below:

Table 58: Cost of Secondary fuel oil for working capital

Particular	Units	FY 2016-17	FY 2017-18	FY 2018-19
Installed Capacity	MW	600	600	600
NAPAF	%	85	85	85
Gross Generation	MUs	4467.6	4467.6	4467.6
Normative Specific Oil Consumption	ml/kWh	0.50	0.50	0.50
Quantity of Sec Fuel Oil required	KL	2233.80	2233.80	2233.80
Two months' stock of main fuel oil (HFO)	KL	372.30	372.30	372.30
Rate of Secondary Fuel Oil (HFO)	Rs./KL	23,681	23,681	23,681
Oil Cost (Two Months Stock)	**Rs. in Crore**	**0.88**	**0.88**	**0.88**

(c) O&M Expenses

261. Operation and Maintenance expenses of one month as determined in this order have been considered for working capital of thermal power station.

Table 59: O&M Expenses for 2 Months **(Rs. in Crore)**

Financial Years	FY 2016-17	FY 2017-18	FY 2018-19
Annual O&M Expenses	97.62	103.80	110.28
O&M Expenses for one month	8.14	8.65	9.19

(d) Maintenance Spares

262. Maintenance spares for the purpose of working capital is worked out as 20% of the normative annual O&M expenses respectively as per the provision under Regulations.

Table 60: Maintenance Spares (Rs. in Crore)

Financial Years	FY 2016-17	FY 2017-18	FY 2018-19
Annual O&M Expenses	97.62	103.80	110.28
20% of O&M Expenses	19.52	20.76	22.06

(e) Receivables

263. Receivables for thermal power stations are worked out equivalent to two months' of Capacity (Fixed) charges and Energy Charges for sale of electricity calculated on the basis of Normative Annual Plant Availability Factor.

Table 61: Receivables for 2 Months (Rs. in Crore)

Particular	FY 2016-17	FY 2017-18	FY 2018-19
Variable Charges- two months	134.51	134.51	134.51
Fixed Charges- two months	151.60	148.11	144.68
Receivables- two months	**286.11**	**282.62**	**279.19**

264. The interest on working capital equal to Base Rate of SBI as on 1st April' 2016 (9.30% + 3.50%) i.e. 12.80% is considered in this order. Accordingly, the interest on working capital for the control period FY 2016-17 to FY 2018-19 is worked out as given below:

Table 62: Interest on Working Capital Allowed (Rs. in Crore)

Sr. No.	Particular	Norms	FY 2016-17	FY 2017-18	FY 2018-19
1	Cost of Coal	2 months	133.52	133.52	133.52
2	Cost of Main Secondary Fuel Oil	2 months	0.88	0.88	0.88
3	O&M Expenses for One Months	1 Month	8.14	8.65	9.19
4	Maintenance Spares 20% of O&M expenses	20% of O&M	19.52	20.76	22.06
5	Receivables for Two Months	2 Months	286.11	282.62	279.19
6	Total Annual Working Capital		**448.16**	**446.43**	**444.83**
7	Rate of Interest on Working Capital		12.80%	12.80%	12.80%
8	**Annual Interest on working Capital**		**57.36**	**57.14**	**56.94**

Operation & Maintenance Expenses

Petitioner's submission:

265. The petitioner filed the Operation& Maintenance expenses in the petition as given below:

Table 63: Operation & Maintenance Expenses Filed (Rs. in Crore)

Financial Year	FY 2016-17	FY 2017-18	FY 2018-19
Generating Unit Capacity	600.00	600.00	600.00

Per MW O&M Expenses Norms	16.27	17.30	18.38
Annual O&M expenses	**97.62**	**103.80**	**110.28**

Provisions in Regulation:

266. With regard to O&M Expenses Regulation 35.7 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015, provides that:

"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 actuals. The claim of pension and Terminal Benefits shall be dealt as per Regulation 35.4 of these Regulations.

Commission's Analysis:-

267. Based on the above Regulations, the Operations and Maintenance Expenses during the control period FY 2016-17 to FY 2018-19 are worked out as given below:-

Table 64: Operation & Maintenance Expenses Considered (Rs. in Crore)

Financial Year	FY 2016-17	FY 2017-18	FY 2018-19
Generating Unit Capacity (MW)	600.00	600.00	600.00
Per MW O&M Expenses Norms (Rs/Lakh/MW)	16.27	17.30	18.38
Annual O&M expenses (Rs in Crore)	**97.62**	**103.80**	**110.28**

Non-Tariff Income

Petitioner's Submission:

268. The petitioner has not filed non-tariff income during the control period of FY 2016-17 to FY 2018-19.

Provisions in Regulation:

269. 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 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

53.2 The amount of Non-Tariff /Other 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:

270. Vide Commission's letter dated 7th February' 2017, the petitioner was asked to file projected non-tariff/other income during the control period FY 2016-17 to FY 2018-19 in accordance to the Regulation 53 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015.

271. By affidavit dated 28thMarch' 2017, the petition has submitted the following regarding Non-tariff Income:

Regulation 53 of MPERC Tariff Regulations, 2015, provides for forecasting and Truing-up of Non-Tariff Income during the control period. The relevant extract of the said Regulations is re-produced below:

"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.

53.2 The amount of Non-Tariff /Other 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."

In line with the aforementioned provisions the detailed breakup of the Non-Tariff Income projected for the control period FY 2016-17 to 2018-19 is depicted in the table below:

S No	***Particular (In Rs. Crore)***	***FY 2016-17***	***FY 2017-18***	***FY 2018-19***
1	*Interest Income on Bank Deposits*	*6.00*	*2.00*	*2.00*
2	*Interest income others*	*-*	*-*	*-*
3	*Income from Scrap Sales*	*0.02*	*0.02*	*0.02*
4	*Income from Sale of Fly Ash*	*1.20*	*1.50*	*1.50*
	Total - Non-Tariff Income	***7.22***	***3.52***	***3.52***

272. For the purpose of this order, the Commission has provisionally considered the following non- tariff income as filed by the petitioner, which is subject to true-up based on Annual Audited Accounts of each year of the control period.

Table 65: Non-Tariff Income (Rs. in Crore)

Year	**Non-Tariff Income**
2016-17	7.22
2017-18	3.52
2018-19	3.52

273. The petitioner is directed to file full details of actual non- tariff income for each year based on Annual Audited Accounts with the true-up petition of the respective year.

Normative Annual Plant Availability Factor

274. Normative Annual Plant Availability Factor for recovery of Annual Capacity (fixed) Charges is 85% as per MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations 2015.

Summary of Annual Capacity (fixed) Charges

275. The Annual Capacity (fixed) Charges for each year of the control period FY 2016-17 to FY 2018-19 determined in this order are summarized as given below :

Table 66: Annual Capacity (fixed) Charges (Rs in Crore)

Sr. No.	**Particulars**	**FY 2016-17**	**FY 2017-18**	**FY 2018-19**
1	Return on Equity	182.22	182.22	182.22
2	Interest and Finance Charges	369.77	342.89	316.01

3	Depreciation	202.63	202.63	202.63
4	Operation & Maintenance Expenses	97.62	103.80	110.28
5	Interest on Working Capital	57.36	57.14	56.94
6	**Total Annual Capacity (fixed) Charges**	**909.60**	**888.67**	**868.07**
7	Less:-Non Tariff Income	7.22	3.52	3.52
8	**Net Annual Capacity (fixed) Charges for applicable days**	**902.38**	**885.15**	**864.55**
9	**Capacity Charges for contracted Capacity i.e. (30%) of Installed Capacity**	**270.71**	**265.55**	**259.36**

276. The aforesaid Annual Capacity Charges have been computed based on norms specified under the Regulations, 2015. The above Annual Capacity (fixed) Charges are determined corresponding to the contracted capacity under PPA. The recovery of Annual Capacity (Fixed) charges shall be made by the petitioner in accordance with Regulations 36.2 to 36.4 of the Regulations, 2015.

Energy (Variable) Charges for FY 2016-17 and FY 2018-19

Petitioner's submission:

277. While claiming the Energy charges of Unit No. 1 for the control period FY 2016-17 to FY 2018-19, the petitioner considered parameters like Gross Station Heat Rate and Auxiliary Consumption based on the Regulations, 2012 whereas the other parameters are claimed based on the provisions under MPERC (Terms and conditions for Determination of Generation Tariff) Regulations, 2015. The details of the Energy Charges claimed by the petitioner are as given below:

Table 67: Energy Charges Rate (Rs. in kWh) claimed for MYT period

Description	Unit	FY 2016-17	FY 2017-18	FY 2018-19
Capacity	MW	600	600	600
NAPAF	%	83%	83%	83%
Gross Station Heat Rate	Kcal/kWh	2407	2407	2407
Auxiliary Energy Consumption	%	6.50%	6.50%	6.50%
Energy Generation – Gross	MU	4362.48	4362.48	4362.48
Auxiliary Energy Consumption	MU	283.56	283.56	283.56
Ex-bus Energy Sent Out	MU	4078.92	4078.92	4078.92
Specific Oil Consumption	ml/kWh	0.50	0.50	0.50
Wt. Avg. GCV of Oil	KCal/Lt	9920	9920	9920
Price of Oil	Rs./KL	26663	26663	26663
Wt. Avg. GCV of Coal (as received)	kCal/kg	3587	3587	3587
Price of Coal	Rs./MT	2708	2708	2708
Heat Contribution from SFO	Kcal/kWh	4.96	4.96	4.96
Oil Consumption	KL	2181	2181	2181

Heat Contribution from Coal	Kcal/kWh	2402	2402	2402
Specific Coal Consumption	kg/kWh	0.6696	0.6696	0.6696
Normative Transit Loss	%	0.80%	0.80%	0.80%
Coal Consumption	MMT	2.94	2.94	2.94
Total Cost of Oil	Rs Cr	5.82	5.82	5.82
Total Cost of Coal	Rs Cr	797.34	797.34	797.34
Total Fuel Cost	Rs Cr	803.16	803.16	803.16
Rate of Energy Charge from Secondary Fuel Oil ex-bus	Rs/kWh	0.014	0.014	0.014
Rate of Energy Charge from Coal ex-bus	Rs/kWh	1.955	1.955	1.955
Rate of Energy Charge ex-bus per kWh	Rs/kWh	1.969	1.969	1.969

Provisions in Regulation:

278. For determining the energy charges (variable charges) of thermal power stations, Regulation 28of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulation, 2015 provides that,

28. Energy Charges:

Energy charges shall be derived on the basis of the Landed Fuel Cost (LFC) of a generating station (excluding hydro) and shall consist of the following cost:

(a) Landed Fuel Cost of primary fuel; and

(b) Cost of secondary fuel oil consumption

279. Regulation 36 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulation, 2015, further provides that:

36.5 "The energy charge shall cover primary and secondary fuel cost and shall be payable by every beneficiary during the calendar month on ex-power plant basis, at the energy rate of the month (with fuel price adjustment). Total energy charges payable to the generating company for a month shall be:

(Energy charge rate in Rs./kWh) X {Scheduled energy (ex-bus) for a month in kWh.}

36.6 Energy charge rate (ECR) in Rupees per kWh on ex-power plant basis shall be determined to three decimal places as per the following formula:

(i) For coal based stations

ECR = {(GHR – SFC x CVSF) x LPPF/CVPF+SFC xLPSFi} x100/ (100 – AUX)}

Where,

AUX= Normative Auxiliary Energy Consumption in percentage.

CVPF =(a) Weighted Average Gross Calorific Value of coal as received, in kCal per kg, for coal based stations.

CVSF = Calorific Value of secondary fuel, In kCal per ml.

ECR = Energy Charge Rate, in Rupees per kWh sent out.

GHR = Gross Station Heat Rate, in kCal per kWh.

LPPF =Weighted average Landed price of Primary Fuel, in Rupees per kg, per liter or per standard cubic meter, as applicable, during the month.(In case of blending of fuel from different from different sources, the weighted average landed price of primary fuel shall be arrived in proportion to blending ratio)

8SFC = Specific Fuel Oil Consumption, in ml/kWh

LPSFi=Weighted Average Landed Price of Secondary Fuel in Rs./ml during the month

36.7 The generating company shall provide to the beneficiaries of the generating station details of parameters of GCV and price of fuel i.e. domestic coal, imported coal, e-auction coal etc., as per the forms prescribed to these regulations.

Provided that the details of blending ratio of the imported coal with domestic coal, proportion of e-auction coal and weighted average GCV of fuels as received shall be provided separately along with the bills of the respective month:

Provided further that a copy 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 for a period of a three months.

Commission's analysis:

280. The Regulations provide that the energy (variable) charges shall cover both primary and secondary fuel costs and shall be payable for the total energy scheduled to be supplied to beneficiary during the calendar month on ex-power plant basis.

281. In order to determine the energy charges of thermal power station, the operating parameters like gross station heat rate, auxiliary energy consumption, secondary fuel oil consumption and plant availability factor are to be examined as per provisions under Regulations, 2015.

Operating Parameters:

Normative Annual Plant Availability Factor (NAPAF)

282. While determining the Energy Charges, the petitioner has claimed NAPAF of 83% whereas as per Regulation 39.3 of MPERC Tariff Regulations, 2015, the normative Annual Plant Availability factor is 85%. In view of above, vide Commission's letter dated 7thFebruary' 2017, the petitioner was asked to justify its claim in light of the provisions under applicable MPERC Tariff Regulations.

283. By affidavit dated 28th March' 2017, the petitioner submitted the following:

Regulation 39.3 of the 'MPERC Regulations 2015' provides the norms of operation for all thermal generating units/stations for all capacities which are commissioned on or after 01/04/2012, the same is reproduced below:

"39.3. (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"

As per the above provisions, Petitioner submits that since there is no shortage of coal supply for FY 2015-16 therefore NAPAF of 85% has been considered by the Petitioner for recovery of fixed charges. However, the petitioner reserves its rights to claim the NAPAF of 83% for recovery of fixed charges in future, in event of any coal shortage and uncertainty of assured coal supply experienced by it.

284. On perusal of above reply, it is observed that there is no shortage of coal supply and the claim is not justified by the petitioner to establish / demonstrate the situation envisaged under Regulations. Thus, at this stage, the Commission has not accepted the request of petitioner and considered the NAPAF as per Regulations i.e. 85% during the control period FY 2016-17 to FY 2018-19 in this order.

Gross Station Heat Rate

285. With regard to Gross Station Heat Rate of existing power station commissioned during 1.04.2012 to 31.03.2016, the Regulation 39.3 (C) (a) of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 provides the following;

(a) Existing Coal based thermal generating stations having COD on or after 1.4.2012 till 31.03.2016, (other than those covered under clause 39.2) shall be the heat rate norms approved during FY 2012-13 to FY 2015-16.

New thermal generating stations achieving COD on or after 1.4.2016:

(b) Coal-based Thermal Generating Stations = 1.045 X Design Heat Rate (kCal/kWh) Where the Design Heat Rate of a Unit means the Unit heat rate guaranteed by the supplier at conditions of 100% MCR, zero percent make up, design coal and design cooling water temperature/back pressure:

Provided that the design heat rate shall not exceed the following maximum design Unit heat rates depending upon the pressure and temperature ratings of the Units:

Pressure Rating (Kg/cm2)	***150***	***170***	***170***	***247***
SHT/RHT (0C)	*535/535*	*537/537*	*537/565*	*565/593*
Type of BFP	*Electrical Driven*	*Turbine driven*	*Turbine driven*	*Turbine Driven*
Max Turbine Cycle Heat rate (kCal/kWh)	*1955*	*1950*	*1935*	*1850*
Minimum Boiler Efficiency				
Sub-Bituminous Indian Coal	*0.86*	*0.86*	*0.86*	*0.86*
Bituminous Imported Coal	*0.89*	*0.89*	*0.89*	*0.89*
Max. Design Unit Heat Rate (kCal/kWh)				
Sub-Bituminous Indian Coal	*2273*	*2267*	*2250*	*2151*
Bituminous Imported Coal	*2197*	*2191*	*2174*	*2078*

Provided further that in case pressure and temperature parameters of a Unit are different from above ratings, the maximum design Unit heat rate of the nearest class shall be taken:

Provided also that where Unit heat rate has not been guaranteed but turbine cycle heat rate and boiler efficiency are guaranteed separately by the same supplier or different suppliers, the Unit design heat rate shall be arrived at by using guaranteed turbine cycle heat rate and boiler efficiency:

Provided also that if one or more Units were declared under commercial operation prior to 1.4.2016, the heat rate norms for those Units as well as

Units declared under commercial operation on or after 1.4.2016 shall be lower of the heat rate norms arrived at by above methodology.

Note: In respect of Units where the boiler feed pumps are electrically operated, the maximum design Unit heat rate shall be 40 kCal/kWh lower than the maximum design Unit heat rate specified above with turbine driven BFP.

286. In third proviso to the above Regulations, it is provided that where one or more Unit of the power station declared under commercial operation prior to 01.04.2016 and other unit(s) is declared under commercial operation after 01.04.2016, in such situation, GSHR of both the Units shall be the lower of heat rate arrived at by applying Regulation, 2012 or Regulations, 2015.

287. In the present case, the Unit No.1 of M.B. Power (Phase I) achieved COD on 20th May' 2015 and Unit No. 2 has achieved the COD on 07th April' 2016. Therefore, the Gross Station Heat Rate for both the Units in this matter is given below in accordance with the provisions under Regulations, 2012 and Regulations, 2015:

Particulars		**As per Regulations, 2012**	**As per Regulations, 2015**
Turbine Cycle Heat Rate (kCal/kWh)	A	1945.70	1945.70
Guaranteed Boiler Efficiency (%)	B	86.10%	86.10%
Design Heat Rate (kCal/kWh)	C=A/B	2259.81	2259.81
Escalation Factor (multiplier)	D	1.065	1.045
Gross Station Heat Rate (kCal/kWh)	**E=CXD**	**2406.70**	**2361.51**

288. Accordingly, for the determining the energy charges during the control period of FY 2016-17 to FY 2018-19, the lower GSHR from the above two values, i.e. **2361.51 kCal/kWh** is considered by the Commission for Unit No. 1 in this order.

Auxiliary energy consumption and Sp. oil consumption

289. It is observed that he petitioner claimed the Auxiliary consumption of 6.5% in accordance to the Regulations, 2012,whereas,as per Regulation 39.3 (E) of the Regulations, 2015, the normative Auxiliary consumption for Units 500 MW and above specified is 5.25% and additional 0.5% for induced drafts cooling tower. In view of the above, vide Commission letter dated 7th March' 2017, the petitioner was asked to justify its claim in light of the provisions under the Regulations' 2015.

290. By affidavit dated 28th March' 2017, the petitioner submitted the following regarding

the Auxiliary energy consumption:

In this regard, it is hereby submitted that its coal based Project of 2x600 MW is based on Sub-Critical boiler technology and with Induced Draft Cooling Tower (IDCT) facility. The Contract for Design, Engineering Supply, Erection and Commissioning of Main Plant Equipment (Boiler, Turbine & Generator) & its installation, is based on the technical requirement with the assurance of guaranteed technical performance parameters. Thus the Petitioner is making it best efforts to operate the power plant at the auxiliary consumption parameters guaranteed by the Supplier, which are also in line with the MPERC Tariff Regulations, 2012. Also on account of lower schedule given by the procurer, the Petitioner has to run the Unit beyond the auxiliary consumption norm of 6.5%, which is beyond the control of the Petitioner. Thus further restricting the auxiliary consumption norms to a lower level would lead to operational and financial difficulties for the Petitioner.

The Petitioner in its Tariff Petition has also pleaded the Commission to relax the norms for Auxiliary Consumption invoking the powers as per Regulation 54 of MPERC Regulations, in line with the technical performance parameters as guaranteed by the EPC Contractor for Main Plant Equipment.The relevant extract of Regulation 54 of the MPERC Tariff Regulations 2015 is reproduced below:

"The Commission, for reasons to be recorded in writing, may relax any of the provisions of these Regulations on its own motion or on an application made before it by an interested person."

Further, it is settled law that Commissions have all the powers to relax the norms in line with the Regulations framed by the Commissions. In this regard, the following judgments are noteworthy:

(a) ***Ratnagiri Gas and Power Limited v. Central Electricity Regulatory Commission****: 2011 ELR (APTEL) 0532 at para 10.7: "The above Regulations and the decision give the judicial discretion to the Central Commission to relax norms based on the circumstances of the case. However, such a case has to be one of those exceptions to the general rule. There has to be sufficient reason to justify relaxation. It has to be exercised only in exceptional case and where non-exercise of the discretion would cause hardship and injustice to a party or would lead to unjust result."*

(b) ***M.P. Power Trading Company Limited v. Torrent Power Limited &Ors.****: 2009 ELR (APTEL) 0124 at Para 13: "There are sufficient reasons which*

justify the enhancement of the percentage of initial spares from 4% to 5.87%. The Commission is vested with the power to relax its Regulations and therefore the order of the Commission was not interfered with.”

(c) ***National Thermal Power Corporation Ltd. v. Madhya Pradesh SEB**: 2007 ELR (APTEL) 7 at para 24: “….In case any Regulation causes hardship to a party or works injustice to him or application thereof leads to unjust result, the Regulation can be relaxed. The exercise of power under Regulation 13 of the Regulations is minimized by the requirement to record the reasons in writing by the Commission before any provision of the Regulations is relaxed. Therefore, there is no doubt that the Commission has the power to relax any provision of the Regulations.”*

291. The operating norms were fixed and notified by the Commission in MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations,2015 after following due procedure of Pre- Publication and public hearing. The petitioner had also filed a petition bearing No. 67 of 2016 seeking relaxation of MPERC Tariff Regulations, 2015 also besides seeking review of Commission’s order in IA No. 01 of 2016 in Petition No. 14 of 2016 in respect of its Unit No.2 on certain grounds. The issue regarding relaxation of Regulations, 2015 has been decided by this Commission in petition No. 67 of 2016.

292. Therefore, the request of the petitioner for relaxation in the normative auxiliary consumption is not considered by the Commission in this order.

293. Accordingly, auxiliary energy consumption for induced draft cooling tower is considered as per Regulation 39.3 (E) of the Regulations, 2015 as given below:

Table 68: Auxiliary energy consumption

Sr. No.	Particular	Percentage
1	Auxiliary energy consumption for unit 500 MW & above	5.25%
2	Add: auxiliary energy consumption for induced draft cooling tower	0.5%
3	Total auxiliary energy consumption considered	5.75%

294. The petitioner in the subject petition considered the specific secondary fuel oil consumption of 0.50 ml/kWh in accordance to Regulation 39.3 (D) of the Regulations, 2015. The Commission has considered the same specific secondary fuel oil consumption of 0.50 ml/kWh in this order.

295. In view of above, the operating norms as prescribed in Regulations, 2015 for the

control period FY 2016-17 to FY 2018-19 is considered for determination of energy charges of Unit No. 1 in this order are summarized as given below :

Table 69: Norms for Operating Parameters

Particulars	Unit	Norms
NAPAF	%	85%
Gross Station Heat Rate	kCal/kWh	2361.51
Specific Oil Consumption	ml/kWh	0.50
Aux. Energy Consumption	%	5.75%

Gross Calorific Value of Coal:

296. With regard to GCV of coal for Coal based Thermal Power Stations, Regulation 36.6 (a) of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015, provides that weighted average gross calorific value of coal **"as received"** in kCal per kg is considered for determination of energy charges. The aforesaid Regulation further provides that in case of blending of fuel from different sources, the weighted average GCV of primary fuel shall be arrived in proportion to blending ratio.

297. With regard to energy charges claimed in the petition, it is observed that the GCV of coal is considered "as fired" basis for FY 2015-16 and "as received" basis for period FY 2016-17 to FY 2018-19 in light of the Regulations, 2012 and the Regulations, 2015 respectively. However, the GCV was found same in the both the cases. Therefore, vide Commission's letter dated 7th February' 2017, the petitioner was asked to clarify this discrepancy with supporting documents. The petitioner was also asked to file the GCV of coal as per bills/invoices raised by the coal companies along with copies of invoices and laboratory test report in support of weighted average GCV.

298. By Affidavit dated 28th March' 2017, the petitioner submitted the following:
The Petitioner submits that the Regulation 36.7 of MPERC Regulations, 2015 provides that GCV of coal for the purpose of Computation of Energy Charge has to be considered on as received basis; accordingly the Petitioner in its Tariff Petition has worked out the weighted average GCV on as received basis of FSA and Non-FSA coal for the months of January 2016 to March 2016 and has considered the same while computing the Energy Charges for the control period. The calculation for" as received" GCV and "as fired" GCV for the same period along with the lab report is attached hereto and marked as Annexure 21A (Colly) which amply

evidences that difference between "as fired" GCV and "as received" GCV of coal is negligible. The supporting Lab-reports are attached hereto and marked as Annexure21B (Colly). The copies of the sample bills are attached hereto and marked as Annexure19B (Colly).

The following reports with regard to GCV and landed cost of coal during the FY 2016-17 to FY 2018-19 are attached herewith the reply:

a. Monthly laboratory test report of Coal for computation of as received GCV during the period from January 2016 to March 2016 are attached hereto and marked asAnnexure21B (Colly).

b. Calculation sheet for month-wise weighted average rate of coal purchased during the period from January 2016 to March 2016 is attached hereto and marked asAnnexure22. The sample copies of the bills are attached hereto and marked as Annexure19B (Colly).

299. In view of the above, the Weighted average gross calorific value of coal on "as received basis" is worked out based on the GCV of preceding three months i.e. January' 2016 to March' 2016 and same is considered for the determination of Energy Charges for the control period FY 2016-17 to FY 2018-19 in this order as given below:

Table 70: Weighted Average GCV of Coal

Month	GCV (kCal/kWh)	Qty (MT)	GCV (kCal/kWh)	Qty (MT)	Weighted Avg. GCV (kCal/kWh)
	FSA		NON FSA		Blended
16-Jan	3,614	221,285	3,532	121,375	1302.02
16-Feb	3,615	198,871	3,524	94,352	1114.41
16-Mar	3,621	219,891	3,515	87,701	1170.67
		640,047		303,428	**3,587.09**

Landed Cost of Coal:

300. The petitioner worked out the weighted average landed price of coal based on the details of coal purchased from different sources during preceding three months from January' 2016 to March' 2016.

301. Regarding the landed cost of coal, Regulation 36.8 of MPERC (Terms and

Conditions for Determination of Generation Tariff) Regulations, 2015 provides as follows:

"The landed cost of fuel for the month shall include price of fuel corresponding to the grade and quality of fuel inclusive of royalty, taxes and duties as applicable, transportation cost by rail/road or any other means and for the purpose of computation of energy charge, and in case of coal shall be arrived at after considering normative transit and handling losses as percentage of the quantity of coal dispatched by the coal supply company during the month as given below:

Pithead generating stations: 0.2%

Non-pithead generating stations: 0.8%

Provided that in case of pit head stations if coal is procured from sources other than the pit head mines which is transported to the station through rail, transit loss of 0.8% shall be applicable:

Provided further that in case of imported coal, the transit and handling losses shall be 0.2%

302. The aforesaid Regulation provides that the landed cost of coal shall be arrived at by considering normative transit and handling losses as percentage of the quantity of coal dispatched by the coal supply company during the month. By affidavit dated 29th September' 2017, the petitioner clarified the basis of computation of weighted average landed cost of coal as claimed in the amended petition dated 15th April' 2017. On perusal of the aforesaid response filed by the petitioner, the Commission observed that while determining the weighted average landed cost of coal, the petitioner considered the normative transit and handling losses. The petitioner's power station under subject petition is non-pit head therefore, transit and handing losses of 0.8% is considered.

303. However, while determining the energy charges rate in this order the Commission has considered the normative transit and handling losses in determining the specific coal consumption for energy charge rate. Therefore, the price of coal is considered prior to normative transit and handling losses. The weighted average coal price considered in this order is as follows:

Table 71: Weighted Average Price of Coal

Month	Price/MT	Qty(MT)	Price/MT	Qty(MT)	Weighted Avg. price/MT
	FSA		NON FSA		Blended
16-Jan	2,130	221,285	4,224	121,375	1,043
16-Feb	2,117	198,871	3,946	94,352	841
16-Mar	2,135	219,891	3,509	87,701	824
		640,047		303,428	**2,708**

Landed Cost of secondary fuel oil:

304. Vide letter dated 7th February' 2017, the Commission asked the petitioner to file landed price secondary fuel oil purchased during preceding three months in accordance with the provisions under the Regulation, 2015 along with invoices in respect of oil purchased.

305. By affidavit dated 28th March' 2017, the petitioner also filed the copies of bills/invoices in respect of secondary fuel purchased during the preceding three months (i.e. January' 2016 to March' 2016).

306. In view of above, the rate of weighted average secondary fuel is worked out by the Commission based on the details filed by the petitioner as given below:

Table 72: Wt. average landed rate of secondary fuel oil preceding three months (Rs/KL)

Particulars	weighted average landed rate of secondary fuel oil preceding three months (Rs/KL)
LDO	33620
HFO	23681
Secondary Fuel Oil (weighted average rate)	**26663**

307. Accordingly, the Energy Charges for the control period of FY 2016-17 to FY 2018-19 are worked out as given below:

Table 73: Energy Charges

Particular	Unit	From FY 2016-17 to FY 2018-19
Capacity	MW	600
NAPAF	%	85
Gross Station Heat Rate	kCal/kWh	2361.51
Sp. Fuel Oil Consumption	ml/kWh	0.50
Aux. Energy Consumption	%	5.75%
Transit Loss	%	0.8
Weighted average GCV of Oil	kCal/ltr.	9920
Weighted average GCV of Coal	kCal/kg	3587
Weighted Average landed price of Coal	Rs./MT	2708

Weighted Average landed price of oil	Rs./KL	26663
Heat Contributed from HFO	kCal/kWh	4.96
Heat Contributed from Coal	kCal/kWh	2357
Specific Coal Consumption	kg/kWh	0.657
Sp. Coal Consumption including Transit Loss	kg/kWh	0.662
Energy Charge rate from Oil	Rs./kWh	0.013
Energy Charge rate from Coal	Rs./kWh	1.793
Total Energy Charge rate from Oil & Coal	Rs./kWh	1.806
Energy Charge Rate at ex bus	**Rs./kWh**	**1.917**

308. The base rate of the energy charges shall however, be subject to month to month adjustment of actual fuel price and actual GCV of coal on received basis. The recovery of energy charges shall be made in accordance with Regulations 36.6 to 36.8 of the Regulations, 2015.

309. The Commission would like to mention in this order that the approach for determination of Energy Charge Rate (ECR) in MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 has been changed from GCV of coal on **"as fired basis"** to **"as received basis"** as specified by the Central Commission in CERC (Terms and Conditions of Tariff) Regulations, 2014 for determination of tariff of Generation Companies. In Writ Petition No. 1641 of 2014 Hon'ble High Court of Delhi vide its order dated 07.09.2015, directed the Central Commission to decide the issue i.e. at what stage the GCV of coal on "as received basis" should be measured. Vide order dated 25thJune' 2016, in Petition No. 283/GT/2014 CERC decide the issue. The relevant portion of aforementioned CERC's order is extracted as under:

"55. The *only practicable alternative is to take samples from the wagons either manually or by installing Hydraulic Auger at the suitable places. GUVNL vide affidavit dated 30.11.2015 has submitted the video recording of the samples of coal being collected from the railway wagon at the generating stations of GSECL, namely at Ukai TPS and Wanakbori TPS. They have also filed the laboratory testing procedure of the samples taken from the wagons/ Coal Rakes at Wanakbori TPS. From the examination of the video recording, it is observed that samplings of coal were being collected from the railway wagons using Hydraulic Auger. The process of taking samples was found to be smooth, capable of taking representatives samples from any depth of the wagon, from different locations without taking too much of time and the process appears to be same and reliable. GSECL has been successfully using the Hydraulic Auger for collection of samples from the top of the* *wagons and NTPC and other generating companies can adopt and improvise the protocol for collection of samples from the wagons. As regards the threat to the safety of the personnel, the issue has been discussed in detail in para 41 of this order and the safeguards suggested in the said para should be adopted.*"

"*58. In view of the above discussion, the issues referred by the Hon'ble High Court of Delhi are decided as under:*

(a) there is no basis in the Indian Standards and other documents relied upon by NPTC etc. to support their claim that GCV of coal on as received basis should be measured by taking samples after crusher set up inside the generating station, in terms of Regulation 30(6) of the 2014 Tariff Regulations.

(b) The samples for the purpose of measurement of coal on as received basis should be collected from the loaded wagons at the generating stations either manually or through the Hydraulic Auger in accordance with provisions of IS 436(Part 1/Section 1)-1964 before the coal is unloaded. While collecting the samples, the safety of personnel and equipment as discussed in this order should be ensured. After collection of samples, the sample preparation and testing shall be carried out in the laboratory in accordance with the procedure prescribed in IS 436 (Part 1/ Section 1)-1964 which has been elaborated in the CPRI Report to PSERC."

310. In view of above, the petitioner and Respondents are directed to ensure that the GCV of coal on "received basis" be considered in accordance with the above methodology decided by CERC. The petitioner and Respondents are also directed to ensure compliance with Regulation 36.7 to 36.10 of the Regulations 2015, for appropriate billing and payment of Energy Charges.

Other Charges:

Petitioner's Submission

311. The petitioner claimed the recovery of the filing fees and also the publication expenses from the beneficiaries.

Commission's Analysis

312. The petitioner is allowed to recover the fees paid to MPERC and publication expenses as per Regulation 52 of (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 on submission of documentary evidence.

313. The petitioner is allowed to recover Electricity Duty, cess and water charges from

the beneficiary on pro rata basis, if payable to the State Government for generation of electricity from its generating Unit No.1 in term of the provision under aforesaid Regulation 52 of MPERC Tariff Regulations,2015 on submission of documentary evidence.

Implementation of the order

314. The final generation tariff for FY 2015-16 is determined for Unit No. 1 from its COD till 31st March' 2016 based on Annual Audited Accounts for FY 2015-16 in terms of MPERC Tariff Regulation' 2012. However, the tariff from 1st April' 2016 to 31st March' 2019 is determined on provisional basis subject to true up based on Annual Audited Accounts for respective year in accordance with MPERC Tariff, Regulations' 2015.

315. 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 COD of Unit.

316. The petitioner is also directed to provide information to the Commission in support of having complied with this Order. The deficit/surplus amount for FY 2015-16 as a result of this order shall be recovered or passed on to the MP Power Management Company Ltd / three Distribution Companies of the state in terms of Regulation 15.3 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 in the ratio of energy supplied to them.

317. The deficit/surplus amount for MYT period i.e. from FY 2016-17 to FY 2018-19 as a result of this order shall be recovered or passed on to the MP Power Management Company Ltd / 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.

With the above directions, this Petition No. 68 of 2016 is disposed of

(Alok Gupta)	**(A. B. Bajpai)**	**(Dr. Dev Raj Birdi)**
Member	**Member**	**Chairman**

Date:01st December'2017
Place: Bhopal

Annexure 1

Issue wise reply of the petitioner to the information gaps/issues communicated to it by the Commission:

(1) Issue:

In terms of the clause 4.1.5 of the PPA dated 5th January, 2011 executed between the parties, the scheduled COD of the Unit No. 1 of the project was November, 2014 whereas, the Unit No. 1 was actually declared under commercial operation on 20th May, 2015. There is delay in CoD by more than six months. The reasons for delay in achieving COD be explained on the following counts:

a. Delay attributable to contractor/vendor.
b. Delay due to the reasons attributable to petitioner or
c. The reasons beyond the control of both petitioner and contractor/vendor.

(2) Issue:

The petitioner is required to specify the delay in number of days on account of any of the above reasons. Supporting documents be also filed in this regard.

Petitioner's Response (1) & (2)

1. It is submitted that the Power Purchase Agreement ("PPA") dated 05.01.2011 executed between the Petitioner and MPPMCL (Respondent No. 1) has been duly approved by this Hon'ble Commission by its Order dated 07.09.2012. The Article 4.1.6 of the said PPA provides, as under:-

"4.1.6 Revised Scheduled Commercial Operation Date: ***The Parties may mutually agree to revise the Scheduled CoD*** *for Commissioning of any Unit or the Power Station (hereinafter referred to as Revised Scheduled Commercial Operation Date or Revised Scheduled CoD)* ***and such Revised Scheduled CoD shall thereafter be the Scheduled CoD****."[Emphasis Supplied]*

2. It is submitted that in terms of the provisions of the PPA, the Scheduled COD of the Unit-1 has been revised to 20.05.2015 and this revised Scheduled COD has been duly approved and accepted by the Procurer, MPPMCL vide letters dated 16.04.2015 & 26.08.2015. The copies of the said letters issued by the MPPMCL dated 16.04.2015 & 26.08.2015, have already been submitted to this Hon'ble Commission as Annexure-53 of the Petition No. 31/2015 and as Annexure-1 of the Petition No. 68/2016respectively. Nonetheless, a copy of the above referred order of the Hon'ble Commission dated 07.09.2012 and copies of the letters issued by MPPMCL (Respondent No. 1) dated 16.04.2015 and 26.08.2015 are attached hereto and marked as ***Annexure 1A (Colly).***

3. Without prejudice to the aforesaid it is submitted that the detailed reasons for delay in achieving COD of Unit-1 along with the supporting documents/justifications have already been submitted while filing replies to this Hon'ble Commission's Order dated 06.05.2015 as additional affidavit in its submission dated 05.06.2015 (Page 3386-3390) in Petition No. 31/2015. Nonetheless, the reasons for the delay have been summarized herein below.

4. It is submitted that it was informed to this Hon'ble Commission that despite adhering to the Prudent Utility Practices and despite all efforts by the Petitioner, there has been a delay in achieving the COD of Unit-1 of the Petitioner's Project owing to several hurdles faced by the Petitioner during the construction phase of the Project which were beyond the control of the Petitioner. The said reasons have been summarized herein below:

(a) Delay in grant of Stage-II Forest Clearance by MoEF;
(b) Delay on account of unwarranted Public Interest Litigations (PILs) by meddlesome interlopers for personal gains;
(c) Disturbances/unrest at Project Site by miscreants and motivated elements;
(d) Unseasonal and unprecedented rains/ Floods;
(e) Delay in barrage construction.
(f) Delay due to other external factors.

5. A brief explanation on each of the reasons for delay is set out herein below for this Hon'ble Commission's consideration:-

(a) Delay in grant of Stage-II Forest Clearance by MoEF:

(i) It is submitted that certain portion of forest land falls within the main plant area. The Stage-I Forest Clearance for the said land was granted by Ministry of Environment & Forests (MoEF) on 04.06.2010. Thereafter the Stage-II Forest Clearance was granted by the MoEF on 17.08.2011, i.e., after more than 14 months from the date of grant of Stage-I Forest Clearance.

(ii) As per the existing industry practices, Stage-II Forest Clearance is generally granted within 5 to 6 months of Stage-I Forest Clearance. Accordingly, the Petitioner anticipated grant of Stage-II Forest Clearance within the year 2010 and hence on 20.12.2010, awarded the EPC Contract for Main Plant Activities to M/s LancoInfratech Limited.

(iii) However this Stage-II Forest Clearance was granted by MoEF to the Petitioner only on 17.08.2011.

(iv) Further, there was delay on account of the fact that MoEF vide letter dated 23.09.2011 imposed a stay on Stage-II Forest Clearance in the wake of several Public Interest Litigations (PILs) filed before Hon'ble High Court of Madhya Pradesh. These PILs were eventually disposed-off by the Hon'ble High Court of Madhya Pradesh in favor of the Petitioner. Accordingly, MoEF vide letter dated 19.03.2012 vacated the stay and re-instated Stage-II Forest Clearance. Thereafter, the forest land was transferred to the Petitioner. Copies of the Stage-I and Stage-II Forest Clearance and MoEF letters dated 23.09.2011 and 19.03.2012 are attached hereto and marked as ***Annexure 1B (Colly).*** *A table demonstrating the above unwarranted delays is provided herein below for this Hon'ble Commission's ease of reference:*

Period			***Details***	***Delay in commencement of construction works***
From	***To***	***Total Days***		
04.06.2010	*17.08.2011*	*439 days (Against the general timelines of ~ 180 days.)*	*Period elapsed between Grant of Stage-I and Stage-II Forest Clearance by MoEF.*	*~ 8 months*
23.09.2011	*19.03.2012*	*178 days*	*Stay on the granted Stage-II Forest Clearance.*	*~ 6 months*
Total delay in transfer of forest land on account of above				*~14 months*
Delay in commencement of construction works due to above delay in transfer of forest land				***~ 10 months***

(v) ***As is evident from the above table, grant of Stage-II Forest Clearance was delayed by MoEF by around 8 months (vis-à-vis general timelines between grant of Stage-I & Stage-II Forest Clearance). Further a period of another 6 months was lost due to the stay imposed on this Forest Clearance by MoEF. Thus, transfer of forest land was delayed by a period of more than 14 months (8 months +6 months), which consequently delayed the commencement of various construction activities including those at Coal Handling Plant Area & IDCT Area by around 10 months. This delay was beyond the Petitioner's control and is attributable to the Govt. agencies****.*

(b) Protests/Agitations/Demonstrations at the Project Site:

(i) The Petitioner respectfully submits that during the construction period, the Project witnessed constant disturbances/unrest at the Project Site on account of protests/ demonstrations/ agitations carried out by residents/

villagers. These protests/ demonstrations/ agitations were politically motivated and were carried out at the instance of external and unscrupulous elements for personal gains and these resulted in intermittent closure of Project Site, thereby severely interrupting the ongoing construction activities. The major events which resulted in interruption/stoppage of construction works at the Site from time to time and delayed the commissioning of the Project are detailed in the table below:

Period		**Reasons of Work Interruption**	**No. of Days**	**Area Affected**	**Documentary Evidence**
From	**To**				
24.01.2011	*01.02.2011*	*Labour Unrest; Local Villagers intruded the plant; fatal attacks*	*9 days*	*Complete Site was closed*	*News Articles in local dailies from 25.01.2011 to 01.02.2011*
26.02.2011	*12.03.2011*	*Local Villagers Unrest on petty wage issues; committed fatal attacks; Work re-commenced after 12.03.2011*	*15 days*	*Complete Site was closed*	*News Articles in local dailies from 26.02.2011 to 12.03.2011*
02.12.2011	*03.12.2011*	*Agitation by Bhartiya Kisan Union at Plant Main Gate*	*2 days*	*Complete Site was closed*	*News Articles in local dailies from 02.12.2011 to 03.12.2011*
04.02.2012	*09.02.2012*	*Agitation by Bhartiya Kisan Union at Main Gate*	*6 days*	*Complete Site was closed*	*News Articles in local dailies from 04.02.2012 to 09.02.2012*
05.05.2012	*08.05.2012*	*Political Rally by Bhartiya Kisan Union (Distt. SP and others were injured) at Main Gate*	*4 days*	*Complete Site was closed*	*News Articles in local dailies from 05.05.2012 to 08.05.2012*
25.03.2014	*27.03.2014*	*Agitations and threat to labour by political motivated elements*	*3 days*	*Complete halt of works*	*Petitioner's letter dated 27.03.2014 to the Collector and SP, Anuppur*
17.01.2015	*19.01.2015*	*Agitation by local miscreants for the part of the land for Railway Siding; Several Police officials injured; labour at plant*	*3 days*	*Complete Site was closed*	*News Articles in local dailies from 18.01.2015 to 21.01.2015*

Period		***Reasons of Work Interruption***	***No. of Days***	***Area Affected***	***Documentary Evidence***
From	***To***				
		stopped the work for two days			
TOTAL SITE CLOSURE ON ACCOUNT OF ABOVE:42 Days					

(ii) *Copies of news articles/ clippings in the local newspapers and letter of the Petitioner substantiating the afore-stated delays are attached hereto and marked as* ***Annexure1C(Colly)****.* ***The Petitioner submits that on account of aforementioned reasons, the Project implementation works were severely affected for around 65 days during the construction phase,*** *i.e., 42 days direct delay on account of Project Site closure and an indirect delay of 3-4 days per interruption (totaling to around 20 days for such 6 interruptions) on account of resource and manpower re-mobilization/ re-deployment and restart of work.*

(c) Unconventional heavy rainfall during non-monsoon period/ floods:

(i) *The Petitioner respectfully submits that the Project witnessed unusually heavy rainfalls/ floods repeatedly in non-monsoon months during the implementation phase of the Project, which severely affected the construction works. The rainfall data for District Anuppur by the Indian Meteorological Department from for the years 2010 to 2014 (already submitted by the Petitioner along with the replies filed by it to this Hon'ble Commission's order dated 06.05.2016) is summarized here under and is attached hereto and marked as* ***Annexure 1D.***

Average Rainfall Data (mm)						***% Departure from long term average for the respective month***				
Year	***2010***	***2011***	***2012***	***2013***	***2014***	***2010***	***2011***	***2012***	***2013***	***2014***
January		*0*	***73***	*3.5*	*8.7*		*-100%*	***147%***	*-88%*	*-70%*
February		*0*	*2.6*	***70.4***	***69.5***		*-100%*	*-90%*	***184%***	***180%***
March	*0*	*0*	*0*	*3.5*	*28.9*	*-100%*	*-100%*	*-100%*	*-83%*	*41%*
April	*0*	*0*	*0.8*	***41.0***	*0*	*-100%*	*-100%*	*-95%*	***179%***	*-100%*
May	*0*	*0*	*3.6*	*0.2*	*0*		*-100%*	*-82%*	*-99%*	*-100%*
June	*43*	*258.3*	*51.6*	*226.9*	*119.4*	*-78%*	*45%*	*-71%*	*28%*	*-33%*
July	*258.2*	*205.2*	*462.9*	*263.3*	*315.8*	*-33%*	*-47%*	*20%*	*-32%*	*-18%*
August	*264.2*	*407.6*	*297.1*	*331.6*	*309.2*	*-33%*	*5%*	*-23%*	*-14%*	*-20%*

September	*252.9*	***425.1***	*136.7*	*123.4*	*268.2*	*11%*	***90%***	*-39%*	*-45%*	*20%*
October	*4.5*	*0*	*16.5*	***204.4***	***185.7***	*-92%*	*-100%*	*-65%*	***336%***	***295%***
November	*4*	*0*	***59.6***	*0*	*0*	*-64%*	*-100%*	***636%***	*-100%*	*-100%*
December	*18.2*	*0*	*5.2*	*0*	*2.3*	*70%*	*-100%*	*-66%*	*-100%*	*-85%*

**Source: India Meteorological department (2010-2014) for District Anuppur, Madhya Pradesh*

*(ii) The Table above makes it abundantly clear that the Project had witnessed unconventional heavy rainfall/ floods in the months of September 2011, January 2012, November 2012, February 2013, April 2013, October 2013, February 2014 and October 2014 i.e. a total period of 8 months during the construction phase of the Project, thereby severely affecting the construction works at the Site during the peak time. Further, during the month of August 2014, sudden and abrupt cloud outbursts were experienced leading to flash floods in the entire region for around 10-12 days, due to which the entire movement of material and labour came to a standstill. As a result the construction activities were severely affected for the month of August 2014. Copies of news articles/ clippings in the local newspapers reporting the torrential rainfall and floods are attached hereto and marked as **Annexure 1E (Colly).***

*(iii) **In this background, it is submitted that due to unseasonal and unconventional heavy rain falls and floods during these9 months, the construction works slowed down significantly during such months causing a delay of 12-15 days during each such month, resulting in overall delay of around 100 days during the construction phase of the Project.***

***(d) Delay in Barrage construction:** The barrage construction activities were severely affected primarily on account of two factors as under:-*

*(i) Hindrance by local villagers, labour strikes etc. led to stoppage of barrage construction works from time to time. **The cumulative stoppage of works on account of such agitations, strikes etc. is estimated to be around 139 days.***

(ii) As already mentioned above, a sudden cloud outburst and torrential rains were witnessed during August 2014 which led to a flash flood in Son River. During this period, the barrage was under advanced stage of construction.

This flash flood in River Son on 05.08.2014caused severe damage to the trunnions of Gate Nos. 2 & 3 of the barrage. It would be worthwhile to mention here that the trunnion is embedded in the concrete and acts as a hinge for opening and closing of the barrage gate. The set runnions and other embedded parts were removed and sent to works of OEM's casting agency in Punjab. After casting, these were then dispatched to OEM works at Kota for machining and finishing and finally these were received back at the Project Site on 17.01.2015, subsequent to which, their restoration to the original condition in the barrage was completed on 02.02.2015. ***Thus a total delay of 181 days from 05.08.2014 to 02.02.2015 is attributable to heavy rain and flash flood in River Son which caused delay in barrage construction.***

A detailed breakup of a total delay of 320 days in the construction of barrage on account of reason (i) &(ii) above (i.e. 139 days +181 days) is attached hereto and marked as ***Annexure1F.***

(e) ***Delay due to other external factors:*** *Additionally, the Project witnessed unwarranted delays on account of external reasons beyond control of the Petitioner, which interalia included:*

(i) Strikes, agitations and power shutdowns in Seemandhra region during September-October 2013 on the state bifurcation issue. Due to this, the Govt. offices and Banks in this region followed BANDH, thereby impairing and delaying the custom clearance for the offshore supplies received at Vizag/ Ganagavaram Port.

(ii) Major fire broke-out in Mumbai Mantaraya on 21.06.2012, due to which permission for loading/ unloading the material received at Mumbai Port and movement of the same was delayed for around seven (7) days.

6. Thus, as amply evident, all the above reasons leading to delay in Project implementation (for the specified duration) were beyond the control of the Petitioner.

7. It is noteworthy to mention here that although the cumulative delay on account of the above impediments is of the order of almost 12-14 months, however with the efficient and meticulous Project planning, management & execution skills and judicious allocation & utilization of manpower & resources, the Petitioner was able to arrest and mitigate the delay in construction and COD of Unit-1. The initial SCOD of Unit-1 as per the PPA was 30.11.2014. It is noteworthy that with its

relentless efforts the Petitioner was able to complete the construction and achieve the full load Commissioning of Unit-1 on 20.04.2015 (i.e. in less than 5 months of the initial SCOD of Unit-1) and COD of Unit-1 on 20.05.2015 (i.e. in less than 6 months of initial SCOD of Unit-1).A copy of the certificate issued by CEA certifying full load commissioning of Unit-1 of the Petitioner's Project on 20.04.2015 is attached hereto and marked as Annexure 1G. In this regard, it is noteworthy that the COD of Unit-1 was achieved on 20.05.2015 since the 72 hours trial run was insisted by MPPMCL de hors the statutory requirements which is evident from:-

*(a) On 20.02.2015, the Petitioner wrote to MPPMCL informing that the testing and commissioning activities of Unit-1 were being planned on 14.03.2015 and that the letter may be taken as prior written notice to witness and monitor testing and commissioning of Unit-1 as per Article 5.3 of the PPA. A copy of the Petitioner's letter dated 20.02.2015 is annexed hereto and marked as **Annexure 1H**.*

*(b) On 05.03.2015, the Petitioner wrote to MPPMCL requesting MPPMCL to appoint an authorized representative as per Article 5.3.2 of the PPA for witnessing and monitoring the Commissioning Test of Unit-1. A copy of the Petitioner's letter dated 05.03.2015 is annexed hereto and marked as **Annexure 1I.***

*(c) On 12.03.2015, MPPMCL wrote the to the Petitioner informing that the Superintending Engineer of Madhya Pradesh Power Generation Company Ltd. ("**MPPGCL**") was authorized on behalf of MPPMCL for witnessing and monitoring the commissioning test of Unit-1 of the Project in compliance with Article 5.3 of the PPA. A copy of MPPMCL's letter dated 12.03.2015 is annexed hereto and marked as **Annexure 1J**.*

*(d) On 23.03.2015, the Petitioner wrote to the Superintending Engineer, MPPGCL, informing that Unit of the Project was successfully synchronized on 19.03.2015. The Petitioner requested MPPGCL to witness and monitor the Commissioning Test of Unit-1 from 30.03.2015 to 01.04.2015. A copy of the Petitioner's letter dated 23.03.2015 is annexed hereto and marked as **Annexure 1K**.*

*(e) On 01.04.2015, the Superintending Engineer, MPPGCL wrote to the Petitioner requesting the Petitioner to convey the schedule date for witnessing the Full Load Performance Test in advance to avoid the inconvenience of late receipt of information. The Petitioner was requested that before intimating the scheduled date, the Load Trial Data of the Unit evidencing that the Unit is running on stable load be conveyed so that performance of the Unit could be witnessed at "**not less than 95% Av. Load for 72 hrs.**" A copy of MPPGCL's letter dated 01.04.2015 is annexed hereto and marked as **Annexure 1L**.*

Accordingly it is submitted that although the Petitioner had completed commissioning of Unit-1 on 20.04.2015 as per the CEA certificate, however it was only at the insistence of MPPMCL that the Petitioner undertook 72 hours trial operation as a prerequisite for declaration of COD and as such COD of U-1 was declared on 20.05.2015. Accordingly, The Petitioner has capitalized the Unit-1 cost on 20.05.2015.

8. It is submitted that apart from the above there might be certain delays which may be attributed to the Contractor/ Vendor. However, the same has not been quantified nor the same has been included in the present proceedings due to sensitivity of the issue. In terms of EPC Contract, the final settlement is still pending. As such, any statement in the present proceedings may jeopardize the completion of the same. Accordingly, the Petitioner will inform the Hon'ble Commission regarding levy of any penalty or initiation of any dispute against the contractors.

(3) Issue:

The petitioner is required to file a detailed comparison of the capital cost of its project with other thermal power project/units in the country those are comparable with the petitioner's project under subject petition.

Petitioner's Response

9. The Petitioner in its Petition No. 68/2016 (Para 27 to 32) has already submitted that the Ld. Central Commission has benchmarked the capital cost (hard cost) of a 2X600 MW Green Field Coal based Thermal Power Project (taking 2011 indices at the Base) asRs 4.54 Crore/MW, which is to be further escalated at WPI for the purpose of comparison. Hence, the capital cost (hard cost), benchmarked by Ld. Central Commission, for a 2X600 MW Green Field Coal based Thermal Power Project been commissioned in Mar-Apr' 2016 comes to Rs 5.13 Crore/MW.

10. The Petitioner in its Petition No. 68/2016 (Para 27 to 32) has also estimated the capital cost of its Project (hard cost) as per the methodology prescribed by Ld. Central Commission, which works out to Rs. 4.49 Crore/MW, which is well within the capital cost of a 2X600 MW Green Field Coal based Thermal Power Project as benchmarked by Ld. Central Commission. A detailed comparison of the capital cost (hard cost) of the Petitioner's Project with the other thermal power projects(similar capacity)in the country is provided in the table below:

Name of Power Station	*Sector*	*Installed Capacity*	*No. of Units*	*Year of Project COD*	*Project Hard Cost*		*Source*
					Rs Cr	*Rs Cr/ MW*	
Anuppur TPS of MBPMPL	*IPP (MP)*	*1200*	*2x 600 MW*	*Mar-April 2016*	*5388*	*4.49*	
Singareni TPP	*State-Central Joint (Telangana)*	*1200*	*2x 600 MW*	*Dec' 2016*	*6904*	*5.75*	*SCCL's Pet. No. 9/2016 for approval of capital cost*
Nigrie TPP of Jaiprakash Power Ventures Ltd	*IPP (MP)*	*1320*	*2x 660 MW*	*Feb' 2015*	*7350*	*5.57*	*MPERC Order dt. 26.9.2014;Pet. No.03/2014*
Lalitpur Thermal Power Station	*IPP (UP)*	*1980*	*3x660MW*	*June' 2016*	*10786*	*5.45*	*UPERC order dt. 27.11.2015;Pet Nos.975/2014 & 1017/2015*
Kalisindh TPS	*State (Rajasthan)*	*1200*	*2x 600 MW*	*July 2015*	*6521*	*5.43*	*RERC order dt. 14.05.2015;Pet No. RERC/462/14*
Jhabua Power Limited	*IPP (MP)*	*600*	*1x 600 MW*	*May 2016*	*3077*	*5.13*	*MPERC Order dt. 06.09.2016 in Pet. No. 16/2016*
Barh TPS Stage-2	*Central (NTPC) (Bihar)*	*1320*	*2x 660 MW*	*May 2015*	*6563*	*4.97*	*Form 5B of NTPC Pet. No. 130/GT/2014*
ShriSingaji TPS	*State (MP)*	*1200*	*2x 600 MW*	*Dec' 2014*	*5476*	*4.56*	*MPERC Orderdt. 10.11.2014 in Pet. No. 05/2014*

Accordingly, it is submitted that the Project cost of the Petitioner's Project as claimed by the Petitioner is reasonable and within the industry norms.

(4) Issue:

The break-up of project cost as mentioned under Format TPS 5B towards Unit1&2 and Unit 1 be filed separately in Format "A" enclosed with this letter.

The petitioner is required to furnish a statement of above actual expenditure duly certified by statutory auditor of the company.

Petitioner's Response

*11. The detailed breakup of Project cost in the required **Format-A**, is enclosed hereto and marked as **Annexure2A** along-with the statement of actual capital expenditure duly certified by the Statutory Auditor of the Company which is also attached hereto and marked as**Annexure2B**.*

(5) Issue:

With the break-up of project cost sought above, the petitioner is required to explain in details, the reasons for increase in initial project cost from Rs. 6240 Crore (as approved in Board's Resolution dated 21st October, 2009) to the actual project cost of Rs. 7048.69 Crore incurred upto COD of Unit No. 1 (Annexure-11 of the petition) under each cost items as mentioned in TPS 5B individually on account of each of the following factors:

a. Price/Rate variation
b. Exchange rate variation towards loan taken in foreign currency
c. Exchange rate variation towards payment in foreign component towards contract signed in foreign component
d. Additional works
e. Taxes & Duties and others (Pls. Specify and quantify each item separately)
f. The above items are to be mentioned in two parts:
    i. Cost increased upto Schedule COD of Unit-1
    ii. Between Schedule COD to actual COD of Unit-1.

The petitioner is required to furnish the above information in Format "B" enclosed with the letter.

(6) Issue:

In para 44 of the petition, it is mentioned that vide its BoD resolution dated 16th February, 2016, the project cost has been revised to Rs. 8702.92 Crore. In view of said statement, the petitioner is required to furnish item-wise reasons for increase in cost from Rs. 7048.69 Crore to Rs. 8702.92 Crore.

Petitioner's Response (5)&(6)

12. It is respectfully submitted that by additional Affidavit (Volume IV) dated 06.12.2014 filed before this Hon'ble Commission in Petition No. 31/2015 (Pages 672-682), the Petitioner has already submitted all the reasons for variations from the initial Project capital cost ofRs. 6240 Crore to the revised Project capital cost of Rs. 8000 Crore in Project Information Memorandum prepared by lenders, for each and every item. The said affidavit was filed along with all the necessary Board Resolutions [additional Affidavit –

*Volume V dated 06.12.2014 in the Petition No. 31/2015 (Pages 836-842)] approving both the costs. The Petitioner however, humbly, re-submits the necessary documents/references in support of its submission and the same are attached hereto and marked as**Annexure 3A**.Further, as directed by the Hon'ble Commission, the required information is furnished in **"Format-B1"**attached hereto and marked as **Annexure 3B**.*

13. The Petitioner has already submitted in its previous submissions, that the total capital cost of the Project is Rs. 8306.03 Crore as against the initial Project cost of Rs. 6240 Crore as envisaged in the DPR, as explained below:

(a) The original appraised Project cost at the time of financial closure (16.11.2010) was Rs. 6,240 Crore with the debt equity ratio of 75:25.

(b) Subsequently, the appraised Project cost was revised by the bankers to Rs. 8,000 Crore.The additional Project cost of Rs. 1,760 Crore is being financed in Debt: Equity ratio of 70:30.

(c) Out of the appraised cost of Rs. 8,000 Crore, 'Margin money for working capital' to the tune of Rs. 270 Crore was excluded by the Petitioner from the Project capital cost being claimed in the Petition No. 31/2015.

(d) In addition, an amount of Rs. 576.03 Crore towards Customs Duty & Excise Duty has been included as a part of the Project capital cost. In respect of this, the Petitioner has partly paid in cash through equity, an amount of Rs. 28.75 Crore and for the balance, the Petitioner has obtained a non-fund based facility (BG facility) pending the grant of final 'Mega Power Status' for the Project. This Mega Power Status was provisionally approved by Ministry of Power vide the provisional Mega Power Certificate dated 18.01.2012. Once the same is released/ refunded to the Petitioner after grant of final Mega Power Status, the Petitioner would approach the Hon'ble Commission for suitable adjustment in the capital cost.

Further, with respect to the above amount of Rs 28.75 Crore, it is submitted that this amount has already been paid by the Petitioner in cash towards Custom and Excise Duty for equipment procured for the Project in the initial period i.e. from 06.06.2011 to 08.02.2012. Out of this amount of Rs 28.75 Crore, an amount of Rs. 14.79 Crore was paid in cash by the Petitioner towards Custom Duty prior to the issuance of the provisional Mega Power Certificate dated 18.01.2012 by the Ministry of Power.This amount was paid for import of foundation bolts on merit rate to enable start of construction as per the schedule. The balance amount of Rs. 13.96 Crore comprises of two components i.e. Rs. 9.48 Crore towards Custom Duty and Rs. 4.48 Crore towards Excise Duty, which was paid post issuance of provisional Mega

Power Certificate pending registration of the Project with the appropriate authorities.

The Petitioner further submits that there is no process/provision for refund of this amount of Rs 28.75 Crore paid in cash by the Petitioner towards Custom and Excise Duty as the material has already been assessed on merit rate. As such the Petitioner humbly requests the Hon'ble Commission to kindly consider Rs. 28.75 Crore as a part of the Project capital cost. Nonetheless, in the event of receiving any refund against this amount, the Petitioner would duly approach the Hon'ble Commission for suitable adjustment in the Project capital cost.

(e) Thus, the total Capital cost so arrived was Rs. 8306.03 Crore as under:

Particulars	***Amount (Rs. Crore)***
Appraised Project Cost	*8000.00*
Less. Margin Money for Working Capital	*(-)270.00*
Add. Custom & Excise Duty	*576.03*
Total Capital Cost	***Rs 8306.03***

*14. With respect to this Hon'ble Commission's observation regarding actual Capital cost being Rs. 7048.69 Crore, it is humbly submitted that **the amount of Rs. 7048.69 Crore is not the Project cost,** but it is the actual cash expenditure (i.e. net of liabilities) incurred by the Petitioner, for the Project, till the date of COD of Unit-1. The same has also been considered by this Hon'ble Commission while approving the provisional tariff for Unit-1 in its order dated 29.07.2015 in Petition No. 31/2015.*

15. In Petition No. 68/2016, the Petitioner has filed the estimated Project cost as Rs. 8667.30 Crore on account of various reasons as stated in this Petition.

16. The Petitioner humbly submits that while estimating the revised capital cost based on Annual Audited accounts for FY 2015-16 comprising of capitalized assets, capital work in progress and provision for balance works, the Petitioner has inadvertently missed the unamortized cost of finance to borrowings which has been incurred while raising/drawing the long term debts for the Project. On account of this, the estimated capital cost of the Project as filed in the Petition No. 68/2016 is hereby revised from Rs. 8667.30Crore to Rs. 8702.23 Crore.

This revision in the capital cost of the Project is also being submitted by the Petitioner before this Hon'ble Commission and the Respondents by way of additional submissions in thePetition No. 68/2016.

17. With regard to above submission, the Revised Capital Cost as on Project COD is summarized as hereunder:

S. No	Particulars (All Values in RsCrore)	Estimated Capital Cost as on Project COD as filed in Pet.No. 68/2016	Revised Capital Cost as on Project COD	Variance
1	Land & Site Development	144.00	144.00	-
2	Plant & Machinery$	4578.41#	4565.83	(12.58)
3	Building & Civil Works$	882.54	895.11	+12.58
4	Pre-operative Expenses*	432.48	432.48	-
5	Finance Charges/IDC	1895.35	1895.35	-
6	Custom Duty/Excise Duty	576.03	576.03	-
7	Add: FERV Losses Charged to Revenue	158.49	158.49	-
8	**Capital Expenditure**	8667.30	8667.30	-
9	Add: Unamortized Finance Cost to Borrowings	-	34.93	+34.93
10	**Total Capital Cost**	**8667.30**	**8702.23**	**+34.93**

#readjusted with Custom/Excise duty paid in Cash – Rs 28.75 Crore

$Reclassification and regrouping of assets based on capitalization

**includes Project Management Expenditure (net of other incomes) &Pre-commissioning expenses (net of revenue from sale of infirm power)*

The detailed justification for increase in Project cost from Rs. 8667.30 Crore to Rs.8702.23 Crore is as follows:-

(a) The Petitioner has incurred Rs. 242.11 Crore towards underwriting fee, syndication fee, upfront fee, application and processing fee for raising/drawing the debt facility from the lenders as on 31.03.2016; the break up for which is as hereunder:

Particulars (All Values in RsCrore)	Actual Expenditure as on 31.03.2016
Underwriting Fee to State Bank of India (SBI)	52.94
Syndication Fee to SBI and Axis Bank	25.41
Up-front and Processing Fee to respective Lenders	37.31
Guarantee and Letter of Credit Charges	45.59
Buyers Credit Charges	64.01
Other Finance Charges	16.83
Total	**242.11**

The Petitioner submits that the fees paid to the lenders including underwriting fees, syndication fees, upfront fees and processing fees are well within the applicable norms as agreed to with the lead lender i.e. State Bank of India (SBI). Also, the Bank Guarantee and Letter of Credit Charges are in relation to the various Project requirements arising out of the PPA(s), FSA, Custom & Excise Duties, EPC Contracts and Transmission.

*(b) A duly certified copy of the Petitioner's Annual Audited Accounts for FY 2015-16 i.e. till 31.03.2016 is attached hereto and marked as **Annexure A**. In regard to the Petitioner's accounting policies, (Please refer "Note 2.1g: Borrowing Costs" of this Annexure A),theborrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they are incurred and costs incurred in raising funds are amortized equally over the period for which the funds are acquired or within five year, whichever is less.*

*(c) The outstanding unamortized finance cost of borrowings as on 31.03.2016 isRs. 43.23Croreout of which Rs. 34.93 Crore is related to the long term loans taken for the Project and balance is related to the working capital loan of the Project.[Please refer "Note 11: Loans and advances" of the Petitioner's Annual Audited Accounts forFY 2015-16 (attached hereto as Annexure A)].The detailed break-up of the outstanding unamortized finance cost to borrowings as on 31.03.2016 is attached herein and marked as **Annexure3C.***

Further, the details of finance charges incurred on cash basis at various dates are summarized as hereunder:

S. No	***Particulars***	***As on 30.11.2014 (Rs.)***	***As on 20.05.2015 (Rs.)***	***As on 31.03.2016 (Rs.)***
1	*Capitalised Finance Charges*	*1,166,157,363*	*1,806,262,535*	*2,071,704,469*
2	*Unamortized Finance Cost toBorrowings*	*612,132,129*	*337,384,979*	*349,346,586*
	Total	***1,778,289,492***	***2,143,647,514***	***2,421,051,055***

(d) The cost of Rs. 34.93 Crore which is lying under the head 'Unamortized Finance Cost to Borrowings' is directly attributable to cost of the Project and was incurred for acquisition of the loans required to fund the Project cost.

(e) Although, as per Accounting Policies which is aligned with the Accounting Standards issued by "The Institute of Chartered Accountants of India", the finance

charges has to be amortized over the period for which loans are acquired or five years, whichever is less, the Unamortized Finance Cost to Borrowings of Rs. 34.93 Crore needs to be considered as a part of the capital cost.

*18. In light of the above facts, the Petitioner states that the Unamortized Finance cost to Borrowings of Rs. 34.93 Crore is direct cost of the Project, and therefore prays that the same be allowed as capital cost of the Project.Accordingly, a detailed break- up of the final Project cost along-with the reasons for increase of Project cost from Rs. 8306.03 Crore to Rs. 8702.23 Crore, on account of each factor, is summarized in **'Format-B2'**, which is attached hereto and marked as **Annexure 3D**.*

19. With respect to this Hon'ble Commission's query regarding theBoD Resolution dated 16.02.2016 for Rs. 8702.92 Crore (estimated Project cost), it is submitted that the Final Project cost, as estimated above is Rs8702.23Crore, which is well within the value approved by the BoD vide this resolution dated 16.02.2016.

*20. It is submitted that as per the provisions of PPA, it is the responsibility of the Procurer, MPPMCL to establish necessary infrastructure beyond the Project of the Petitioner for evacuation of its contracted capacity of power. However, MP Power Transmission Company Limited (MPPTCL), vide letter dated 10.11.2009 (copyattached hereto and marked as **Annexure 3E**)informed the Petitioner that in absence of suitable 400 kV network of MPPTCL in the vicinity of the Petitioner's Project, MP would draw its share through regional network ofPower Grid Corporation of India Limited (PGCIL). Accordingly, power from the Project is evacuated to CTU Pooling Sub-Station (765/400 kV Jabalpur Pooling Sub-Station) through a 400 kV D/c transmission line which is constructed, owned and operated by PGCIL. The matter of commissioning date of this transmission line and its tariff to be made incidental (if any) on the Petitioner is currently sub-judicebefore Ld. Central Commissionin Petition No. 141/TT/2015. Various submissions have been made both by the Petitioner (PGCIL) and the Respondent (MB Power) in this matter and the last hearing on the matter was held on 28.07.2016 and the final Order of the Ld. Central Commission has not been issued so far. While the Petitioner is contesting the matter, however any decision in this matter in favor of PGCIL may cause financial liabilities on the Petitioner. These liabilities/ Charges (if any) required to be paid by the Petitioner to PGCIL are contingent in nature and its actual value may vary as per the final order to be passed by Ld. Central Commission It is humbly requested that once the final order on is passed by Ld. Central Commission and any contingent liabilities are made incidental on the Petitioner, this Hon'ble Commissionmay kindly allow the Petitioner to seek revision in capital cost of the Projecton the ground that the reasons for delay in*

Project implementation were beyond the reasonable control of the Petitioner.

This issue is also being submitted by the Petitioner before this Hon'ble Commission and the Respondents by way of additional submissions in the Petition No. 68/2016.

(7) Issue:

It is observed that there is a difference in the figure of capital cost of Rs. 5110.06 Crore as mentioned in TPS 5B and Rs. 4871.23 Crore as recorded in Annual Audited Accounts as on 31st March, 2016. Therefore, the petitioner is required to explain the reasons of aforesaid difference in capital cost as mentioned in TPS 5B and Annual Audited Accounts.

Petitioner's Response

21. *The Petitioner respectfully submits that the capital cost of Rs. 4871.23 Crore considered by this Hon'ble Commission represents the Net Fixed Assets Value as recorded in Annual Audited Accounts as on 31.03.2016, i.e., after reducing the cumulative depreciation, whereas the capital cost filed by the Petitioner in the tariff petition represents Gross Fixed Assets capitalized upto 31.03.2016. Further, as per Annual Audited accounts of FY 2015-16, the Gross Fixed Assets have been recorded at Rs. 5086.35 Crore as per "Note 9: Tangible and Intangible Assets" of the Petitioner's Annual Audited Accounts for FY 2015-16 (attached hereto as Annexure-A), the reconciliation of the same with the capital cost of Rs. 5110.06 Crore as mentioned in Form 5B of Tariff Filing Formats (attached hereto and marked as **Annexure 4**) is shown in the table below:*

Particulars	***Accounting Head***	***Reference***	***Amount (Rs. Crore)***
Value of GFA as on 31.03.2016	*Tangible and Intangible Assets*	*Note 9 ofAnnexure A*	*5086.35*
Less: Assets Capitalized for Unit-2up-to 31.03.2016 after COD of Unit-1	*Tangible and Intangible Assets*	*Fixed Asset Register (Annexure 16)*	*(-)22.99*
Add: FERV Impact allocated toUnit-1	*Other Expenses (Exchange Difference Net)*	*Note 22 ofAnnexure A*	*46.67*
Value of Assets Claimed for Unit-1 (upto31.03.2016)*			***5110.06***

** ExcludingRs 27.52 Crore of unamortized cost of borrowings attributable to Unit-1 (Please refer Form 5B attached hereto as Annexure 4)*

(8) Issue:

In para 59 of the petition, the petitioner has shown the estimated capital expenditure of Rs. 8667.30 Crore as on COD of the Project, which includes the provisions of Rs. 738.86 Crore for balance works/commitments till COD of Unit-2. On the other side, in para 44, the petitioner has shown an amount of Rs. 275 core for deferred works. In view of the aforesaid observation, the petitioner is required to explain the reasons for the said observations and correlate the aforementioned balance works of Rs. 738.86 Crore with deferred work of Rs. 275 Crore.

Petitioner's Response

22. The Petitioner respectfully submits that Rs. 738.86 Crore shown in Para 59 of Petition No. 68/2016 as additional capitalization is a part of total estimated capital cost. This amount is towards provision for balance works/commitments under Plant & Machinery and Building & Civil Works for Unit-2 included in the original scope of work and would be completed before the cut-off date,provision for Pre-operative, IDC & Finance Charges, and FERV losses charged to revenue attributed to Unit-2, . The said works are covered under Regulation 20.1 of MPERC (Terms and Conditions for Determination of Generation Tariff), 2012 and MPERC (Terms and Conditions for Determination of Generation Tariff), 2015.Nonetheless, the details of the above referred balance works asalready submitted in Petition No. 68/2016 is reproduced as under:

S. No	***Particulars (All Values in RsCrore)***	***Total Expenditure capitalized under Unit-1 till 31.03.2016***	***CWIP* for Unit 2 as on 31.03.2016***	***Balance*/Unexecuted work/commitments till COD of Unit-2***
1	*Land & Site Development*	*128.62*	*15.38*	*-*
2	*Plant & Machinery$*	*2792.52*	*1732.70*	*40.61*
3	*Building & Civil Works$*	*752.80*	*111.13*	*31.18*
4	*Pre-operative Expenses*	*269.82*	*160.66*	*2.00*
5	*Finance Charges/IDC*	*1092.20*	*797.16*	*6.00*
6	*Provision for Custom Duty/Excise Duty*	*27.41*	*1.34*	*547.28*
7	*Capital Expenditure*	*5063.37*	*2818.38*	*-*
8	*Add: FERV Losses Charged to Revenue*	*46.69*	*-*	*111.80*
10	*Total Capital Cost*	*5110.06*	*2818.38*	*738.86*

**Balance works on account of reclassification & regrouping of assets as per capitalization*

23. It is further submitted that Rs. 275 Crore shown in Para 44 of Petition No. 68/2016 refers to the deferred works which would also be completed within the cut-off date, in line with Regulation 20.1 of MPERC Regulations 2012, but are not included in Rs. 738.86 Crore. It includes:-

(a) Construction of Ash Dyke outside the Plant area within the original scope of work

under sub-Regulations 20.1 (b) i.e. Works deferred for execution and

(b) Railway Siding-New Entry Line as mandated by Railway Authorities under sub-Regulation 20.1(d); i.e. Change in Law.

The execution of said works estimating to approximately Rs. 275 Crorehave been deferred (hereinafter refers as "Deferred Works") and are proposed to be completed within the cut-off date, funding of which to be done through additional equity/internal accruals.

24. It is submitted that the Petitioner has not claimed the cost for such deferred works in the present Petition and reserves its right to approach this Hon'ble Commission to claim cost towards additional capital works actually incurred on account of above deferred works as and when they are completed.

(9) Issue:

Details of penalty/LD if any, imposed on the contractor for delay in completion of works in light of provisions under the contracts awarded to various vendors be submitted.

Petitioner's Response

25. The Petitioner respectfully submits that at this juncture the liquidated damages/penaltythat may be attributable to the contractor for delay in completion of works cannot be quantified.In terms of EPC Contract, the final settlement is still pending. As such, the Petitioner reserves its rights to quantify such liquidated damages/penalty at the time of final contract settlement and any such liquidated damages/penalty to be recovered from the contractor, would be discussedand finalized at the time of final contract settlement andsubmitted before this Hon'ble Commission at the appropriate time.

(10) Issue:

In TPS 5B, the petitioner has allocated the entire project cost (both units) to Unit No. I under the following heads:

Particulars	Revised Estimated Capital Expenditure as on Project COD	Actual Capital Expenditure on COD of Unit-1
Free Hold Land and incl. R&R	122.80	122.80
Raw Water Reservoir	124.87	124.87
Barrage (Barrage + Pump House + Raw Water Pipeline	155.07	155.04
Ash Dyke	76.91	76.91
Other Buildings (Admin Building, canteen watch Towers, Fire Stations, Time Office, Security House, Drivers Rest Room/Helipad) + Boundary Wall	53.86	53.86

Further, 85% of total cost towards civil works of the project has been allocated to Unit No. I only.

In view of the above and in terms of Regulation 8.3 of MPERC Tariff Regulation 2012, the petitioner is required to furnish the break-up and basis of allocation of capital cost between Unit-1&2. Further, the apportionment of common facilities between Unit No. 1 and Unit No. 2 claimed in the subject petition be specifically mentioned in the tabulated form by the petitioner.

Petitioner's Response

26. The Petitioner respectfully submits that the allocation of capital expenditure between Unit-1 and Unit-2 has been carried out based on technical assessment/engineering estimates in respect of the assets including common facilities put to use along with commissioning of Unit-1.The Petitioner further submits that based upon the Audited financial statements up-to31.03.2016, the Petitioner is in a position to segregate the total capital expenditure of the Project between Unit-1 and Unit-2, in line with the above as well as the Accounting Standards issued by the Institute of Chartered Accountants of India read along-with Regulations 8.3 of MPERC Regulations 2012.

In line with this, the basis of allocation for following heads as observed by this Hon'ble Commission is as follows:-

S. No.	***Particular***	***Basis of Allocation as technical assessment and Accounting Policy***
1	*Raw Water Reservoir*	*Raw Water Reservoir is a common facility for both the Units; However Unit wise construction is not technically feasible as there is single pump house facility with single pond without any partition and it will cater to the water requirement for both the Units.* *Hence the construction of Raw water reservoir has been executed in one go and the entire Reservoir facility has been put to use to run the Unit-1; Hence the entire cost incurred under the same is capitalized to Unit-1.*
2	*Ash Dyke*	*The ash dyke, constructed & put to use till the date, is an interim ash dyke within the premises of the Project with the capacity of 1.5 MCM and cater to Unit-1 only. The construction of mother dyke has been deferred and proposed to be completed within cut off period.*
3	*Other Buildings (Admin Building, Canteen, Watch towers, Fire Stations, Time Office, Security House, Drivers Rest Room/Helipad, Boundary Wall)*	*Other Buildings i.e. Administration Building, Canteen, Watch Tower, Fire Stations, Time office, Security House, Driver Rest Room, Helipad and Boundary wall are common facilities but are required for Unit-1 and have been put to use along with Unit-1. Unit wise segregation is not technically feasible*

S. No.	Particular	Basis of Allocation as technical assessment and Accounting Policy
		Hence the entire cost incurred under the same is capitalized to Unit-1.
4	*Free Hold Land including R&R*	*On the basis of the facilities/Assets/Building created/constructed/put to use and capitalized accordingly.*

27. Considering the afore-detailed facilities including Residential towers/township capitalized with commissioning of Unit-1 as per the prevailing accounting standards, the Petitioner hereby submits that approximately 85% of total Building & Civil works cost has been allocated to Unit-1 and balance to Unit-2.

The detailed break up and basis of allocation of common facilities between Unit-1 and Unit-2, included in the total capital cost under each asset-classification is attached hereto and marked as ***Annexure 5****.*

28. Further, as per the prevailing industry practices for the coal based thermal power projects consisting of 2 (two) Units, the common facilities like railway siding, fuel handling system, ash handling system, switch yard, water storage facilities, barrage etc. are generally put to use along with Unit-1 and hence these common facilities are capitalized at the time of COD of Unit-1 only.Thus, the capital cost of Unit-1 and Unit-2 of such projects are not in 50:50 proportions and instead the capital cost allocated to Unit-1 is generally higher than that of Unit-2. This is evident from the tariff orders issued by the concerned Electricity Regulatory Commissions for the various thermal power projects, based on which a brief comparison of the capital cost allocation between Unit-1 & Unit-2 as a percentage of the overall Project capital cost is tabulated as under:-

- *Estimated Project capital cost of the Petitioner's Project: Rs8702.23Crore*
- *Estimated capital cost of Unit-1 claimed by the Petitioner: Rs. 5110.06 Crore i.e. 58.72% of the estimated Project capital cost.*
- ***Hence estimated Project capital cost allocation between Unit-1 and Unit-2 of the Petitioner's Project: 58.72% and 41.28% respectively.***

S.No	Project	Sector	Capacity (MW)	Cost Allocation (as a % of overall Project cost)	
				Unit-1	Unit-2
1	Mauda-I	Central(NTPC)	2X500	64.20%	35.80%
2	Simhadri-II	Central (NTPC)	2X500	57.45%	42.55%
3	Vindhyachal-IV	Central (NTPC)	2X500	56.74%	43.26%

4	*Udupi TPS (Lanco/Adani)*	*IPP(Karnataka)*	*2X600*	*55.82%*	*44.18%*
5	*Kalisindh TPS*	*State(Rajasthan)*	*2X600*	*55.20%*	*44.80%*

29. Accordingly, it is submitted that the basis of allocation of the capital cost of the Petitioner's Project between Unit-1 and Unit-2 as claimed by the Petitioner (i.e. 58.72%: 41.28%) is reasonable and in accordance with the industry practices.

(11) Issue:

On perusal of details of infirm power filed in para 49 of the petition, it is observed that the revenue of Rs. 15.39 Crore is received from the sale of infirm power whereas, the fuel expenditure of Rs. 79.64 Crore was incurred for generation of infirm power. The petitioner is required to explain the reasons for such high expenditure on start-up fuel. Further, the petitioner is required to file the following details:

a) Month-wise details of infirm power generated from Unit No.1 and revenue earned from sale of infirm power along with the statement from concerned Load Despatch Centre duly reconciled with Annual Audited Accounts.
b) Detailed break-up of fuel expenses incurred for generation of infirm power duly certified by the CA.
c) Whether the revenue earned from sale of infirm power has been accounted for in the capital cost of the project claimed in the petition. Supporting documents be filed.
d) The petitioner is required to clarify, whether the quantity of coal is arrived after considering FSA coal only or coal from any source other than FSA. If any quantity of coal other than FSA coal is consumed for generation of infirm power, the break-up of quantity and landed cost of FSA and Non-FSA coal be provided.
e) The petitioner is required to file the copy of bill/invoice for purchase of coal and oil for generation of infirm power.

Petitioner's Response

30. The Petitioner respectfully submits that the actual fuel expenditure incurred for generation of infirm power up-to COD of the Unit-1 of the Project is to the tune of Rs. 72.50 Crore, against which the Petitioner has been able to recover onlyRs. 15.39 Crore as revenue realized towards sale of infirm power, as depicted in"Note 10: Capital work-in progress"of the Petitioner's Annual Audited Accounts for FY 2015-16 (attached hereto as Annexure A).

The Petitioner further submits that the fuel expenditure of Rs 72.50 Crore has been *incurred in various pre-commissioning activities for Unit-1 starting from Boiler light up activities till COD of Unit-1. The details of various activities and associated kind of fuel as required and consumption quantities are mentioned hereunder:*

Month	Activities	Fuel Consumption		
		LDO (KL)	HFO (KL)	Coal (MT)
Aug - 2014	Hired Aux Boiler commissioning (being used for chemical cleaning of main Boiler)	12.00	0	0
Sept-2014	Boiler-1 chemical cleaning	46.50	0	0
	LDO lines purging and filling	10.00		
	Boiler-1 light up	17.00		
Oct-2014	Pre-Boiler Chemical Cleaning (Piping)	7.00	0	0
Nov-2014	Pre-Boiler Chemical Cleaning (Piping)	38.00	0	0
	LP/ HP heaters piping Chemical Cleaning	42.00		
	Aux boiler running for HFO system commissioning & HFO unloading system heating to unload HFO from tankers	163.00		
Dec-2014	Aux boiler running for HFO unloading system heating to unload HFO from tankers	65.00	0	0
	Boiler-1 steam blowing	945.85	1238.70	
Feb-2015	Aux Boiler running for steam blowing of extraction line, steam piping of TDBFP & Gland steam piping	7.00	0	0
Mar-2015	Aux boiler running for HFO unloading system heating to unload HFO from tankers	25.00	0	0
	Main Boiler-1 light up for steam dumping & Unit Synchronization	749.68	2478.50	
	Main Boiler-1 light up for Unit Synchronization with coal firing	266.47	900.90	
Apr-2015	Boiler-1 Light up for Unit synchronization with coal& load raising and stabilization	664.15	1248.84	6958.00
	Boiler-1 Light up for Unit stabilization at full load (600 MW) and COD readiness	474.39	2328.22	15258.00
May-2015	Unit-1 trial Operation and demonstration for COD.	405.32	1005.72	70269.00
Total Fuel Consumption		3938.40	9200.88	92485.00

31. Further, in response to this Hon'ble Commission's observation seeking reasons for such higher expenditure on start-up fuel, it is hereby submitted that the supply of infirm power is accounted as deviation and is paid from the regional / state deviation settlement fund accounts in accordance with the Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related matters) Regulations, 2014, notified on

06.01.2014. As per the provisions of the aforementioned Regulations, the sale of infirm power is capped at Rs. 1.78/kWh (i.e. the prevailing per unit rate based on grid condition or Rs 1.78/kWh, whichever is lower). Therefore even if the generation cost of infirm power is higher, the recovery of the same is capped at 1.78/kWh. In lieu of the said provision, the total fuel expenditure on start-up fuel is observed higher with respect to the revenue realized from sale of infirm power.

32. The month wise details of inform power generated till 19.05.2015 from Unit-1, as declared by Western Regional Power Committee (WRPC) and revenue earned from sale of infirm power is tabulated below:-

From	To	Injection (MU's)	Schedule (MU's)	Deviation Charges (Rs. Lac)	Adjst. DMC (Rs. Lac)	Capping (Rs. Lac)	CAP. (Rs. Lac)	ADD DMC (Rs. Lac)	NET DMC (Rs. Lac)
30.03.15	05.04.15	4.95	0.00	-69.89	-70.46	33.04	0.00	0.00	-37.42
13.04.15	19.04.15	11.72	0.00	-165.82	-172.83	44.80	0.00	0.00	-128.03
20.04.15	26.04.15	1.99	0.00	-42.70	-49.62	15.76	0.00	0.00	-33.85
27.04.15	03.05.15	9.39	0.00	-173.48	-160.28	60.97	0.00	0.00	-99.31
04.05.15	10.05.15	30.33	0.00	-748.91	-691.80	329.21	0.00	0.00	-362.63
11.05.15	17.05.15	62.94	0.00	-1,065.00	-1,160.87	282.81	0.00	0.00	-878.06
Total		121.32	0.00	-2,265.80	-2,305.86	766.60	0.00	0.00	1,539.31

The aforementioned details have already been submitted by the Petitioner in its PetitionNo.68/ 2016 (Para 49,Page No. 16),along with the statements from concerned Load DespatchCentre as Annexure 6 (Pages 198-219) to the said Petition.

33. The detailed break up fuel expenses incurred for generation of infirm power duly certified by the CA is attached hereto and marked as Annexure 6A.

34. The Petitioner, in Para 33 of the Petition No. 68/2016 has already submitted the detailed breakup of the total estimated capital cost of the Project distinctly demarking the inclusion of Pre commissioning Expenses (net of infirm power). Further accounting of the revenue earned from sale of infirm power can also be verified from"Note 10:Capital work-in progress" of the Petitioner's Audited Annual Accounts for FY 2015-16 (attached hereto as Annexure A).

35. The Petitioner affirms that no Non-FSA coal has been consumed for generation of infirm power, during the commissioning of the Unit-1.The Petitioner craves leave to submit sample bills/invoices of purchase of coal and oil, consumed for generation of infirm power *as submission of all bills/invoices of purchase of coal and oil would be a tedious task, being bulk in number. The said sample bills/invoices are attached hereto and marked as Annexure 6B.*

(12) Issue:

It is observed that the schedule COD of the Unit No. 1 of the project was November, 2014 whereas, the actual COD of the Unit is 20th May, 2015. Reasons for increase in IDC and IEDC from initial cost estimate to actual expenditure as on COD of the Unit No. 1 be explained.

Petitioner's Response

36. The Petitioner respectfully submits that the reasons for increase in IDC and IEDC from initial cost estimates to actual expenditure as on COD of Unit-1 have already been provided by the Petitioner in reply to the queries 1 & 2 hereinabove. The Petitioner's response to the Query No 1 & 2 has not been repeated herein for the sake of brevity.

(13) Issue:

The break-up of IDC including Finance Charges under the following heads, for each financial year:

(i) As on Schedule COD,
(ii) As on 20th May, 2015,
(iii) As on 31st March, 2016 and
(iv) As on project COD

Duly certified by the statutory auditor be submitted along with soft copy of computation in excel sheet:

a. Finance Charges
   v. LC Commission
   vi. Bank Charges
   vii. Processing Fees
   viii. Other items to be specified
b. Hedging Cost
c. Interest during Construction on Domestic Loans
d. Interest during Construction on Foreign Loans
e. Additional interest over interest overdue and principle overdue & Penalty, if any and other items to be specified.

Petitioner's Response

37. For the purpose of this query, the Petitioner submits the break-up of expenditure towards Interest during Construction and Finance Charges for the Project (Unit-1& Unit-2) on the following dates as below:-

S. No	**Particulars (Rs. in Crore)**	**As on SCOD of Unit-1 (30.11.2014)**	**As on COD of Unit-1 (20.05.2015)**	**As on 31.03.2016**	**As on Project COD (07.04.2016)**
1	*Interest during Construction*	*1163.73*	*1381.70*	*1682.18*	*1682.18*
2	*Finance Charges**	*177.83*	*214.36*	*242.11*	*242.11*
Interest During Construction (IDC) including Finance Charges		***1341.56***	***1596.06***	***1924.29***	***1924.29***

**including unamortized finance cost of borrowing*

The break-up of IDC and Finance Charges as required by the Hon'ble Commission is attached hereto and marked as ***Annexure 7.***

The Certificate regarding the same duly certified by Statutory Auditor is attached hereto and marked as ***Annexure 2B***

(14) Issue:

Yearly detailed break-up of pre-operating expenditure duly certified by the statutory auditor for Unit No. 1 and 2 separately be field as on the following dates:

a. Upto schedule COD of Unit-1,
b. 20th May, 2015,
c. 31st March, 2016 and
d. Project COD.

The basis of allocation of IDC and IEDC for Common facilities be explained in this regard.

Petitioner's Response

38. The Petitionerhumbly submits that the detail of capitalizationas on Scheduled COD of Unit-1i.e. 30.11.2014 is not available as Unit-1 has been capitalized on 20.05.2015& the entire expenditure as on the date of SCOD was being carried in the books as capital work in progress. Accordingly, the details of Pre-operative expenditure for the Project on the dates as desired are being provided along with Pre-operative expenditure for Unit-1 as capitalized on its COD date i.e. 20.05.2015.

S. No.	**Particulars (All Values in Rs. Crore)**	**As on SCOD of Unit-1 (30.11.2014)**	**As on COD of Unit-1 (20.05.2015)**	**As on 31.03.2016**	**As on Project COD (07.04.2016)**
1	*Pre-operative Expenses for the Project (net of*	*293.98*	*365.23*	*412.61*	*412.74*

	income)				
2	*Pre-operative Expenditure for Unit-1 (net of income)*	*-*	*259.02*	*259.02*	*259.02*

Detailed working sheet of the above is attached hereto and marked as ***Annexure 8***

*The Certificate regarding the same duly certified by Statutory Auditor is attached hereto and marked as****Annexure 2B***

39. The Petitioner further submits that the expenditure towards IDC and IEDC are allocated on pro- rata basis to the value of the assets/buildings capitalized. The capitalized cost of common facilities is identified/necessary for operation of Unit-1 and has been considered in the total cost allocated to Unit-1 on put to use basis.

(15) Issue:

Details of initial spares if any, capitalized as on COD of Unit-1 and also as on 31.03.2016 in light of Regulation 17.1(b) of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 be filed.

Petitioner's Response

40. It is hereby respectfully submitted that the valuesof mandatory spares covered in Offshore Contract & Onshore Supply Contract are to the tune of $10 Million &Rs. 20 Crorerespectively, thereby totaling to Rs. 87 Crore (consideringthe exchange rate at Rs. 67/$).

41. Further, sub clause (b) of Regulation 17.1 of MPERC Tariff Regulations 2012 prescribes the ceiling norms for capitalization of initial spares. For Coal-based/lignite-fired thermal generating stations ceiling norms have been capped at 2.5% of the Original Project cost. The total capital expenditure incurred by the Petitioner within the original scope of the Project up to the Cut-off date is Rs. 8,702.23 Crore (As detailed in Format B1 and B2 attached hereto Annexure 3B and 3D respectively). Thus the percentage value of initial spares to the Project capital cost works out at 1.01%, which is well within the ceiling limits prescribed in Regulations 17.1(a).

42. The Offshore Contract & Onshore Supply Contract awarded to M/s LancoInfratech Limited have already been submitted by the Petitioner in Petition No. 31/2015(Annexure 29B, Page 1745& Annexure 29A, Page 1579 respectively).

The list of Initial Spares, capitalized up-to the date of COD of Unit-1 in light of Regulation 17.1(b) of MPERC Tariff Regulations, 2012 isattached hereto and marked as ***Annexure 9.***

(16) Issue:

The petitioner is required to explain the detailed reasons for FERV loss and gain shown in para 22 of the petition along with all relevant supporting documents and prevailing exchange rate variation towards its claim in light of Regulation 29 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012. The petitioner is also required to furnish the following.

A) Break-up of FERV in the following table:

S.No.	Nature of Transaction	Value of Transaction in foreign currency	Exchange Rate along with dates on the basis of which loss or gain has been computed	FERV Gain or Loss (amount)	Hedging amount, if any
1					
2					

B) The above information is required to be furnished as on the following dates:
   (i) Schedule COD of Unit-1
   (ii) 20th May, 2015
   (iii) 31st March, 2016 and
   (iv) Project COD.

C) Under which head of the capital cost, the hedging amount if any, has been recorded.

D) In case the petitioner has not hedged foreign exchange exposure in respect of the interest on foreign currency loan and repayment thereof, the reasons for not securing the foreign exchange exposure be submitted.

E) The petitioner is required to clearly indicate the amount of FERV loss or gain, in the profit and loss account of FY 2015-16.

F) In para 22 of the petition, Forex loss of Rs. 46.68 Crore has been allocated to Unit-1 out of total Forex loss of Rs. 158.49 Crore. In view of the aforesaid, the petitioner is required to file the basis of allocation of Forex losses to Unit-1.

Petitioner's Response

43. It is submitted that under the MPERC Tariff Regulations 2012 as well as MPERC Tariff Regulations 2015, it is at the discretion of Generating Company to hedge the foreign exchange exposure in respect of the interest on foreign currency loan and repayment of foreign loan acquired for the generating station. Any extra rupee liability towards interest payment and loan repayment corresponding to the normative foreign currency loan in the relevant Year shall be permissible under the Regulations. The only test in this regard is to check that the extra rupee liability towards interest payment and loan repayment *corresponding to the normative foreign currency loan in the relevant Year is not attributable to the Generating Company or its suppliers or contractors. The relevant Regulations are extracted below:-*

(a)<u>MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012</u>

> *"29.1The Generating Company may hedge foreign exchange exposure in respect of the interest on foreign currency loan and repayment of foreign loan acquired for the generating station, in part or full in the discretion of the Generating Company.*
>
> *…*
>
> *29.3 To the extent the Generating Company is not able to hedge the foreign exchange exposure, the extra rupee liability towards interest payment and loan repayment corresponding to the normative foreign currency loan in the relevant Year shall be permissible provided it is not attributable to the Generating Company or its suppliers or contractors."*

(b)<u>MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015</u>

> *"50.1The generating company may hedge foreign exchange exposure in respect of the interest on foreign currency loan and repayment of foreign loan acquired for the generating station in part or in full in the discretion of the generating company.*
>
> *…*
>
> *50.4 To the extent the generating company is not able to hedge the foreign exchange exposure, the extra rupee liability towards interest payment and loan*
> *repayment corresponding to the normative foreign currency loan in the relevant year shall be permissible provided it is not attributable to the generating company or its suppliers or contractors."*

The explanation given in the paras below clearly establishes that the extra rupee liability towards interest payment and loan repayment cannot be attributed to either Petitioner or its suppliers or contractors."

44. It is submitted that the Petitioner in the present Petition has claimed a total Forex Loss of Rs. 158.49 Crore till 31.03.2016 as part of the capital cost of the Project and has allocatedRs. 46.69 Crore towards capital cost of Unit-1 up-to the date of COD of Unit-1 for determination of final tariff of Unit-1. The Foreign Exchange Rate Variation (loss) of Rs

46.68 Crore has been allocated to Unit-1 out of the total FERV losses of Rs 158.49 Crore charged to P&L on the basis of actual loss/gain incurred in relation to the short term monetary items (including Buyer's Credit & current payables) as on the date of COD of Unit-1The Petitioner has also detailed the reasons for Foreign Exchange Rate Variation (FERV) Losses considered as a part of capital cost in the Petition which are reproduced herein below for this Hon'ble Commission's consideration:

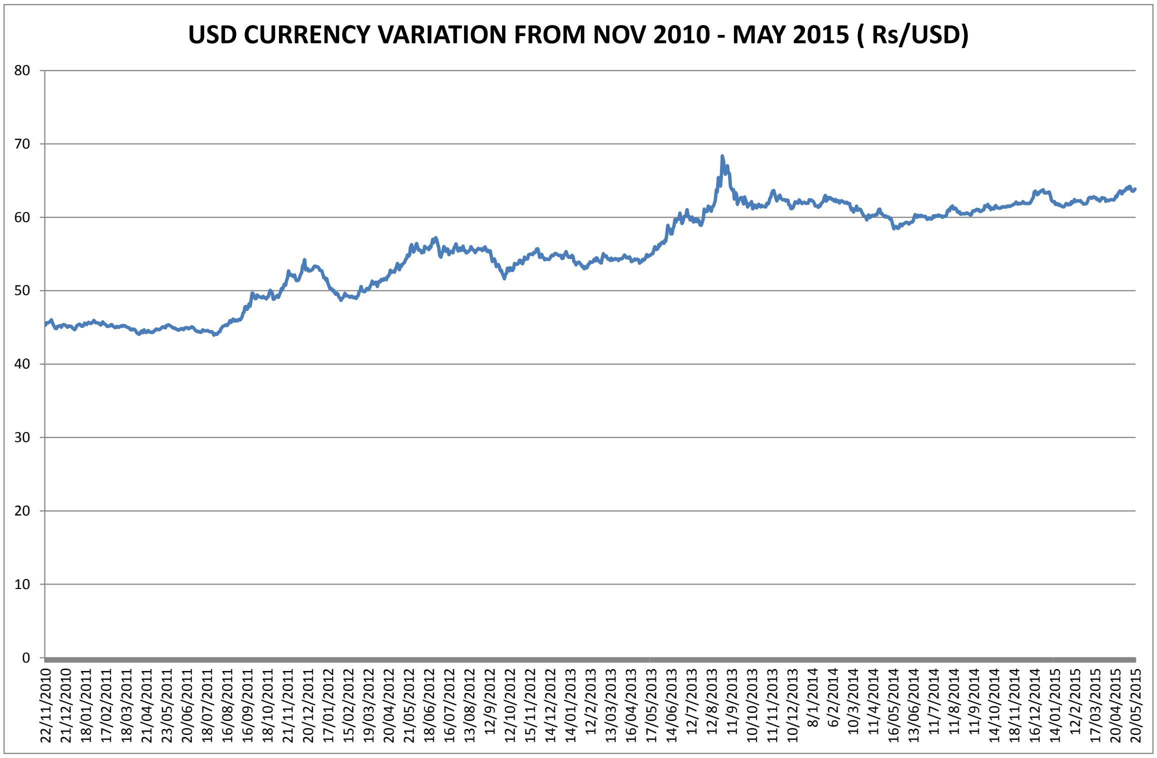
(a) The Petitioner humbly submits that the EPC contract of the Project was awarded on the basis of International Competitive Bidding ("ICB") to M/s LancoInfratech Limited (M/s LITL) which includes import of Main Plant Equipment's, i.e., Boiler, Turbine and Generator by way of Off-shore Supply Contract at a lump sum value of US $360 Million.

(b) At the time of financial closure in November 2010, the appraised cost for this package was finalized by the Lenders at Rs. 1775.41 Crore at an exchange rate of Rs. 49.31/ US $ with the total appraised / approved Project cost of Rs. 6240 Crore.

(c) It is further submitted that SBI (Lead Bank), at the time of approving the revised Project cost of Rs. 8000 Crore had approved exchange rate of Rs. 60/US $ for balance offshore payments. The Petitioner in order to economize on savings in interest cost during construction (IDC), had availed Buyer's Credit facilities with a six month roll over to make US Dollar payments to the EPC Contractor. The Petitioner further submits that these Buyer's Credit facilities are short term credit facilities and are to be repaid or rolled over within the specified contracted period i.e. 1-2-3-6-12 months.

(d) Further in order to protect against the Foreign Exchange Rate Variation (FERV) and to reduce the overall cost of borrowing by reducing the exposure of Rupee Term Loan (RTL) facility the Petitioner has also got sanction of US $150 Million of foreign loan/External Commercial Borrowings (ECB) from India Infrastructure Finance Company(UK) Limited (IIFCL) for the Project on 28.03.2014 for Rs. 900 Crore at an average rate of Rs. 60/US $.

(e) It is humbly submitted that during the construction period till COD of Unit-1, there was an adverse movement of exchange parity (INR Vs USD) rates which was beyond the control of the Petitioner and can be illustrated with the Rs/$ movement curve as below:



(source: www.rbi.org.in)

45. It is further submitted that Petitioner has suffered foreign exchange losses on account of:-

(a) Change in exchange parity during the time period between the bill raised by M/s LITL and bill payment by the Petitioner;

(b) Change in exchange parity during the time period of Buyer's Credits availment& repayments;

(c) Change in exchange parity during the time period of Buyer's Credit availment& conversion of Buyer's Credit into ECB borrowings.

46. While the above adverse Foreign Exchange Rate Variation was on capital account (import of plant & machinery under the offshore supply contract) but the same has been charged to the Profit &Loss accounts in the books of accounts based on the Accounting Standards(AS-11 of ICAI) as well as the guidelines of Ministry of Corporate Affairs' (MCA) Notification dated 29.12.2011 as per following details:

FY	Forex Loss in (Rs)	Remarks	
FY 2012-13	1,07,411,89	M/s LITL Offshore Contract-direct payment	Charged to P&L as per books of accounts for FY 2012-13
FY 2013-14	35,78,29,005	Buyer's Credit avail &payment	Charged to P&L as per

FY	Forex Loss in (Rs)	Remarks	
		to M/s LITL	books of accounts for FY 2013-14
FY 2014-15	39,20,92,679	Buyer's Credit avail & payment to M/s LITL	Charged to P&L as per books of accounts for FY 2014-15
01.04.2015-19.05.2015	2,32,63,105	M/s LITL Offshore Contract-direct payment	Charged to P&L as per books of accounts for FY 2015-16
01.04.2015-19.05.2015	14,75,14,350	On account of Buyer's Credit outstanding paid by IIFCL UK loan	Charged to P&L as per books of accounts for FY 2015-16
Sub Total	**93,14,40,327**	**Actual Forex Losses for the Project as on the date of COD of Unit-1**	
Post COD of Unit-1 till 31.032016	65,34,79,870	Loss of Rs 25,08,937 on account of M/s LITL Offshore Contract-direct payment; Loss of Rs 65,09,70,933 on account of Conversion of Buyer's Credit by IIFCL UK Loan	Charged to P&L as per books of accounts for FY 2015-16
TOTAL forex loss charged to revenue attributed to the Project	**158,49,20,197**	**Total Forex Losses for the Project as on 31.03.2016**	
FOREX loss charged to revenue attributed to Unit-1	**46,68,71,646**	**Total Forex Losses allocated to Unit-1 as on COD of Unit-1**	

47. The matter of capitalization along with cost of assets was taken up by the Petitioner with the Institute of Chartered Accountants of India as well as the Ministry of Corporate Affairs – copies of the relevant documents are attached hereto and marked as **Annexure 10A (Colly)**

48. It is submitted that under Regulation 17.1 of MPERC Tariff Regulations 2012 and Regulation 15.2 of MPERC Tariff Regulations 2015, any gain or loss on account of Foreign Exchange Risk Variation on the loan during construction period can be claimed as part of the capital cost.

49. In view of the above, the specific response of the Petitioner to the Hon'ble Commission'squeriesare as under:

(b) The details of FERV gain or loss are summarized hereunder:

Nature of Transaction as on 31.03.2016	***Value of Transaction inForeign Currency (in US$ Million)***	***Weighted Average Exchange Rate (Rs/US $)***	***FERV Gain /(Loss) (RsCrore)***	***Hedging Amount (if any) (RsCrore)***
Loss on Offshore Supply Contract payments	*35.84*	*66.33*	*(68.98)*	-
Loss onBuyers Credit	*14.22*	*62.59*	*(50.17)*	-
Loss on conversion of Buyers Credit into ECB	*12.77*	*58.75*	*(65.10)*	-
Total FERV Gain / (Loss)(as on 31.03.2016)	***62.83***		***(184.25)***	
*Less: Capitalized to Plant &Machineryas per AS-11 in the books of accounts forFY 2015-16**			*25.76*	
Net charged to Profit and Loss account up-to 31.03.2016			***(158.49)***	

** Pursuant to Long term monetary items*

(b) The details of FERV gain or loss as on various dates are summarized hereunder:-

S. No	***Net FERV Losses (+) /Gain (-) All Values in RsCrore***	***As on SCOD of Unit-1(30.11.2014)***	***As onCOD of Unit-1 (20.05.2015)***	***As on 31.03.2016***	***As on Project COD (07.04.2016)***
1	*Loss on Offshore Supply Contract payments –up-to 31.03.2016*	*21.05*	*28.22*	*43.23*	*43.23*
2	*Loss onBuyers Credit up-to 31.03.2016*	*39.37*	*50.17*	*50.17*	*50.17*
3	*Loss on conversion of Buyers Credit into ECB up to 31.03.2016*	-	*14.75*	*65.10*	*65.10*
	Total	***60.42***	***93.14***	***158.49***	***158.49***

(c) The Petitioner submits that no hedging amount/charge has been recorded in the Project cost as substantial savings in the Project cost were achieved by using unhedged Buyer's Credit. Further, it is submitted that the Petitioner was intending to refinance the Buyer's Credit with External Commercial Borrowings (ECB) which was subsequently obtained from IIFCL UK as indicated in Para 44 (d) above, which has now been fully hedged.

(g) The Petitioner submits that the entire Projectcost was initially funded by Rupee Term Loans (RTL) and there was no foreign currency loan/ ECB envisaged. However, the amounts to be paid against the offshore supply portion of the Project

cost (included in the EPC Contract) were converted into Buyer's Credit in USD to ensure that the over-all cost related to the funding of such expenditure is minimized. ***By use of Buyer's Credit as compared to Rupee Term Loans as envisaged earlier, the Petitioner has been able to achieve a saving of Rs 78.85 Crore in the Project cost as per the details tabulated hereunder:***

Particulars as on 31.03.2016	Amount in Rs.	Remarks
Buyer's Credit availed	*8,399,648,448*	*INR value of buyers credit as per transaction date rate*
Cost incurred for Buyers Credit		
Interest Cost	*175,204,040*	*Actual interest paid on buyers Credit availed*
Buyers Credit Charges	*640,141,037*	*Actual cost paid to the lenders for availing of Buyer's Credit*
FERV Losses	*1,152,692,721*	*This is the amount of FERV losses charged to P&L considering Buyer's Credit as short term monetary item, till the date of hedge.*
Total	***1,968,037,798***	
Equivalent RTL	*8,399,648,448*	
Interest Cost	*2,756,496,592*	*Interest on equivalent RTL calculated on the basis of weighted average of interest @13.27%*
Net Savings	***788,458,794***	

In order to protect the Foreign Exchange Rate Variation against the offshore supplies and to reduce the overall cost of borrowing by reducing the exposure of Rupee Term Loans facility, the Petitioner has also got sanction of US $150 Million of foreign loan/External Commercial Borrowings (ECB) from India Infrastructure Finance Company (UK) Limited (IIFCL) for the Project on 28.03.2014.Till date, the Petitioner has drawn the ECB facility of US $127.68 Million which is fully hedged (currency as well as interest) for the period of 10 years through State Bank of India and has utilized the same to repay the Buyer's Credit facility.

Further, it is submitted that the balance payment ofUS $ 35.08 Million for Offshore supplies relating to both Unit-1& Unit-2 has not been hedged[(Please refer "Note 34B: Unhedged foreign currency exposure" of the Petitioner's Annual Audited Accounts for FY 2015-16 (attached hereto as Annexure-A)]. The details of Retention outstanding for Offshore Supplies reinstated as on 31.03.2016 is attached hereto and marked as ***Annexure 10B****.*

(h) The amount of FERV gain or loss in the Profit and Loss account of FY 2015-16 isRs 82.43 Crore[(Please Refer "Note 22: Other expenses" of the Petitioner's Annual Audited Accounts for FY 2015-16 (attached hereto as Annexure-A)]

(i) It is submitted that the Foreign Exchange RateVariation (loss) ofRs 46.68 Crorehas been allocated to Unit-1 out of the total FERV losses ofRs 158.49 Crorecharged to P&L on the basis of actual loss/gain incurred in relation tothe short term monetary items (including buyer's credit & current payables)

(17) Issue:

In para 58 of the petition, the petitioner has shown additional capitalization of Rs. 11.05 Crore and Rs. 44.72 Crore during FY 2015-16 (after COD of Unit-1) towards pre-operating expenses and IDC respectively of Unit No. 1, whereas the Unit-1 achieved COD on 20th May, 2015. In view of the aforesaid observation the petitioner is required to explain the reasons of claiming the aforesaid expenditure post COD of Unit-1.

(18) Issue:

Under format TPS 5B, the IDC and Finance Charges upto 20th May, 2015 have been shown as Rs. 1047.48 Crore whereas, the same have been shown as Rs. 1092.20 Croreupto 31 March 2016. In view of the aforesaid observation the petitioner is required to explain the reasons for claiming IDC amount post COD of Unit-1.

***Petitioner's Response* 17 &18**

50. The Petitioner humbly submits that the certificate of expenditure as submitted on the date of COD of Unit-1 (20.05.2015) & as on 31.03.2016 indicates the actual expenditure capitalized excluding the actual expenditure incurred for the facility of Railway Siding which was capitalized post COD of Unit-1 (20.05.2015) on30.06.2015.The expenditure of Rs 11.05 Crore&Rs 44.72 Crore on account of Pre-operative expenditure and Finance Charges/IDC respectively allocable to railway siding has been capitalized with effect from 30.06.2015 (i.e. the date on which the said asset was made operational and put to use). The relevant document of Railways go-ahead approval dated 17.06.2015 is attached hereto and marked as ***Annexure 11A.***

The Petitioner further submits the details of date wise work done in regard to Railway Siding facility and allocation of associated cost in terms of temporary construction/site enabling facilities & soft cost towards preoperative/pre-commissioning expenditure & IDC/Finance Charges is attached hereto and marked as ***Annexure 11B.***

Accordingly, the Petitioner hereby resubmits the cash expenditure for Unit-1 as on the date of its COD (20.05.2015) and as on 31.03.2016 along with un-discharged liabilities (net of advances) which as duly certified by the Statutory Auditor and attached hereto and marked as ***<u>Annexure 11C</u>*** *and detailed as hereunder:*

Particulars (RsCrore)	***Capital Expenditure for Unit-1 as on itsCOD (20.05.2015)***	***Cash Expenditure for Unit-1 as on its COD (20.05.2015)***	***Cash Expenditure for Unit-1 as on 31.03.2016***	***Un-discharged Liabilities for Unit-1 as on 31.03.2016***
Free Hold Land	*122.80*	*74.30*	*74.30*	*48.50*
Lease Hold Land	*5.82*	*5.82*	*5.82*	*-*
Plant & Machinery				
BTG & BOP	*2498.17*	*2289.36*	*2361.23*	*136.95*
Barrage	*155.04*	*129.98*	*152.85*	*2.20*
Railway Siding	*139.30*	*138.32*	*139.33*	*(0.02)*
Building & Civil Works				
*General Civil Works**	*675.90*	*603.97*	*622.19*	*53.71*
Ash Dyke#	*76.91*	*76.81*	*76.81*	*0.09*
Pre-operative Expenditure##	*269.82*	*259.02*	*259.02*	*10.80*
IDC/Finance Charges	*1090.20*	*1090.20*	*1090.20*	*-*
CD/ED paid in Cash	*27.41*	*27.41*	*27.41*	*-*
FERV Losses Charged to Revenue	*46.69*	*46.69*	*46.69*	*-*
Unamortized Cost to Borrowings	*-*	*27.52*	*27.52*	*(27.52)*
Total Cash Expenditure@	***5110.06***	***4771.40***	***4885.34***	***224.71***

General Civil Works include Power House Buildings, Store Buildings, Roads and Drains, Township, Administrative Building & other miscellaneous buildings

#Interim Dyke

Includes Project Management Expenses along with Pre-Commissioning Expenses (net of infirm power)

@excluding Rs 27.52 Crore of unamortized cost of borrowings attributable to Unit-1 (Please refer Form 5B attached hereto as Annexure 4)

(19) Issue:

With regard to the additional capitalization during FY 2015-16 and FY 2016-17, the petitioner is required to submit the details of additional capitalization in terms of Regulation 20.1 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations,

2012. The petitioner is also required to file a comprehensive reply to the following issues with all relevant supporting documents in favor of its claim for additional capitalization:

a. Whether the addition of assets are on account of the reasons (a) to (e) in clause 20.1 of the Regulations, 2012.
b. Whether the assets capitalized during the year are under original scope of work. Supporting documents be also filed in this regard.
c. The petitioner is also required to file approved vis-à-vis actual funding for aforesaid works.

Petitioner's Response

51. It is submitted that Regulation 20.1 of the MPERC Tariff Regulations, 2012 provides the conditions under which additional capital expenditure can be qualified to be admitted by the Hon'ble Commission as additional capitalization after the Date of Commercial operation and up to cut-off date. The relevant extract of the said Regulations is reproduced below:

> *"20.1 The capital Expenditure 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 cut-off date may be admitted by the Commission, subject to prudent check:*
>
> *(a) Undischarged liabilities*
>
> *(b) Works deferred for execution*
>
> *(c) liabilities to meet award of arbitration or for compliance of order or decree of a court,*
>
> *(d) Change in Law,*
>
> *(e) Procurement of initial capital spares within the original scope of work, subject to the provisions of Regulation 17.1(b)*
>
> *Provided that the details of works included in the original scope of work along with estimates of expenditure, un-discharged liabilities and works deferred for execution shall be submitted along with the application for Tariff."*

52. The Petitioner, in light of the Cash Expenditure certificate for Unit-1 as re-submitted above, submits that additional capitalization in terms of Regulation 20.1 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 as follows:

	Particulars	***RsCrore***	***Regulations***
A	*Cash Expenditure as on 20.05.2015*	*4771.40*	
B	*Less: Cash Expenditure pertaining to capitalization of Railway Siding post COD of Unit-1 till 31.03.2016*	*201.11*	*Work completed; Capitalization done post COD as on*

	Particulars	**RsCrore**	**Regulations**
			30.06.2015; ***Original Scope of work***
C	*Net Cash Expenditure as on 20.05.2015pertaining to capitalization [C = A – B]*	*4570.29*	
D	*Add: Liabilities discharged from COD of Unit-1 (20.05.2015) till 31.03.2016*	*113.94*	*Regulation 20.1 (a) un-discharged liabilities post COD to be discharged within the cut off period; Original Scope – Regulations 2012*
E	*Cash Expenditure as on 31.03.2016 (E = B+C +D)*	*4885.34*	
F	*Add: Liabilities to be discharged post 31.03.2016*	*224.71*	*Regulation 21.1 (a) un-discharged liabilities post COD to be discharged within the cut off period – Original Scope of Work – Regulations 2015*
G	***Total Capital Expenditure for Unit-1 (G = E + F)***	***5110.06****	

** Excluding Rs 27.52 Crore of unamortized cost of borrowings attributable to Unit-1 (Please refer Form 5B attached hereto as Annexure 4)*

(20) Issue:

Under Annexure 11 of the petition, the petitioner has enclosed the CA certificate for capital expenditure of Rs. 7048.69 Crore incurred upto 19th May, 2015. In view of the above, the petitioner is required to furnish the funding agency wise actual debt and equity utilized for the aforesaid capital expenditure upto 19th May, 2015.

Petitioner's Response

53. In this regard, the Petitioner submits that the agency wise funding of actual debt and equity utilized for the capital expenditure of Rs. 7048.69 Croreupto20.05.2015&Rs 7701.48 Crore as on 31.03.2016is attached hereto and marked as Annexure 12 (Colly)

(21) Issue:

It is observed that the equity amount submitted under Format 6 of the petition is less than the 30% of the project cost. In view of the aforesaid equity claimed, the petitioner required to explain the reasons for claiming normative debt of Rs 403.22 Crore.

Further, the petitioner is also required to clarify the basis for considering figure of normative equity of Rs 172.81 Crore and provision for WCM.

Petitioner's Response

54. The Petitioner hereby submits that an amount of Rs. 576.03 Crore towards Customs Duty & Excise Duty has been included as a part of the Project capital cost. In respect of this, the Petitioner has partly paid in cash through equity, an amount of Rs. 28.75Crore and for the balance, the Petitioner has obtained a non-fund based facility (BG facility) pending the grant of final 'Mega Power Status' for the Project. This Mega Power Status was provisionally approved by Ministry of Power vide the provisional Mega Power Certificate dated 18.01.2012.

Once the same is released/ refunded to the Petitioner after grant of final Mega Power Status, the Petitioner would approach theHon'ble Commission for suitable adjustment in the Project capital cost.

55. With respect to the above amount of Rs 28.75 Crore, it is submitted that this amount has already been paid by the Petitioner in cash towards Custom and Excise Duty for equipment procured for the Project in the initial period i.e. from 06.06.2011 to 08.02.2012. Out of this amount ofRs 28.75 Crore, an amount of Rs. 14.79 Crore was paid in cash by the Petitioner towards Custom Duty prior to the issuance of the provisional Mega Power Certificate dated 18.01.2012 by the Ministry of Power.This amount was paid for import of foundation bolts on merit rate to enable start of construction as per the schedule. The balance amount of Rs. 13.96 Crore comprises of two components i.e. Rs. 9.48 Crore towards Custom Duty andRs. 4.48 Croretowards Excise Duty, which was paid post issuance of provisional Mega Power Certificate pending registration of the Project with the appropriate authorities.

The Petitioner further submits that there is no process/provision for refund of this amount of Rs 28.75 Crore paid in cash by the Petitioner towards Custom and Excise Duty as the material has already been assessed on merit rate. As such the Petitioner humbly requests the Hon'ble Commission to kindly consider Rs. 28.75 Crore as a part of the Project capital cost. Nonetheless, in the event of receiving any refund against this amount, the Petitioner would duly approach the Hon'ble Commission for suitable adjustment in the Project capital cost.

56. The copy of the Provisional Mega Power Status Certificate dated 18.01.2012 issued by the Ministry of Power to the Petitioner is enclosed hereto and marked as ***Annexure 13****. Accordingly to consider the funding of Rs. 576.03 Crore, the Petitioner, in its Tariff Petition, has bifurcated in the same in normative Debt: Equity ratio of 70:30 and therefore has consideredRs. 403.22 Crore towards normative debt and Rs. 172.81 Crore as normative equity.*

57. In respect to WCM, the Petitioner submits that the provision of Rs 270 Crore in the Project cost towards WCM has been split between the debt and equity in the overall ratio and accordinglyRs 199.53Crore has been deducted from the total debt.

(22) Issue:

In the balance sheet, the share capital and reserve & surplus of company is Rs 1686.90 Crore as on 31st March, 2016 whereas, the equity of Rs 2396.11 Crore is shown in Format 6. Therefore, the aforementioned discrepancy be clarified by the petitioner.

Petitioner's Response

58. The Petitioner in Form 6 of the Tariff Filing Formats filed along with the Final Tariff Formats has shown equity contribution of Rs. 2396.11 Crore towards total capital cost of the Project. Out of total equity contribution of Rs. 2396.11 Crore, an amount of Rs. 172.81 Crore has been included as normative equity in line with the explanations provided in reply to Query 21 of this Hon'ble Commission.

59. Further, thisHon'ble Commission has sought clarification regarding the figure of Share Capital and Reserves & Surplus of the Company as per Annual Audited Statements as on 31.03.2016.The Petitioner submits that Rs. 1686.90 Crore shown as Shareholder's fund in the financial statement of FY 2015-16 is after considering the brought forward and current year losses, hedging reserve account and foreign Currency reserve account, which ought to be excluded for the purpose of working out the actual equity investment. Accordingly the actual equity contribution by the Shareholders as per the audited accounts of FY 2015-16 is provided in the table below:

Particulars	***Amount inRs.***
Equities (including Reserves and Surplus) as per Financial Statements 31.03.2016	*16,869,038,904*
Add: Share Issue expenses	*101,880,616*
Add: Loss of Financial Year 2015-16 Including forex charged to P&L (Refer profit and Loss Account)	*3,067,633,133*
Add: Accumulated losses upto of Financial Year 2014-15 Including forex charged to P&L (Please refer Note 4 of Annexure A)	*964,697,862*
Add: Hedging Reserve (related to hedging of foreign currency loan)- (Please refer Note 4 of Annexure A)	*55,973,596*
Less: Foreign Currency monetary items translation difference (Please refer Note 34& 40 and Note 4 of Annexure A)	*-101,770,111*
Add: Unsecured loan from holding company (Please refer Note 8 of Annexure A)	*30,000,100*
TOTAL EQUITY CONTRIBUTION	***20,987,454,100***

(23) Issue:

Under form 14A, the total Debt and Equity to the total expenditure is 101.00% the petitioner is required to clarify the same.

Petitioner's Response

60. In this regard, the Petitioner submits that there was an inadvertent error in the excel formula due to which the Debt and Equity to the total expenditure is shown at 101%. The correct Form 14A is attached hereto and marked as Annexure 14 for the Hon'ble Commission's consideration.

(24) Issue:

The total loan drawn as on 31st March 2016 is Rs 5833.55 Crore as shown in Format 14A whereas, the loan amount of Rs 6112.69 Crore is shown in Format 6. The petitioner is required to explain the reasons and address the aforementioned discrepancy.

Petitioner's Response

61. The Petitioner submits that the Total Loan of Rs 6112.69 Crore as depicted in Form 6 of the Tariff Filing Formats is the long term debt contribution towards the total projected capital cost of the Project [as well as including the normative loan for Custom & Excise duty (being the part of the capital cost pending the grant of Mega Status to the Project)]; whereas the loan amount of Rs. 5833.55 Crore reflected in Form 14-A of the Tariff Filing Formats is towards the actual loan drawl up-to 31.03.2016.

(25) Issue:

The petitioner has claimed Return on Equity by grossing up the base rate with MAT for FY 2016-17 to FY 2018-19. The petitioner is required to explain with supporting documents whether it is eligible for MAT in accordance with the balance sheet of MB Power? Supporting documents be also filed in this regard.

Petitioner's Response

62. In this regard it is humbly submitted that as per the financial statements of FY 2015-16, the Petitioner has not paid any taxes on account of Income Tax, as this was the first year of operation with only one Unit being operational. However, during the period FY 2016-17 to FY 2018-19, the income tax liability would be attracted on the book profits earned by the Petitioner, ending into payment of MAT or Corporate Tax, as the case may be. Therefore the Petitioner in its Tariff Petition is only seeking grossing up of base rate of return on equity with MAT as per the provisions of the MPERC Tariff Regulations.

63. The Petitioner further reserves the right to approach this Hon'ble Commission for allowing the actual tax rate applicable to the company of the Petitioner at the time of truing-up, based on the annual audited accounts for that year.

(26) Issue:

The Petitioner is required to file supporting documents in respect of actual weighted average rate of interest for FY 2015-16 claimed in the petition. The petitioner is also required to submit the basis of wt. average rate of interest claimed for the control period of FY 2016-17 to FY 2018-19 along with its computations.

Petitioner's Response

64. The Petitioner in its Petition No. 68/2016, in Form-13 of the Tariff Filing Formats, has already submitted the detailed calculations for working out the weighted average rate of interest considered for FY 2015-16 @ 13.27%. In support of the same, the Bankers Certificate's for actual outstanding loan and interest paid up to 31.03.2016 has also been submitted, as Annexure 12 to the aforementioned Petition. The Petitioner, however, for the sake of convenience, re-submits the Banker's Certificate's for actual outstanding loan and interest paid up to 31.03.2016 and Form 13 (computation of weighted average rate of interest) and the same is attached hereto and marked as ***Annexure 15 (Colly).***

65. Further as stated in Para 96 of Petition No. 68/2016, same weighted average rate of interest on loan i.e. 13.27% worked out for FY 2015-16, has been considered for the periodFY 2016-17 to FY 2018-19.

(27) Issue:

The petitioner is required to file the Asset-cum-Depreciation register (in support of depreciation worked out in the subject petition) duly reconciled with Annual Audited Accounts.

Petitioner's Response

66. The Asset-cum depreciation register duly reconciled with the Annual Audited Accounts of the Petitioner for FY 2015-16 is attached hereto and marked as Annexure 16.

(28) Issue:

With regard to the cost of coal for working capital of thermal power stations. Regulation 34.1 (I) of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2015 provides as under:

"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.

Cost of coal for 30 days for generation corresponding to the normative annual plant availability factor"

In view of the above, the petitioner is required to explain the basis of the cost of coal for 70 days considered in the subject petition against the above provisions under Regulations.

Petitioner's Response

67. As already submitted by the Petitioner in Form-2 of the Tariff Filing Formats in the Petition No. 68/2016, stating plant characteristics, the thermal power plant of the Petitioner is a Non-Pit head generating stations and therefore under clause sub-clause (a) of clause (1) of Regulation 34.1 of MPERC Tariff Regulation, 2015, for the purpose of determination of working capital requirement the cost of coal towards stock has to be considered for a period of 30 days. In addition more 30 days are allowed for cost of coal for all the generating thermal power stations.

Accordingly, in line with the above provisions, the Petitioner has considered:

c. Cost of coal towards stock for 30 days (Non Pithead)AND

d. Cost of coal required for 30 days generation

68. Further, the Petitioner hereby submits that its coal stock storage capacity is for around 70 days.

69. Accordingly, for the reasons cited above, the Petitioner has considered cost of coal for 60 days (30 days for stock for generation corresponding to the normative annual plant availability factor and for cost of coal for 30 days for generation corresponding to the normative annual plant availability factor).

(29) Issue:

While Computing the Working Capital, the petitioner has claimed the cost of secondary fuel oil for two months, as per Regulation 37.1 of MPERC Tariff Regulation 2012 and 34.1 of MPERC Tariff Regulations 2015, whereas, the aforesaid Regulations further provide as under:

Provided that in case of use of more than one secondary fuel oil, cost of fuel oil stock shall be provided for the main secondary fuel oil.

In light of the above provision under MPERC Tariff Regulations, the petitioner is required to furnish the information of landed prices of HFO and LDO separately.

Petitioner's Response

70. In accordance with Regulation 38.2 of MPERC Regulations 2012, the Petitioner in Para 71 of Petition No. 68/2016 has estimated the weighted average landed cost of Secondary Fuel Oil(s) for FY 2015-16 as follows:

HFO: Rs 23,681/KL

LDO: Rs. 33,620/KL

Para 71 of the Petition No. 68/2016 filed by the Petitioner in the Hon'ble Commission may kindly be referred to for examining the details of the above calculation along with the sample actual invoices.

(30) Issue:

The petitioner is required to explain the basis with supporting document for computing the rate of interest on working capital

Petitioner's Response

71. *Regulation 34.3 of the MPERC Tariff Regulations, 2015 provides norms for consideration of rate of interest on working capital during the tariff period 2016-17 to 2018-19. The relevant extract of the said Regulation is reproduced below:*

> *"34.3 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." (emphasis applied)*

Further 'Bank Rate' has been defined under Regulation 4.1(e) of the MPERC Tariff Regulations, 2015. The said definition is reproduced below:

> *"4.1.(e)*
> *'Bank Rate' means the base rate of interest as specified by the State Bank of India from time to time or any replacement thereof for the time being in effect plus 350 basis points;"*

72. In line with the above Regulations, the Petitioner, in its Tariff Petition for the period FY 2016-17 to FY 2018-19, has considered the rate of interest on working capital has on normative basis, being worked out as the bank rate specified by the State Bank of India as on 1.4.2016 @ 9.30% plus 350 basis points.The supporting document substantiating the bank rate specified by the State Bank of India as on 01.04.2015 (10%) and as on 1.4.2016 (9.30%) is attached hereto and marked as Annexure 17

(31) Issue:

While computing the cost of Secondary fuel oil, the petitioner has claimed the weighted average price of LDO/HFO. It needs to be clarified whether the weighted average price claimed pertains to oil consumed or purchased during three preceding months. As per Regulation 38.2 of MPERC Tariff Regulations 2012 and 36.6(a) of the MPERC Tariff Regulations, 2015, the wt. average landed price of secondary fuel oil is required.

The petitioner is also required to file the landed price of secondary fuel oil purchased during three preceding months in accordance with the provisions under the MPERC Tariff Regulations, 2012 for FY 2015-16 and MPERC Tariff Regulations 2015 for control period FY 2016-17 to FY 2018-19.

Petitioner's Response

73. In accordance with Regulation 38.2 of MPERC Regulations 2012, the Petitioner in Para 71 of Petition No. 68/2016 has estimated the weighted average landed cost of Secondary Fuel Oil(s) for FY 2015-16 on purchase basis, during three preceding months as follows:

HFO: Rs 23,681/KL

LDO: Rs. 33,620/KL

Para 71 of the Petition No. 68/2016 filed by the Petitioner in the Hon'ble Commission may kindly be referred to for examining the details of the above calculation along with the sample actual invoices.

74. In addition, to work out the weighted average price of both the fuels, the actual consumption ratio of 70:30 has been considered on the basis of actual consumption of HFO & LDO in the last quarter of FY 2015-16, which comes out to be Rs. 26,663/KL as under:

*WALC of Secondary Fuel = 0.70*23,681 + 0.30*33,620 = Rs. 26,663/KL*

(32) Issue:

Supporting documents (Bills/invoices) in respect of price of oil purchased be filed by the petitioner in this regard.

Petitioner's Response

75. The supporting sample bills / invoices in respect of Secondary Fuel Oil purchased for the period January 2016 to March 2016 are attached herewith the reply marked asAnnexure18 (Colly).

(33) Issue:

In Para 51of the petition, the petitioner has submitted that Non-tariff income of Rs 18.36

Cr. has been recorded in books of accounts for FY 2015-16 (under Note 24 of Financial Statements). Out of the aforesaid amount 8.15 Cr. has been transferred to direct expenditure & adjusted while capitalization of assets in books of account for FY 2015-16. In view of above, the petitioner is required to clarify/inform the following:

a. Under which head of capital cost, the aforementioned amount has been adjusted.

b. How the Non Tariff Income as reflected in Annual Audited Accounts of previous years has been adjusted.

c. In para 51 of the petition, the income from sale of fly ash has not been reflected in break-up of non tariff income. The petitioner is required to indicate the income from sale to fly ash as per Annual Audited Accounts of the project.

Petitioner's Response

76. The Petitioner submits that the Non-tariff income of Rs. 18.36 Crore has been recorded in under "Note 18: Other income" of the of the Petitioner's Annual Audited Accounts forFY 2015-16 (attached hereto as Annexure-A). Further out of the above Rs. 8.15 Crore has been transferred to direct expenditure & adjusted while capitalization of assets in books of account for FY 2015-16 as depicted under "Note 24:Direct expenditure incurred during construction pending allocation"of the Petitioner's Annual Audited Accounts for FY 2015-16 (attached hereto as Annexure-A).

77. The point-wise reply to the queries of the Hon'ble Commission is detailed below:

(a) *The Pre-operative expenses have been capitalized to the respective assets after adjusting for the non-tariff income as a part of the soft-cost incurred towards the Project. The soft cost of the Project is allocated among the fixed assets created during the commissioning of the Project, in line with the Accounting Standards prescribed by the Institute of Chartered Accountants of India.*

(b) *The Non-Tariff Income of previous years reflected in the Audited Accounts of the Petitioner has been adjusted in the similar manner as Non-tariff Income for FY 2015-16 have been treated in the Financial Statements. As depicted in "Note 10: Capital work-in progress" of the Petitioner's Audited Annual Accounts for FY 2015-16 (attached hereto as Annexure A), Rs. 123.96 Crore of Non-Tariff income pertaining to previous years, has been transferred to direct expenditure & adjusted while capitalization of assets.*

(c) *In line with the Commission's observation, the Petitioner hereby submits the details of net income from sale of Fly Ashas detailed in the table below: [(Please refer "Note 17: Revenue from operations" of the Petitioner's Audited Annual Accounts for*

FY 2015-16 (attached hereto as Annexure A)]

S. No	Particulars	Amount (Rs.)
1	*Income from Sale of Fly Ash*	*79,560*
2	*Excise duty of sale of Fly Ash*	*(-) 1,560*
	Net Income from Sale of Fly Ash	***78,000***

(34) Issue:

The petitioner has not filed projected non-tariff income during the control period of FY 2016-17 to FY 2018-19. The petitioner is required to file the detailed break-up of projection of Non-Tariff /other income for FY 2016-17 to FY 2018-19 in accordance to the Regulation 53 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations 2015.

Petitioner's Response

78. Regulation 53 of MPERC Tariff Regulations, 2015, provides for forecasting and Truing-up of Non-Tariff Income during the control period. The relevant extract of the said Regulations is re-produced below:

"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.

53.2 The amount of Non-Tariff /Other 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."

In line with the aforementioned provisions the detailed breakup of the Non-Tariff Income projected for the control period FY 2016-17 to 2018-19 is depicted in the table below:

S No	Particular (In Rs. Crore)	FY 2016-17	FY 2017-18	FY 2018-19
1	Interest Income on Bank Deposits	6.00	2.00	2.00
2	Interest income others	-	-	-
3	Income from Scrap Sales	0.02	0.02	0.02
4	Income from Sale of Fly Ash	1.20	1.50	1.50
	Total - Non-Tariff Income	**7.22**	**3.52**	**3.52**

(35) Issue:

Detailed calculation sheet for arriving at the weighted average rate of coal purchased during FY 2015-16 as per MPERC Tariff Regulations, 2012 claimed in the petition along with supporting documents like copy of the bills/invoices be filed.

Petitioner's Response

79. The detailed calculation sheet for arriving at the weighted average rate of coal purchased during FY 2015-16, is attached hereto and marked asAnnexure19A. Further, the copies of the sample bills are attached hereto and marked as Annexure 19B (Colly).

(36) Issue:

Detail calculation sheet for arriving at the weighted average GCV of coal claimed in the petition along with supporting documents be filed. The petitioner is also required to submit the laboratory report in support of GCV of coal.

Petitioner's Response

80. The detailed calculation sheet for arriving at the weighted average GCV of coal for FY 15-16 is attached hereto and marked as Annexure 20A. Further, laboratory test report in support of GCV of coal is also attached hereto and marked as Annexure 20B.

(37) Issue:

With regard to energy charges claimed in the petition, it is observed that the GCV of coal is considered “as fired” basis for FY 2015-16 and “as received” basis for period FY 2016-17 to FY 2018-19 in light of MPERC Tariff Regulations, 2012 and MPERC Tariff Regulations., 2015 respectively. However, the value of GCV is same in the both the cases. Therefore, the petitioner is required to clarify this discrepancy with supporting documents.

The petitioner is also required to file the GCV of coal as per bill/invoice raised by the coal companies along with the copies of invoices.

Petitioner's Response

81. The Petitioner submits that the Regulation 36.7 of MPERC Regulations, 2015 *provides that GCV of coal for the purpose of Computation of Energy Charge has to be considered on as received basis; accordingly the Petitioner in its Tariff Petition has worked out the weighted average GCV on as received basis of FSA and Non-FSA coal for the months of January 2016 to March 2016 and has considered the same while computing the Energy Charges for the control period.The calculation for"as received" GCV and "as fired" GCV for the same period along with the lab reportis attached hereto and marked as Annexure 21A (Colly) which amply evidences that difference between "as fired" GCV and "as received" GCV of coal is negligible. The supporting Lab-reports are attached hereto and marked as Annexure21B (Colly). Thecopies of the sample bills are attached hereto and marked as Annexure19B (Colly).*

(38) Issue:

With regard to the GCV and landed cost of coal during FY 2016-17 to FY 2018-19, the petitioner is required to submit the following"

a. Monthly laboratory test report of coal for computation of wt. average GCV for FY 2016-17.
b. Month-wise weighted average rate of coal purchased during FY 2016-17 along with Bill/invoice duly reconciled with audited accounts**.**

Petitioner's Response

82. The following reports with regard to GCV and landed cost of coal during the FY 2016-17 to FY 2018-19 are attached herewith the reply:

a. Monthly laboratory test report of Coal for computation of as received GCV during the period from January 2016 to March 2016 are attached hereto and marked asAnnexure21B (Colly).

b. Calculation sheet for month-wise weighted average rate of coal purchased during the period from January 2016 to March 2016 is attached hereto and marked asAnnexure22. The sample copies of the bills are attached hereto and marked as Annexure19B (Colly).

(39) Issue:

While computing the Energy Charges, the petitioner has claimed NAPAF of 83% whereas as per Regulation 39.3 of MPERC Tariff Regulations, 2015, the normative Annual Plant Availability factor is 85%. In view of above, the petitioner is required to justify its claim in light of the provisions under applicable MPERC Tariff Regulations.

Petitioner's Response

83. Regulation 39.3 of the 'MPERC Regulations 2015' provides the norms of operation for all thermal generating units/stations for all capacities which are commissioned on or after 01/04/2012, the same is reproduced below:

"39.3. (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"

As per the above provisions, Petitioner submits that since there is no shortage of coal supply for FY 2015-16 therefore NAPAF of 85% has been considered by the Petitioner for recovery of fixed charges. However, the Petitioner reserves its rights to claim the NAPAF of 83% for recovery of fixed charges in future, in event of any coal shortage and uncertainty of assured coal supply experienced by it.

(40) Issue:

Similarly, the petitioner has claimed the Auxiliary consumption of 6.5% whereas, as per Regulation 39.3 (E) of MPERC Tariff Regulations, 2015, the normative Auxiliary consumption for Units 500 MW and above is 5.25%. In view of the above the petitioners is required to justify its claim in light of the provisions under MPERC Tariff Regulations' 2015.

Petitioner's Response

84. In this regard, it is hereby submitted that its coal based Project of 2x600 MW is based on Sub-Critical boiler technology and with Induced Draft Cooling Tower (IDCT) facility. The Contract for Design, Engineering Supply, Erection and Commissioning of Main Plant Equipment (Boiler, Turbine & Generator) & its installation, is based on the technical requirement with the assurance of guaranteed technical performance parameters. Thus the Petitioner is making it best efforts to operate the power plant at the auxiliary consumption parameters guaranteed by the Supplier, which are also in line with the MPERC Tariff Regulations, 2012. Also on account of lower schedule given by the procurer, the Petitioner has to run the Unit beyond the auxiliary consumption norm of 6.5%, which is beyond the control of the Petitioner. Thus further restricting the auxiliary consumption norms to a lower level would lead to operational and financial difficulties for the Petitioner.

85. The Petitioner in its Tariff Petition has also pleaded the Hon'ble Commission to relax the norms for Auxiliary Consumption invoking the powers as per Regulation 54 of MPERC Regulations, in line with the technical performance parameters as guaranteed by the EPC Contractor for Main Plant Equipment.The relevant extract of Regulation 54 of the

MPERC Tariff Regulations 2015 is reproduced below:
“The Commission, for reasons to be recorded in writing, may relax any of the provisions of these Regulations on its own motion or on an application made before it by an interested person.”

86. Further, it is settled law that Commissions have all the powers to relax the norms in line with the Regulations framed by the Commissions. In this regard, the following judgments are noteworthy:

(a) Ratnagiri Gas and Power Limited v. Central Electricity Regulatory Commission: 2011 ELR (APTEL) 0532 at para 10.7: “The above Regulations and the decision give the judicial discretion to the Central Commission to relax norms based on the circumstances of the case. However, such a case has to be one of those exceptions to the general rule. There has to be sufficient reason to justify relaxation. It has to be exercised only in exceptional case and where non-exercise of the discretion would cause hardship and injustice to a party or would lead to unjust result.”

(b) M.P. Power Trading Company Limited v. Torrent Power Limited &Ors.: 2009 ELR (APTEL) 0124 at Para 13: “There are sufficient reasons which justify the enhancement of the percentage of initial spares from 4% to 5.87%. The Commission is vested with the power to relax its Regulations and therefore the order of the Commission was not interfered with.”

(c) National Thermal Power Corporation Ltd. v. Madhya Pradesh SEB: 2007 ELR (APTEL) 7 at para 24: “….In case any Regulation causes hardship to a party or works injustice to him or application thereof leads to unjust result, the Regulation can be relaxed. The exercise of power under Regulation 13 of the Regulations is minimized by the requirement to record the reasons in writing by the Commission before any provision of the Regulations is relaxed. Therefore, there is no doubt that the Commission has the power to relax any provision of the Regulations.”

Therefore the Petitioner humbly requests the Hon’ble Commission to kindly relax the Auxiliary Consumption norms for the power plant based on the merits of the Petitioner’s submission.

(41) Issue:

The petitioner is required to submit the certificate/statement of Actual Plant Availability Factor for FY 2015-16 from the concerned load dispatch Centre.

Petitioner's Response

87. In this regard, the Petitioner submits that the details of month-wise actual cumulative Plant Availability Factor for FY 2015-16 for the power plant as per the monthly energy bills raised to MPMPCL are attached herewith the reply marked as Annexure23A.

Further it is hereby submitted that the Petitioner has taken up the issue of certification of the Plant Availability Factor with the concerned Load Dispatch Center(s) i.e. both Western Region Load Dispatch Centre (WRLDC) and MP State Load Dispatch Centre (MP-SLDC), however both WRLDC and MP-SLDC have denied this certification. As such the Petitioner is in a position to submit only actual cumulative Plant Availability Factor for FY 2015-16 for the power plant as per monthly energy bills raised to MPMPCL.

The correspondence letters of the Petitioner with both WRLDC and MP-SLDC in this regard are attached herewith the reply marked as Annexure23B (Colly).

(42) Issue:

On perusal of the Auditor's Certificate enclosed as Annexure 2B on page no. 187 of the reply certifying the total cash expenditure, the following is observed:

i As on 31st March' 2016, the total cash expenditure of Rs. 7701.46 Crore is indicated whereas, the funding of the aforesaid expenditure have been shown through debt and promoter's fund of Rs. 5833.55 Crore and Rs. 2098.75 Crore respectively. Accordingly the total funding is shown as Rs. 7932.3 Crore which is in excess of cash expenditure by Rs. 230.84 Crore. The petitioner is required to clarify the above discrepancy along with the impact of IDC and any interest earned on account of aforesaid excess funding.

ii Similarly, as on 6th April' 2016, the total cash expenditure of Rs.7701.59 Crore is indicated whereas, the funding of the aforesaid expenditure have been shown through debt and promoter's fund of Rs. 5825.27 Crore and Rs. 2098.75 Crore respectively. Accordingly, the total funding is shown as Rs. 7924.02 Crore which is in excess of total cash expenditure by Rs. 222.43 Crore. The petitioner is required to clarify the above discrepancy also.

iii Further, the debt component of Rs. 5825.27 Crore as on 6th April' 2016 is less than the debt component shown as on 31st March' 2016. The petitioner is required to explain the reason for reduction in debt component.

iv The petitioner is required to furnish the details of cash expenditure incurred as on

Schedule COD and Actual COD of unit No. 1 along with the corresponding Debt and Equity duly certified by its statutory Auditor.

v The petitioner is required to furnish the unit-wise details for interest during construction, Finance Charges and Pre-operative expenditure as on 30th November' 2014 (SCOD),20th May' 2015 (Actual CoD of Unit 1). 31st March' 2016 and 6th April' 2016 (Actual CoD of Unit 2).

Petitioner's Response

1. In the Query 1 (i) and (ii), the Hon'ble Commission has observed that the total funding as on 31.03.2016 and 06.04.2016 exceeds the actual cash expenditure on these dates byRs. 230.84 Crore and Rs. 222.43 Crore respectively. In this regard, the Petitioner humbly submits that the balance amount of Rs. 230.84 Crore and Rs. 222.43 Crore pertains to Cash and Bank Balances as well as share issue and other expenses charged to Profit & Loss Accounts as on these respective dates, thebreak-up of which is tabulated as below:-

S. No.	Particulars (All Values in Rs Crore)	As on 31.03.2016	As on 06.04.2016
1	Debt Deployed	5833.55	5825.27
2	Equity Infused	2098.75	2098.75
3	Total Funding	7932.30	7924.02
4	Cash Expenditure	7701.46	7701.59
5	Balance (3-4 = 5.1+5.2+5.3)	230.84	222.43
5.1	Cash & Bank Balance (break-up as under)	190.95	182.54
5.1.1	Current investments#	28.89	28.89
5.1.2	Cash and Bank balances-Current@	130.89	122.48
5.1.3	Cash and Bank balances-Non-Current$	31.17	31.17
5.2	Share Issue Expenses	10.19	10.19
5.3	Other Expenses	29.70	29.70

#: Please refer Current Investments as on 31.03.2016 under Balance Sheet and Note 13 of the Audited Annual Accounts for FY 2015-16

@: Please refer Cash and Bank Balances as on 31.03.2016 under Balance Sheet and Note 16 of the Audited Annual Accounts for FY 2015-16

$: Please refer Note 12: Non-current bank balances as on 31.03.2016 of the Audited Annual Accounts for FY 2015-16.

2. It is further submitted that Cash and Bank Balances from time to time available with the Petitioner are on account of the unutilized funds pending payments to various *vendors/contractors engaged in the construction of the Project. In this regard, it is further submitted that disbursement of the funds to the Project is made on on-going basis from time to time, either by way of infusion of equity or by way of disbursement of loan in tranches by the lenders based on the projected requirement of cash flow over 3-6 months. Till the time, the payments to various vendors/contractors are made, the balance funds available with the Petitioner are invested in short term investments.*

3. The details of the balance funds (less funds utilized for share issue expenses and other expenses) available with the Petitioner as on 31.03.2016 and amounting to Rs. 190.95 Crore (i.e. Item # 5.1 of the table above) is as hereunder.

(i) Rs. 72.96 Crore is restricted/under lien against Bank guarantees given to various parties for securing coal linkage, against power purchase agreements; to customs & excise authorities for import of plant and machinery; this may be referred from Note 16: Cash and Bank Balance as on 31.03.2016 of Audited Annual Accounts for FY 2015-16.

(ii) Rs. 117.99 Crore under Cash and Bank Balance/Investments readily available for immediate payments/advance payments to Contractors or other contingent expenditures. This may be referred from Note 13: Current Investments as on 31.03.2016 and Note 16: Cash and Bank Balance under heads Non-Current & Current as on 31.03.2016 of the Audited Annual Accounts for FY 2015-16.

4. Further, with respect to the interest income earned on investments/bank balances, it is submitted that the Petitioner has already provided the details of Interest income earned on Fixed/Bank Deposits along with Other Income/Non-Tariff Income for FY 2015-16 (as per the Audited Annual Accounts for FY 2015-16) in Para 70-71 of the Amended Petition No. 68 of 2016.

5. It is submitted that there are share issue expenses and some other expenses(Item(s) # 5.2 and 5.3 respectively of the table above) incurred during the construction period which were paid from Project funds but due to the specific nature of expenditure, the same were charged to P&L account as per the Accounting guidance and as such funded from the internal accruals of the Project.

The year wise details of Share Issue Expenses (Item # 5.2 of the table above) may bereferred from the Audited Annual Accounts for the respective Financial Years starting fromFY 2008-09 till FY 2015-16, which are attached hereto and marked as Annexure 1 (Colly) and the same have been tabulated hereunder:

S. No.	Year-wise Share Issue Expenses	Amount in Rs Crore	Reference: Audited Annual Accounts/ Financial Statements (FS) for the respective Finance Year
1	FY08-09	-	-
2	FY 09-10	0.16	FS 09-10; Schedule 2
3	FY 10-11	6.15	FS 10-11; Schedule 2
4	FY 11-12	1.75	FS 11-12; Note 3
5	FY 12-13	0.54	FS 12-13; Note 3
6	FY 13-14	0.43	FS 13-14; Note 3
7	FY 14-15	0.87	FS 14-15; Note 4
8	FY 15-16	0.29	FS 15-16; Note 4
Total – Share Issue Expenses		Rs 10.19 Crs	

6. Similarly, the details of Other Expenses (Item # 5.3 of the table above) including ROC charges, director sitting fees, legal expenses, rents, rates and taxes and other miscellaneous expenses etc., which have been incurred during the construction phase and have been funded through the Project internal accruals but charged to P&L account as per Accounting guidance may be referred from Audited Annual Accounts for Financial Years starting from FY 2008-09 till FY 2015-16, which are attached hereto and marked as Annexure 1 (Colly)[Other Expenses & Finance Charges charged to P&L accounts (net of forex gains/losses)]. The same have been tabulated hereunder:

S. No.	Other Expenses charged to P&L – Year wise	Amount in Rs Crore
1	FY 08-09	-
2	FY 09-10	0.03
3	FY 10-11	9.04
4	FY 11-12	0.09
5	FY 12-13	2.93
6	FY 13-14	0.71
7	FY 14-15	10.54
8	FY 15-16	6.36
Total – Other Expenses charged to P&L		Rs 29.70 Crore

7. Accordingly, no IDC has been accrued on this expenditure.

8. With respect to this Hon'ble Commission's observation under Query 1.(iii) on the debt component (Rs. 5825.27 Crore) as on 06.04.2016 being lesser than that as on 31.03.2016 (Rs. 5833.55 Crore), it is submitted that the reduction in debt component of the total funding is on account of repayment of Rs 8.28 Crore of loan to State Bank of India as on 02.04.2016 for which the relevant supporting document in form of bank advice/bank Statement is attached hereto and marked as ANNEXURE 2.

9. With respect to Hon'ble Commission's Query 1 (iv), the Petitioner has already submitted the Cash expenditure in respect of Unit 1 as on its Actual COD (20.05.2015) along with funding of the expenditure duly approved by Statutory Auditor (already filed as ANNEXURE 11C of Reply to earlier queries of the Hon'ble Commission in the present Petition filed by the Petitioner on 30.03.2017). It is submitted that the Unit-wise segregation of actual expenditure incurred is based on the expenditure incurred in relation to the assets put to use as on the COD of Unit 1. It may kindly be appreciated that while the total cash expenditure for the Project as on the earlier Scheduled COD of Unit 1 duly certified by a Chartered Accountant is attached hereto and marked as ANNEXURE 3, the same cannot be segregated unit-wise as neither the Unit-1 nor the Common Facilities/ Assets were completed / put to use on that date.It is further submitted that the details of expenditure under Interest during Construction ("IDC"), Finance Charges and Pre-operative Expenses ("IEDC") on the said dates for the Project duly certified by the Statutory Auditor have already been submitted before this Hon'ble Commission under Annexure 2B of the Petitioner's previous Reply dated 30.03.2017 to the Hon'ble Commission's earlier queries.

10. With regard to Hon'ble Commission's Query No. 1 (v), the Unit wise details for IDC, Finance Charges and Pre-operative Expenditure as on the specified dates (on cash basis) are submitted as hereunder:-

	30.11.2014*	20.05.2015^	31.03.2016^	06.04.2016^
Interest during Construction (Rs Crore)				
Unit 1	677.16	971.27	971.27	971.27
Unit 2	486.57	410.43	710.91	710.91
Sub Total	1163.73	1381.70	1682.18	1682.18
Finance Charges (Rs Crore)				
Unit 1	103.48	120.92	120.92	120.92
Unit 2	74.35	93.44	121.18	121.18
Sub Total	177.83	214.36	242.10	242.10
Pre-operative Expenditure (Rs Crore)				
Unit 1	184.55	259.02	259.02	259.02
Unit 2	109.43	106.21	153.59	153.72
Sub Total	293.98	365.23	412.61	412.74

**Since unit wise cost up to earlier SCOD i.e. 30.11.2014 is not ascertainable, soft cost up-to the said date has been notionally bifurcated on the basis of % of soft cost allocated to each Unit on the date of COD of Unit 1.*

^ Cost up-to 20.05.2015, 31.03.2016 and 06.04 2016 is on the basis of actual capitalization / incurred.

(43) Issue:

With regard to increase in capital cost, the petitioner was specifically asked to file the detailed reasons for increase in project cost under each cost item on account of several factors mentioned in the letter.

However, on perusal of the details filed by the petitioner under Annexure 3B on page no. 199 of the reply it is observed that the petitioner, while referring its reply in some other petition, has not furnished the requisite information. It is observed that the information filed earlier by the petitioner which is now referred in its instant reply does not fulfill the requirement. Therefore, the petitioner is required to furnish the information as desired, along with detailed justification for increase in each item of project cost from Rs. 6240 Crore to Rs. 7048.69 Crore on each count mentioned in Commission's letter. Detailed justification for increase in each item of project cost from Rs. 7048.69 Crore to Rs. 7701.46 Crorebe file in this regard.

Petitioner's Response

11. With respect to the observation of this Hon'ble Commission regarding Capital cost being Rs. 7048.69 Crore, it is submitted and reiterated that the amount of Rs. 7048.69 Crore is not the Project cost, but it is the actual cash expenditure (i.e. net of liabilities) incurred by the Petitioner, for the Project as on the COD of Unit 1 (20.05.2015). The same has also been considered by this Hon'ble Commission while approving the provisional tariff for Unit 1 in its order dated 29.07.2015 passed in Petition No. 31/2015. Similarly, the Petitioner further submits that an amount of Rs. 7701.46 Crore is also the cash expenditure (i.e. net of liabilities) incurred by the Petitioner for the Project as on 31.03.2016. Further, for the sake of clarity, the head wise details of the Project Cost and the expenditure incurred estimated on various dates is attached hereto and marked as ANNEXURE 4.

12. It is respectfully submitted that the Petitioner has already furnished the Project Information Memorandum prepared by the Lenders (State Bank of India as Lead Lender) by way of Additional Affidavit (Volume IV) dated 06.12.2014 filed before this Hon'ble CommissioninPetition No. 31/2015 in which the Lead Lender has appraised the Project cost from Rs. 6240 Crore to Rs 8000 Crore (including Working Capital Margin) citing the detailed reasons for Variations in the Project cost for each cost item. The relevant excerpts (Page 672-682) for the Project Cost Variation submitted by way of additional affidavit as above is attached hereto and marked as ANNEXURE 5.

13. The Petitioner would further like to clarify that against the Project cost appraised by *the Lenders of Rs. 8000 Crore (which includes the Working capital Margin of Rs 270 Crore), the Petitioner has filed the capital cost of Rs 8306.03 Crore (including the provision of Rs 576.03 Crore against Customs /Excise duty pending the grant of Final Mega Status to the Project and excluding Working Capital Margin ofRs. 270 Crore) for the Project for tariff determination purpose.*

14. Thus, the Total Capital cost so arrived at was Rs. 8306.03 Crore as under:

Particulars	*Amount (Rs. Crore)*
Appraised Project Cost	*8000.00*
Less. Margin Money for Working Capital	*(-)270.00*
Add. Custom & Excise Duty	*576.03*
Total Capital Cost	*Rs 8306.03*

15. It is further submitted that the Petitioner has filed the estimated Project cost as Rs. 8702.23 Crore in the Amended Petition No. 68 of 2016 against the earlier filed cost ofRs. 8306.03 Crore on account of various reasons as detailed and stated in the present Petition. It is pertinent to note that the cash expenditure as on various dates are within the revised Capital cost of Rs. 8702.23 Crore as filed in Amended Petition No. 68 of 2016.

(44) Issue:

On perusal of the revised format-TPS 5B filed as Annexure 4 at page no. 207 of the reply, the following is observed:

i The petitioner has shown un-discharged liability of Rs. 10.80 Crore post COD ofunit 1 i.e. 20th May' 2015, towards pre-operative expense whereas, the pre-operative expenses incurred upto COD are the part of capital cost. Therefore the petitioner is required to justify its claim of pre-operative expense post COD as un-discharged liability.

ii Total estimated cost towards raw water reservoir is shown as Rs. 124.87 Crore, whereas the actual expenditure towards raw water reservoir is Rs. 130.16 Crore. The petitioner is required to justify its claim of such excess expenditure over and above the final estimated cost.

iii The entire cost towards unamortized cost to borrowing of Rs. 27.52 Crore has been allocated to unit No. 1 only. The petitioner is required to explain the reasons for allocating the aforesaid cost to Unit No. 1 only. All documents in support of total claim of Rs. 34.93 Crore towards un-discharged finance cost to borrowings as on 31.03.2016 mentioned/listed in Annexure 1 with the additional submission filed by the petitioner on 28.03.2017 be submitted.

Petitioner's Response

16. With respect to this Hon'ble Commission's observation under Query 3 (i), it is submitted that the un-discharged liability of Rs. 10.80 Crore post COD of Unit 1 (20.05.2015) under the head Pre-operative expenses is related to employee benefits i.e. provision for gratuity, provision for compensated absences and other benefits. This may be referred from Note 6: Provisions (Long Term) of the Audited Annual Accounts of FY 2015-16. These provisions for leave encashment and gratuity are payable on retirement or upon separation of the employees from the organization. The same will be converted into cash expenditure at the time of payment only.

17. With respect to Hon'ble Commission's Query 3 (ii), it is submitted that although the work on Reservoir facility (done by M/s Coastal Projects Limited) is completed and capitalized with the total value of work done amounting to Rs. 124.87 Crore. However, the cash expenditure under the same is Rs. 130.16 Crore which is on account of unadjusted advances of Rs 5.29 Crore which is yet to be settled with the Contractor (M/s Coastal Projects Limited) being currently under reference to the Board for Industrial and Financial Reconstruction / Corporate Debt Restructuring.

18. With respect to Hon'ble Commission's Query 3 (iii), it is submitted that the expenses towards un-amortized finance cost to borrowings as on 31.03.2016 amounts to Rs. 34.93 Crore out of which, amount of Rs 27.52 Crore is allocated to Unit 1 based upon the actual capitalization done with respect to total cost incurred till 31.03.2016. The detailed working and the relevant supporting documents providing the rationale behind the basis of allocation are attached hereto and marked as ANNEXURE 6 (Colly).

(45) Issue:

The petitioner is required to inform the detailed break-up of quantity, rate and cost of coal and oil consumed during pre-commissioning activities and generation of infirm power from different sources.

Petitioner's Response

19. With regard to Hon'ble Commission's Query 4, the details of variouspre-commissioning activities for Unit 1, break-up of quantity and cost of associated type of fuel (LDO, HFO, Coal) consumed during these pre-commissioning activities, duly certified by the CA have already been submitted by the Petitioner (Annexure 6A at Page 211) in its previous Reply dated 30.03.2017 in the Hon'ble Commission's earlier queries in the present Petition. However, for the sake of clarity the required details are resubmitted hereunder and the CA certificate to this effect is once again attached hereto and marked as ANNEXURE 7.

Month	Activities	Fuel Consumption		
		LDO (KL)	HFO (KL)	Coal (MT)
Aug 2014	Hired Aux Boiler commissioning (being used for chemical cleaning of main Boiler)	12.00	0	0
Sept 2014	Boiler-1 chemical cleaning	46.50	0	0
	LDO lines purging and filling	10.00		
	Boiler-1 light up	17.00		
Oct 2014	Pre-Boiler Chemical Cleaning (Piping)	7.00	0	0
Nov 2014	Pre-Boiler Chemical Cleaning (Piping)	38.00	0	0
	LP/ HP heaters piping Chemical Cleaning	42.00		
	Aux boiler running for HFO system commissioning & HFO unloading system heating to unload HFO from tankers	163.00		
Dec 2014	Aux boiler running for HFO unloading system heating to unload HFO from tankers	65.00	0	0
	Boiler-1 steam blowing	945.85	1238.70	
Feb 2015	Aux Boiler running for steam blowing of extraction line, steam piping of TDBFP & Gland steam piping	7.00	0	0
Mar 2015	Aux boiler running for HFO unloading system heating to unload HFO from tankers	25.00	0	0
	Main Boiler-1 light up for steam dumping & Unit Synchronization	749.68	2478.50	
	Main Boiler-1 light up for Unit Synchronization with coal firing	266.47	900.90	
Sub Total - Pre-April 2015		**2394.50**	**4618.10**	**0.00**
Apr 2015	Boiler-1 Light up for Unit synchronization with coal& load raising and stabilization	664.15	1248.84	6958.00
	Boiler-1 Light up for Unit stabilization at full load (600 MW) and COD readiness	474.39	2328.22	15258.00
Sub Total - April 2015		**1138.54**	**3577.06**	**22216.00**
May 2015	Unit 1 trial Operation and demonstration for COD.	405.17	1005.72	70269.00
Sub Total - May 2015		**405.17**	**1005.72**	**70269.00**
Total Consumption*		**3938.21**	**9200.88**	**92485.00**

*excludes the consumption of chemicals and consumables

The Petitioner further submits the average rate of consumption of various fuels (HFO, LDO and Coal) during the pre-commissioning activities based on the CA Certificate(ANNEXURE 7) is worked out as hereunder:

Particulars		*Quantity (in KL/MT)*	*Amount (in Rs.)*	*Average Rate (Rs/KL; Rs/MT)*
Pre-April 2015	*HFO*	*4,618.10*	*176,176,330.43*	*38,149.09*
	LDO	*2,394.50*	*121,427,337.17*	*50,710.94*
	Coal	*-*	*-*	*-*
	SUB TOTAL		*297,603,667.60*	
April 2015	*HFO*	*3,577.06*	*126,070,357.62*	*35,244.13*
	LDO	*1,138.54*	*53,117,852.25*	*46,654.36*
	Coal	*22,216.00*	*45,620,873.70*	*2,053.51*
	SUB TOTAL		*224,809,083.57*	
May 2015 (upto 19.05.2015)	*HFO*	*1,005.72*	*34,698,510.45*	*34,501.16*
	LDO	*405.17*	*19,113,842.63*	*47,174.87*
	Coal	*70,269.00*	*144,298,396.38*	*2,053.51*
	SUB TOTAL		*198,110,749.46*	
SUMMARY OF QUANTITY, COST AND RATE				
Particulars		*Quantity (in KL/MT)*	*Amount (in Rs.)*	*Average Rate (Rs/KL; Rs/MT)*
HFO (Rs/KL)		*9,200.88*	*336,945,198.50*	*36,620.98*
LDO (Rs/KL)		*3,938.21*	*193,659,032.05*	*49,174.38*
COAL (Rs/MT)		*92,485.00*	*189,919,270.08*	*2,053.51*

(46) Issue:

On perusal of the Auditor's Certificate filed at Annexure 11C of the reply certifying the cash expenditure for Unit No. 1 as on CoD and as on 31stMarch' 2016, it is observed that the working capital margin is also shown as Rs. 6.75 Crore and Rs. 45.05 Crore as on 20th May'2015 and 31stMarch' 2016 respectively. In this regard, the petitioner is required to confirm on affidavit, whether the working capital margin is included in the capital cost of Rs. 4771.40 Crore and Rs. 4885.35 Crore respectively as claimed in format at annexure 2A of its reply.

Petitioner's Response

21. With regard to Hon'ble Commission's Query 5, the Petitioner, hereby, confirms that it has not included the working capital margin of Rs. 6.75 Crore and Rs. 45.05 Crore as on 20.05.2015 and 31.03.2016 respectively in the capital costs of Rs. 4771.40 Crore and Rs. 4885.35 Crore as claimed in the Amended Petition No. 68 of 2016.

(47) Issue:

The petitioner is required to submit complete details regarding sources of equity of Rs. 2396.11 Crore duly supported by the documents in this regard.

Petitioner's Response

22. In the Original Petition No. 68 of 2016, the Project Cost claimed wasRs. 8667.29 Crore (including FERV losses of Rs 158.49 Crore charged to P&L). Accordingly, the total equity proposed to be infused for the Project was mentioned as Rs. 2396.11 Crore which excluded an amount of Rs. 158.49 Crore towards FERV losses charged to revenue funded through reserves. As such, the total equity proposed to be infused for the Project after including this amount of Rs. 158.49 Crore towards FERV losses charged to revenue funded through reserves, amounts to Rs. 2554.60 Crore.

23. Further, in the Amended Petition No. 68 of 2016, the Project Cost was revised to Rs. 8702.23 Crore. Accordingly, the total equity proposed to be infused was revised to Rs. 2589.54 Crore.

24. The break-up of the proposed equity infusion as per the Original Petition No. 68 of 2016 and the Amended Petition No. 68 of 2016 is as under:-

S. No	*Particulars*	*EquityInfusion as per the OriginalPet. No. 68 of 2016 (Rs. Crore)*	*EquityInfusion as per the Amended Pet. No. 68 of 2016 (Rs. Crore)*
i)	*Capital Cost Claimed*	*8667.29*	*8702.23*
ii)	*Project Equity infused till 31.03.2016*	*2098.75*	*2098.75*
iii)	*Add: Normative Equity @ 30% of amount towards Customs & Excise Duties(i.e, Rs 576.03 Crore)*	*172.81*	*172.81*
iv)	*Add: Additional Equity for Capital Cost gone over and above the earlier filed cost of Rs 8306.03 Crore including Forex loss and unamortized finance cost to borrowings*	*353.52**	*388.45^*
v)	*Total*	*2625.08*	*2660.01*
vi)	*Less: Amount towards Working Capital Margin of Rs 270 Crore being funded by Equity*	*70.47*	*70.47*
vii)	*Net Equity to be infused*	*2554.61*	*2589.54*

**includes Forex losses*

^includes Forex losses & Unamortized finance cost to borrowings

25. As may be seen from the above table, the Project Equity [i.e Item # (ii) of the table above] infused till 31.03.2016 is Rs. 2098.75 Crore, the sources of which are as hereunder:

Source of EquityFunding	*Amount (Rs. Crore)*
Macquarie SBI Infrastructure Investments PTE Limited infused directly to the Project SPV i.e. MB Power (Madhya Pradesh) Limited	*880.00*
Blackstone GPV Capital Partners (Mauritius) V-C Limited infused through the Holding Company i.e. Hindustan Thermalprojects Limited (previously known as Moser Baer Projects Private Limited)	*725.00*
Promoters Contribution infused through the Holding Company i.e. Hindustan Thermalprojects Limited (previously known as Moser Baer Projects Private Limited)	*490.75*
Unsecured Loan from the Holding Company i.e. Hindustan Thermalprojects Limited (previously known as Moser Baer Projects Private Limited), treated as Equity	*3.00*
Total	*2098.75*

In support of the above, following documents are enclosed herewith:-

a. Relevant extracts of the Share Subscription and Shareholders Agreement with Macquarie SBI Infrastructure Investments PTE Limited attached hereto and marked as ANNEXURE 8A (Clause # 2.1 may be referred)

b. Relevant extracts of the amendment to the Share Subscription and Shareholders Agreement with Macquarie SBI Infrastructure Investments PTE Limited attached hereto and marked as ANNEXURE 8B (Clause # 3.1.34 may be referred)

c. Relevant extracts of the Share Subscription and Shareholders Agreement with Blackstone GPV Capital Partners (Mauritius) V-C Limited attached hereto and marked as ANNEXURE 8C (Clause 2.5 (b) & Schedule S may be referred)

d. Summary of year-wise equity infusion from the period from FY 2008-09 to FY 2015-16 (i.e. till 31.03.2016) aggregating to Rs 2098.75 Crore (including unsecured loan of Rs. 3 Crore treated as Equity) attached hereto and marked as ANNEXURE 8D. The year-wise equity infusion is as per the year-wise Annual Audited Statements for the period from FY 2008-09 to FY 2015-16 which are attached hereto and marked as ANNEXURE 1 (Colly). It is pertinent to mention here that these are stand-alone Annual Audited Statements of the Project SPV i.e. MB Power (Madhya Pradesh) Limited without any consolidation.

e. Summary of return of allotment filed by the Petitioner till 31.03.2016 with Registrar of

Companies, Ministry of Corporate Affairs along with the supporting documentsis attached hereto and marked as ANNEXURE 8E.

f. Copy of the Statutory Certificate dated 23.09.2016 issued to REC Limited certifying that equity infused in the Petitioner's Project has not been raised in form of any debt attached hereto and marked as ANNEXURE 8F.

(48) Issue:

Out of total GFA of Rs. 5086.35 Crore as on 31.03.2016 indicated at page no 21 of the reply, the petitioner has considered only Rs. 22.89 Crore towards common asset capitalised for Unit No. 2. Therefore, the petitioner is required to furnish the detailed information of common assets as on COD of Unit No. 1 and COD Unit No. 2.

Petitioner's Response

26. It is submitted that out of the total Gross Fixed Assets ("GFA") of Rs. 5086.35 Crore as on 31.03.2016, the assets amounting to Rs. 22.98 Crore, which have been identified by technical / engineering estimates pertaining to Unit 2, are capitalized with Unit 2 based on "put to use basis" post 20.05.2015 (i.e. COD of Unit 1) as per Accounting Standards 10 of ICAI.

27. The GFA amounting to Rs. 4862.97 Crore were capitalized on 20.05.2015 and additional GFA amounting to Rs. 200.40 Crore were capitalized on account of Railway Siding on 30.06.2015 aggregating to Rs 5063.37 Crore of GFA for Unit 1. [Rs 5086.35 Crore -Rs 22.98 Crore (identified for Unit 2)]. The common assets were capitalized on the basis of detailed technical evaluation and assessment of minimum facility required to run the Unit 1 as on its COD as certified based on engineering estimates in line with the industry practice. The balance amount against common assets was appearing in CWIP as on 31.03.2016.

28. The detailed information of Common assets as on COD of Unit 1 and COD of Unit 2 as per Audited Annual Accounts for FY 2015-16 is attached hereto and marked as ANNEXURE 9.

(49) Issue:

With regard to FERV (in response to query no. 16) the petitioner has not furnished the information of each transaction as required in the desired format. Therefore, the petitioner is required to furnish the information as desired by the Commission.

Petitioner's Response

29. The details of each transaction with regard to FERV in the desired format is attached hereto in the form of soft copy and marked as ANNEXURE 10.

(50) Issue:

With regard to Mega-power status, the petitioner has mentioned the following in para 72 of the amended petition:

"*On 18.01.2012, in-principle Mega Power Status certificate has been issued by the Ministry of Power for Petitioner's Project. As per the policy requirement, Petitioner is required to tie-up the entire Project capacity through Long Term PPAs latest by March. 2017 for availing Mega Power Benefits.*"

In view of the above, the present status be filed in this regard.

Petitioner's Response

30. It is submitted that the Petitioner's Project was granted provisional Mega Power Status by the Ministry of Power, Govt. of India on 18.01.2012. The policy requirements prevailing at that point in time mandated the Petitioner to tie-up entire Project capacity through Long Term PPAs by March 2017 for availing Mega Power Benefits.

31. Till date the Petitioner has tied up around 67% of its Project Capacity through Long Term PPAs with the States of Madhya Pradesh (35%) and Uttar Pradesh (~ 32%). However, due to dearth of Long Term Case-1 biddings/ tenders (i.e. Tariff Based competitive bidding) in the market, the Petitioner has been facing challenges for achieving tie-up entire Project capacity through Long Term Power Purchase Agreements.

32. However, recently on 12.04.2017, Ministry of Power has issued an amendment to Mega Power Policy for Provisional Mega Power projects, vide which a further extension of 60 months has been granted to the Provisional Mega Power projects (including the Petitioner's Project) for tying-up of Project capacity through Long Term PPAs. A copy of this amendment to Mega Power Policy dated 12.04.2017 issued by Ministry of Power is attached hereto and marked as ANNEXURE 11. Accordingly, the Petitioner has now a timeline up-to March 2022 for achieving power tie-up of the entire Project capacity through Long Term PPAs.

33. This amendment also states that such Provisional Mega Power projects may be considered for Mega Power benefits in proportion to the long term PPA tied up, once the specified threshold capacity of these projects get commissioned. A suitable mechanism for *release of proportionate Bank Guarantee(s) is to be worked out jointly by Ministry of Power and Department of Revenue. However, no such mechanism for release of proportionate Bank Guarantee(s) has been notified till date. It is further understood that such refund/ release would be restricted to Bank Guarantee(s) only.*

34. In case of the Petitioner's Project, apart from the Bank Guarantee(s), a sum of Rs. 28.75 Crore has been paid by the Petitioner in cash towards the Customs and Excise Duty for the equipment procured for the Project during the initial period i.e. from 06.06.2011 to 08.02.2012 to enable start of construction as per schedule. However, this amendment dated 12.04.2017 contains no provision for refund of amount paid in cash towards Customs and Excise Duty. Accordingly, the Petitioner is unlikely to get any refund against this amount of Rs. 28.75 Crore and such this amount of Rs 28.75 is required to be considered as part of Project capital cost. Accordingly,the Petitioner humbly requests the Hon'ble Commission to consider the same as a part of capital cost for Unit 1 while determining its final tariff.

(51) Issue:

The contention of petitioner in its additional submission by affidavit dated 28.03.2017, with regard to some contingent liabilities (if any) payable to PGCIL is appearing ambiguous and lacking clarity. Therefore, the petitioner is required to explain the nature of' contingent liabilities and clarify its contention in terms of applicable provisions under MPERC (Terms and Conditions for determination of generation tariff) Regulations, 2012.

Petitioner's Response

35. In terms of the PPA executed between the Petitioner and the Respondents, it is the responsibility of the Respondent(s), to establish necessary infrastructure beyond the Project of the Petitioner for evacuation of its Contracted Capacity of power. However, MP Power Transmission Company Limited ("MPPTCL") vide its letter dated 10.11.2009 conveyed that in the absence of any state network in the vicinity of the Project, Madhya Pradesh shall draw its share under the PPA, through regional network of Power Grid Corporation of India Limited ("PGCIL").

36. Thus in absence of any connectivity of the Project with State Transmission Utility(i.e. MPPTCL), the Petitioner had no option but to effect the evacuation of Contracted Capacity under the PPA to the Respondents through establishing connectivity with the 765 kV Jabalpur Pooling sub-station of PGCIL. Accordingly, a 400 kV Double Circuit ("D/c") transmission line from the Project till 765 kV Jabalpur Pooling sub-station ("Anuppur-Jabalpur Tx. Line") was constructed, owned and operated by PGCIL as a part of Inter State Transmission System ("ISTS").

37. Subsequently, on 14.05.2015, PGCIL filed Petition 141 of 2015 before the Hon'ble Central Electricity Regulatory Commission ("Hon'ble Central Commission") for determination of Tariff of this Anuppur-Jabalpur Tx. Line, wherein PGCIL claimed the COD of this line as August 2014. MB Power (Madhya Pradesh) Limited ("MBPMPL") being one of the respondents in the aforesaid Petition No. 141 of 2015, strongly opposed the claimed COD of Anuppur-Jabalpur Tx. Line as August 2014 as PGCIL had failed to comply with the statutory procedure for declaration of COD of any transmission asset as on August 2014. Further, MBPMPL also opposed any incidence of tariff on itself with respect to the Anuppur-Jabalpur Tx. Line for the intervening period from the claimed COD of this transmission line i.e. August 2014 till COD of Unit 1 of the Project i.e. May 2015.

38. The issue pertaining to the COD of this transmission line and its tariff to be made incidental (if any) on the Petitioner is currently sub-judice before the Hon'ble Central Commission. Various submissions have been made, both by PGCIL and the Petitioner in the said Petition No. 141 of 2015. The last hearing in the matter was held on 28.07.2016, subsequent to which the Hon'ble Central Commission vide its order dated 03.11.2016 has granted the provisional tariff for this transmission line consideringits COD as 20.05.2015 i.e. COD of Unit 1 of the Project. As per this order, at this juncture no financial liability has been passed on the Petitioner since the tariff of this transmission line from 20.05.2015 onwards is to be computed under Point of Connection ("PoC") methodology, in terms of which the transmission charges of various ISTS assets (including the subject Anuppur-Jabalpur Tx. Line) are pooled and shared amongst the various beneficiaries instead of making them incidental on any one specific beneficiary.

39. However the final order of the Hon'ble Central Commission is still awaited in this matter and any decision in favour of PGCIL may result into financial liabilities on the Petitioner. It may be pertinent to note that any financial liability on the Petitioner in terms of the tariff of this transmission line for such intervening period cannot be quantified at this juncture as neither PGCIL has claimed any amount from the Petitioner nor the issue of COD of this transmission line has been finally settled by the Hon'ble Central Commission. These liabilities/Charges (if any) required to be paid by the Petitioner to PGCIL are contingent in nature and its actual value may vary as per the final order to be issued by the Hon'ble Central Commission.

40. In view of the above, it is requested that once the final order in this matter is passed by the Hon'ble Central Commission and if any contingent liabilities are made incidental on the Petitioner, this Hon'ble Commission may kindly allow the Petitioner to seek revision in capital cost of the Project.

Annexure-2

Response of the petitioner on the comments offered by Respondent (MPPMCL):

Comment*:-*

1. In last Para on Page No. 37, the Petitioner has disclosed that a Review Petition (Petition No. 67 of 2016) has been filed against Order dated 24-08-2016 passed (in IA-1 of 2016) in Petition No. 14 of 2016 before this Hon'ble Commission and that in case the Hon'ble Commission allows the Review Petition, then there will be no requirement of relaxation of norms.

2. Without prejudice to various contentions raised and denials made by the Respondent in the subsequent paragraphs of the present Reply Affidavit, it is submitted that the outcome of the said Review Petition No. 67 of 2016 may have a significant impact on calculation of Energy Charges.

3. To clarify the impact, Regulation 39.3of the Tariff Regulation 2015 is quoted 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%

(B) Normative Annual Plant Load Factor (NAPLF): 85%

(C) Gross Station Heat Rate

(a) Existing Coal based thermal generating stations having COD on or after 1.4.2012 till 31.03.2016, (other than those covered under clause 39.2) shall be the heat rate norms approved during FY 2012-13 to FY 2015-16.

New thermal generating stations achieving COD on or after 1.4.2016 :
(b)Coal-based Thermal Generating Stations = 1.045 x Design Heat Rate (kCal/kWh)

Where the Design Heat Rate of a Unit means the Unit heat rate guaranteed by the supplier at conditions of 100% MCR, zero percent make up, design coal and design cooling water temperature/ back pressure:

Provided further that in case pressure and temperature parameters of a Unit are different from above ratings, the maximum design Unit heat rate of the nearest class shall be taken;

Provided also that where Unit heat rate has not been guaranteed but turbine cycle heat rate and boiler efficiency are guaranteed separately by the same supplier or different suppliers, the Unit design heat rate shall be arrived at by using guaranteed turbine cycle heat rate and boiler efficiency:

<u>Provided also that if one or more Units were declared under commercial operation prior to 1.4.2016, the heat rate norms for those Units as well as Units declared under commercial operation on or after 1.4.2016 shall be lower of the heat rate norms arrived at by above methodology.</u>"
[Emphasis Supplied]

4. It may please be seen that if the Review Petition is allowed, then both Unit-1 and Unit-2 will be deemed to have achieved COD "prior" to 01.04.2016. Then the last Proviso will not apply and Gross Station Heat Rates provided for the Tariff Control period from 2012-13 to 2015-16 will apply to both of them.

5. However, if the Review Petition is disallowed then the last Proviso will apply and Gross Station Heat Rates provided for the Tariff Control period from 2016-17 to 2018-19 will apply to both Unit-1 and Unit-2.

In view of this, it is humbly prayed that the Hon'ble Commission may kindly determine tariff under the instant Petition 68 of 2016 as per the relevant proviso of Regulation 39.3 of the Tariff Regulation 2015, considering that Unit-2 achieved COD on 7th April, 2016.

Petitioner's Response:

11. The contents of Para Nos.8, 9, 10, 11, 12, 13 and 35, except those which are matter of record are wrong and denied. It is submitted that the Petition No. 67 of 2016 has been admitted by this Hon'ble Commission by its Order dated 01.02.2017. As such, the Respondent No. 1 ought to be directed to refrain from interlinking the issues raised in Petition No. 67 of 2016 and the present Petition. It appears that this is a malafide effort by the Respondent No. 1 to mix the issues in the two Petitions and thereby delay the determination of final tariff for the supply of power from Unit 1 of the Petitioner's Project.

Comment:-

6. In Para no. 16 to 25 of present Petition titled as- "Loss/Gain on account of Foreign Exchange Rate Variation (FERV)", the Petitioner has attempted to burden this Respondent with Forex losses. It is submitted that the scheduled COD of Unit-1 was in the month of Nov-14, which was extended to May-15 at the behest of Petitioner for reasons that cannot be attributed to this Respondent. Since the Petitioner was not able to achieve COD of Unit-1 on time, the burden of loss on account of FERV from Nov-14 to May-15 should not be included in the capital cost of Unit-1 and this Respondent strongly opposes the Petitioner's contention.

7. In Para 40 and 41 of the Petition, the Petitioner has mentioned IEDC as Rs. 432.48 Crore and IDC as Rs. 1,895.35 Crore. Since the Petitioner was not able to achieve COD of Unit-1 in time, the burden on account of IEDC and IDC from Nov-14 to May-15 should not be included in the capital cost of Unit-1 and this Respondent strongly opposes the Petitioner's contention as the reasons for delay in commissioning of Unit-1 are not attributable to this Respondent.

Petitioner's Response:

*The contents of Para Nos. 14 and 16 are wrong and denied. It is submitted that despite adhering to the Prudent Utility Practices and bonafide efforts by the Petitioner, there was a delay in achieving the Commercial Operation Date ("**COD**") of Unit 1. This delay is owing to several hurdles and external factors which were beyond the control of the Petitioner. The detailed reasons justifying this delay along with relevant and supporting documents have been comprehensively stated by the Petitioner time and again in its earlier Petition No. 31 of 2015, Petition No. 68 of 2016 and the amended Petition No. 68 of 2016 for allowance of capital cost accordingly. In this context, it is submitted that:-*

*(a) The Petitioner had duly informed Respondent No. 1 about the delay in COD of Unit 1 from November 2014 to May 2015 which was on account of the external factors beyond control of the Petitioner. In terms of the Power Purchase Agreement ("**PPA**") executed between the Petitioner and the Respondents, the Scheduled COD**("SCOD")** of Unit 1 stood revised to 20.05.2015 and the same was duly approved and accepted by Respondent No. 1 vide its letters dated 16.04.2015 and 26.08.2015. The copies of the letters dated 16.04.2015 and 26.08.2015 have already been placed before this Hon'ble Commission as Annexure-1 of the Petition No. 68 of 2016 as also Annexure-1 of the amended Petition No. 68 of 2016. For the sake of convenience, a copy of these letters are attached hereto and marked as **ANNEXURE 2 (Colly).***

(b) The Revised SCOD of Unit 1, i.e., 20.05.2015, has been approved and accepted by the Respondent No. 1 in terms of the PPA by the letters dated 16.04.2015 and

*26.08.2015.Accordingly, as per Regulation 17 of the MPERC Tariff Regulations 2012 and Regulation 15 of MPERC Tariff Regulations 2015, various components of Capital Cost including Foreign Exchange Rate Variation ("**FERV**"), Interest During Construction ("**IDC**"), and Incidental Expenditure during Construction("**IEDC**")till the date of SCOD forms a part of the Capital Cost.*

(c) Having granted acceptance to the revised SCOD of Unit 1 the Respondent No. 1 cannot object to grant of FERV, IDC and IEDC for the period November 2014 to May 2015. As such, any submission/objection by Respondent No. 1 contrary to the aforesaid is liable to be rejected by this Hon'ble Commission.

(d) Further, the with respect to FERV and IDC the following is reiterated:

(i) The Project has witnessed an adverse movement in exchange parity (INR vs USD) rates during the construction period (from initially envisaged rate of INR 50/USD reaching to Rs 68/USD at the peak time of construction period) which was beyond the control of the Petitioner.

(ii) The entire Project cost was initially funded by Rupee term Loan ("RTL") and no foreign currency loan/external commercial borrowings were envisaged. However, in order to economize on savings in overall cost related to the funding the expenditure with respect to the payments under offshore Supply Contract, the Petitioner has availed cheaper Buyer's Credit facilities (with compared to RTL) with a six month roll over to make US dollar payments to EPC Contractor. It further claims that it has been able to achieve saving of over Rs 78 Crore in IDC of the Project on account of availing Buyer's Credit facilities (approximately Rs 840 Crore) as compared to RTL equivalent facility.

(iii) Further, the Petitioner had refinanced the outstanding Buyer's Credit with cheaper External Commercial Borrowings ("ECB") amounting to US $150 Million sanctioned from India Infrastructure Finance Company (UK) Limited (fully hedged-currency as well as interest).

(iv) As evident from above, the Petitioner has diligently evaluated and used every option to affect savings wherever possible. However, despite these efforts to minimize the interest cost, the Petitioner has suffered foreign exchange rate variation cost on account of adverse foreign exchange rate variations during the construction period.

(v) *In this regard, the Petitioner would like to submit that it has already submitted the details of year wise Forex variations cost, reasons thereof and the rationale for considering it as a part of capital cost in the present Petition in compliance to the definition of "Capital Cost" as per MPERC Tariff*

Regulations 2012 and Tariff Regulations 2015, which permits any gain and loss on account of FERV during the construction period for claiming as part of the capital cost

Comment*:-*

8. That, as brought out in Para 31 of the Petition, the claim of Rs. 1895.35 Crore towards IDC/Finance Charges are opposed for the reason that they are without any supporting documents and no details have been provided. Similarly, details of Township to the extent of Rs. 80.14 Crore have not been provided. Hon'ble Commission is requested to carry out suitable prudence check for all expenditure claims.

Petitioner's Response:

The contents of Para No. 15 are wrong and denied. It is submitted that the allegations of Respondent No. 1 that Petitioner has failed to provide details and supporting documents towards the IDC/Finance Charges are factually incorrect and baseless. Also, the allegation by the Respondent No. 1 that details of Township to the extent of Rs. 80.14 Crore have not been provided is incorrect. In response, reliance is placed on the fact that:-

(a) *The Petitioner has duly submitted detailed calculation of quarter-wise/year-wise IDC/Finance Charges along with the supporting documents in Annexure 9 (Page 248-249) of the Petition No. 68 of 2016 i.e. Tariff Form 14. The same is consistent with the Annual Audited Accounts of FY 2015-16 enclosed as Annexure 2 (Page 64) of the Petition No. 68 of 2016.Note No. 10 to the aforesaid Annual Audited Accounts depicts the capitalized IDC/Finance Charges to the tune of Rs. 1092.20 Crore and IDC/Finance Charges in Capital Work in Progress ("**CWIP**") to the tune of Rs. 797.16 Crore aggregating to Rs. 1889.35 Crore plus a further provision of Rs. 6 Crore. Nonetheless, for the sake of clarity, the CA Certificate (duly supported by Statutory Auditor's Certificate) certifying cash expenditure for the Project (Unit 1 and Unit 2), as on 31.03.2016 and on the COD of Unit 2 (i.e. 07.04.2016) is attached hereto and marked as **ANNEXURE 3.***

(b) With respect to the works under "Township", it is submitted that these works were initially estimated at Rs 89.52 Crore as submitted in Petition No. 31 of 2015. However, the actual works envisaged earlier under "Township" are now estimated to be completed at a reduced cost of Rs 66.30 Crore (against the initially estimated cost of Rs 89.52 Crore) as on COD of the Project. This includes the following works as envisaged in the original scope:-

S. No	Particulars	Description	Rationale
1.	Residential Flats (Families)	Type-1: 1 Tower (Ground+5 Floors): 24 Flats Type-2A: 1 Tower (Ground+4 Floors): 20 Flats Type-2B: 1 Tower (Ground+4 Floors): 20 Flats Type-2: 2 Towers (Ground+7 Floors): 128 Flats Type-4: 2 Towers (Ground+1 Floor): 8 Flats.	Accommodation facility for the O&M work force across all the levels i.e. Junior, Middle&Senior management with the accommodation capacity of up-to 200 families and 80 bachelors i.e. O&M staff of up-to280 personnel working round the clock in three shifts.
2.	Field Hostel (Bachelors)	Ground+2 Floors: 79 Rooms (Each room having attached bathroom and kitchen)	
3.	Middle School Facility (up-to Class VIII)	Ground+1 Floor with the constructed area of around 35, 000 sq. foot. While the school building has been constructed by the Company with in the township area. This school is being run by Bal Bharti School Management	The Project site being far-away from the town /city was devoid of basic amenities like school, hospital, market etc. As such to meet these basic amenities of its O&M staff, the Company has constructed a middle school, hospital and shopping complexas an integral part of Township
4.	Hospital	Single Floor building, having the constructed area of around 7,210 sq. foot constructed by the Company within the township area for medical services.	
5.	Shopping Complex	Single Floor building, having the constructed area of around 6,500 sq. foot spanning across 16 shops, constructed by the Company within the township area.	
7.	Other works	1. Sewerage Treatment Facilities including building 2. Water Supply Facilities including building 3. Boundary wall for Township 4. Elevators 5. Roads and Drains 6. Fire Fighting Works and Station 7. Electrical Works 8. Horticulture & Land scaping	Other associated works/facilities related to Township

(c) In addition to above, certain other works which were originally envisaged as scope of work under Land, Site Development and Resettlement & Rehabilitation("R&R") have now been considered/ included under "Township". The total estimated value of these works is Rs 42.08 Crore and these works include construction of Middle school, Community Centre, Health Centre and Sports Facilities(all including Civil &

Plumbing works, area grading, boundary wall, roads and parking, Sewerage Treatment Plants, Rain water harvesting etc.) for the Project Affected People as per the R&R policy of the State of Madhya Pradesh; construction of boundary wall & fencing works of the Ash dyke area in Amgawan (where the mother dyke is proposed to be executed within the cut off period and termed as "Deferred works");

(d) The Petitioner further submits that though these facilities are created outside the Plant boundary, these buildings/works have been re-allocated under "Township" for capitalization purpose (under Form 5B of the present Petition).The Petitioner would further like to submit that the total execution cost of all facilities as mentioned above under Township is Rs 108.38 Crore (i.e. Rs 66.30 Crore + Rs. 42.08 Crore). This execution cost was inadvertently estimated at Rs 80.14 Crore in the present Petition, which has subsequently been rectified in the amended Petition 68 of 2016.

Comment*:-*

9. In Para 58 at Page No. 18 and 19, the Petitioner has given the details of the capital expenditure as on COD of Unit 1 and as on 31st March 2016. Also in Para 59 at Page No. 19, the details of capitalized expenditure under Unit-1 as on 31-03-2016 & balance Capital Works In Progress (CWIP)for Unit-2 are given. Total Expenditure Capitalized under Unit-1 till 31st March 2016 is shown as Rs. 5,110.06 Cr. and CWIP for Unit-2 as on 31st March 2016 is shown as Rs. 2,818.38 Cr. The allocation of capital expenditure appears to be highly asymmetrical among two units.

10. Regulation 5.2 of Tariff Regulations 2015 are as follows :

*"**5.2** For the purpose of determination of tariff, the capital cost of a project may be broken up into stages, blocks, units, if required.*

Provided that where break up of the capital cost of the project for different stages or units or blocks is not available and in case of on-going projects, the common facilities shall be apportioned on the basis of the installed capacity of the unit;"

11. In the above context, it is humbly prayed that relevant regulations may kindly be complied with (particularly the requirement of the apportionment of common facilities according to the installed capacities of the Units). The Petitioner may kindly be directed to allocate/apportion the capital cost of different Units strictly in accordance with Regulation-2015.

Petitioner's Response

The contents of Para Nos. 17, 18 and 19, except those which are matter of record are wrong and denied. The allegation that the allocation of capital expenditure appears to be highly asymmetrical among the two units is contrary to settled practice Accounting Standards which is evident from the Paras below:-

(a) Regulation 5.2 of MPERC Tariff Regulations 2015 states as under:-

> *"5.2 For the purpose of determination of tariff, the capital cost of a project may be broken up into stages, blocks, units, if required:*
>
> ***Provided that where break-up of the capital cost of the project for different stages or units or blocks is not available** and in case of on-going projects, the common facilities shall be apportioned on the basis of the installed capacity of the unit;"*

As is evident from above, Regulation 5.2 of MPERC Tariff Regulations2015is only applicable to those cases where break-up of the capital cost of the Project for different units is not available. However, this is not the case with the Petitioner's Project. The Petitioner has duly enclosed the Audited Annual Accounts for FY 2015-16 (the Financial Year of COD of Unit 1) along with the Petition No. 68 of 2016 and subsequently with amended Petition No. 68 of 2016 for determination of final tariff of Unit 1. Based on this, the capital expenditure has been capitalized at the time of COD of Unit 1.

(b) Further, with respect to the claimed unit-wise allocation of the Petitioner's Project expenditure, it is submitted that allocation of capital expenditure between Unit 1 and Unit 2 has been carried out based on technical assessment/engineering estimates with respect to assets including common facilities put to use at the time of COD of Unit 1. This is in line with Accounting Standards issued by the Institute of Chartered Accountants of India. For the sake of further clarity, the Petitioner would like to detail the basis of allocation of major common facilities as hereunder:-

*(i) **Raw Water reservoir** is a common facility for both the Units.However, Unit wise construction is not technically feasible as there is a single pump house facility with single pond without any partition and it will cater to the water requirement for both the Units. Hence, the construction of this facility has been executed in one go and the entire facility has been put to use at the time of COD of Unit 1 for meeting its water requirements post COD. As such, the cost incurred for the same is capitalized at the time of COD of Unit 1.*

*(ii) **Ash dyke** constructed and put to use till date, is an interim ash dyke within the premises of the Project with the capacity of 1.5 MCM and caters to Unit 1 only. The construction of mother dyke has been deferred and proposed tobe*

completed within the cut off period. It is pertinent to note that the Petitioner has just capitalized this interim ash dyke and not the mother dyke at the time of COD of Unit 1 and has not claimed any tariff on the deferredworks of the mother dyke.

(iii) ***Barrage*** *is a common facility for both the Units. However, its unit-wise construction is not technically feasible and had to be executed in one go to cater the water requirement of both the Units. As such, the barrage has been put to use at the time of COD of Unit 1 for meeting the water requirements of Unit 1. Therefore, the cost of Barrage has been capitalized at the time of COD of Unit 1.*

(iv) ***Railway Siding*** *is a common facility for both the Units, but it has been capitalized and put to use with effect from 30.06.2015 to cater to the coal requirement for Unit 1 post Unit 1's COD. Further, subsequently vide letter dated 14.12.2015, South East Central Railways informed that the Railway Board has sanctioned a new railway line i.e. 3rd line between Bilaspur-Katni section and accordingly mandated the Petitioner to construct the entry line [Rail over Rail (RoR)] to take off from the proposed 3rd line between Bilaspur-Katni. A copy of this letter dated 14.12.2015 is attached hereto and marked as* ***ANNEXURE 4.***

As such, the cost of deferred works of constructing the new entry line (Rail over Rail (RoR)) to take off from the proposed 3rd line between Bilaspur-Katni section by Railway Authorities shall be the capitalized prior to cut-off date.

(v) ***Other Buildings*** *including Administration Building, Canteen, Watch Towers, Fire Stations, Time Office, Security House, Driver's Rest rooms, Boundary wall, R&R and CSR building are common facilities, whose unit-wise segregation is not technically feasible and were essentially required to be put to use at the time of COD of Unit 1. As such, the cost incurred for the same is capitalized at the time of COD of Unit 1*

(c) Further, as per the prevailing industry practices for the coal based thermal power projects consisting of two units, the common facilities like railway siding, fuel handling system, ash handling system, switchyard, barrage etc. are generally put to use along with Unit 1 and hence these common facilities are capitalized at the time of COD of Unit 1 only. Thus the capital cost of Unit 1 and Unit 2 of such projects are not in 50:50 proportions and instead the capital cost allocated to Unit 1 is generally higher than that of Unit 2. This is evident from the tariff orders issued by the concerned Electricity Regulatory Commissions for the various thermal power projects, based on which a brief comparison of the capital cost allocation between

Unit1 & Unit2 as a percentage of the overall Project capital cost is tabulated below.

(i) Estimated Project capital cost of the Petitioner's Project: Rs 8702.23 Crore (as filed in the amended Petition No. 68 of 2016)

(ii) Estimated capital cost of Unit-1 claimed by the Petitioner: Rs. 5137.58 Crore(as filed in the amended Petition No. 68 of 2016) i.e. 59% of the estimated Project capital cost.

Hence, the estimated Project capital cost allocation between Unit1 and Unit2 of the Petitioner's Project is 59% and 41% respectively.

<u>Comparison of Unit-wise cost allocation of various thermal power projects as per tariff orders issued by concerned Electricity Regulatory Commissions.</u>

S. No	Project	Sector	Capacity (MW)	Cost Allocation (as a % of Overall Project Cost)	
				Unit 1	Unit 2
1	Mauda-1	Central (NTPC)	2 x 500	64.20%	35.80%
2	Simhadri-II	Central (NTPC)	2 x 500	57.45%	42.55%
3	Vindhyachal-IV	Central (NTPC)	2 x 500	56.74%	43.26%
4	Udupi TPS	IPP (Karnataka)	2 x 600	55.82%	44.18%
5	Kalisindh TPS	State (Rajasthan)	2 x 600	55.20%	44.80%

(d) *The Petitioner respectfully reiterates that the unit wise capital expenditure allocation of its Project has been done based on assets capitalized in the books of account and in line with the guiding principles as per Accounting Standard-10 notified by ICAI (i.e. all assets put to use are to be capitalized from the date they are put to use). It is respectfully submitted that this methodology is totally reasonable and in accordance with the industry practice standards.*

Comment:-

12. The Capital cost of similar plants in India, which have been commissioned in recent past, may be considered at the time of determination of tariff in this instant Petition.

13. That, it is further prayed that per MW cost of similar plants in India, which have

been commissioned in recent past, may be kept in mind at the time of decision in this instant Petition.

Petitioner's Response

*With respect to the contents of Para Nos. 20 and 38, it is submitted that the Petitioner in its Petition No. 68 of 2016 has already benchmarked the capital cost of its Project (hard cost) as per the methodology prescribed by Ld. Central Electricity Regulatory Commission ("**Ld. Central Commission**") in its Order No. L1/103/CERC/2012 dated 04.06.2012. As per this methodology, capital (hard) cost of a 2X600 MW Green field coal based thermal project is benchmarked at Rs 4.54 Crore/MW (for the base year 2011) and the same is estimated at Rs 5.13 Crore/MW as on March/April 2016 after escalation at wholesale price index ("**WPI**"). In comparison to this, the estimated capital cost (hard cost) of the Petitioner's Project works out to Rs 4.49 Crore/MW which is well within the capital cost (hard cost) benchmarked by the Ld. Central Commission. Without prejudice to the above, it is submitted that the capital cost of similar projects commissioned in India has nothing to do with the capital cost determination of the Petitioner's Project. Notwithstanding, a detailed comparison of the capital cost (hard cost) of the Petitioner's project with the other similar thermal power projects commissioned in the recent past is as under:-*

Power Plant	***Sector***	***Installed Capacity (MW) & No. of Units***	***Year of Project COD***	***Project Hard Cost***		***Source***
				Rs Cr	***Rs.Cr/MW***	
Singareni TPP	*IPP (MP)*	*1200 (2X600)*	*Dec 2016*	*6904*	*5.75*	*SCCL's Petition No. 9 of 2016*
Nigrie TPP	*IPP (MP)*	*1320 (2X660)*	*Feb 2015*	*7350*	*5.57*	*MPERC Order dated 26.09.2014; Petition No. 03 of 2014*
LalitpurTherma)	*IPP (UP)*	*1980 (3X660)*	*June 2016*	*10786*	*5.45*	*UPERC Order dated 27.11.2015; Petition No. 975/2014 & 1017/2015*
Kalisindh TPS	*State (Rajasthan)*	*1200 (2X600)*	*July 2015*	*6521*	*5.43*	*RERC Order dated 14.05.2015*
Jhabua Power Limited	*IPP (MP)*	*600 (1X600)*	*May 2016*	*3077*	*5.13*	*MPERC Order dated*

Power Plant	**Sector**	**Installed**	**Year of**	**Project Hard Cost**		**Source**
						06.09.2016
Barh TPS	*Central*	*1320 (2X660)*	*May 2015*	*6563*	*4.97*	*Form B of NTPC Petition No. 130/GT/2014*
ShriSingaji TPS	*State (MP)*	*1200 (2X600)*	*Dec 2014*	*5476*	*4.56*	*MPERC Order dated 10.11.2014*

As is clearly evident from above, the project cost of the Petitioner's Project is reasonable and is well within the industry norms.

Comment*:-*

14. In the present Tariff Petition, in Para 64, at Page 21, the Petitioner has indicated cash expenditure incurred on Unit 1 till COD, ostensibly based on a Cash Expenditure Certificate obtained from a Statutory Auditor, which is said to be attached as Annexure 11 (at Page No.274). However, it is to submit that the copy of Annexure 1 to the said Certificate is not provided. The Petitioner may kindly be directed to provide the same to the Respondent.

Petitioner's Response

With respect to the contents of Para No. 21, it is submitted that a copy of Annexure 1 to the Cash Expenditure Certificate obtained from Statutory Auditor (which has been enclosed as Annexure 11 to the Petition No. 68 of 2016)is annexed hereto and marked as ANNEXURE 5.

Comment*:-*

15. In the Tariff Format 5-B filed with the present Tariff Petition, the Petitioner has given details of estimated costs against various heads of Project Cost filed with P.No. 31/2015 and the estimated cost of Project at the time of COD (20-05-2015) of Unit-1. However, such a comparison does not reflect actual variation of the Project Cost since Financial Closure. The Table 1 below provides such comparison.

Table 1

(Project Cost as per Tariff Format 5B)

(COD : 20-05-2015)

Particulars (Rs Cr.)	Original Estimated Cost At Financial Closure (Rs Cr.)	Revised Estimated Cost as on COD (Rs Cr.)	Increase/ (Decrease) (Rs Cr.)
Land and Site Development	101.76	144.00	**42.24**
Plant and Machinery	3938.24	4578.39	**640.15**
Building & Civil Works	1132.88	882.54	**(250.34)**
Pre-operative and Misc. Exp.	179.00	432.48	**253.48**
Financing charges + Interest During Construction	725.04	1,895.35	**1,170.31**
Custom & Excise Duty		576.03	**576.03**
Total Capital Expenditure	**6,240.12**	**8508.80**	**2,268.68**

16. From above table, the following is observed :
    - The cost of land and site development has increased by Rs. 42.24 Cr.*(increase of about 42%)*
    - The cost of Plant & Machinery has increased by Rs. 640.15 Cr.(increase of about 16.25%)
    - The cost of pre-operative/pre-commissioning expenses has increased by Rs. 253.48 Cr. (increase of about 142%)
    - The Financing charges and Interest During Construction has increased by Rs. 1,170.31Cr.(increase of about 161%)
    - Overall increase Rs. 2,268.68 Cr. (increase of about *36%)*

17. It is humbly prayed that the Petitioner be directed to furnish the reasons for such increases in costs to enable appropriate prudence check by this Hon'ble Commission.

Petitioner's Response

17. The contents of Para Nos.22, 23 and 24, except those which are matter of record are wrong and denied. In this regard, it is submitted that:-

(a) *The Financial Closure of the Project was done by State Bank of India as lead lender with the appraised Project cost of Rs 6240.12 Crore with the debt:equity ratio of 75:25 on 16.11.2010.*

(b) *Subsequently, this appraised Project cost was reviewed and assessed by the*

Lenders citing changes in scope, additional works of Piling (not envisaged earlier), changes in statutory taxes and duties, reassessment of Custom and Excise duty, change in interest rates, change in R&R Policy, impact of adverse foreign currency exchange rate variation, change in O&M strategy and manpower planning etc. After technical and financial due diligence of the Project, the Project cost was revised to Rs. 8000 Crore. The additional impact of Rs. 1760 Crore (Rs. 8000 Crore - Rs. 6240.12 Crore) was proposed to be financed by the debt:equity ratio of 70:30.

(c) The comparative break-up of the Revised Project cost vis-à-vis Original Estimated Project Cost is as hereunder:-

Particulars	***Original Estimate (Rs. Crore)***	***Revised Estimate (Rs. Crore)***	***Cost Variation (Rs. Crore)***
Land & Site Development	*101.76*	*149.05*	*47.29*
EPC Cost (including Offshore Supply, Onshore Supply, Onshore Services and related Onshore Civil Works)	*4372.10*	*4610.47*	*238.37*
Non EPC Cost (including Barrage, Railway Siding works, Township, Administrative & Other Buildings, Boundary wall, Ash dyke, Reservoir, Other Site enabling Facilities etc.)	*561.81*	*916.66*	*354.85*
Pre-operative/Pre-Commissioning Expenses	*179.00*	*456.10*	*277.10*
Finance Charges, IDC and Contingency	*926.47*	*1597.72*	*671.25*
Margin Money for Working Capital	*98.99*	*270.00*	*171.02*
Total – Original Project Cost Estimates (rounded off)	***6240.12***	***8000.00***	***1760.00***
Provision of Custom/Excise Duty	***-***	***576.03***	***576.03***

*(d) There was no provision for Customs duty and Excise duty in the originally estimated Project cost, as there were benefits of duty drawback available on deemed exports under Foreign Trade Policy ("**FTP**") applicable from 23.08.2010. However, due to change in FTP (with effect from 15.07.2012), the only way to avail reimbursement of Custom Duty and Excise Duty is by acquiring Mega Power Project Status. In this regard, the Lenders have also sanctioned bank Guarantee ("**BG**") facility of Rs. 570 Crore (rounding off for the estimated requirement of Rs. 576.03 Crore for Customs and Excise duty) pending the grant of Final Mega Power Project Status to the Project.*

(e) The Petitioner had submitted the detailed reasons for cost variations from the Original Project cost of Rs. 6240.12 Crore to the revised Project Cost of Rs. 8000

Crore (in the table appended above) [as re-appraised by the Lenders (with State Bank of India as Lead Lender) in its Project Information Memorandum] by way of Additional Affidavit (Volume IV) dated 06.12.2014 in Petition No. 31 of 2015.

(f) For the sake of further clarity with respect to the reasons for increase in cost from the Original Estimated Project cost of Rs. 6240 Crore to the Revised Project cost ofRs. 8000 Crore, the Petitioner re-submits:-

*(i) The relevant excerpts of Project Information Memorandum [Pages 672-682 of Additional Affidavit (Volume IV) dated 06.12.2014 in Petition No. 31 of 2015] and the same is annexed hereto and marked as **ANNEXURE6.***

*(ii) The copies of Board Resolutions dated 21.10.2009 and 04.08.2014 for equity commitment for the Original and the Revised Project cost respectively [already submitted as Additional Affidavit (Volume V) in Petition No. 31 of 2015 (Page 836-841)]and the same is annexed hereto and marked as **ANNEXURE7**.*

(g) The Petitioner has retained the provision of Rs 576.03 Crore for the Custom and Excise Duty in Capital cost as claimed in Petition No. 31 of 2015 and discarded the provision of Margin money of Rs. 270 Crore for tariff determination. The Capital Cost as on the date of initial SCOD of the Project so arrived as under:-

Particulars	***Amount (Rs Crore)***
Revised Project Cost as reappraised by the Lenders	*8000.00*
Less: Margin Money for Working Capital	*270.00*
Add: Provision for Custom and Excise Duty pending the grant of Mega Status to the Project	*576.03*
Total Capital Cost claimed	***8306.03***

(h) The Project capital cost (excluding working capital margin) has subsequently been revised from Rs. 8306.03 Crore to Rs. 8702.23 Crore based on the actual expenditure incurred (as per the Audited Annual Accounts as on 31.03.2016), un-discharged liabilities and provision for balance works. The same has been duly apprised by the Petitioner vide its additional submissions in the Petition 68 of 2016 filed before this Hon'ble Commission on 30.03.2017 and the amended Petition No. 68 of 2017 filed before this Hon'ble Commission on 17.04.2017.The Board Approval for the revised Project cost has been submitted along with the amended Petition No. 68 of 2016 (Pages 199-200) for the commitment of equity infusion.

(i) It is further submitted that the reasons for the variation in the capital cost from Rs

8306.03 Crore to Rs 8702.23 Crore has been detailed in amended Petition No. 68 of 2016(Paras 45-54).

(j) It is submitted that the Capital Cost of the Project as appraised by the Lenders has been submitted in Form 5B on the basis of capitalization as per books of accounts with the present Petition based on which the reasons for cost variations are detailed in the table hereunder:-

Particulars	***Original Estimate (Rs. Crore)***	***Revised Estimate (Rs. Crore)***	***Cost Variations (Rs. Crore)***	***Reasons for Variation***
Land & Site Development	*101.76*	*144.00*	*42.24*	*Final Expected Cost; Cost Variations are on account of:* (a) *Cost of acquisition of Additional land required for submergence under Barrage;* (b) *Cost of acquisition of Additional land required for railway siding as per revised Engineering Scale Plan approved by SECR;* (c) *Additional R&R cost impact on account of Change in R&R Policy for Project affected people and on account of additional land acquired for Barrage and Railway Siding.* (d) ***All the above reasons for variation are beyond the control of Petitioner.***
Plant & Machinery (excluding Power House Buildings, Roads and Drains and other Misc. civil works from Onshore Civil works but including Non EPC works of BarrageConstruction/Railway Siding, Reservoir facility etc.)	*3938.24*	*4565.83*	*627.59*	*Final Expected Cost; Cost variation on account of:* (a) *Impact of FERV in Offshore contract package;* (b) *Additional Cost of Piling not envisaged earlier in the Original Estimate (preliminary stage);* (c) *Statutory variations in taxes & duties;* (d) *Scope change and additional work of Fish Pass arrangement in Barrage as mandated by National Green Tribunal;* (e) *Additional scope in Railway siding works on account of change in track length as per Engineering Scale Plan approved by South Eastern Central Railways;* (f) *Additional work of HDPE lining in Reservoir as mandated by MoEF;* (g) *Additional cost impact in the work of Ash dyke on account of excessive quantum of rock encountered in the proposed area for ash dyke within the premises of the plant; location shifted to CHP area;*

Particulars	***Original Estimate (Rs. Crore)***	***Revised Estimate (Rs. Crore)***	***Cost Variations (Rs. Crore)***	***Reasons for Variation***
Building & Civil Works (includes Power Buildings, Roads & Drains, Other civil works, Ash dyke facility, Township,Administrative and other buildings etc.)	*995.67*	*895.11*	*(100.56)*	(h) *Addition in scope of Township works in number of Residential facilities on account of change in O&M manpower planning(being underestimated at the time of financial closure);* *The details of cost variations in hard cost have been discussed in Para 17 of the present Rejoinder* ***All the above reasons for variation [except point (h)] are beyond the control of Petitioner.*** *The negative variation is only due to reclassification and regrouping of assets and building works in accordance with the capitalization of the expenditure within both the heads.*
Pre-operative/Pre-Commissioning Expenses	*179.00*	*432.48*	*253.48*	***On account of delay in COD of the Project due to external factors beyond control of the Petitioner,details of which (along with the supporting documents) have already been submitted by the Petitioner in its earlier Petition No. 31 of 2015.***
Finance Charges, IDC and Contingency	*926.47*	*1895.35*	*968.88*	
Sub Total - Cost Estimates	***6141.14***	***7932.78***	***1791.64***	
Provision of Custom/Excise Duty	*-*	*576.03*	*576.03*	*Reason for variation is as per Para17(d) of the present Rejoinder*
Total-Project Cost Estimate	***6141.14***	***8508.81***	***2367.67***	
Add: Forex Losses charged to P&L	*-*	*158.49*	*158.49*	*Reasons for Variation is as per Para 27-36 of amended Petition No. 68 of 2016*
Add: Unamortized Finance	*-*	*34.93*	*34.93*	*Reasons for Variation is as per Para 19-26 of amended Petition No. 68 of 2016*

Particulars	***Original Estimate (Rs. Crore)***	***Revised Estimate (Rs. Crore)***	***Cost Variations (Rs. Crore)***	***Reasons for Variation***
Cost to Borrowings				
Total Capital Cost*	***6141.14#***	***8702.23***	***2567.67***	

**: Excluding Working Capital Margin*

#: This translates into initial appraised Project Cost of Rs. 6240 Crore after including Working Capital Margin of Rs 98.99 Crore

Comment:-

18. At Para 104 at Page 33 of the present Petition, the Petitioner has quoted Regulation 39.3 (A) of Tariff Regulation 2015 wherein Normative Annual Plant Availability Factor (NAPAF) for recovery of Annual Capacity Charges is indicated. The Normative NAPAF is provided as 85%, whereas the Proviso allows NAPAF of 83% “in view of shortage of coal and uncertainty of assured coal supply”. The Petitioner has given figures of Annual Contracted Quantity (ACQ) under Fuel Supply Agreement (FSA) with SECL and actual delivery claiming shortage of coal and has considered NAPAF of 83% only.

19. However, on this aspect, the Hon’ble Commission would be pleased to ascertain from the Petitioner that apart from FSA, whether coal was unavailable from all other sources also. In absence of proper justification, the lower NAPAF given in proviso to Regulation 39.3 (A) may not be applied as it would result in increase in power tariff for end consumers of the State.

20. In Para 108 at Page 35, the Petitioner has given a table showing Energy Charge calculations and its claim for control period from years 2016-17, 2017-18 and 2018-19. The calculations assume relaxed norms of Gross Station Heat Rate, Auxiliary Power Consumption (Norms of Tariff Regulations 2012) instead of those provided in Tariff Regulations 2015, besides using lower Normative Annual Plant Availability Factor (NAPAF) at 83%.

21. However, as demonstrated by the Respondent, there is no reason to either relax the norms or make Tariff Regulations 2012 applicable for the future control period of

2016-17 to 2018-19 or for using lower NAPAF. Permitting such an approach will render the entire exercise of incorporating progressive normative parameters in Latest Tariff Regulations to encourage higher efficiency and ensuring reduction in harmful environmental pollutants while using fossil fuel for power generation, meaningless.

22. Therefore, it is humbly prayed that only the norms notified in Tariff Regulations 2015 be applied and NAPAF of 85% be used while calculating Energy Charges.

Petitioner's Response

The contents of Para Nos. 25, 26, 31, 32 and 33 except those which are matter of record are wrong and denied. It is submitted that Regulation 39.3 of the MPERC Tariff Regulations 2015 provides the norms of operation for all thermal generating units/stations for all capacities which are commissioned on or after 01.04.2012:-

> ***"39.3. (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"*

As per the aforesaid provision, the Petitioner submits that for FY 2015-16, NAPAF of 85% has been considered by the Petitioner for recovery of fixed charges. However, the Petitioner reserves its rights to claim the NAPAF of 83% for recovery of fixed charges in future, in event of any coal shortage and uncertainty of assured coal supply experienced by it

Comment*:-*

23. In Para 105 at Page 33, the Petitioner has also given details of Annual Contracted Quantity (ACQ) vis-a-vis Actual Coal Delivery for years 2015-16 and 2016-17 (April to September). The Petitioner may be directed to give details of claim (if any) for compensation for short delivery lodged with South Eastern Coal Fields Limited in accordance with Article 4.6 of the Coal Supply Agreement (CSA) dated 26-03-2013.

Petitioner's Response

*The contents of Para No. 27 except those which are matter of record are wrong and denied. It is submitted that coal supplies by South Eastern Coalfields Ltd. ("**SECL**") for FY 2015-16 and FY 2016-17 do not qualify for raising any compensation claims on SECL for short supplies of coal under Fuel Supply Agreement ("**FSA**"). As per Article 4.6 of the FSA, such claims could be lodged if the level of domestic coal* *supplies by SECL falls below 67% of the Annual Contracted Quantity **("ACQ")** for FY 2015-16 and below 75% of the ACQ for FY 2016-17 onwards. However, the coal supplies by SECL to the Petitioner's Project have not been below these threshold levels and as such no claim for compensation has been lodged by the Petitioner with SECL for short supplies of coal during FY 2015-16 and FY 2016-17*.

Comment*:-*

24. In last Para on Page 33 at (C) Regulation on "Gross Station Heat Rate" is quoted. In Para 106 on Page 34, the Petitioner goes on to say that due to certain reasons, the Unit may run at higher Heat Rate as compared to Normative Heat rate. Therefore, the Petitioner has considered Gross Station Heat Rate provided in Tariff Regulations 2012 (instead of applicable Tariff Regulation 2015). The Respondent not only strongly opposesbut also requests the Hon'bleCommission not to allow this as it would result in increase in Energy charge, which will result in increase in cost of power for end consumers of the State. It will also encourage inefficient operation of the Unit, costlier power and higher emissions and damage to environment.

25. It Para 106 (E), on Page 35 Normative values of Auxiliary Consumption is given as 5.25% for Units (>500MW capacity) employing Steam Driven Boiler Feed Pumps. A further allowance of 0.5% is also provided for generating stations having Induced Draft Cooling Towers (IDCTs) (which is the case here). Therefore, total Auxiliary Energy Consumption of 5.75% is permitted for Petitioner's generating station. However, the Petitioner has sought to consider normative value provided in older Tariff Regulation 2012, which is 6.5%, praying for relaxation in norm. This cannot be permitted as it would increase generation tariff. This is strongly opposed by this Respondent.

26. In Para 107 on Page 35, the Petitioner has pleaded the Hon'ble Commission, to relax the norms for Gross Station Heat rate and Auxiliary Power Consumption invoking power under Regulation 54 of the Tariff Regulation 2012. This is strongly opposed as the Regulations once made and notified are binding on the Hon'ble Commission also and they must not be relaxed unless they are likely to cause severe hardship to the public/ consumers, which is not the case in this instant. On the contrary, relaxing the norms will result in severe hardship to the public/ consumers in the form of increased tariff.

27. In Para 108 at Page 35, the Petitioner has given a table showing Energy Charge calculations and its claim for control period from years 2016-17, 2017-18 and 2018-

19. The calculations assume relaxed norms of Gross Station Heat Rate, Auxiliary Power Consumption (Norms of Tariff Regulations 2012) instead of those provided in Tariff Regulations 2015, besides using lower Normative Annual Plant Availability Factor (NAPAF) at 83%.

28. However, as demonstrated by the Respondent, there is no reason to either relax the norms or make Tariff Regulations 2012 applicable for the future control period of 2016-17 to 2018-19 or for using lower NAPAF. Permitting such an approach will render the entire exercise of incorporating progressive normative parameters in Latest Tariff Regulations to encourage higher efficiency and ensuring reduction in harmful environmental pollutants while using fossil fuel for power generation, meaningless.

29. Therefore, it is humbly prayed that only the norms notified in Tariff Regulations 2015 be applied and NAPAF of 85% be used while calculating Energy Charges.

30. In Paras 111 to 116on Page 37, the Petitioner has tried to make a case for relaxation of operational norms for Unit-1, particularly the Auxiliary Consumption and Gross Station Heat rate. However, it is strongly opposed and it is prayed that the request for relaxation may not be entertained as it would result in increase in electricity tariff for common consumers.

Petitioner's Response

*The contents of Para Nos. 28, 29, 30, 31, 32, 33 and 34, except those which are matter of recordare wrong and denied. It is submitted that in the present Petition, the Petitioner has prayed that operational norms [viz.Station Heat Rate ("**SHR**") and Auxiliary Consumption]be considered in line with the norms prescribed in MPERC Tariff Regulations 2012. It is submitted that the reasons for praying for such relaxation inter alia include lower/ erratic off-take of power supply, the technical performance parameters guaranteed by the Engineering Procurement and Construction ("**EPC**") Contractor, load variation, inconsistent coal quality etc. The Petitioner reiterates that its Project is based on sub-critical technology and the EPC Contract for design, engineering, supply, erection and commissioning of main plant equipment (Boiler, Turbine & Generator) based on guaranteed technical performance parameters had been awarded to M/s.LancoInfratech Limited in accordance with the guidelines of international competitive bidding. These guaranteed technical performance parameters are in accordance with the operational norms prescribed in the MPERC Tariff Regulations 2012 and as such* *the Petitioner would only be able to operate its Project at the operational norms prescribed in the MPERC Tariff Regulations 2012. Further, the operational performance of the Petitioner's Project does get affected by the external factor beyond the control of the Petitioner like lower/ erratic off-take of power supply, load variation, inconsistent coal quality etc. As such, restricting the design margin for SHR and lowering the norms for Auxiliary consumption would cause severe financial and operational difficulties to the Petitioner's Project thereby adversely impacting its viability. As such the Petitioner has prayed for relaxation of these operational norms viz.SHR and Auxiliary Consumption i.e. in accordance with the operational norms prescribed in MPERC Tariff Regulations 2012by invoking the powers to relax vested with this Hon'ble Commission as per Regulation 54 of MPERC Tariff Regulations 2015. It is settled law that the Electricity Regulatory Commissions have the power to relax the applicability of the Regulations framed by the Commissions. In this context, the following judgments are noteworthy:-*

(a) ***Ratnagiri Gas and Power Limited v. Central Electricity Regulatory Commission**: 2011 ELR (APTEL) 0532 at para 10.7: "The above Regulations and the decision give the judicial discretion to the Central Commission to relax norms based on the circumstances of the case. However, such a case has to be one of those exceptions to the general rule. There has to be sufficient reason to justify relaxation. It has to be exercised only in exceptional case and where non-exercise of the discretion would cause hardship and injustice to a party or would lead to unjust result."*

(b) ***M.P. Power Trading Company Limited v. Torrent Power Limited &Ors.**: 2009 ELR (APTEL) 0124 at Para 13: "There are sufficient reasons which justify the enhancement of the percentage of initial spares from 4% to 5.87%. The Commission is vested with the power to relax its Regulations and therefore the order of the Commission was not interfered with."*

(c) ***National Thermal Power Corporation Ltd. v. Madhya Pradesh SEB**: 2007 ELR (APTEL) 7 at para 24: "….In case any Regulation causes hardship to a party or works injustice to him or application thereof leads to unjust result, the Regulation can be relaxed. The exercise of power under Regulation 13 of the Regulations is minimized by the requirement to record the reasons in writing by the Commission before any provision of the Regulations is relaxed. Therefore, there is no doubt that the Commission has the power to relax any provision of the Regulations."*

In view of the above, the Petitioner once again prays before this Hon'ble Commission for relaxation of the operational norms viz. SHR and Auxiliary Energy Consumption *i.e. in accordance with the operational norms prescribed in MPERC Tariff Regulations 2012.*

Comment*:-*

31. In last Para on Page No. 37, the Petitioner has disclosed that a Review Petition has been filed against Order passed in Petition No. 14 of 2016 on 24-08-2016 before this Hon'ble Commission. In view of this, it is humbly prayed that if the Final tariff is determined, it may be done as per the prevailing Regulations, 2015 only.

Petitioner's Response

The contents of Para No. 35 are wrong and denied. In this regard, the Petitioner craves leave to refer to the submissions in Para 11 of the present Rejoinder which have not been repeated for the sake of brevity.

Comment*:-*

32. As the Unit-1 has been on Commercial Operationsince20-05-2015 (i.e., for more than 2 years) and Unit-2 has beenonCommercialOperationsince07-04-2016 (i.e., for more than 1 year) it is, therefore, humbly prayed that any liquidated damages (LD) against delay in executions of contracts as recovered by the petitioner from its contractors/ vendors may be utilized towards reduction of the capital cost of the Project.

Petitioner's Response

With respect to the contents of Para No. 36, it is submitted that till date, no liquidated damages have been recovered by the Petitioner from its contractors/ vendors. It is further submitted that at this juncture, the liquidated damages that may be attributable to the contractor(s) for delay in completion of works cannot be quantified. In terms of EPC Contract, the final settlement is still pending. As such, the Petitioner reserves its rights to quantify such liquidated damages at the time of final contract settlement and any such liquidated damages to be recovered from the contractor(s), would be discussed and finalized at the time of final contract settlement and submitted before this Hon'ble Commission at the appropriate time.

Comment*:-*

33. That, it is humbly prayed that the prudence check, carried out by the Hon'ble MPERC, be shared with this respondent so that the humble Respondent may assist the Hon'ble Commission in the process.

Petitioner's Response

The contents of Para No. 37 are wrong and denied. It is submitted that conducting prudence check is the function of this Hon'ble Commission, and the Respondent No. 1 has no role to play in the prudence check.

Comment*:-*

34. That, it is further prayed that per MW cost of similar plants in India, which have been commissioned in recent past, may be kept in mind at the time of decision in this instant Petition.

Petitioner's Response

With respect to the contents of Para No. 38, the Petitioner craves leave to refer to the submissions in Para 15 of the present Rejoinder in this regard, which have not been repeated for the sake of brevity.

Comment*:-*

35. That, at this stage this Respondent has made above observations on the basis of documents/ information made available by the Petitioner. The Respondent craves liberty to amend, alter and add to the points or make further submissions as may be requiredata later stage. The Respondent also seeks liberty to dealwith/ respond to the Case Laws referred/ quoted at appropriate stage.

Petitioner's Response

The contents of Para No. 39 are wrong and denied. It is submitted that tariff determination is a time consuming process, and the Respondent No.1 is attempting to further delay this process by not filing a consolidated reply to the present Petition. In the interest of justice, this Hon'ble Commission is requested to expedite the tariff determination for Unit 1 of the Petitioner's Project. As such, the right of Respondent No. 1 to file any further reply ought to be foreclosed by this Hon'ble Commission in view of submissions at Para No. 6 of the present Rejoinder

Comment*:-*

36. That, without prejudice to various contentions raised and denials made by the Respondent in the preceding paragraphs of the present Reply, this Respondent humbly prays that the Hon'ble Commission consider following main submissions, brought out through this Reply, at the time of deciding the Final tariff of Unit No. 1 :

37. Hon'ble Commission may kindly determine the Final tariff under the instant Petition 68 of 2016 as per relevant proviso of Regulation 39.3of the Tariff Regulation 2015,

considering that Unit-2 achieved COD in April, 2016

Petitioner's Response

The contents of Para Nos. 40 and 41 are wrong and denied. The Petitioner craves leave to refer to the submissions in Para 20 of the present Rejoinder which have not been repeated for the sake of brevity.

Comment*:-*

38. The burden of loss on account of FERV from Nov-14 to May-15 may not be considered in the capital cost of Unit-1.

39. The proposal to increase in IDC and thus, the claim of Rs. 1895.35 Crore towards IDC/Finance Charges may kindly be reviewed by the Hon'ble Commission.

40. Since the Petitioner was not able to achieve COD of Unit-1 on time, the burden on account of IEDC and IDC from Nov-14 to May-15 may not be considered in the capital cost of Unit-1.

Petitioner's Response

The contents of Para Nos. 42, 43 and 44 are wrong and denied. In this regard, the Petitioner craves leave to refer to the submissions in Paras 12 and 13 of the present Rejoinder which have not been repeated for the sake of brevity.

Comment*:-*

41. The allocation of capital expenditure appears to be highly asymmetrical among two units. The Petitioner may kindly be directed to comply with the relevant Regulations with respect to Unit-wise cost allocation of the Project.

Petitioner's Response

The contents of Para No. 45 are wrong and denied and have already been replied to by the Petitioner in Para 14 of the present Rejoinder, the contents of which have not been repeated to avoid prolixity.

Comment*:-*

42. The Petitioner has failed to give details of claim for compensation for short delivery lodged with South Eastern Coal Fields Limited. Therefore, the lower NAPAF given in proviso to Regulation 39.3 (A) may not be applied.

Petitioner's Response

The contents of Para No. 46 are wrong and denied. In this regard, the Petitioner craves leave to refer to the submissions in Para 19 of the present Rejoinder which have not been repeated for the sake of brevity.

Comment*:-*

43. The request of the Petitioner to consider Gross Station Heat Rate and Auxiliary consumption provided in Tariff Regulations 2012 instead of applicable Tariff Regulation 2015 may not be considered.

Petitioner's Response

The contents of Para No. 47 are wrong and denied. In this regard, the Petitioner craves leave to refer to the submissions in Para 20 of the present Rejoinder which have not been repeated for the sake of brevity.

Comment*:-*

44. It is humbly prayed that the prudence check, data, certificates and analysis carried out by the Hon'ble MPERC, be shared with this respondent for enabling any further/ future assistance in the tariff determination process.

Petitioner's Response

The contents of Para No. 48 are wrong and denied, and have already been replied to by the Petitioner in Para 23 of the present Rejoinder, the contents of which have not been repeated to avoid prolixity.

Comment*:-*

45. Further, this Respondent humbly prays that the Hon'ble Commission may kindly condone any inadvertent omission, error etc. in this submission

Petitioner's Response

The contents of Para No. 49 merit no response.