

# MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

5<sup>th</sup> Floor, "Metro Plaza", Bittan Market, Bhopal – 462016



**Petition No. 04 of 2026**

**PRESENT:**

**Gopal Srivastava, Acting Chairman**  
**Gajendra Tiwari, Member**

**IN THE MATTER OF:**

**True-up of Generation Tariff for 2x600 MW Coal Based Anuppur Thermal Power Project for FY 2024-25 and true-up of Supplementary tariff for FGD System from 01.06.2024 to 31.03.2025 determined by the Commission vide Multi-Year Tariff Orders dated 28.02.2025 and 27.11.2025, respectively.**

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

**Petitioner**

**Vs.**

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

**Respondents**

**ORDER**  
**(Passed on this day of 29.05.2026)**

1. M/s M.B. Power (Madhya Pradesh) Limited, (hereinafter called “the petitioner”) has filed the subject petition for true-up of Generation Tariff for FY 2024-25 and true-up of Supplementary Tariff for FGD System from 01.06.2024 to 31.03.2025 (from ODe of FGD System of Unit No. 2 to 31.03.2025) in respect of its 2 x 600 MW Coal based Thermal Power Station at district Anuppur, Madhya Pradesh, determined by the Madhya Pradesh Electricity Regulatory Commission (hereinafter called “the Commission” or “MPERC”) vide MYT Orders dated 28.02.2025 in Petition No. 57 of 2024 and 27.11.2025 in Petition No. 23 of 2025.
2. Subject true up petition has been filed under Sections 62 and 86(1) (a) of the Electricity Act, 2003 and based on the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2024 (hereinafter called “the Regulations, 2024”).
3. The petitioner is a generating company under section 2(28) of the Electricity Act, 2003 which has developed and operates 1200 MW (2x600 MW) coal based thermal power station at district Anuppur, Madhya Pradesh. Date of Commercial Operation (CoD) of both units are as below:

**Table No. 1: COD of Unit No. 1 & 2**

Sr. No.	Unit	Installed Capacity in (M W)	Date of Commercial Operation (CoD)
1.	Unit No. 1	600 MW	20.05.2015
2.	Unit No. 2	600 MW	07.04.2016

4. In compliance to MoEF&CC notification dated 07.12.2025 for revised emission standard, the petitioner has also installed and operates FGD Systems for Unit No. 1&2 of the project for meeting the norms of Sulphur dioxide (SO<sub>2</sub>) Emission. Date of Operation (“ODe”) of FGD System of Unit No 1 and 2 are as below:

**Table No. 2: ODe of FGD Systems for Unit No. 1&2 of the project**

Sr. No.	Unit	Date of Operation of FGD System (ODe)
1.	Unit No. 1 (FGD)	21.03.2024
2.	Unit No. 2 (FGD)	31.05.2024

5. M.P. Power Management Company Limited (hereinafter called Respondent No. 1 or MPPMCL) is the holding company of all three Discoms being Respondent No. 2 to 4 within the State of Madhya Pradesh. MPPMCL is entitled to undertake transaction of bulk sale and purchase of electricity on behalf of Distribution Licensees in Madhya Pradesh.
6. M.P. Power Trading Co. Ltd. (now MPPMCL) executed Power Purchase Agreement (PPA) with the petitioner on 05.01.2011 for purchase of power 30% of installed capacity of the project (2x600 MW) at regulated tariff to be determined by the Commission. Further, the petitioner executed another PPA with GoMP on 04.05.2011 for sale of 5% net power at variable charges only, determined by the Commission.
7. Earlier, vide order dated 28.02.2025 in Petition No.57 of 2024, the Commission determined Multi-Year Generation Tariff of the Project for the control period from 01.04.2024 to 31.03.2029. Further, vide order dated 27.11.2025, the Commission determined Multi-Year Supplementary Tariff for FGD Systems of Unit No. 1&2 for the period from 01.06.2024 to 31.03.2029. The aforesaid Generation Tariff of the Project and Supplementary Tariff of FGD System were determined based on the Regulations, 2024 subject to true-up, based on the Annual Audited Accounts for respective financial years. In aforesaid Orders dated 28.02.2025 and 27.11.2025, following Annual Capacity (fixed) Charges for FY 2024-25 were approved by the Commission for the Project as well as for FGD Systems of the project, respectively:

**Table No. 3: Annual Capacity (Fixed) Charges approved in MYT Order for FY 2024-25**

<b>Sr. No</b>	<b>Particulars</b>	<b>Amount (Rs. in Crore)</b>
1	Return on Equity	345.54
2	Depreciation	398.06
3	Interest on loan Capital	268.92
4	Operation & Maintenance Expenses including water charges	317.34
5	Interest on Working Capital	105.17
<b>6</b>	<b>Total Annual Capacity (Fixed) Charges</b>	<b>1435.03</b>
7	Less:- Non Tariff Income	2.50
<b>8</b>	<b>Net Annual Capacity (Fixed) Charges</b>	<b>1432.53</b>
<b>9</b>	<b>Annual Capacity (Fixed) Charges corresponding to 30% of Installed Capacity of the project</b>	<b>429.76</b>
<b>10</b>	<b>Recovery of capacity Charges allowed as per Regulation 45.2</b>	<b>429.76</b>

**Table No. 4: Supplementary Annual Capacity (Fixed) Charges approved for FGD System (from 01.06.2024 to 31.03.2025)**

Sr. No.	Particulars	Amount (Rs. in Crore)
1	Return on Equity	27.32
2	Depreciation	42.38
3	Interest and Loan Capital	58.42
4	Operation & Maintenance Expenses	14.71
5	Interest on Working Capital	3.44
<b>6</b>	<b>Supplementary Annual Capacity (fixed) Charges</b>	<b>146.28</b>
<b>7</b>	<b>Supplementary AFC corresponding to 30% of installed capacity of the Project</b>	<b>43.88</b>
8	No. of Days in Operation	304
<b>9</b>	<b>Supplementary AFC for No. of Days in Operation</b>	<b>36.55</b>

8. In the subject petition, the petitioner has sought true-up of Annual Capacity (fixed) Charges for FY 2024-25 for the project and FGD System, in respect of additional capital expenditure incurred during FY 2024-25 in accordance with Regulation 9.5 of the Regulations, 2024, which provides as under:

*“The generating company shall submit for the purpose of truing up, details of capital expenditure and additional capital expenditure incurred for each year of the period from 01.04.2024 to 31.03.2029, duly audited and certified by the auditors.”*

9. The petitioner has claimed additional capitalization of Rs. 4.11 Crore for the project and Rs. 68.06 Crore for FGD System during FY 2024-25, respectively. On the basis of aforesaid additional capitalization filed in the subject petition, the petitioner has claimed the following Annual Capacity (fixed) Charges for Thermal Power Station and Supplementary Annual Capacity (fixed) Charges for FGD System as under:

**Table No. 5: AFC for project claimed for FY 2024-25**

Sr. No.	Particular	Amount (Rs. Crore)
1	Return on Equity	462.18
2	Depreciation	398.73
3	Interest on loan Capital	236.05
4	O&M Expenses including Water Charges, Security Expenses & Ash Transportation Charges	399.46
5	Interest on Working Capital	107.92

<b>6</b>	<b>Total Annual Capacity (Fixed) Charges</b>	<b>1604.34</b>
7	Less: Non-Tariff Income	1.33
<b>8</b>	<b>Net Annual Capacity (Fixed) Charges</b>	<b>1603.02</b>
<b>9</b>	<b>Annual Capacity (Fixed) Charges corresponding to 30% of Installed Capacity of the project</b>	<b>480.91</b>

**Table No. 6: Supplementary AFC for FGD System claimed during 01.06.2024 to 31.03.2025**

<b>S. No.</b>	<b>Particulars</b>	<b>Amount (Rs Crore)</b>
1	Return on Equity	38.17
2	Interest on Loan	61.36
3	Depreciation	44.18
4	O & M Expenses	15.91
5	Interest on Working Capital	3.73
<b>6</b>	<b>Total Supplementary Annual (Fixed) Charges</b>	<b>163.34</b>
7	No. of Days in Operation	304
8	Supplementary AFC for No. of Days in Operation	136.04
<b>9</b>	<b>Supplementary AFC corresponding to 30% of installed capacity of the project</b>	<b>40.81</b>

10. *With the above submission, the petitioner prayed the following:*

- (a) *True-up the Tariff for the power supplied from the Petitioner's Project to Madhya Pradesh Discoms through MPPMCL during FY 2024-25 under the PPAs along with the applicable interest/ carrying cost;*
- (b) *Allow recovery of Rs 4.73 Crore from the Respondents on account of sharing of saving in interest due to refinancing of loan by the Petitioner along with the applicable interest/ carrying cost;*
- (c) *True-up the Supplementary Tariff for the FGD System for the power supplied from the Petitioner's Project to Madhya Pradesh Discoms through MPPMCL during FY 2024-25 under the PPAs along with the applicable interest/ carrying cost;*
- (d) *Allow grossing-up of the approved RoE for the period from FY 2015-16 to FY 2023-24 on annual basis by the applicable tax-rate and allow the recovery of this differential amount from the Respondents along with the applicable interest/ carrying cost;*

- (e) Allow recovery/re-imburement of application fee, publication expenses and other statutory charges like RLDC/ NLDC charges, Electricity Duty, Cess and etc. on pass through basis from the Respondents along with applicable interest/ carrying cost;
- (f) Allow the recovery/re-imburement of any other charges, taxes, duties, cess, fee, expenses etc. on pass through basis from the Respondents along with applicable interest/ carrying cost;
11. The subject petition has been examined by the Commission in accordance with the principles, methodology and norms specified in the Regulations, 2024, Annual Audited Accounts of petitioner for FY 2024-25, Asset-cum-Depreciation Register of the project for FY 2024-25 and other supplementary submissions filed by the petitioner in response to additional information/ details sought by the Commission alongwith all other documents placed on record by the petitioner. The Commission has also examined the subject true up petition in light of the comments filed by the Respondent No.1 and the response of the petitioner on the same.

### **Procedural History**

12. Subject petition was admitted in the motion hearing held on 21.01.2026. Vide daily order dated 21.01.2026, the petitioner was directed to serve the copies of petition to all respondents within a week. The respondents were directed to file their responses on the petition within two weeks, thereafter. The petitioner was allowed to file rejoinder within a week, thereafter.
13. Vide Commission's letter dated 06.02.2026, the information gaps and requirement of additional details/documents on preliminary scrutiny of the petition were communicated to the petitioner seeking comprehensive reply along with supporting documents by 25.02.2026.
14. By affidavit dated 24.02.2026, the petitioner filed its partial response on the issues/ queries raised by the Commission. Subsequently, by affidavits dated 12.03.2026, 01.04.2026 and 24.04.2026, the petitioner filed its response to the remaining issues/queries pertaining to Grossing-up the base rate of RoE with applicable Tax Rate.
15. Public notice for inviting comments/ objections/ suggestions from stakeholders was published on 06.03.2026 in the following newspapers:

- (i) The Hitavada (English), Bhopal
- (ii) Nav Bharat (Hindi), MP State Edition (Chindwara, Gwalior, Indore, Bhopal, Jabalpur and Satna Edition)
- (iii) Raj Express (Hindi), Indore.

Public notice was also uploaded on Commission's website alongwith petition. Last date for filing comments/ suggestions was 27.03.2026. No comments from any stakeholder were received in this matter in the office of the Commission.

16. By affidavit dated 06.04.2026, the Respondent No. 1 (M.P. Power Management Co. Ltd) filed a common response on the petition on behalf of Respondent No. 1 to 4 in this matter. By affidavit dated 06.04.2026, the Petitioner filed rejoinder to the response filed by the Respondent No. 1. The Petitioner's reply on each issue raised by the Respondent No. 1 alongwith observation are Annexed as **Annexure-1** with this Order.
17. Public hearing in the subject petition was held on 07.04.2026, wherein the representatives of petitioner and Respondent No. 1 were appeared and heard. Considering the request, parties were allowed to file their final written submissions within two weeks and case was reserved for Order, thereafter.
18. Vide letters dated 24.04.2026, Respondent No. 1 and the Petitioner filed their final written submissions, respectively.

**Disclaimer for Rounding:**

19. In this Order, certain numbers as a whole, upto several decimal places have been rounded up or down. Therefore, there may be discrepancies between the totals of the individual numbers shown in the tables up to two decimal places and numbers given in the corresponding analyses in the text of this order.
20. With regard to determination of Supplementary Tariff for FGD System for the control Period from FY 2024-25 to FY 2028-29, it is mentioned that vide order dated 27.11.2025 in P. No. 23 of 2025, the Commission had determined supplementary tariff of FGD System of Unit No. 1 for the period from 01.04.2024 till the Date of Operation (ODe) of FGD system of Unit No. 2, i.e., 31.05.2024. Further, in the same petition the Commission had also determined supplementary tariff of FGD Systems of Unit No. 1 & 2 for the period from 01.06.2024 (i.e, ODe of FGD Systems of Unit No. 2) to 31.03.2029 based on the expenditure as on 31.05.2024 certified by the Statutory Auditor, subject to true-up based on the Annual Audited Accounts for respective financial years.

## Capital Cost

### Petitioner's Submission:

21. Regarding the capital cost of the project, the petitioner submitted that vide true-up order dated 28.03.2025 in Petition No. 64 of 2024, the Commission has approved Closing capital cost for the project of Rs.8184.32 Crore as on 31.03.2024. The same has been considered by the petitioner as opening capital cost as on 01.04.2024 for the project in the subject true-up petition.
22. Further, with regard to capital cost of FGD Systems of Unit No.1&2, the petitioner submitted that vide order dated 27.11.2025 in Petition No. 23 of 2025, the Commission has considered capital cost of Rs. 802.73 Crore as on ODe of Unit No. 2 (i.e. 31.05.2024). The same has been considered by the petitioner as opening capital cost as on 01.06.2024 for FGD Systems of Unit No. 1&2, in the this true-up petition.

### Provisions in Regulations

23. With regard to capital cost of the existing power project, Regulation 18.3 of the Regulations, 2024 provides as under:

*18.3 "The Capital cost of an existing project shall include the following:*

- (i) The capital cost admitted by the Commission prior to 01.04.2024 duly tried up by excluding liability, if any;*
- (ii) Additional capitalization and de-capitalization for the respective year of tariff as determined in accordance with these Regulations;*
- (iii) Capital expenditure on account of renovation and modernization as admitted by the Commission in accordance with these Regulations;*
- (iv) Capital expenditure on account of ash disposal and utilization, including handling and transportation facility;*
- (v) Capital expenditure incurred towards railway infrastructure and its augmentation for transportation of coal up to the receiving end of generating station but does not include the transportation cost and any other cost paid to the railway;*
- (vi) Capital expenditure on account of biomass handling equipment and facilities, for co firing;*
- (vii) Capital cost incurred by a thermal generating station, on account of implementation of the norms under Perform, Achieve and Trade (PAT) scheme of Government of*

*India shall be considered by the Commission subject to sharing of benefits accrued under the PAT scheme with the beneficiaries;*

*(viii) Expenditure required to enable flexible operation of the generating station at lower loads; and*

*(ix) Expenditure on account of Change in Law and Force Majeure events.*

### **Commission's Analysis:**

24. Regarding the Capital Cost of the existing project, Regulation 18.3 (i) of the Regulations, 2024 provides that the capital cost of an existing project shall be the capital cost admitted by the Commission prior to 01.04.2024 duly true-up excluding liability. The Commission vide last true up order dated 28.03.2025 for FY 2023-24 (in Petition No. 64 of 2024) has approved the closing capital cost of Rs. 8184.32 Crore as on 31.03.2024. The same closing capital cost, as on 31.03.2024 as approved by the Commission and filed by the petitioner is considered as opening capital cost as on 01.04.2024 in this Order.
25. Further, with regard to capital cost of the FGD Systems, the Commission vide MYT order dated 27.11.2025 (in Petition No. 23 of 2025) from FY 2024-25 to FY 2028-29 has approved the closing capital cost of Rs. 802.73 Crore as on 31.05.2024 i.e, as on ODe of FGD Systems of Unit No. 2. The same closing capital cost as approved by the Commission and filed by the petitioner is considered as opening capital cost as on 01.06.2024 in this Order as given below:

**Table No. 7: Capital Cost considered by the Commission in this Order (Rs in Crore)**

<b>Unit</b>	<b>Petition No.</b>	<b>Date of the reference true-up/MYT Order</b>	<b>Capital Cost considered by the Commission</b>
Project (Unit No.1&2) as on 01.04.2024	64 of 2024	28.03.2025	8184.32
FGD Systems (Unit No.1&2) as on 01.06.2024	23 of 2025	27.11.2025	802.73

### **Additional Capitalization**

#### **Petitioner's Submission:**

26. The petitioner has claimed additional capitalization of Rs. 4.11 Crore for the plant during FY 2024-25 as given below:

**Table No. 8: Additional Capital Expenditure claimed for the project (Rs in Crore)**

<b>S. No</b>	<b>Items</b>	<b>Amount</b>
1	<i>R &amp; R Expenses including Various Pensions, Grants &amp; Scholarship</i>	2.88
2	<i>Diversion Rent</i>	1.23
<b>Total</b>		<b>4.11</b>

27. With regard to aforesaid additional capitalization, petitioner has broadly submitted the following in the subject petition:

- *Petitioner has incurred Rs. 10.55 Crore towards Additional Capital Expenditure (“ACE”) for the Project (excluding FGD System) during FY 2024-25, against which ACE of Rs. 4.11 Crore is on account of discharging of liabilities/provisions for R&R payments for Project Affected People & Annual diversion payments to GoMP for change of land use (agriculture to industrial). Accordingly, the net ACE for the Project (excluding FGD System) claimed in the present Petition is restricted to Rs 4.11 Crore.*
- *ACE amounting to Rs.4.11 Crore incurred by the Petitioner during FY 2024-25 towards discharge of liabilities/ provisions against Free hold land related R&R expenses incurred by the Petitioner on the Project as claimed in the present Petition is duly allowed under Regulations 24.1(vi) of MPERC Tariff Regulations, 2024, and the same may be allowed by this Commission as has been historically allowed by this Commission.*

28. With regard to FGD Systems, the petitioner has claimed additional capitalization of Rs. 68.06 Crore for FY 2024-25 as given below:

**Table No. 9: Additional Capital Expenditure claimed for FGD System (Rs in Crore)**

<b>S. No.</b>	<b>Particulars</b>	<b>Amount</b>
1.	<i>ACE during 01.06.2024 to 31.03.2025 for the FGD System on account of discharge of liabilities against the Hard Cost</i>	44.40
2.	<i>ACE during FY 2024-25 for the FGD System on account of discharge of liabilities against the Pre-Operative Expenditure/ Incidental Expenditure during Construction (“IEDC”) &amp; Pre-Commissioning Expenses</i>	1.13
3.	<i>Incentives paid to the EPC Contractor for early commissioning of the FGD System by ~ 10 months vis-a-vis its scheduled commissioning under the EPC Contract</i>	22.53
<b>Total</b>		<b>68.06</b>

29. Regarding the aforesaid additional capitalization claimed in FGD Systems, petitioner has broadly submitted the following in the subject petition:
- *The Petitioner has duly secured an overall investment approval of Rs 995 Crore towards completion cost FGD System from its Board of Directors, against which the Petitioner estimated completion cost of FGD System as Rs. 945 Crore.*
  - *The FGD System for the Project achieved its Date of Operation (“ODe”) 31.05.2024. Accordingly, in terms of the Regulation 3.1(15) of MPERC Tariff Regulations, 2024, the Cut-Off date for the purpose of claiming Additional Capital Expenditure (“ACE”) towards the FGD System is 31.05.2027.*
  - *Against the above mentioned estimated completion cost of FGD System of Rs 945 Crore, actual expenditure incurred till the ODe of 31.05.2024 was Rs 803 Crore, thereby leaving a provision of Rs. 142 Crore towards ACE till the Cut-off Date of 31.05.2027.*
  - *The Petitioner has incurred Rs. 68.06 Crore towards Additional Capital Expenditure (“ACE”) towards the FGD System from 01.06.2024 till 31.03.2025 based on the Auditor Certificate dated 28.11.2025 certifying the same.*
  - *The break-up of this ACE towards the FGD System amounting to Rs 68.06 Crore incurred 01.06.2024 till 31.03.2025 is as under:*
    - a) *Discharge of Liabilities against the Hard Cost amounting to Rs 44.40 Crore:- This ACE of Rs 44.40 Crore has been claimed under Regulation 23.1(i) of MPERC Tariff Regulations, 2024.*
    - b) *Discharge of Liabilities against the Pre-Operative Expenditure/ Incidental Expenditure during Construction (“IEDC”) & Pre-Commissioning Expenses amounting to Rs 1.13 Crore. This ACE of Rs 1.13 Crore has been claimed under Regulation 23.1(i) of MPERC Tariff Regulations, 2024.*
    - c) *Incentives paid to the EPC Contractor for early commissioning of the FGD System by ~ 10 months vis-a-vis its scheduled commissioning under the EPC Contract amounting to Rs 22.53 Crore. The detailed justification for payment of these incentives to the EPC Contractor on account of early commissioning of the FGD System vis-a-vis its scheduled commissioning under the EPC Contract has already been provided under the earlier Petition No. 23 of 2025 filed by the Petitioner before this Commission, and the same may kindly be referred to. Accordingly, for the sake of brevity, this detailed justification is not repeated in*

*the present Petition. This ACE of Rs 22.53 Crore has been claimed under Regulation 23.1(i) of MPERC Tariff Regulations, 2024.*

**Provisions under Regulations:**

30. Regarding additional capitalization in respect of existing generating station within the original scope of work and up to cut-off date, Regulation 23 of the Regulations, 2024 provides as under:

**23. Additional Capitalisation within the original scope and up to cut-off date:**

*23.1 The additional capital expenditure in respect of the new project or an existing project 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) Payment made towards admitted liabilities for works executed up to the cut-off 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 22 of these Regulations;*
- (iv) Payment against the award of arbitration or for compliance of the directions or order of any statutory authority or order or decree of a court of law;*
- (v) Change in law or compliance of any existing law which is not provided for in the original scope of work;*

.....  
*23.2 The generating company shall submit 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 along with the application for determination of tariff.*

31. Regarding additional capitalization in respect of existing generating station within the original scope of work and after the cut-off date, Regulation 24 of the Regulations, 2024 provides as under:

**24. Additional Capitalization within the original scope and after the cut-off date:**

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

- (i) *Payment made against award of arbitration or for compliance of the directions or order of any statutory authority, or order or decree of any court of law;*
- (ii) *Change in law or compliance of any existing law which is not provided for in the original scope of work;*
- (iii) *Deferred works relating to ash pond or ash handling system or raising of ash dyke in the original scope of work;*
- (iv) *Payment made towards liability admitted for works within the original scope executed prior to the cut-off date;*
- (v) *Force majeure events; and*
- (vi) *Works within original scope executed after the cut-off date and admitted by the Commission, to the extent of discharge of actual payment made.*

24.2 *In case of replacement of assets deployed under the original scope of the existing project after cut-off date, the additional capitalization may be admitted by the Commission after making necessary adjustments in the gross fixed assets and the cumulative depreciation, subject to prudence check on the following grounds:*

- (a) *Assets whose useful life is not commensurate with the useful life of the project and such assets have been fully depreciated in accordance with the provisions of these Regulations;*
- (b) *The replacement of the asset or equipment if necessary, on account of change in law or Force Majeure conditions;*
- (c) *The replacement of such asset or equipment is necessary on account of obsolescence of technology;*
- (d) *The replacement of such asset or equipment has otherwise been allowed by the Commission; and*
- (e) *The additional expenditure, excluding recurring expenses covered in O&M expenses, involved in relation to renewal of lease of lease land on case-to-case basis:*

*Provided that any claim of additional capitalisation with respect to the replacement of assets under the original scope and on account of obsolescence of technology, less than Rs. 20 lakhs shall not be considered as part of Capital cost and shall be met by Generating company through normative O&M charges expenses.*

32. With regard to additional capitalization in respect of existing generating station, beyond the original scope of work, Regulation 25 of the Regulations, 2024 provides as under:

**25. Additional Capitalization beyond the original scope:**

*25.1 The capital expenditure, in respect of existing generating station incurred on the following counts beyond the original scope, may be admitted by the Commission, subject to prudence check:*

- (a) Payment against award of arbitration or for compliance of the order or directions of the any statutory authority, or order or decree of any court of law;*
- (b) Change in law or compliance of any existing law;*
- (c) Force Majeure Events;*
- (d) Any capital expenditure to be incurred on account of need for higher security and safety of the plant as advised or directed by appropriate Government Instrumentality or statutory authorities responsible for national security/ internal security;*
- (e) Deferred works relating to ash pond or ash handling system or raising of ash dyke in addition to the original scope of work, on case-to-case basis:*

*Provided that if any expenditure has been claimed under Renovation and Modernisation (R&M) or repairs and maintenance under O&M expenses, the same expenditure cannot be claimed under this Regulation;*

- (f) Usage of water from sewage treatment plant in thermal generating station;*
- (g) Works required towards biomass handling system to enable biomass cofiring and towards enabling flexible operation of the generating station as may be required;*

*.....*  
**25.2** *Any claim of additional capitalisation less than Rs. 20 lakhs shall not be considered under Regulation 25.1 of this Regulation and shall be met through normative O&M expenses.*  
*.....*

33. Regarding additional capitalization on account of Revised Emission Standard for FGD System in respect of existing generating station for compliance of the revised emission standards, Regulation 29 of the Regulations, 2024 provides as under:

**29. Additional Capitalization on account of Revised Emission Standards:**

29.1 A generating company requiring to incur additional capital expenditure in the existing generating station for compliance of the revised emission standards shall share its proposal with the beneficiaries and file a petition before Commission for undertaking such additional capitalization.

29.2 The proposal under clause above shall contain details of proposed technology as specified by the Central Electricity Authority, scope of the work, phasing of expenditure, schedule of completion, estimated completion cost including foreign exchange component, if any, detailed computation of indicative impact on tariff to the beneficiaries, and any other information considered to be relevant by the generating company.

29.3 Where the generating company makes an application for approval of additional capital expenditure on account of implementation of revised emission standards, the Commission may grant approval after due consideration of the reasonableness of the cost estimates, financing plan, schedule of completion, interest during construction, use of efficient technology, cost benefit analysis and such other factors as may be considered relevant by the Commission.

29.4 After completion of the implementation of revised emission standards, the generating company shall file a petition for determination of tariff. Any expenditure incurred or projected to be incurred and admitted by the Commission after prudence check based on reasonableness of the cost and impact on operational parameters shall form the basis of determination of tariff.

**29.5 Un-discharged liability, if any, on account of emission control system shall be allowed as additional capitalization during the year it is discharged, subject to prudence check.**

**Commission's Analysis:**

34. The petitioner has claimed Additional Capitalization of Rs. 4.11 Crore for the plant under Regulation 24.1 of the Regulations, 2024, towards discharge of liabilities/ provisions towards R&R payments for project affected people & annual diversion payment to GoMP for using agricultural land for industrial purpose. Further, the petitioner has also claimed Additional Capitalization of Rs. 68.06 Crore towards the FGD Systems of Unit No. 1&2 under Regulation 23.1 (i) of the Regulations, 2024. The aforesaid additional capitalization

comprising of Rs. 44.40 Crore towards discharge of liabilities against hard cost, Rs. 1.13 Crore towards discharge of liabilities against the Pre-Operative Expenditure/ Incidental Expenditure during Construction (“IEDC”) & Pre-Commissioning Expenses and Rs. 22.53 Crore towards Incentive paid to the EPC Contractor for early commissioning of the FGD Systems. The petitioner has further mentioned that aforesaid additional capitalization has already been capitalized in its Annual Audited Accounts and these expenses incurred on cash basis to discharge such liability, duly certified by the Statutory Auditor.

35. Vide Commission’s letter dated 06.02.2026, the petitioner was asked to file a comprehensive reply to following issues related to additional capitalization:

- (i) The petitioner was asked to file the amount towards additional capitalization under investment approval of the Project and total amount paid till 31.03.2025. All supporting documents were also sought in this regard.
- (ii) The petitioner was also asked to file a comprehensive reply to the following issues with relevant supporting documents:
  - (a) Whether, additional capitalization claimed by the petitioner were under original scope of work? If so, the claim of additional capitalization be justified in light of Regulation 24.1 of the Regulations, 2024. All supporting documents were also sought in this regard.
  - (b) If the additional capitalization claimed beyond the Original Scope of Work, the petitioner was asked to clarify whether the addition of assets was as per Regulation 25.1 of the Regulations, 2024.
  - (c) Petitioner was asked to file list of assets capitalized under additional capitalization with detailed reasons in following format:

S. No	Particulars	Asset Addition (Rs Cr)	Detailed reasons for asset addition	Provision of Regulations under which Add. Cap. filed	Reference supporting document and enclosed as Annexure to format
1	2	3	4	5	6

- (d) the petitioner was asked to file a copy of work orders/purchase orders placed to different vendors for additional capitalization claimed in the petition along with a statement indicating date of orders, price at which orders were awarded.
- (e) Detailed break-up of expenditure as per Investment Approval vis-à-vis actual expenditure covered under additional capitalization.

36. By affidavit dated 24.02.2026, the petitioner filed its response on the said issues related to additional capitalization raised by the Commission as given below:

- (i) *Subsequent to approval of the Project Cost by the Board of the Petitioner's Company vide **Board Resolution dated 16.02.2016**, there has been further revision in the Project Cost on account of Additional Capital Expenditure ("ACE") incurred/ being incurred/ to be incurred on the Project towards compliance to various new statutes/ rules/ regulations/ notifications/ directions etc. issued from time to time by statutory authorities of Government of India viz. MoEF&CC's Revised Emission Norms dated 07.12.2015, MoEF&CC's Notification on Ash Utilization dated 31.12.2021, Revised Biomass Policy 2021 issued by Ministry of Power ("MoP"), MoP/CEA new regulations on flexibilization of TPPs 2023 and other statutory directions by authorities like Railways, Pollution Control Boards, Ministry of Coal ("MoC"), Coal India Limited etc.*
- (ii) *In compliance to MoEF&CC Revised Emission Norms dated 07.12.2015, the Board of Petitioner's Company vide **Resolution dated 21.09.2022** has accorded approval for implementation of FGD System. Subsequently, in compliance to the said statutes/ rules/ regulations/ notifications/ directions etc. issued from time to time by statutory authorities of Government of India, the Board of Petitioner's Company has accorded approval of the **revised the Project Cost vide Board Resolution dated 13.12.2023**.*
- (iii) *Accordingly, a reconciliation of the Project Cost approved by the Board of the Petitioner's Company vide its Board Resolution 13.12.2023, vis-a-vis the Capital cost approved by the Commission till 31.03.2024, buffer available as on 01.04.2024 for future works and ACE during FY 2024-25 as claimed under the present Petition is as follows:*

S. No	Particulars	Revised Capital Cost approved by the Board vide Resolution dated 13.12.2023	Capital Cost as on 31.03.2024 admitted by the Commission vide true-up Order dated 28.03.2025 in Petition 64 of 2024	Balance for future ACE	ACE claimed in the present Petition
		A	B	C=A-B	D
1	<b>Land &amp; Site Development</b>	186.58	132.86	53.72	4.11
2	<b>Plant &amp; Machinery</b>				
2.1	BTG & BoP	4720.16	4305.78	414.38	-
2.2	Barrage	156.59	155.18	1.41	-
2.3	Railway Siding	416.81	152.52	264.29	-

S. No	Particulars	Revised Capital Cost approved by the Board vide Resolution dated 13.12.2023	Capital Cost as on 31.03.2024 admitted by the Commission vide true-up Order dated 28.03.2025 in Petition 64 of 2024	Balance for future ACE	ACE claimed in the present Petition
	<b>Total Plant &amp; Machinery (2.1+2.2+2.3)</b>	<b>5293.56</b>	<b>4613.48</b>	<b>680.08</b>	<b>-</b>
<b>3</b>	<b>Building &amp; Civil Works</b>	<b>1045.11</b>	<b>1008.09</b>	<b>37.02</b>	<b>-</b>
<b>4</b>	<b>Customs &amp; Excise duty</b>	<b>193.75</b>	<b>-</b>	<b>193.75</b>	<b>-</b>
<b>5</b>	<b>Soft Cost/ Expenses including Pre-operative/ Pre-commissioning Expenses, IDC, Finance Charges, FERV Losses, Unamortized Finance cost to borrowings etc.</b>	<b>2557.67</b>	<b>2429.89</b>	<b>127.78</b>	<b>-</b>
<b>6</b>	<b>Total (Excluding FGD System) (1+2+3+4+5)</b>	<b>9276.67<sup>#</sup></b>	<b>8184.32</b>	<b>1092.35</b>	<b>4.11</b>
<b>7</b>	<b>FGD System</b>	<b>985.00<sup>##</sup></b>	<b>802.78<sup>*</sup></b>	<b>182.22</b>	<b>68.06<sup>\$</sup></b>
<b>8</b>	<b>Total (Including FGD System) (6+7)</b>	<b>10261.67<sup>###</sup></b>	<b>8987.10</b>	<b>1274.57</b>	<b>72.17</b>

**\*: As on 31.05.2024, duly approved by this Commission vide its Order dated 27.11.2025 passed in the Petition No. 23 of 2025.**

**\$: Claimed for the Period 01.06.2024 to 31.03.2025 in the present Petition.**

**#: Excluding Working Capital Margin of Rs 270 Crore.**

**##: Excluding Working Capital Margin of Rs 10 Crore.**

**###: Excluding Working Capital Margin of Rs 280 Crore.**

- (iv) As evident from above, against the Board approved expenses towards "Land & Site Development" of Rs 186.58 Crore, a total expenditure of Rs. 132.86 Crore was incurred till 31.03.2024, which has already been duly approved by this Commission under Para 44 of its Order dated 28.03.2025 passed in Petition 64 of 2024. Further, against the balance amount allocated against "Land & Site Development", a cash expenditure of Rs. 4.11 Crore has been incurred during FY 2024-25, which has been claimed as ACE in the present Petition. The total amount incurred by the Petitioner till 31.03.2025 towards "Land & Site Development" (which inter-alia includes expenses/discharge of liability/provision for R&R payment for project affected people & annual diversion payments to GoMP for change of land use etc.) is Rs 136.97 Crore.

- (v) As per the Auditor Certificate for Cash Expenditure incurred during FY 2024-25, the total cash expenditure incurred for the FGD System after its Date of Operation (“ODe”) i.e., 31.05.2024 (i.e. from 01.06.2024) till 31.03.2025 amounts to Rs. 68.06 Crore. As may be observed from the Auditor Certificate for Cash Expenditure incurred during FY 2024-25, the total cash expenditure incurred for the FGD System till 31.03.2025 is Rs 870.93 Crore, which is well within the board approved cost of FGD System of Rs 985 Crore (excluding Working Capital Margin of Rs 10 Crore). A reconciliation of capitalization as per Annual Audited Account for FY 2024-25 and cash expenditure during FY 2024-25 towards the FGD System is as under:

(Rs. in Crore)

	As on 01.04.2024	From 01.04.2024 to 31.05.2024	Till 31.05.2024	From 01.06.2024 to 31.03.2025	During FY 2024- 25	Till 31.03.2025
<b>Accrual Basis as per IND AS (Under Annual Audited Accounts for FY 2024-25)</b>	546.53	326.85	873.38	26.81	353.67	900.20
<b>Cash Basis</b>	763.21	39.66	802.87	68.06	107.72	870.93

- (vi) The break-up of ACE aggregating to Rs 72.17 Crore claimed in the present Petition is as under:

- ACE of Rs 4.11 Crore under “Land & Site Development” for the Project for FY 2024-25.
- ACE of Rs 68.06 Crore for FGD System for the Project for the Period from 01.06.2024 till 31.03.2025.

With respect to a) above, i.e. ACE of Rs 4.11 Crore under “Land & Site Development” for the Project for FY 2024-25, the same has been claimed under Regulation 24.1(vi) of MPERC Tariff Regulations, 2024, which provides that ACE incurred by a generating company for certain works (stipulated therein) within the original scope of work and after the cut-off date of the Project may be admitted by this Commission, subject to prudence check.

Further, Additional capitalization of Rs 68.06 Crore for FGD System for the Project for the Period from 01.06.2024 till 31.03.2025 has been claimed under the Regulation 29, 23.1 (i), 23.1 (v) and 25.1 (b) of the Regulations, 2024.

**MPPMCL Submission on Additional Capitalization:**

37. By affidavit dated 06.04.2026, the respondent No. 1 (MPPMCL) in its response has broadly submitted the following on additional capitalization:

*“It is not clear as to what was the terms of the contract between the Petitioner and its EPC contractor and as to why an amount of Rs.22.53 Crore has been paid in terms of incentives to the EPC contractor. No details have been furnished with respect to the same and in any which ways a contract which is being performed by the EPC contractor to claim incentives in terms of earlier commissioning of the FGD system is wholly incorrect and ought to be disallowed by this Commission. It is submitted that no such incentives payment made by the Petitioner for the FGD System ought to be allowed by the Commission.*

*The Petitioner has also claimed an amount of Rs.4.11 Crore in para 14 with respect to R&R expenses. In this regard, it is submitted that the Petitioner had earlier filed petition bearing no.64/2024 in which the Petitioner had sought an amount of Rs.4.12 Crore towards the R&R expenses and therefore, there is no justification to seek this amount again in the instant petition and therefore, the same also be disallowed.*

38. The Commission has examined the additional capitalization for FY 2024-25 claimed in the subject petition in light of the Annual Audited Accounts, Asset-cum-Depreciation Register of the project, estimated project cost of the project approved by its Board of Directors, provisions under the Regulations, 2024 and additional details / documents filed by the petitioner. The Commission has also examined the additional capitalization in light of comments offered by Respondent No. 1.

**Analysis of Additional Capitalization**

**A. Annual Audited Accounts and Asset-cum-Depreciation Register**

39. The petitioner has filed the asset additions of Rs. 4.11 Crore towards project and Rs. 68.06 Crore towards FGD System on cash basis, capitalized in Annual Audited Accounts. Summary of year-wise cash expenditure as per the Auditor’s Certificate as on 31.03.2024 and as on 31.03.2025 including cash expenditure during FY 2024-25 is as follows:

**Table No. 10: Cash expenditure certified by Auditor during FY 2024-25 (Excluding FGD)  
(Rs. in Crore)**

Sr No	Particulars	Cash Expenditure till 31.03.2024 (Net of CWIP)	Cash Expenditure till 31.03.2025 (Net of CWIP)	Cash Expenditure based on Capitalization during FY 2024-25
		A	B	C=B-A
1	Land & site Development	132.86	136.97	4.11
2	Plant & Machinery			
2.1	BTG & BoP	4348.82	4355.20	6.38
2.2	Barrage	155.18	155.18	-
2.3	Railway Siding	152.52	152.52	-
	<b>Sub Total - Plant &amp; Machinery</b>	<b>4656.52</b>	<b>4662.90</b>	<b>6.38</b>
3	Building & Civil Works	1008.32	1008.38	0.06
4	Customs & Excise Duty	28.75	28.75	-
5	Pre-operative expenses (Net-off Interest Income)	437.52	437.52	-
6	IDC/Financing Charges	1891.32	1891.32	-
7	Add: FERV Losses charged to Revenue	197.12	197.12	-
8	Add: Unamortized Cost to Borrowings	34.93	34.93	
<b>9</b>	<b>Grand Total</b>	<b>8387.34</b>	<b>8397.89</b>	<b>*10.55</b>

\* Out of the additional capitalization of Rs. 10.55 Crore, the Petitioner has claimed Rs. 4.11 Crore during FY 2024-25.

**Table No. 11: Cash expenditure certified by the Auditor during FY 2024-25 for FGD System  
(Rs. in Crore)**

S. No.	Particulars	Cash Expenditure till 31.03.2024 (Net of CWIP)	Cash Expenditure till 31.05.2024 (Net of CWIP)	Cash Expenditure till 31.03.2025 (Net of CWIP)	Cash Expenditure during FY 2024-25	Cash Expenditure during 01.06.2024 to 31.03.2025
<b>A</b>	<b>Hard Cost/Base Cost-Plant &amp; Machinery (A1+A2)</b>	<b>692.71</b>	<b>726.32</b>	<b>770.72</b>	<b>78.01</b>	<b>44.40</b>
<b>A1</b>	<b>Plant &amp; Machinery (Excluding Taxes &amp; Duties)</b>	<b>587.04</b>	<b>615.53</b>	<b>653.15</b>	<b>66.11</b>	<b>37.63</b>
A1.1	Design, Engineering & Supply of Equipment	317.28	321.47	334.49	17.21	13.02

A1.2	Erection, Testing & Commissioning	269.77	294.05	318.66	48.89	24.61
<b>A2</b>	<b>Taxes &amp; Duties-Plant &amp; Machinery</b>	<b>105.67</b>	<b>110.79</b>	<b>117.57</b>	<b>11.90</b>	<b>6.77</b>
A2.1	GST @ 18% on Design, Engineering & Supply of	57.11	57.87	60.21	3.10	2.34
A2.2	GST @ 18% on erection, testing & Commissioning	48.56	52.93	57.36	8.80	4.43
<b>B</b>	<b>Soft Cost (B1+B2+B3)</b>	<b>70.50</b>	<b>76.54</b>	<b>77.67</b>	<b>7.17</b>	<b>1.13</b>
<b>B1</b>	<b>Pre-Operative Expenditure (IEDC) &amp; Pre Commissioning Expenses (Net of interest earned on unutilized Debt funds)</b>	<b>29.43</b>	<b>31.88</b>	<b>33.01</b>	<b>3.58</b>	<b>1.13</b>
<b>B2</b>	<b>Interest During Construction (IDC)</b>	<b>36.29</b>	<b>39.89</b>	<b>39.89</b>	<b>3.60</b>	<b>-</b>
<b>B3</b>	<b>Financing Charges (including Processing Fee, LC Charges etc)</b>	<b>4.77</b>	<b>4.77</b>	<b>4.77</b>	<b>-</b>	<b>-</b>
<b>C</b>	<b>Miscellaneous Expenditure towards hard cost &amp; soft cost including estimated early completion incentives of FGD, Spares, Chemical Lab and other expenses etc.</b>	<b>-</b>	<b>-</b>	<b>22.53</b>	<b>22.53</b>	<b>22.53</b>
	<b>Total (A+B+C)</b>	<b>763.21</b>	<b>802.87</b>	<b>870.93</b>	<b>107.72</b>	<b>68.06</b>

**Table No. 12: Cash expenditure certified by the Auditor during FY 2024-25 of the project including FGD System (Rs. in Crore)**

S. No	Particulars	Cash Expenditure till 31.03.2024 (Net of CWIP)	Cash Expenditure till 31.03.2025 (Net of CWIP)	Cash Expenditure during FY 2024-25
		A	B	C=A-B
<b>1</b>	<b>Land &amp; site Development</b>	<b>132.86</b>	<b>136.97</b>	<b>4.11</b>
<b>2</b>	<b>Plant &amp; Machinery</b>			
2.1	BTG & BoP	4348.82	4355.20	6.38
2.2	Barrage	155.18	155.18	-
2.3	Railway Siding	152.52	152.52	-
2.4	FGD System*	763.21	870.93	107.72

	<b>Sub Total- Plant &amp; Machinery</b>	<b>5419.73</b>	<b>5533.83</b>	<b>114.10</b>
3	Building & Civil Works	1008.32	1008.38	0.06
4	Customs & Excise Duty	28.75	28.75	-
5	Pre-operative expenses (Net-off Interest Income)	437.52	437.52	-
6	IDC/Financing Charges	1891.32	1891.32	-
7	Add: FERV Losses charged to Revenue	197.12	197.12	-
8	Add: Unamortized Cost to Borrowings	34.93	34.93	-
	<b>Total (1+2+3+4+5+6+7+8)</b>	<b>9150.55</b>	<b>9268.82</b>	<b>118.27</b>

40. On perusal on the aforesaid details, it is observed that as per CA certificate of project, cash expenditure of Rs 8387.34 Crore was incurred as on 31.03.2024 and Rs 8397.89 Crore as on 31.03.2025, therefore, the petitioner has incurred Rs 10.55 Crore on cash basis during FY 2024-25. Out of cash expenditure of Rs. 10.55 Crore, Rs. 4.11 Crore has been incurred towards the land & site development which has been claimed in the instant petition and balance expenditure of Rs. 6.38 Crore for Plant & Machinery and Rs. 0.06 Crore for Building & Civils Work have not been claimed by the petitioner.
41. Further, with regard to CA certificate for cash expenditure of FGD System, cash expenditure of Rs 802.87 Crore was incurred as on 31.05.2024 and Rs 870.93 Crore incurred as on 31.03.2025. Out of the cash expenditure of Rs. 107.72 Crore incurred during FY 2024-25, Rs. 68.06 Crore has been claimed as additional capitalization in the instant petition towards FGD System after ODe of Unit No. 2 (i.e. 01.06.2024) till 31.03.2025. Balance amount of Rs. 39.66 Crore incurred during 01.04.2024 to 31.05.2024 has already been considered under capital cost of FGD System of Unit No. 2.
42. It is further observed that in the Annual Audited Accounts, the petitioner has recorded assets addition of Rs. 381.66 Crore on accrual basis which is prepared as per Ind AS (Indian Accounting Standards), whereas in the Asset-cum-Depreciation Register the petitioner has recorded assets addition of Rs. 361.66 Crore on accrual basis which is prepared in accordance with the Indian GAAP (Generally Accepted Accounting Principles) standards. The petitioner submitted reconciliation of asset additions claimed in the subject true up petition as per the Annual Audited Accounts and Asset-cum Depreciation Register of FY 2024-25 prepared in accordance with Ind GAAP standards as given below:

**Table No. 13: Reconciliation of Asset Addition for FY 2024-25 with Audited Annual Accounts for IGAAP (Rs in Crore)**

<b>Particulars</b>	<b>As per IND AS Audited Finance Statements</b>	<b>As per Reconciliation of IND AS with IGAAP</b>
<i>Additional Capitalization during FY 2024-25</i>	<i>Tangible Assets: Rs 381.08 Crore Intangible Assets: Rs 0.58 Crore Total: Rs 381.66 Crore</i>	<i>Tangible Assets: Rs 381.08 Crore Intangible Assets: Rs 0.58 Crore Total: Rs 381.66 Crore</i>
<i>Less: Adjustment in IND AS</i>	-	<i>Rs 19.06 Crore on account of Right of Use – Building Rs 1.01 Crore on account of Freehold land</i>
	<b>Rs 381.66 Crore</b>	<b>Rs 361.59 Crore</b>

43. In view of the above, it is observed that the out of the total additional capitalization of Rs. 72.17 Crore claimed in this petition during FY 2024-25, Additional capitalization of Rs 4.11 Crore is towards “Land & Site Development” for the Project and Additional capitalization of Rs 68.06 Crore is towards undischarged liability of FGD System which has already been capitalized in Annual Audited Accounts and recorded in Asset-cum-Depreciation Register of the petitioner’s project. The aforesaid expenditure on cash basis has also been certified by the Auditor.

**B. Capital Cost under Original Scope of Work approved by the Board**

44. Regarding original scope of works of the project, the petitioner submitted that assets under additional capitalization of Rs 4.11 Crore towards Land & Site Development are within the original scope of work of the project and within the project cost approved by the Board of the petitioner’s company. Similarly, for additional capitalization of Rs. 68.06 Crore towards FGD System, petitioner stated that it is within project cost approved by Board of the petitioner’s company. The details of the project cost approved by the Board vide approval dated 16.02.2016, as recorded in last true-up order dated 28.03.2025 for FY 2023-24 are as follows:

**Table No. 14: Capital Cost approved by the Board vide approval dated 16.02.2016 (Rs. in Crore)**

<b>S. No.</b>	<b>Particular</b>	<b>Project Capital Cost approved by the Board vide approval dated 16.02.2016</b>
<b>1</b>	<b>Land &amp; Site Development</b>	<b>144.00</b>

2	BTG & BoP	4299.15
3	Barrage	156.59
4	Railway Siding	266.81
5	<b>Total Plant &amp; Machinery (2+3+4)</b>	<b>4722.56</b>
6	<b>Building &amp; Civil Works</b>	<b>1045.11</b>
7	<b>Customs &amp; Excise duty</b>	<b>570.00</b>
8	Pre-Operative Expenses	-
9	Infirm Power	-
10	IDC and FC	-
11	FERV	-
12	Unamortized Finance Cost	-
13	Carrying Cost	-
14	<b>Other Soft Cost / Expenses (Addition of 8 to 13)</b>	<b>2521.25</b>
15	<b>Total (1+5+6+7+14)</b>	<b>9002.92</b>

45. Details of the revised project cost approved by the Board vide approval dated 13.12.2023, project cost admitted by the Commission till 31.03.2024 and additional capitalization during FY 2024-25 claimed in the petition are as follows:

**Table No. 15: Capital Cost approved by the Board and expenditure claimed till 31.03.2025**  
(Rs. in Crore)

S. No	Particular	Capital Cost approved by the Board vide revised Board Resolution dated 13.12.2023	Capital Cost as on 31.03.2024 admitted by Commission	ACE during FY 2024-25 claimed in the present Petition	Actual capital Expenditure as on 31.03.2025
		A	B	C	E=B+C
1	<b>Land &amp; Site Development</b>	<b>186.58</b>	<b>132.86</b>	<b>4.11</b>	<b>136.97</b>
2	BTG & BoP	4720.16	4305.78	-	4305.78
3	Barrage	156.59	155.18	-	155.18
4	Railway Siding	416.81	152.52	-	152.52
5	<b>Total Plant &amp; Machinery (2+3+4)</b>	<b>5293.56</b>	<b>4613.48</b>	-	<b>4613.48</b>
6	<b>Building &amp; Civil Works</b>	<b>1045.11</b>	<b>1008.09</b>	-	<b>1008.09</b>
7	<b>Customs &amp; Excise duty</b>	<b>193.75</b>		-	
8	Pre-Operative Expenses		343.21		343.21
9	Infirm Power		57.11		57.11
10	IDC and FC		1818.52		1818.52
11	FERV		148.04		148.04
12	Unamortized Finance Cost		34.93		34.93
13	Carrying Cost		28.09		28.09

S. No	Particular	Capital Cost approved by the Board vide revised Board Resolution dated 13.12.2023	Capital Cost as on 31.03.2024 admitted by Commission	ACE during FY 2024-25 claimed in the present Petition	Actual capital Expenditure as on 31.03.2025
14	Other Soft Cost / Expenses (Addition of 8 to 13)	2557.67	2429.89	-	2429.89
15	Total (1+5+6+7+14)	9276.67	8184.32	4.11	8188.43
16	FGD System	985.00	802.78	68.06	870.84
17	Total (Including FGD System)	10261.67	8987.10	72.17	9059.27

46. From the above, it is observed that total estimated project Cost approved by the Board of petitioner's Company vide resolution dated 16.02.2016 was Rs. 9002.92 Crore which has been further revised vide Board resolution dated 13.12.2023 to Rs. 9276.67 Crore. Out of aforesaid, an amount of Rs 186.58 Crore is approved by the Board of petitioner's company towards "Land & Site Development". It is pertinent to mention that vide Board approval dated 16.02.2016, an amount of Rs. 144 Crore had been approved for "Land and Site Development" which has been recognized by the Commission in its earlier tariff/true-up Orders. Further, out of Rs. 144 Crore, cash expenditure of Rs 132.86 Crore had already been incurred by the petitioner till 31.03.2024 towards land and site development and the same had been allowed by the Commission. Accordingly, a balance of Rs. 11.14 Crore (i.e. Rs. 144 Crore- Rs. 132.86 Crore) has been kept for discharge of liabilities towards annual diversion payments to GoMP on the annual basis for the future. Against the balance of Rs. 11.14 Crore as on 31.03.2024, the petitioner has incurred a cash expenditure of Rs. 4.11 Crore towards Annual diversion payments to GoMP for change of land use & R&R expenses during FY 2024-25 and claimed in this petition. The petitioner has also submitted the copies of the Challans for diversion rents payment made to the government in this regard.
47. In view of above, the Commission has observed that the additional capitalization of Rs 4.11 Crore claimed by the petitioner is within the estimated project cost approved by BoD of the petitioner's company vide resolution dated 16.02.2016.
48. Similarly, against the Board approval of Rs. 985 Crore towards FGD System, the petitioner has incurred 802.78 Crore as on 31.03.2024. Accordingly, out of the balance of Rs. 182.22 Crore (i.e. Rs. 985 Crore-Rs. 802.22 Crore), the petitioner has claimed additional capitalization of Rs. 68.06 Crore during FY 2024-25.

49. With regard to cut-off date, it is observed that the Unit No. 1 and 2 of the project achieved COD on 20.05.2015 and 07.04.2016, respectively, therefore the cut-off date of the project was 31.03.2019 in accordance with Regulations, 2015. The additional capitalization filed by the petitioner in the subject petition is beyond the cut-off date of the project, hence, needs to be examined in terms of Regulation 24.1 of the Regulations, 2024. Further, FGD Systems of Unit No. 1 and 2 achieved ODe on 21.03.2024 and 31.05.2024, respectively. The additional capitalization towards FGD Systems filed by the petitioner in the subject petition is examined in terms of relevant Regulation of the Regulations, 2024.

**C. Analysis of additional capitalization in light of the Regulations**

**Additional Capitalization for the Power Station:**

**Land & Site Development**

50. Regarding the additional capitalization towards land and site development works, the petitioner submitted that on account of discharging of liabilities/provisions for R&R payments for Project Affected People and annual diversion payments to GoMP for change of land use (agriculture to industrial) and payment towards various Pensions & Grants etc., these expenses of Rs. 4.11 Crore have been made under the head of “Land & Site Development” of Project, which are released in the form of discharge of liabilities each year.
51. The petitioner further submitted that out of the total expenses towards “Land & Site Development” of Rs. 186.58 Crore approved by the Board of the Petitioner’s company vide Resolution dated 13.12.2023 (approving revised project cost), an expenditure of Rs. 132.86 Crore was incurred till 31.03.2024, which has already been approved by the Commission in order dated 28.03.2024 in Petition No. 64 of 2024 regarding true-up of tariff for FY 2023-24. It is further submitted that the total amount incurred till 31.03.2025 towards “Land & Site Development” is Rs. 136.97 Crore which includes amount of Rs. 4.11 Crore claimed in this true-up petition.
52. The petitioner has claimed aforesaid additional capitalization under Regulation 24.1 (vi) of the Regulations, 2024 which provides additional capitalization within original scope of work and after the cut-off date of the project. Clause (vi) of this Regulation further provides works within original scope executed after the cut-off date and admitted by the Commission, to the extent of discharge of actual payment made.
53. On examination of the aforesaid works under additional capitalization filed by the petitioner, it is observed that these works are related to discharge of liability on freehold

land including R&R expenses incurred for the project during FY 2024-25 after the cut-off date. Such assets have already been capitalized in Annual Audited Accounts and recorded in Asset-cum-Depreciation register of the project. Further, these works are within the original scope of works of the project and estimated project cost approved by the Board of the petitioner's company.

54. The Commission has examined petitioner's claim of additional capitalization towards R&R Expenses and payment of diversion Rent under Regulation 24.1 (iv) which provides that "Payment made towards liability admitted for works within the original scope executed prior to the cut-off date". Since, the expenditure had already been capitalized in Annual Audited Accounts on accrual basis prior to cut-off date and expenditure on cash basis has been incurred during FY 2024-25 to discharge such liability. Accordingly, the additional capitalization of Rs. 4.11 Crores towards land related R&R works for the project is allowed in this Order under Regulation 24.1 (iv) of the Regulations, 2024.
55. It is pertinent to mention that in para 56 & 57 of the Order dated 07.02.2024, regarding true-up of tariff for FY 2022-23, the Commission has observed the following:

*56. It is observed that under the Project Capital Cost approved by the Board of petitioner's Company, an amount of Rs 144 Crore had been approved for "Land & Site Development", against which, total cash expenditure of Rs 124.48 Crore was incurred by the petitioner till 31.03.2022 and the same has been already considered by the Commission. Accordingly, a balance of Rs 19.52 Crore (i.e. Rs 144.00 Crore - Rs 124.48 Crore) has been kept for discharge of liabilities towards annual diversion payments to GoMP on the annual basis for the future.*

*57. Against the balance of Rs 19.52 Crore as on 31.03.2022, it has incurred a cash expenditure of Rs 4.26 Crore towards component Annual diversion payments to GoMP for change of land use & R&R expenses during FY 2022-23 and the same has been capitalized in the Annual Audited Accounts. Further, the cash expenditure of Rs 4.26 Crore towards discharge of liabilities on Freehold land incl. R&R for the Project during FY 2022-23 is reflected in the Auditor's Certificate of Cash expenditure dated 28<sup>th</sup> September, 2023.*

56. Subsequently, vide order dated 28.03.2025 in Petition No. 64 of 2025, the Commission had also approved additional capitalization of Rs. 4.12 Crore towards land and site development works during FY 2023-24. Accordingly, the balance amount of Rs. 11.14

Crore as on 31.03.2024 (i.e. Rs. 144 Crore – Rs. 132.86 Crore) was retained for discharge of liabilities towards annual diversion payments to GoMP on the annual basis for the future.

57. In view of the above, the Commission has approved additional capitalization of Rs. 4.11 Crore during FY 2024-25 towards land and site development works in this Order. Consequently, the balance amount as on 31.03.2025 worked out to Rs. 7.03 Crore (i.e. Rs. 144 Crore- 136.97 Crore), can be utilized for meeting future liabilities.

**Additional Capitalization towards FGD System:**

**a) Discharge of liabilities towards Plant & Machinery:**

58. The petitioner has claimed the additional capitalization of Rs. 44.40 Crore towards discharging of liabilities/provisions towards Hard Cost/ Base Cost of Plant & Machinery (including taxes and duties) for FGD system.
59. The petitioner has claimed aforesaid additional capitalization under Regulation 23.1 (i) & (v), 25.1 (b) and 29 of the Regulations, 2024 as follows:
- (i) Regulation 23.1(i) of MPERC Tariff Regulations, 2024, provides additional capitalization incurred by a generating company on account of payments made towards admitted liabilities for works executed up to the cut-off date.
  - (ii) Regulation 23.1(v) of MPERC Tariff Regulations, 2024, provides additional capitalization incurred by a generating company on account of Change in law or compliance of any existing law, which is not provided for in the original scope of work.
  - (iii) Regulation 25.1(b) of MPERC Tariff Regulations, 2024, provides additional capitalization incurred by a generating company on account of Change in law or compliance of any existing law, which is beyond the original scope of work.
  - (iv) Regulation 29 of MPERC Tariff Regulations, 2024, provides for Additional Capitalization on account of Revised Emission Standards i.e. FGD System.
  - (v) Regulation 29.5 provides that undischarged liability, if any on account of emission control system shall be allowed as additional capitalization during the year it is discharged, subject to prudence check.
60. On examination of the aforesaid works under additional capitalization filed by the petitioner, it is observed that these works are related to discharge of liability towards Hard

Cost incurred for the project towards FGD System during FY 2024-25. Such assets have already been capitalized in Annual Audited Accounts and recorded in Asset-cum-Depreciation register of the project. Further, these works are also within the original scope of works of the project and estimated project cost approved by the Board of the petitioner's company.

61. Hence, the additional capitalization of Rs. 44.40 Crore towards aforesaid Discharge of liabilities towards Hard Cost is allowed under Regulation 29.5 and other relevant provisions of change in law of the Regulations, 2024 in this Order.

**b) Incentives paid to the EPC Contractor for early commissioning:**

62. Regarding the additional capitalization of Rs. 22.53 Crore towards incentives paid to the EPC Contractor for early commissioning of the FGD System by 10 Months vis-à-vis its scheduled commissioning under the EPC Contract, it is submitted that expeditious implementation of FGD System by the Petitioner, ahead of its schedule, has resulted in savings in Interest During Construction ("IDC"), thereby resulting in the reduced overall FGD Capital Cost. Besides, such expeditious implementation of FGD has also significantly mitigated SO<sub>2</sub> emissions, benefiting the public at large.

63. On examination of the aforesaid claim under additional capitalization filed by the petitioner, it is observed that the Commission vide orders dated 31.12.2024 and 27.11.2025 in Petition No. 32 of 2024 and Petition No. 23 of 2025, respectively has already dealt with this issue of incentive towards such early commissioning of FGD System and not allowed such early commissioning incentive to EPC Contractor mentioning that the petitioner has adhered the timeline of FGD installation given by MoEF&CC. Hence, the additional capitalization of Rs. 22.53 Crore towards incentives is not allowed in this Order.

**c) Additional Capitalization towards Pre-operative Expenditure/ IEDC:**

64. Regarding the additional capitalization of Rs. 1.13 Crore towards Pre-operative Expenditure/ Incidental Expenditure during Construction ("IEDC") and Pre-commissioning Expenses for FGD system, the petitioner has claimed that these expenses of Rs. 1.13 Crore have been made to the EPC Contractor under the "FGD system" of Project.

65. With regard to IEDC or Pre-operative Expenses, Regulation 20.2 provides that such expenses is admissible from the zero date to CoD of the project. On examination of the aforesaid works under additional capitalization filed by the petitioner, it is observed that

the Commission vide order dated 31.12.2024 and 27.11.2025 in Petition No. 32 of 2024 and Petition No. 23 of 2025, respectively, has determined final tariff of FGD Systems of Unit No. 1&2. In the said orders, the Commission had already approved pre-operative expenses till ODe of the Unit No. 1&2, respectively. Such expenses are admissible only till commissioning of the FGD Systems. The Commission is of the considered view that since such IEDC has been claimed after ODe of Unit No. 2, therefore, same is not considerable in light of the provisions under the Regulations, 2024. Hence, the additional capitalization of Rs. 1.13 Crore towards IEDC is not allowed in this Order.

66. The break-up of the Opening Gross Fixed Assets, additions during the year and Closing Gross Fixed Asset as considered by the Commission in this Order are as given below:

**Table No. 16: Capital Cost for the project considered in this Order: (Rs. in Crore)**

Particulars	Opening Capital Cost as on 01.04.2024	Add. Cap. approved for FY 2024-25	Closing Capital Cost as on 31.03.2025
Land & Site Development	132.86	4.11	136.97
BTG & BOP (Incl. Taxes & Duties)	4305.78	-	4305.78
Civil Works & Structural Works (Including Taxes)	1008.09	-	1008.09
Barrage (including Land and Taxes)	155.18	-	155.18
Railway Siding	152.52	-	152.52
<b>Hard Cost</b>	<b>5754.43</b>	<b>-</b>	<b>5754.43</b>
Pre-Operative Expenses	343.21	-	343.21
Infirm Power	57.11	-	57.11
IDC and FC	1818.52	-	1818.52
FERV	148.04	-	148.04
Unamortized Finance Cost	34.93	-	34.93
<b>Carrying Cost</b>	<b>28.09</b>	<b>-</b>	<b>28.09</b>
<b>Soft Cost</b>	<b>2429.89</b>	<b>-</b>	<b>2429.89</b>
<b>Total Capital cost including IDC, FC,</b>	<b>8184.32</b>	<b>4.11</b>	<b>8188.43</b>

**Table No. 17: Capital Cost for the FGD System considered in this Order: (Rs. in Crore)**

Particular	Opening Capital Cost as on 01.06.2024	Add Cap. Considered for FY 2024-25	Closing Capital Cost as on 31.03.2025
Plant & Equipment (Hard Cost)	726.34	44.40	770.74
Soft Cost			-

Pre-Operative Expenditure	31.86		31.86
Interest during Construction	38.82		38.82
Finance Charges (including Processing Fee, LC Charges etc.)	4.77		4.77
Carrying Cost	0.95		0.95
<b>Sub-Total - Soft Cost (B)</b>	<b>76.40</b>	<b>-</b>	<b>76.40</b>
<b>Capital Cost of FGD system of Unit No. 2 (A+B)</b>	<b>802.74</b>	<b>44.40</b>	<b>847.13</b>

**Write-off/ Adjustment of Assets:**

67. The petitioner has filed de-capitalization of assets of Rs. 0.53 Crore. With regard to de-capitalisation of assets, Regulation 25.3 of the Regulation, 2024 provides as under:

*25.3 In case of de-capitalisation of assets of a generating company, the original cost of such asset as on the date of de-capitalisation shall be deducted from the value of gross fixed asset and corresponding loan as well as equity shall be deducted from outstanding loan and the equity respectively in the year such de-capitalisation takes place with corresponding adjustments in cumulative depreciation and cumulative repayment of loan, duly taking into consideration the year in which it was capitalised:*

*Provided that in cases where an asset forming part of a scheme is de-capitalised and wherein the historical value of such asset is not available, the value of decapitalisation shall be computed by de-escalating the value of the new asset by 5% per year until the year of capitalisation of the old asset subject to a minimum of 10% of the replacement cost of the asset.*

68. On perusal of the details regarding write-off/ de-capitalization, it was observed that as per Annual Audited Accounts for FY 2024-25, the total de-capitalization of assets is Rs. 1.82 Crore whereas, the petitioner has claimed Rs. 0.53 Crore only. Vide Commission's letter dated 06.02.2026, the petitioner was asked to explain the reason for such difference in amount of de-capitalization as reflected in the Annual Audited Accounts and claimed in the Petition.

69. By affidavit dated 24.02.2026, the petitioner submitted the following:

*A list of assets de-capitalised during FY 2024-25 with the cumulative asset value of Rs 1.82 Crores. The cumulative asset value of the assets capitalised to the cut-off date of the Project i.e. 31.03.2019 is Rs. 0.53 Crore and the balance assets with the cumulative asset value of Rs. 1.29 Crore were capitalised after the cut-off date of 31.03.2019.*

*It is further submitted that no additional capitalization/ tariff has been claimed by the Petitioner in respect of the aforesaid assets (having a cumulative asset value of Rs. 1.29 Crore) which were capitalised after the cut-off date of the Project i.e. 31.03.2019 and hence, any decapitalisation of these assets shall have no bearing whatsoever on the claimed Tariff.*

70. On perusal of the details filed by the petitioner, the Commission has observed that, out of the total de-capitalization assets of Rs. 1.82 Crore, de-capitalized assets of Rs. 0.53 Crore pertain to those assets capitalised up to the cut-off date of the Project i.e., 31.03.2019 and considered by the Commission under capital cost of the project. The balance amount of de-capitalized assets of Rs. 1.29 Crore was neither filed by the petitioner nor considered by the Commission under capital cost. Therefore, the Commission has considered de-capitalization of Rs. 0.53 Crore only during FY 2024-25 in accordance to Regulation 25.3 of the Regulations, 2024 in this Order.
71. Accordingly, the details of additional capitalization and de-capitalization considered during FY 2024-25 in this Order are as given below:

**Table No. 18: Addition and Deletion of Assets considered in the Order (Rs. in Crore)**

S. No.	Particular	Additions	Deletions
1.	Addition/Deletions of Assets admitted in Order for the project	4.11	0.53
2.	Addition/Deletions of Assets admitted in Order for FGD System	44.40	-
	<b>Total</b>	<b>48.51</b>	<b>0.53</b>

## **DEBT –EQUITY RATIO**

### **Petitioner’s Submission:**

72. Regarding the sources of funding for additional capitalization claimed in the subject petition, the petitioner submitted that the additional capital expenditure incurred during FY 2024-25 is **funded entirely through internal resources**. The petitioner further submitted that, in the subject petition, the funding of Additional Capital Expenditure of Rs. 4.11 Crore for plant and Rs. 68.06 Crore for FGD System is considered as per normative debt-equity ratio of 70:30 in accordance with Regulation 31 of the Regulations, 2024.

**Provisions in Regulations:**

73. With regard to debt: equity ratio, Regulation 31 of the Regulations, 2024 provides as under:

*31.1 For new projects, the debt-equity ratio of 70:30 as on date of commercial operation shall be considered. If the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan:*

*Provided that:*

- (a) where equity actually deployed is less than 30% of the capital cost, actual equity shall be considered for determination of tariff;*
- (b) the equity invested in foreign currency shall be designated in Indian rupees on the date of each investment; and*
- (c) any grant obtained for the execution of the project shall not be considered as a part of capital structure for the purpose of debt: equity ratio:*

.....

*31.2 The generating company shall submit the resolution of the Board of the company or the approval of the competent authority in other cases regarding the infusion of fund from internal resources in support of the utilization made or proposed to be made to meet the capital expenditure of the generating station.*

*31.3 In case of the generating station declared under commercial operation prior to 01.04.2024, debt- equity ratio allowed by the Commission for determination of tariff for the period ending 31.03.2024 shall be considered:*

.....

*31.5 Any expenditure incurred or projected to be incurred on or after 01.04.2024 as may be admitted by the Commission as additional capital expenditure for determination of tariff, and Renovation and Modernisation expenditure for life extension shall be serviced in the manner specified in Regulation 31.1 of this Regulation.*

*31.6 Any expenditure incurred for the emission control system during the tariff period as may be admitted by the Commission as additional capital expenditure for determination of supplementary tariff, shall be serviced in the manner specified in Regulation 31.1 of this Regulation.*

**Commission's Analysis:**

74. With regard to funding, Regulation 31.3 of the Regulations, 2024 provides that “in case of the generating station declared under commercial operation prior to 01.04.2024, debt: equity ratio allowed by the Commission for determination of tariff for the period ending 31.03.2024 shall be considered”. The Commission vide last true up order dated 28.03.2025 has approved closing figures of capital cost, loan and equity as on 31.03.2024 for the project. The same are considered as opening balance as on 01.04.2024 in this Order.
75. Further, with regard to debt and equity pertaining to FGD System, the petitioner submitted that vide order dated 27.11.2025 (in Petition No. 23 of 2024), the Commission approved closing figure of GFA, Equity and Loan as on 31.05.2024 (i.e., ODe of Unit No. 2). Accordingly, the same have been considered as the opening loan and equity balances as on 01.06.2024.
76. With regard to funding of additional capitalization claimed in the subject petition, the petitioner submitted that the additional capital expenditure incurred during FY 2024-25 are funded entirely through internal resources. In this regard Regulation 31.1 of the Regulations, 2024 provides that “if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan.” In light of the aforesaid Regulation, the Commission has considered the excess equity, i.e. above 30% of assets under additional capitalization as normative loan in this Order.
77. In view of the above, detail of additional capitalization and its corresponding funding considered by the Commission for FY 2024-25 in this Order are as given below:

**Table No. 19: Additional Capitalization and corresponding Funding admitted in this Order:****(Rs. in Crore)**

Sr. No.	Particulars	As on 01.04.2024 for the Project				As on 01.06.2024 for FGD System		
		Asset	Loan	Equity		Asset	Loan	Equity
				within original scope of work	beyond original scope of work			
1	Opening balance	8184.32	2659.11	2228.59	2.47	802.73	574.07	224.88
2	Less: Write-off during FY 2024-25	0.53	0.37	0.16	-	-	-	-
3	Add: Additions during FY 2024-25	4.11	2.88	1.23	-	44.40	31.08	13.32
4	Closing balance as on 31.03.2025	8187.90	2661.62	2229.66	2.47	847.13	605.15	238.20

**Annual Capacity (fixed) Charges:**

78. Regulation 15 of the Regulations, 2024 provides that Annual Capacity (fixed) Charges derived on the basis of annual fixed cost (AFC) of a generating station shall consist of the following components:

- (a) Return on equity;
- (b) Depreciation;
- (c) Interest on loan capital;
- (d) Operation and maintenance expenses; and
- (e) Interest on working capital:

**(a) Return on Equity:****Petitioner's Submission:**

79. The petitioner filed the Return on Equity for the project during FY 2024-25 as given below:

**Table No. 20: Return on Equity claimed for the project (Rs. in Crore)**

<b>Particulars</b>	<b>FY 2024-25</b>
<i>Opening Equity (Normative) as on 01.04.2024</i>	2228.59
<i>Add: Increase in Equity due to addition during FY 2024-25</i>	-
<i>Less: Decrease due to decapitalization during the year</i>	-
<i>Less: Decrease due to reversal during the year</i>	-
<i>Add: Increase due to discharge during the year</i>	1.23
<b>Closing Equity (Normal) as on 31.03.2025</b>	<b>2229.82</b>
<b>Average Equity during FY 2024-25</b>	<b>2229.21</b>
<i>Base Rate of RoE (%)</i>	15.50%
<i>Applicable Tax Rate for FY 2024-25 (%)</i>	25.168%
<i>Rate of RoE after grossing up by the applicable Tax Rate (%) (i.e. 15.50% / (1-25.168%))</i>	20.713%
<b>RoE during FY 2024-25</b>	<b>461.78</b>

**Table No. 21: Return on Equity Beyond the original scope of work claimed for the project (Rs. in Crore)**

<b>Particulars</b>	<b>FY 2024-25</b>
<i>Opening Equity (Normative) as on 01.04.2024</i>	2.47
<i>Add: Increase in Equity due to addition during FY 2024-25</i>	-
<i>Less: Decrease due to decapitalization during the year</i>	-

<i>Less: Decrease due to reversal during the year</i>	-
<i>Add: Increase due to discharge during the year</i>	-
<b>Closing Equity (Normal) as on 31.03.2025</b>	<b>2.47</b>
<b>Average Equity during FY 2024-25</b>	<b>2.47</b>
<i>Base Rate of RoE (%)</i>	12.15%
<i>Applicable Tax Rate for FY 2024-25 (%)</i>	25.168%
<i>Rate of RoE after grossing up by the applicable Tax Rate (%) (i.e. 12.15% / (1-25.168%))</i>	16.236%
<b>RoE during FY 2024-25</b>	<b>0.40</b>

80. The petitioner claimed the Return on Equity for FGD System for FY 2024-25 as given below:

**Table No. 22: Return on Equity claimed for FGD System**

<b>Particulars</b>	<b>Amount (Rs in Crore)</b>
<i>Opening Equity (Normal)</i>	224.88
<i>Add: Increase in Equity due to addition/ discharges during the year</i>	20.42
<i>Less: decrease due to decapitalization during the year</i>	-
<i>Less: decrease due to reversal during the year</i>	-
<b>Closing Equity as on 31.03.2025</b>	<b>245.30</b>
<b>Average Equity</b>	<b>235.09</b>
<i>Base Rate of RoE (%)</i>	12.15%
<i>Applicable Tax Rate for FY 2024-25 (%)</i>	25.168%
<i>Rate of RoE after grossing up by the applicable Tax rate (%) (i.e. 12.15%/ (1-25.168%))</i>	16.236%
<b>Return on Equity for the period 01.06.2024 to 31.03.2025</b>	<b>38.17</b>
<b>Return on Equity for the period 01.04.2024 to 31.05.2024 as determined by this Commission in its Order dated 27.11.2025 passed in Petition No. 23 of 2025</b>	<b>13.94</b>

81. While claiming the Return on Equity for FY 2024-25, the petitioner considered the base rate of return on equity, which is grossed up with the applicable tax rate under section 115BAA of Income Tax Act of 25.168%.
82. The Petitioner has also claimed grossing up of base rate of RoE with applicable Tax rate for previous years under the "Change in Law" provision of the PPA. In this regards, the

Petitioner has submitted that the principles laid down in Tata Power Judgment as well as the JVPL Judgments dated 22.03.2024 and 28.07.2025 for Bina Thermal power Station, the regulated business under the Regulated MP PPA must be treated as a separate and watertight compartment for the purpose of computation of tax liability. Further, the Petitioner has submitted the year-wise computation of grossed-up RoE for previous FY 2015-16 to FY 2023-24 alongwith incremental RoE for the project.

83. The petitioner has also claimed carrying cost on incremental RoE, calculated as per late payment surcharge @1.25% per month, compounded monthly basis in accordance with the Regulated MP PPA.

**Provision in Regulations:**

84. Regarding the Return on Equity, Regulations 32 of the Regulations, 2024, provides as under:

**32. Return on Equity:**

*32.1 Return on equity shall be computed in rupee terms on the equity base determined in accordance with Regulation 31 of these Regulations.*

*32.2 Return on equity shall be computed at the base rate of 15.50% for thermal generating stations and run-of-river hydro generating stations and at the base rate of 16.50% for storage type hydro generating stations, pumped storage hydro generating stations and run-of river generating stations with pondage.*

*Provided that return on equity in respect of additional capitalization beyond the original scope, including additional capitalization on account of the emission control system, Change in Law, and Force Majeure shall be computed at the base rate of one-year marginal cost of lending rate (MCLR) of the State Bank of India plus 350 basis points as on 1st April of the year, subject to a ceiling of 14%;*

*Provided further that:*

- (i) In case of a new project, the rate of return shall be reduced by 1.00% 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 two modes, namely Restricted Governor Mode Operation (RGMO) or Free Governor Mode Operation (FGMO), data telemetry, communication system up to load dispatch centre or protection system based on the report submitted by the respective RLDC/SLDC;*

- (ii) *In case of existing generating station, if any of the requirements mentioned in Regulation (i) above are found lacking based on the report submitted by the respective RLDC/SLDC, the return on equity shall be reduced by 1.00% for the period for which the deficiency continues;*
- (iii) *In case of a thermal generating station:*
  - (a) *rate of return on equity shall be reduced by 0.25% in case of failure to achieve the ramp rate as specified in M.P. Electricity Grid Code, 2024 as amended from time to time.*
  - (b) *an additional rate of return on equity of 0.125% shall be allowed for every incremental ramp rate of 0.50% per minute achieved over and above the ramp rate specified by Central Electricity Authority, subject to ceiling of additional rate of return on equity of 1.00%.*

85. With regard to Tax on Return on Equity, Regulation 33 of the Regulations, 2024 provides as under:-

**33. Tax on Return on Equity:**

33.1 *The base rate of return on equity as allowed by the Commission under Regulation 32 of these Regulations shall be grossed up with the effective tax rate of the respective financial year. For this purpose, at the time of determination of tariff for future years, the effective tax rate shall be considered based on actual tax paid as per latest Annual Audited accounts, subject to prudence check by the Commission:*

*Provided that in case a generating company is paying Minimum Alternate Tax (MAT) under Section 115JB of the Income Tax Act, 1961, the effective tax rate shall be the MAT rate, including surcharge and cess:*

*Provided further that in case a generating company has opted for Section 115BAA, the effective tax rate shall be tax rate including surcharge and cess as specified under Section 115BAA of the Income Tax Act, 1961.*

33.2 *The 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 effective tax rate in accordance with Regulation 33.1 of these Regulations.*

33.3 *The true up of the effective tax rate for every financial year shall be based on 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 2024-29 on actual gross income of any financial year. Further, any penalty arising on account of delay in deposit or short deposit of tax amount shall not be considered while computing the actual tax paid for the generating company:*

*Provided that tax on Income actually paid shall be limited to Tax on Return on the Equity component;*

*Provided further that in case a generating company is paying Minimum Alternate Tax (MAT) under Section 115JB, the tax rate shall be trued up by grossing rate of return on equity at the end of every financial year with the applicable MAT rate including surcharge and cess;*

*Provided also that in case a generating company is paying tax under Section 115BAA, the generating company shall true up the grossed up rate of return on equity at the end of every financial year with the tax rate including surcharge and cess as specified under Section 115BAA;*

*Provided also that any under-recovery or over recovery of grossed up rate on return on equity after truing up, shall be recovered or refunded to beneficiaries on a year to year basis;*

*Provided also that in case of the generating company has engaged in any other regulated or unregulated Business or Other Business, the actual tax paid on income from any other regulated or unregulated Business or Other Business shall be excluded for the calculation of effective tax rate;*

*Provided also that if no Income Tax has been paid by the corporate legal entity owning the generating station(s), then the effective Income Tax rate shall be considered as "Nil".*

86. As the matter also involve for Grossing up of Return on Equity for previous years i.e., FY 2015-16 to FY 2023-24, the relevant Regulations of 2012, 2015 and 2020 may also be referred, which provide as under:

**(i). Regulations 22 of the 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 1<sup>st</sup> 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.*

**(ii) Regulations 31 of the Regulations, 2015, provides as under:-**

31.1 the base rate of return on equity as allowed by the Commission under regulation 30 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 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 effective tax rate in accordance with Clause 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.

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.

**(iii) Regulations 35 of the Regulations, 2020, provides as under:-**

35.1 The base rate of return on equity as allowed by the Commission under Regulation 34 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 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 liability (i.e., income from non-generation business) shall be excluded for the calculation of “effective tax rate”.

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

$$\text{Rate of pre-tax return on equity} = \text{Base rate} / (1-t)$$

Where “t” is the effective tax rate in accordance with these 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.

35.3 The generating company shall true-up the grossed up rate of return on equity at the end of every financial year based on 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 2019-20 to 2023-24 on actual gross income of any financial 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:**

87. While determining return on equity, Regulation 31.3 of the Regulations, 2024 provides that, in case of the generating station declared under commercial operation prior to 01.04.2024, debt- equity ratio allowed by the Commission for determination of tariff for the period ending 31.03.2024 shall be considered.
88. Accordingly, the Commission has considered closing equity of Rs. 2228.59 Crore pertains to assets within original scope of work as on 31.03.2024, as admitted by the Commission in last true-up order dated 28.03.2025 in petition No. 64 of 2024 and equity of Rs. 2.47 Crore pertains to assets beyond original scope of work, are separately considered as the opening equity for the project as on 01.04.2024 in this Order. The Commission has also considered equity addition of Rs. 1.23 Crore during FY 2024-25 towards assets under additional capitalization within original scope of work admitted in this Order.
89. Further, the Commission has considered reduction of equity of Rs. 0.16 Crore in respect of the assets de-capitalized during the year towards assets within original scope of work. Therefore, closing equity as on 31.03.2025 for the project has been worked out accordingly.
90. With regard to FGD System, the petitioner has claimed opening equity of Rs. 224.88 Crore as on 01.06.2024 approved by the Commission vide order dated 27.11.2025. Further, the Commission has considered equity addition of Rs. 13.32 Crore during FY 2024-25 towards additional capitalization considered for FGD systems of Unit No. 1&2 in this Order. Therefore, closing equity as on 31.03.2025 for the FGD has been worked out accordingly.
91. The Commission has determined the RoE on equity component of assets within the original scope, at the base rate of return @15.50%, however, while calculating RoE on equity component of assets admitted after the cut-off date and beyond the original scope

of work, including additional capitalization on account of the emission control system, the Commission has worked out base rate of Return on Equity by considering one-year SBI, MCLR for FY 2024-25 @ 12.15% (@ 8.65% + 3.50%) in accordance to Regulation 32.2 of the Regulations, 2024.

92. With regard to grossing-up of base rate of return with Applicable Tax claimed by the petitioner, Regulation 33.3 of the Regulations, 2024 provides that the true up of the effective tax rate for every financial year shall be based on actual tax paid.
93. On scrutiny of the subject petition, the Commission observed that the petitioner has claimed Return on Equity by grossing up base rate of return with the rate of income tax applicable under section 115BAA for FY 2024-25. On perusal of the Annual Audited Accounts for MB Power (M.P.) Ltd. for FY 2024-25, it is observed that the current tax payment indicated as Nil. In view of above, vide letter dated 06.02.2026, the petitioner was asked to clarify/submit the following with supporting documents:
- a. Basis of grossing up RoE with MAT claimed in the petition in light of the Annual Audited Accounts of MB power station, whereas, it has not paid any Income tax for MB Power TPP for FY 2024-25.
  - b. Whether MB Power has paid income tax/MAT for the FY 2024-25? If so, petitioner is required to file copy of Challan for income tax paid, if any, during FY 2024-25 along with the copy of the income tax return duly reflecting the same in income tax return.
  - c. Claim towards grossing up the base rate of RoE with MAT be justified in light of the provisions under the Regulation 33.1 and 33.3 of the Regulations, 2024.
  - d. Who is the corporate legal entity in case of subject matter? Supporting documents be also filed in this regard.
94. By affidavit dated 12.03.2026 and 24.04.2026 the petitioner has broadly submitted the following:-
- (i) *The Petitioner did not claim grossing-up of RoE for the earlier financial years i.e., FY 2015-16 till FY 2023-24 in the MYT Petitions and subsequent annual tariff/ true-up Petitions for the respective financial years, as the legal position regarding entitlement to grossing-up of RoE in cases where no income tax was paid at the corporate level got conclusively settled only upon the pronouncement of the Hon'ble Appellate Tribunal for Electricity ("APTEL") Judgment dated 22.03.2024 in the Appeal Nos. 283 of 2017, 131*

of 2018 and 231 of 2018 titled *Jaiprakash Power Ventures Limited Vs. Madhya Pradesh Electricity Regulatory Commission & Ors.* This was later reaffirmed vide Judgment dated 28.07.2025 passed by Hon'ble APTEL in Appeal No. 113 of 2022 titled *Jaiprakash Power Ventures Limited Vs. Madhya Pradesh Electricity Regulatory Commission & Ors.*

- (ii) It is pertinent to note here that JPVL for its coal based Thermal Power Plant at Bina, achieved CoD on 31.08.2012 (Unit-I) and 07.04.2013 (Unit-II), [which was prior to the CoD of the Petitioner's Project] sought grossing up of RoE in its annual tariff true-up Petitions filed for FY 2014-15 to FY 2016-17. However, the same was disallowed by this Commission vide orders dated 03.06.2016, 21.06.2017 and 24.05.2018 passed in Petition No. 70 of 2015, 62 of 2016 and 57 of 2017, respectively. This was then subsequently challenged by JPVL before the Hon'ble APTEL in Appeal Nos. 283 of 2017, 131 of 2018 and 231 of 2018. The Hon'ble APTEL vide its common Judgment dated 22.03.2024 passed in the said Appeals held that irrespective of actual tax being paid by the generating company, if the regulated business of that generating company, is making profits on a standalone basis, then in such scenario the generating company is allowed to recover RoE grossed up with applicable tax rate.
- (iii) Accordingly, and as a direct consequence of the consistent rejection of similar claims in JPVL's case by this Commission prior to FY 2024, the Petitioner, whose similarly placed Project achieved CoD of its Unit-I in FY 2015-16, did not claim any grossing-up of RoE due to rejection of JPVL's claim of grossing up of RoE by this Commission. In view of the above, the delay in seeking the claim of grossing up of RoE for the past period is not attributable to Petitioner.
- (iv) It is submitted that the claim for grossed-up RoE must be understood in the context of its cumulative effect within the tariff framework. In simple terms, a cumulative effect would mean that once RoE is revised on account of grossing-up by the applicable tax rate, such a revision has to be essentially done for the past as well as future period. In the present case, the issue of grossing-up of RoE arises pursuant to the JPVL Judgments delivered in the years 2024 and 2025, which clarified the legal position regarding grossing-up of RoE with applicable tax rate, the said interpretation of law in effect entitled the Petitioner to seek grossing-up of RoE even for the previous period starting from the CoD of Unit-I of its Project i.e. FY 2015-16 onwards.
- (v) The Petitioner is seeking grossing-up of RoE with the applicable tax rate for the current period, as well as the past period in the present Petition along with the carrying cost thereof, based on the principle of restitution and principle of time value of money as

already upheld by the Hon'ble Supreme Court, as ultimately determination of RoE forms the part of tariff determination exercise. Hence, the claim for grossed-up RoE along with the carrying cost thereof can be considered in the present true-up proceedings. Accordingly, non-recognition of grossed-up RoE from CoD of Unit-I of the Petitioner's Project i.e. FY 2015-16 onwards would result in a perpetual and compounding revenue deficit, contrary to the settled regulatory principles of cost recovery and financial viability.

(vi) In the view of the present facts and circumstances, the present true-up Petition constitutes the first effective and legally sustainable opportunity available to the Petitioner for seeking grossing-up of RoE for the past financial years. As the JPVL Judgments were rendered much after the earlier tariff true-up orders were issued by this Commission, therefore, the benefit of the settled legal position could not have been availed in those earlier proceedings.

(vii) Interpretation of MPERC Tariff Regulations by this Commission in JPVL Judgements constitute a "Change in Law" event:

In this regard, reference be made to Article 12 of the Power Purchase Agreement dated 05.01.2011 executed between the Petitioner and MPPMCL ("Regulated MP PPA"), which provides for the events which qualifies as a Change in Law. Article 12 includes any change in the interpretation of any law by any Competent Court of Law as a Change in Law. In this context, it is pertinent to note that the law with respect to grossing-up of RoE with applicable tax rate even when no tax has been paid by the generating company got settled vide the said Hon'ble APTEL's Judgment dated 22.03.2024, which got affirmed subsequently vide said Hon'ble APTEL's Judgment dated 28.07.2025. In this regard, reliance be placed upon Article 12 of the Regulated MP PPA which provides what constitutes as Change in Law event, which reads as under:

"In this Article 12, the following terms shall have the following meanings: 12.1.1. Change in Law" means:

The occurrence of any of the following events after the date, which is seven (7) days prior to the execution of this PPA, resulting into any additional recurring non-recurring expenditure by the Company or any income to the Company:

(i) the enactment, coming into effect, adoption, promulgation, amendment, modification or repeal (without re-enactment or consolidation) in India, of any Law, including rules and regulations framed pursuant to such Law; or

- (ii) a change in the interpretation of any Law by any Indian Governmental Instrumentality having the legal power to interpret or apply such Law, or any Competent Court of Law;
- (viii) It is submitted that while passing the JPVL Judgements, the Hon'ble APTEL did not confine itself to the adjudication of the issue at hand on factual basis but rendered a legal interpretation of the MPERC Tariff Regulations 2012 and MPERC Tariff Regulations 2015. To the extent JPVL Judgements hold that even where no tax is paid by the generating company at the corporate level, but the generating station and/or regulated business is making profits on stand-alone basis, the RoE for the said regulated business is required to be grossed-up with the applicable tax rate. Accordingly, the JPVL Judgments interprets the applicable law and is categorically a Judgement in rem. Therefore, the JPVL Judgements lays down a legal principle, a declaration of a legal position having applicability on all the similarly placed generators and cannot in this regard be treated to be confined with respect to parties to the lis. Therefore, once the Hon'ble APTEL has authoritatively interpreted the regulatory framework and clarified the entitlement to grossing up of RoE with the applicable tax rate, such interpretation attains binding character and operates for the similarly placed generating companies including the Petitioner. Therefore, the JPVL Judgments to the extent it interprets the applicable law qualifies as an interpretation of law by the competent court of law and is accordingly a Change in Law event in terms of the provisions of the PPA.
- (ix) In addition to the above, Article 12.2 of the Regulated MP PPA embodies the restitutionary principle that the affected party must be restored to the same economic position as it would have occupied had the Change in Law event had not occurred. In computing the financial impact of the Change in Law, the compensation mechanism must therefore ensure complete restitution. It is a settled principle of law that where a party has suffered an economic disadvantage on account of a Change in Law event, restoration to its original economic position necessarily includes compensation towards carrying cost, and such carrying cost is permissibly awarded on a monthly compounding basis. Therefore, the Petitioner is entitled to get interest on monthly compounding basis for the purpose of restitution to its original position.
- (x) Moreover, as per Article 10.4.3 of the Regulated MP PPA, if the procurer delays payment of any amount due under the PPA beyond the Due Date, a Late Payment Surcharge ("LPS") becomes payable at the rate of 1.25% per Month on the amount of outstanding

payment, calculated on a day to day basis for each day of the delay, compounded on monthly rests. Accordingly, the Regulated MP PPA also contains the provision for providing the interest on monthly compounding basis. In accordance with Article 10.4.3 of the PPA, which allows LPS to be computed @ 1.25% per Month on a monthly compounding basis, the Petitioner is entitled to claim the carrying cost/ interest @ 1.25% per month on a monthly compounding basis on the incremental annual RoE from FY 2015-16 onwards which is arrived after grossing-up of the base rate of RoE with the applicable tax rate.

- (xi) The Petitioner has been supplying power under various PPAs entered with multiple Discoms of different States as well as under Market Sales. As explained in detail in the present Petition that the supply of power under the other non-regulated PPAs (PPAs that do not fall under the jurisdiction of this Commission) and the Market Sales have resulted in losses, in contrast to the supply of power under the Regulated MP PPA (i.e. Long Term PPA dated 05.01.2011 with MPPMCL for supply of an aggregate of 30% of the installed capacity of the Project) that has generated profits for FY 2024-25. However, owing to the aggregation of income and losses across these independent PPAs and Market Sales at the corporate level for the purposes of assessment under the Income Tax Act, 1961, the Petitioner's overall taxable income under the Regulated MP PPA for the FY 2024-25 is nil, resulting in no actual tax outflow despite the existence of taxable income attributable under the Regulated MP PPA.
- (xii) It is submitted that the regulated income stream of the Regulated MP PPA must be placed in a watertight compartment and insulated from the losses under the other PPAs, Market sales and unregulated businesses of the Petitioner, for the purpose of computation of tax liability. The above stated principle was laid in by the Full Bench of the Hon'ble APTEL in its Judgement dated 28.11.2013 passed in the Appeal Nos. 104, 105,106 of 2012 titled *The Tata Power Company Limited (Generation) vs. Maharashtra Electricity Regulatory State Commission* ("Tata Power Judgement"). The Hon'ble APTEL in the aforesaid judgement authoritatively held that for the purpose of determining the income tax component in tariff, each regulated business must be assessed on a "stand-alone" basis, and that the tax benefits, losses or incentives of other businesses (regulated or unregulated) cannot be imported into, or allowed to distort, the tax computation for the regulated activity in question.
- (xiii) Regulations 32 and 33 of the MPERC Tariff Regulations, 2024 provide that the base rate of RoE shall be grossed up with the applicable tax rate of the respective financial year. Further, the provision under Regulation 33 of the MPERC Tariff Regulations, 2024

*stating that if no income tax has been paid by the corporate legal entity owning the generating station [i.e. MB Power (Madhya Pradesh) Limited in the present case], the effective tax rate shall be considered as “Nil” cannot be read in isolation or in a literal manner so as to defeat the fundamental regulatory principle governing tariff determination. The said provision must necessarily be interpreted in the light of the doctrine of “water-tight compartments” as laid down by the Hon’ble APTEL in Tata Power Judgement and also JPVL Judgements, which unequivocally hold that the segregation of regulated and unregulated businesses operates in both directions, and accordingly, if the regulated business of that generating company, is making profits on a standalone basis, then in such scenario the generating company is allowed to recover RoE grossed up with applicable tax rate, irrespective of actual tax being paid by the generating company. Any contrary interpretation would result in permitting cross-subsidization in reverse and would be directly contrary to the ratio laid down in Tata Power Judgement, as well as subsequently pronounced JPVL Judgements. As such it is evident that the reference to Nil tax under the MPERC Tariff Regulations, 2024 is intended only to prevent unjustified pass-through of unrelated tax burdens and not to deny legitimate grossing-up of RoE in cases where the regulated business is otherwise profitable on a standalone basis.*

- (xiv) Without prejudice to the above, it is submitted that in the event this Commission treats the MPERC Tariff Regulations, 2024 differently from the earlier regulatory regime applicable in terms of the MPERC Tariff Regulations, 2012, 2015 and 2020, owing to the introduction of the proviso stipulating that where no income tax has been paid by the corporate legal entity owning the generating station the effective tax rate shall be considered as “Nil”, then such treatment shall constitute a departure from the consistent regulatory regime in existence applicable in terms of the principle laid down by the Hon’ble APTEL in the JPVL Judgments. In addition to this, such an interpretation would not be applicable to the Petitioner’s Project. Further, the Petitioner’s Project was conceptualized, financed and commissioned in FY 2015-16 under the then prevailing MPERC Tariff Regulations, 2012, as continued under the subsequent MPERC Tariff Regulations, 2015 and 2020, wherein a vested right was crystallised in its favour of the Petitioner for considering its income generated under its Regulated MP PPA on a standalone basis for computation of taxable income, irrespective of the payment of tax at the corporate entity level. As such, the aforesaid provision under Regulation 33 of the MPERC Tariff Regulations, 2024 related to “Nil” effective tax rate in the absence of corporate-level tax payment is only meant to be made applicable prospectively on the Projects commissioned after 01.04.2024 and in no way can be made applicable on the*

pre-existing Projects (i.e. the Projects commissioned before 01.04.2024, like that of the Petitioner's Project). Any attempt to apply the said proviso of the MPERC Tariff Regulations, 2024 to pre-existing Projects like that of the Petitioner's Project would amount to retrospective divestment of that vested right. Such an interpretation would be contrary to the settled law laid down in various judicial pronouncements and impermissible in the absence of express statutory authority under the Electricity Act, 2003. Accordingly, the Petitioner is entitled to computation and recovery of grossed-up RoE for FYs 2015-16 to FY 2024-25 along with carrying cost @ 1.25% per month computed on monthly compounding basis, in order to give full effect to the regulatory scheme, uphold the principles of restitution, time value of money and ensure regulatory certainty and fairness.

- (xv) A detailed working sheet with respect to year-wise RoE grossed-up with the effective tax-rates vis-à-vis the RoE at the base rate for the period from FY 2015-16 to FY 2024-25 as given below:

<b>FY</b>	<b>RoE Approved by Commission at base rate</b>	<b>Base Rate of RoE</b>	<b>Grossed up Rate of RoE</b>	<b>Grossed-up RoE</b>	<b>Differential RoE</b>
	<b>Rs. in Crore</b>	<b>%</b>	<b>%</b>	<b>Rs. in Crore</b>	<b>Rs. in Crore</b>
<b>FY 2015-16</b>	*154.32	15.50%	19.71%	196.19	41.87
<b>FY 2016-17</b>	320.63	15.50%	19.71%	407.62	86.99
<b>FY 2017-18</b>	330.81	15.50%	19.71%	420.56	89.75
<b>FY 2018-19</b>	338.78	15.50%	19.76%	431.84	93.06
<b>FY 2019-20</b>	342.26	15.50%	19.76%	436.28	94.02
<b>FY 2020-21</b>	343.74	15.50%	20.06%	444.91	101.17
<b>FY 2021-22</b>	344.55	15.50%	19.57%	434.93	90.38
<b>FY 2022-23</b>	345.14	15.50%	22.26%	495.68	150.54
	0.13	10.94%	15.71%	0.19	0.06
<b>FY 2023-24</b>	345.35	15.50%	24.35%	542.49	197.14
	0.25	10.20%	16.02%	0.39	0.14
<b>FY 2024-25</b>	345.53	15.50%	21.37%	476.4	130.87
	0.3	12.15%	16.75%	0.41	0.11
<b>Total (for the Project)</b>					<b>1076.09</b>
<b>Total (for the Regulated MP PPA-30%)</b>					<b>322.83</b>

\*For Unit No. 1

(xvi) *The petitioner has submitted the following with regard to non-payment of Income Tax by MB Power despite Book Profits:*

*Under the Regulated MP PPA the tariff is determined by this Commission on Cost Plus approach in accordance with MPERC Tariff Regulations as per the tariff so determined allows recovery of costs along with a specified Return on Equity (“RoE”). Accordingly, MB Power has consistently earned profits from the Regulated Business on a standalone basis during the financial years falling within the period under review i.e., FY 2015-16 to FY 2024-25. However, the Unregulated Business incurred losses in the initial years of operation. Consequently, at an overall corporate level, MB Power incurred net losses during FY 2015-16 to FY 2017-18. MB Power reported book profits only from FY 2018-19 onwards on overall basis, however, despite having earned the book-profits from FY 2018-19 to FY 2024-25, MB Power’s tax liability was computed in terms of the following legal and tax positions under the provisions of the Income Tax Act, 1961:*

- (i) Higher Depreciation allowable under Income Tax Act, 1961: Under Income Tax Act, 1961, MB Power, claimed deduction for depreciation on the Main Plant Equipment @ 15% per annum on the Written Down Value (“WDV”) whereas in the Audited Financials, depreciation was charged @ 5.28% per annum on original cost of acquisition as per CERC Tariff Regulations 2014-19. This differential treatment has resulted in substantially higher depreciation deductions for tax purposes, thereby substantially reducing taxable income.*
- (ii) Set-off of Carried Forward Losses and Unabsorbed Depreciation: The Income-tax Act, 1961 permits MB Power to carry forward and set-off of business losses and unabsorbed depreciation against taxable profits of subsequent assessment years. The Company, having incurred losses in its initial years of operation, carried forward these loss and unabsorbed depreciation which were set-off against the profits during the subsequent years from FY 2018-19 onwards.*
- (iii) Computation of Book Profits for MAT: Under Section 115JB of the Income Tax Act, 1961 which were mandatory till 31st March 2020, Minimum Alternate Tax (MAT) was payable on book profits, which were computed by making specified adjustments to the profit before tax. One key adjustment is the deduction of the lower of: (a) Unabsorbed depreciation under the Income Tax Act, 1961, or (b) Brought forward losses as per the company’s books of account. During the relevant period, MB Power had both brought forward losses (as per books) and unabsorbed depreciation (under the Income Tax Act, 1961). Since these amounts exceeded the profit before tax, the computation of book profits resulted in a nil figure.*

(iv) As on 31 March 2025, MB Power has an unabsorbed depreciation amounting to approximately Rs 640 crores, which remains available for set-off against future taxable income in accordance with the provisions of the Income-tax Act, 1961.

**MPPMCL Submission on Grossing up of RoE:**

95. By submission dated 06.04.2026 and 24.04.2024, the respondent No. 1 (MPPMCL) has broadly submitted the following on grossing up of RoE:

*MPPMCL submitted that the Petitioner has placed reliance on the following judgements passed by the Hon'ble APTEL in Appeal Nos. 104, 105 and 106 of 2012, Appeal Nos 283 of 2017, 131 of 2018 and 231 of 2018, and Appeal No. 113 of 2022. In these judgments, the Hon'ble APTEL examined the issue of grossing-up of RoE with the effective tax rate in cases where the generating company, at the corporate/entity level, had not paid any income tax or MAT owing to overall losses being incurred by the other unregulated business. Petitioner relied on these judgements were not applicable in the facts and circumstance of this matter and the Commission has to examine and consider the matter as per its extant regulation and not as per the APTEL judgements given in unrelated matters.*

*MPPMCL has further submitted that under the Judgment of JVPL dated 22.03.2024 passed by the Hon'ble APTEL, grossing-up of RoE was allowed in terms of the Regulations, 2012 and 2015. From the reading of Regulations 34 and 35 of the Regulations, 2020 and also Regulations 32 and 33 of the Regulations, 2024, it is seen that provisions relating to tax on RoE under the Regulations, 2020 and 2024 provide for similar dispensation as provided under the Regulations, 2015. Therefore, the Petitioner owing to the similarity of the provisions enshrined under the Regulations, 2015, 2020 and 2024 is claiming that the principle laid down in the aforesaid Judgments is to be equally applied and can be extended to the control period commencing from FY 2019-20 to FY 2023-24, which is governed by the Regulations, 2020 and also for FY 2024-25, which is governed by the Regulations, 2024.*

*MPPMCL further stated that the claim of the Petitioner is time barred and hit by limitation, since the Petitioner is seeking grossing-up of RoE for the period from FY 2015-16 to FY 2024-25 at this belated stage. It is settled principle of law that the law of limitation does not permit the Petitioner to claim such outdated claims for the years 2015- 16, onwards which are barred by limitation. It is further submitted that there has been a considerable delay in raising such claims, which pertain to past financial years. In the absence of any*

sufficient cause justifying such delay, the Petitioner cannot be permitted to agitate claims for earlier periods at this stage, and the same should be rejected on this ground alone. Without prejudice to above, pertinently, the Answering Respondent has challenged the legality, validity and propriety of the aforesaid JPVL Judgments dated 22.03.2024 and 28.07.2025 before the Hon'ble Supreme Court in Civil Appeal No. 6562 of 2024 and Civil Appeal No. 3253 of 2026, respectively.

The Hon'ble Supreme Court, vide interim order dated 13.02.2026 passed in Civil Appeal No. 3253 of 2026 filed against the Hon'ble APTEL's Order dated 28.07.2025 passed in Appeal No. 113 of 2022 has directed the MPERC to undertake the exercise of calculating the revised RoE by way of grossing it up by the tax rate, however, it has been clarified that the said APTEL's Order shall not be given effect to, pending further orders of the Hon'ble Supreme Court. The said Civil Appeal is pending adjudication before the Hon'ble Supreme Court.

96. By affidavits dated 06.04.2026 and 24.04.2024, the Petitioner in its rejoinder has broadly submitted the following on Grossing up of RoE:

(i) *The taxable losses arising from the Petitioner's other unregulated businesses are greater than the taxable profits generated under the Regulated MP PPA, due to which no tax was paid by the Petitioner from FY 2015-16 onwards. The tariff for supply of power under the Regulated MP PPA is determined on the basis of a cost-plus approach i.e. cost incurred plus applicable RoE and therefore is bound to make profit.*

(ii) *MPPMCL has contended that the claim of grossing-up of RoE with the normal/effective tax rate for the Financial Years FY 2015-16 to FY 2024-25 is time barred. Pertinently the legal position regarding entitlement to grossing-up of RoE with normal/effective tax rate applicable to the Generating Companies even in those cases where no income tax was paid at the corporate level got conclusively settled only upon the pronouncement of the Hon'ble APTEL's Judgment dated 22.03.2024, passed in Appeal No. 283 of 2017, 131 of 2018 and 231 of 2018 titled Jaiprakash Power Ventures Limited vs. MPERC which was reaffirmed in Hon'ble APTEL's Judgment dated 28.07.2025, passed in Appeal No. 113 of 2022.*

(iii) *It is submitted that the present Petition has been filed under Section 86(1)(a) and (b) of the Electricity Act, 2003 seeking true-up of the tariff. It is settled that there is no bar of limitation in respect of the regulatory functions of the State Electricity Regulatory Commissions. The Hon'ble Supreme Court in the case of A.P. Power Coordination*

*Committee vs. Lanco Kondapalli Power Ltd, (2016) 3SCC 468 has categorically held that the provisions of the Limitation Act, 1963 applies only in respect of the adjudicatory powers of the State Electricity Regulatory Commissions i.e., on the petitions filed under Section 86(1)(f) of the Electricity Act. Further, the tariff setting is a continuous and on-going process as held by the Hon'ble Supreme Court in the case of Uttar Pradesh Power Corporation Limited vs. National Thermal Power Corporation Limited and Ors, (2009) 6 SCC 235.*

- (iv) *Importantly, JPVL for its Thermal Power Project which was commissioned prior in time than the Project of the Petitioner, sought grossing up of RoE in its true-up Petitions for FY 2014-15 to FY 2016-17 filed before this Commission. However, the same was disallowed by this Commission. Accordingly, the Petitioner, whose Project was subsequently commissioned in FY 2015-16, did not claim any grossing up of RoE due to rejection of JPVL's claim. It is only in the years 2024 and 2025 when the Hon'ble APTEL passed the aforesaid Judgements in the Appeals filed by JPVL challenging the Order of this Commission disallowing grossing up of RoE by JPVL, the legal position regarding grossing-up of RoE with normal/effective tax rate was accepted and got clarified for the first time. The said interpretation of law in effect entitled the Petitioner to seek grossing-up of RoE even for the previous period starting from the commissioning of its Project i.e. From FY 2015-16 onwards.*
- (v) *Therefore, the pronouncement of aforesaid JPVL Judgements dated 22.03.2024 and 27.07.2025 by the Hon'ble APTEL is a Change in Law event under Article 12 of the Regulated MP PPA, which categorically provides that "a change in the interpretation of any Law by any Indian Governmental Instrumentality having the legal power to interpret or apply such Law, or any Competent Court of Law" shall be considered as a Change in Law event. Considering that the said JPVL Judgements decisively held that even where the generating company has not paid any tax at the corporate level due to overall losses, a profitable regulated business cannot be denied grossing-up of RoE were pronounced by the Hon'ble APTEL in 2024 and 2025. The claim of the Petitioner for grossing-up of RoE with normal/effective tax rate applicable to the Generating Companies cannot be argued to be barred by limitation.*
- (vi) *The Hon'ble Supreme Court has interpreted similar provision in the Judgment dated 24.08.2022 passed in Uttar Haryana Bijli Vitran Nigam Ltd. v. Adani Power (Mundra) Ltd., (2023) 2 SCC 624, holding that that where a party has suffered an economic disadvantage on account of a Change in Law event, restoration to its original*

*economic position necessarily includes compensation towards carrying cost compounded on a monthly basis. Therefore, the petitioner shall be entitled to get carrying cost to be calculated at the rate of 1.25% per Month calculated on a day-to-day basis for each day of the delay, compounded on monthly rests in order to be restituted to the same economic position.*

*(vii) In the context of the interim order dated 13.02.2026 passed by the Hon'ble Supreme Court in Civil Appeal No. 3253 of 2026, wherein the Hon'ble APTEL's said JPVL Judgement dated 25.07.2025 is under challenge, it is submitted that the existence of an ad-interim order does not warrant complete denial or suspension of the Petitioner's legitimate tariff entitlement, including grossing up of RoE by the normal/effective tax rate(s).*

*(viii) Pertinently, there is no stay on the findings and observations of the Hon'ble APTEL in the said JPVL Judgement dated 25.07.2025. The Hon'ble Supreme Court held that the Hon'ble APTEL's said JPVL Judgement dated 25.07.2025 shall not be given effect though this Commission has been directed to undertake computation of the revised RoE payable to JPVL. Therefore, it cannot be argued that the findings and the observations of the Hon'ble APTEL in the said JPVL Judgement dated 25.07.2025 has been obliterated or are nullity in law. The said observations and findings are still binding on this Commission until and unless they are set aside by the Hon'ble Supreme Court as held by the Division Bench of Hon'ble High Court of Andhra Pradesh in Govt of A.P and others vs. N. Rami Reddy and others, 2000 SCC Online AP 721.*

*(ix) Therefore, the reliance placed by MPPMCL on the aforesaid ad-interim order passed by the Hon'ble Supreme Court cannot be a ground to reject or defer the Petitioner's claim. On the contrary, the said order supports the position that tariff determination ought to proceed, with suitable safeguards, as may be deemed appropriate by this Commission. Furthermore, there is no stay in Civil Appeal Nos. 6562-6544 of 2024 filed challenging Hon'ble APTEL's JPVL's Judgement dated 22.03.2024. Therefore, the principles established and observations made therein are still binding on this Commission.*

97. Upon a comprehensive perusal and careful examination of the submissions, pleadings, and averments preferred by the parties on the issue of grossing-up of the base rate of Return on Equity ("RoE") with the rate of tax, the Commission has observed the following:

- a) By affidavit dated 12.03.2026, the petitioner affirmed and has categorically informed that M/s MB Power (Madhya Pradesh) Limited is the corporate legal entity and owner of the subject generating station, and that no income tax liabilities have been discharged or paid by the said entity since the commissioning of the project.
- b) In support of its claim for the retrospective grossing-up of the base rate of RoE with the tax rate for the preceding financial years, the Petitioner has placed reliance upon the principles enunciated in the judgments of the Hon'ble Appellate Tribunal for Electricity ("APTEL") rendered in the matters of *Tata Power* and *Jaiprakash Power Ventures Limited* (in relation to the Bina Thermal Power Station).
- c) In accordance with the settled legal position and principle laid down by the Hon'ble APTEL in the aforementioned *Tata Power* judgment, as well as the *Jaiprakash Power Ventures Limited* ("JPVL") judgments dated 22.03.2024 and 28.07.2025, the regulated business operating under the Power Purchase Agreement ("PPA") must be treated as a distinct, separate, and watertight compartment for the purpose of assessing and determining tax liability. Therefore, any tax implications, attributes, or liabilities arising out of or connected to the unregulated business cannot be factored into or transposed onto the determination of tax liabilities legally attributable to the regulated business.
- d) To substantiate and corroborate its contentions, the Petitioner has filed a certificate issued by the Chartered Accountant for the Financial Years 2015-16 to FY 2024-25 exclusively for the Regulated Business (constituting the 30% Madhya Pradesh PPA allocations), which shows the gross revenue, total revenue expenditure, and net profits accrued therefrom on a standalone basis.
- e) The Petitioner has further submitted a financial statement extracted from its Annual Audited Accounts, reflecting the year-wise profit and loss profile for the 100% aggregate capacity (comprising both regulated and unregulated business segments). The said financial statements indicate losses incurred during FY 2015-16 to FY 2017-18, and profits generated from FY 2018-19 to FY 2024-25.
- f) Upon scrutiny of the statutory Income Tax Returns ("ITR") filed by the Petitioner for the said period, it is clearly evident that the Petitioner has continuous nil tax liability and has paid zero income tax across all relevant financial years. Notwithstanding

the book profits recorded for the 100% aggregate capacity from FY 2018-19 to FY 2024-25, no income tax was paid due to the carrying forward of prior business losses, absorption of unabsorbed depreciation from preceding years, and the statutory set-off of the same against the profits of the subsequent years under the provisions of the Income Tax Act, 1961.

- g) Furthermore, the Petitioner has preferred a claim for the grossing-up of RoE for FY 2015-16 to FY 2024-25 in the subject matter as a "Change in Law" event in line with the JPVL judgments of the Hon'ble APTEL dated 22.03.2024 and 28.07.2025 for the Bina Thermal Power Station, placing reliance upon various landmark judgments of the Hon'ble Supreme Court of India.
- h) In our considered view, the principles set out in the aforesaid Tata Power Judgement has attained finality and there is no appeal pending against the said judgement. This conclusion is further fortified by the fact that the Hon'ble Tribunal has in JPVL Judgements 2024 and 2025 while interpreting the Specific Tariff Regulation of this Commission has applied the principles concluded in the Tata Power Judgement thereto. In terms of the principles laid down in the aforesaid Judgment, "the Regulated business is to be treated separately on a standalone basis and tax liability computed as per applicable tax laws for that business only considering notional regulatory taxable income".
- i) The Commission is of the considered opinion and holds that the decisions and judgments pronounced by the Hon'ble APTEL carry binding legal precedent over this Commission, and the same must be implemented in letter and spirit unless and until they are expressly stayed, operationally suspended, or set aside by the Hon'ble Supreme Court of India.
- j) It is observed that the applicable Tariff Regulations, 2012, expressly permitted the grossing-up of the base rate of RoE with the applicable tax rate, and the subsequent findings of the Hon'ble APTEL in judgement dated 22.03.2024 and 28.07.2025 in the JPVL matters were adjudicated on the basis of the said Regulations of 2012. Consequently, the said judgments allowed the grossing-up of the base rate of return using the applicable tax rate. By way of additional submissions dated 12.03.2026, 01.04.2026 and 24.04.2026, the Petitioner has filed the applicable tax rates for FY 2015-16 to FY 2024-25 in line with the said judgments.

- k) It is further observed that the Multi-Year Tariff Regulations of 2015, 2020, and 2024 mandate that the grossing-up of the base rate of return must be calculated utilizing the effective tax rate, specifically stipulating that such effective tax must be computed on the basis of actual tax paid by the generating company. The Petitioner, vide a supplementary submission dated 24.04.2026, has filed a comparative year-wise statement of RoE grossed-up with notional effective tax rates against the base rate RoE previously allowed by the Commission in past true-up orders. In this regard, the effective tax rate has been worked out using a notional tax liability construed by the Petitioner, despite the provisions of actual tax payment specified in all three MYT Regulations. By applying this notional effective tax rate, the Petitioner has computed and claimed an incremental RoE of Rs 322.83 Crore for the period from FY 2015-16 to FY 2024-25.
- l) With respect to the preliminary objection raised by Respondent No. 1 (MPPMCL) regarding the claims for past years being barred by the law of limitation, the Petitioner has vehemently countered that the law of limitation does not apply to or restrict the regulatory, legislative, and statutory functions of State Electricity Regulatory Commissions. In support of this position, the Petitioner has cited the judgment of the Hon'ble Supreme Court in the matter of *AP Power Coordination Committee Vs. Lanco Kondapalli Power Ltd. (2016)*, which rules that the statutory bar of limitation is attracted solely when the State Commission exercises its purely adjudicatory powers.
- m) The Commission has noted that Article 12 of the PPA between the parties provides that "a change in the interpretation of any Law by any Indian Governmental Instrumentality having the legal power to interpret or apply such Law, or any Competent Court of Law constitute a change in law event". As contended by the petitioner, pronouncement of the JPVL judgements constitute a "Change in Law" event within the meaning of the PPA, which includes a change in interpretation of law by the competent judicial authority and therefore the cause of action arose when the JPVL judgements were pronounced. Therefore, the petitioner's claim for grossing-up of RoE from FY 2015-16 onwards cannot be considered as barred by limitation.
- n) In response to the contention of Respondent No. 1 that it has challenged the legality, validity, and propriety of the Hon'ble APTEL's JPVL judgments dated

22.03.2024 and 28.07.2025 before the Hon'ble Supreme Court via Civil Appeal No. 6562 of 2024 and Civil Appeal No. 3253 of 2026 respectively, the Petitioner has submitted that the Hon'ble Supreme Court has not granted an ad interim stay on the core findings and legal observations contained therein. However, the Hon'ble Supreme Court has directed that this Commission may undertake the exercise in compliance with the direction by the Hon'ble APTEL in its Judgement dated 28.07.2025, however, the same shall not be given effect to, pending further orders of the Hon'ble Supreme Court. It is clear that the aforesaid order of the Hon'ble Supreme Court is an ad interim order, till further orders and final adjudication of the issues. This ad interim order merely regulate the implementation of the impugned judgement inter se the parties therein.

- o) For the period from FY 2015-16 to FY 2019-20, the Petitioner's ITRs reflect nil net taxable income on account of accumulated business losses and carry-forward of unabsorbed depreciation, by virtue of which the Minimum Alternate Tax ("MAT") rate has been adopted for computation. Subsequently, for the period from FY 2020-21 to FY 2024-25, where positive net taxable income was recorded, the Petitioner exercised its statutory option to switch over to the concessional tax regime governed by Section 115BAA of the Income Tax Act, 1961. Accordingly, the Petitioner has applied the corporate tax rate prescribed under Section 115BAA to arrive at the effective tax rate for FY 2020-21 to FY 2024-25. The Commission has considered the grossing-up of RoE based on the applicable tax rates, wherein the tax quantum has been derived strictly in accordance with the prevailing income tax laws and applicable statutory rates for the respective financial years,
- p) In view of the foregoing facts, the statutory framework, the judicial precedents established by the Hon'ble APTEL and the Hon'ble Supreme Court as cited by the Petitioner, and also upon verification of the financial instruments concerning the profit and loss profiles of the Regulated Business vis-à-vis the corporate entity as a whole, the Commission hereby allows and approves the Grossing-up of the base rate of RoE with the applicable tax rates as computed for the period from FY 2015-16 to FY 2024-25. Therefore, in the absence of any positive net taxable income during FY 2015-16 to FY 2019-20, the Commission, for the limited purpose of grossing-up the RoE, deems it just and proper to apply the MAT rate for the period FY 2015-16 to FY 2019-20. Further, since the petitioner has opted for 115BAA from

2020-21 onwards and has indicated positive taxable income, the corporate/ applicable tax rate under Section 115BAA of the Income Tax Act, 1961, for the period FY 2020-21 to FY 2024-25 has been considered for Grossing up of RoE.

98. Accordingly, Year-wise applicable tax rate filed by the petitioner, vide submission dated 24.04.2026 vis-a-vis considered by the Commission for FY 2015-16 to FY 2024-25 is as given below:-

**Table No. 23: Applicable Tax rate filed by the petitioner vis-a-vis considered by the Commission for FY 2015-16 to FY 2024-25**

Particular	Applicable Tax rate for Grossing-up of RoE filed by the Petitioner vide letter dated 24.04.2026	Applicable Tax rate for Grossing-up of RoE considered by the Commission
FY 2015-16	21.34%	21.34%
FY 2016-17	21.34%	21.34%
FY 2017-18	21.34%	21.34%
FY 2018-19	21.55%	21.55%
*FY 2019-20	21.55%	17.47%
FY 2020-21	25.17%	25.17%
FY 2021-22	25.17%	25.17%
FY 2022-23	25.17%	25.17%
FY 2023-24	25.17%	25.17%
FY 2024-25	25.17%	25.17%

\*Applicable MAT Rate for FY 2019-20 was amended as per Finance Act 2019 (No-2). The Tax Rate Reduced from 18.5% to 15%.

99. Further, in compliance to Regulation 32.2, the petitioner by affidavit 24.02.2026, has submitted that its thermal power plant is operating with the ramp rate of over 1% per minute and has submitted the screenshot of website of WRLDC evidencing the same.
100. The Return on Equity for FY 2024-25 for equity component towards assets within the original scope of work has been worked out considering the base rate of return @15.50% with grossing up applicable tax rate. Further, for equity invested in assets beyond the original scope work, including additional capitalization on account of emission control system and change in law, RoE has been worked out by considering one-year SBI, MCLR for FY 2024-25 @ 12.15% (@ 8.65% + 3.50%). In view of foregoing, the Return on Equity for prior period i.e., FY 2015-16 to FY 2023-24 and for FY 2024-25 has also been worked out in the following tables:

**Table No. 24: Return on Equity for FY 2024-25 (Within original scope of work) (A)**

Sr. No.	Particular	Unit	FY 2024-25
1	Opening Equity as on 01.04.2024	Rs Crore	2228.59
2	Equity reduction towards decapitalized assets	Rs Crore	0.16
3	Equity Additions during the Year	Rs Crore	1.23
4	Closing Equity as on 31.03.2025	Rs Crore	2229.66
5	Average Equity	Rs Crore	2229.13
6	Base Rate of Return on Equity	%	15.50%
7	Tax rate considered under section 115 BAA	%	25.17%
<b>8</b>	<b>Applicable rate of Return on Equity</b>	<b>%</b>	<b>20.71%</b>
<b>9</b>	<b>Annual Return on Equity (equity invested on assets within original scope of work)</b>	<b>Rs Crore</b>	<b>461.72</b>

**Table No. 25: Return on Equity for FY 2024-25 (Beyond original scope of work) (B)**

Sr. No.	Particular	Unit	FY 2024-25
1	Opening Equity as on 01.04.2024	Rs Crore	2.47
2	Addition of Equity due to additional capital expenditure incurred beyond the original scope of work during FY 2024-25	Rs Crore	0.00
3	Closing Equity as on 31.03.2025	Rs Crore	2.47
4	Average equity	<b>Rs Crore</b>	2.47
5	Base Rate of Return on Equity	%	12.15%
6	Tax rate considered under section 115 BAA	%	25.17%
<b>7</b>	<b>Applicable rate of Return on Equity</b>	<b>%</b>	<b>16.24%</b>
<b>8</b>	<b>Annual Return on Equity (equity invested in assets beyond the original scope of work)</b>	<b>Rs Crore</b>	<b>0.40</b>

**Table No. 26: Total Return on Equity of the project for FY 2024-25 allowed in this Order.**

S. no.	Particular	Unit	FY 2024-25
1	Return on Equity (for equity towards assets within the original scope of work) (A)	Rs Crore	461.72
2	Return on Equity (for equity towards assets beyond original scope of work) (B)	Rs Crore	0.40
<b>3</b>	<b>Total Annual Return on Equity Allowed (A+B)</b>	<b>Rs Crore</b>	<b>462.12</b>

**Table No. 27: Return on Equity for FY 2024-25 for FGD System allowed in this Order**

Sr. No.	Particular	Unit	FY 2024-25
1	Opening Equity as on 01.06.2024	Rs. Crore	224.88
2	Equity Additions	Rs. Crore	13.32
3	Closing Equity as on 31.03.2025	Rs. Crore	238.20
4	Average Equity	Rs. Crore	231.54
5	Base rate of Return on Equity	%	12.15%
6	Tax rate considered under section 115 BAA	Rs. Crore	25.17%
7	Applicable rate of Return on Equity	Rs. Crore	16.24%
8	<b>Annual Return on Equity</b>	Rs. Crore	<b>37.59</b>

101. Further, the Rate of Return on Equity for FY 2015-16 to FY 2023-24 after grossing up the base rate of return with applicable tax rate has been worked out as follows:

**Table No. 28: Return on Equity (Within original scope of work) (A)**

From FY 2015-16 to FY 2018-19

(Rs. in Crore)

Sr. No.	Particulars	FY 2015-16	FY 2016-17		FY 2017-18		FY 2018-19	
		Unit-1	Unit-1	Unit-2	Unit-1	Unit-2	Unit-1	Unit-2
1	Opening Equity as on COD of Unit No.-1 & 2 i.e. 20.05.2015 & 07.04.2016	1123.42	1175.58	893.43	1194.32	903.34	1229.79	941.04
2	Addition in Equity	52.16	18.74	9.91	35.47	37.70	9.84	19.91
3	Closing Equity as on 31 <sup>st</sup> March	1175.58	1194.32	903.34	1229.79	941.04	1239.63	960.95
4	<b>Average Equity</b>	<b>1149.50</b>	<b>1184.95</b>	<b>898.38</b>	<b>1212.05</b>	<b>922.19</b>	<b>1234.71</b>	<b>950.99</b>
5	Base Rate of Return on Equity (%)	15.50%	15.50%	15.50%	15.50%	15.50%	15.50%	15.50%
6	Applicable Tax Rate (%)	21.34%	21.34%	21.34%	21.34%	21.34%	21.55%	21.55%
7	RoE Grossing up with Tax Rate (%)	19.71%	19.71%	19.71%	19.71%	19.71%	19.76%	19.76%
8	<b>Annual Return on Equity</b>	<b>196.18</b>	<b>233.50</b>	<b>174.12</b>	<b>238.84</b>	<b>181.72</b>	<b>243.95</b>	<b>187.90</b>

From FY 2019-20 to FY 2023-24

(Rs. in Crore)

Sr. No.	Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
		Unit-1&2	Unit-1&2	Unit-1&2	Unit-1&2	Unit-1&2
1	Opening Equity as on COD of Unit No.-1 & 2 i.e. 20.05.2015 & 07.04.2016	2200.58	2215.67	2219.75	2226.07	2227.35
2	Addition in Equity	15.09	4.08	6.32	1.28	1.24
3	Closing Equity as on 31 <sup>st</sup> March	2215.67	2219.75	2226.07	2227.35	2228.59
<b>4</b>	<b>Average Equity</b>	<b>2208.12</b>	<b>2217.71</b>	<b>2222.91</b>	<b>2226.71</b>	<b>2227.97</b>
5	Base Rate of Return on Equity (%)	15.50%	15.50%	15.50%	15.50%	15.50%
6	Applicable Tax Rate (%)	17.47%	25.17%	25.17%	25.17%	25.17%
7	RoE Grossing up with Tax Rate (%)	18.78%	20.71%	20.71%	20.71%	20.71%
<b>8</b>	<b>Annual Return on Equity</b>	<b>414.71</b>	<b>459.36</b>	<b>460.43</b>	<b>461.22</b>	<b>461.48</b>

Table No. 29: Return on Equity (Beyond original scope of work) (B)

From FY 2022-23 to FY 2023-24

(Rs. in Crore)

Sr. No.	Particular	FY 2022-23	FY 2023-24
		Unit-1&2	Unit-1&2
1	Opening Equity	0.00	2.47
2	Addition of Equity due to additional capital expenditure incurred beyond the original scope of work during FY 2022-23 and FY 2023-24	2.47	0.00
3	Closing Equity	2.47	2.47
<b>4</b>	<b>Average Equity</b>	<b>1.23</b>	<b>2.47</b>
5	Base Rate of Return on Equity (%)	10.94%	10.20%
6	Applicable Tax Rate (%)	25.17%	25.17%
7	RoE Grossing up with Tax Rate (%)	14.62%	13.63%
<b>8</b>	<b>Annual Return on Equity (equity invested in assets beyond the original scope of work)</b>	<b>0.18</b>	<b>0.34</b>

**Table No. 30: Total RoE considered in this Order****From FY 2015-16 to FY 2018-19****(Rs. in Crore)**

S. no	Particular	FY 2015-16	FY 2016-17		FY 2017-18		FY 2018-19	
		Unit-1	Unit-1	Unit-2	Unit-1	Unit-2	Unit-1	Unit-2
1	Return on Equity (A) (for equity towards in assets within the original scope of work)	196.18	233.50	174.12	238.84	181.72	243.95	187.90
2	Return on Equity (B) (for equity towards in assets beyond original scope of work)	-	-	-	-	-	-	-
3	<b>Total Annual Return on Equity Allowed (A+B)</b>	<b>196.18</b>	<b>233.50</b>	<b>174.12</b>	<b>238.84</b>	<b>181.72</b>	<b>243.95</b>	<b>187.90</b>

**From FY 2019-20 to FY 2023-24**

S. no	Particular	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
		Unit-1&2	Unit-1&2	Unit-1&2	Unit-1&2	Unit-1&2
1	Return on Equity (A) (for equity towards in assets within the original scope of work)	414.71	459.36	460.43	461.22	461.48
2	Return on Equity (B) (for equity towards in assets beyond original scope of work)	-	-	-	0.18	0.34
3	<b>Total Annual Return on Equity Allowed (A+B)</b>	<b>414.71</b>	<b>459.36</b>	<b>460.43</b>	<b>461.40</b>	<b>461.82</b>

102. The details of the Return on Equity from FY 2015-16 to FY 2023-24 determined in previous order vis-à-vis Return on Equity revised in this order and consequential impact of revision are as follows:

**Table No. 31: Difference RoE allowed in this order vis-à-vis allowed in previous true-up Orders****From FY 2015-16 to FY 2018-19****(Rs. in Crore)**

S. no	Particular	FY 2015-16	FY 2016-17		FY 2017-18		FY 2018-19	
		Unit-1	Unit-1	Unit-2	Unit-1	Unit-2	Unit-1	Unit-2
1	Allowed in previous true-up orders (A)	154.32	183.67	136.96	187.87	142.94	191.38	147.40
2	Allowed in this orders (B)	196.18	233.50	174.12	238.84	181.72	243.95	187.90
3	<b>Differential RoE (B-A)</b>	<b>41.87</b>	<b>49.83</b>	<b>37.16</b>	<b>50.97</b>	<b>38.78</b>	<b>52.57</b>	<b>40.49</b>
4	<b>RoE Allowed for contracted capacity i.e. (30%) of installed capacity</b>	<b>12.56</b>	<b>14.95</b>	<b>11.15</b>	<b>15.29</b>	<b>11.63</b>	<b>15.77</b>	<b>12.15</b>

## From FY 2019-20 to FY 2023-24

(Rs. in Crore)

S. no	Particular	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
		Unit-1&2	Unit-1&2	Unit-1&2	Unit-1&2	Unit-1&2
1	Allowed in previous true-up orders (A)	342.26	343.74	344.55	345.27	345.59
2	Allowed in this orders (B)	414.71	459.36	460.43	461.40	461.82
3	<b>Differential RoE (B-A)</b>	<b>72.45</b>	<b>115.62</b>	<b>115.88</b>	<b>116.12</b>	<b>116.23</b>
4	<b>RoE Allowed for contracted capacity i.e. (30%) of installed capacity</b>	<b>21.73</b>	<b>34.69</b>	<b>34.76</b>	<b>34.84</b>	<b>34.87</b>

103. The petitioner has claimed differential RoE worked out for the past year FY 2015-16 to FY 2023-24 after grossing up base rate with the Late Payment Surcharge. The Petitioner is allowed to recover the same in accordance with the provisions under Article 10.4.2 of the PPA executed between the parties.

**(b). Depreciation:****Petitioner's Submission:**

104. With regard to depreciation during FY 2024-25, petitioner has considered the same opening Gross Fixed Assets as on 01.04.2024 as considered by the Commission as on 31.03.2024 in last true-up order issued on 28.03.2025 for FY 2023-24. Petitioner also considered addition of assets during FY 2024-25 in respect of additional capitalization claimed in the subject petition. The petitioner has worked out the weighted average rate of depreciation @ 4.87% as indicated in form TPS 11 of the petition.

105. Based on the above, the annual depreciation as worked out and claimed by the petitioner in the subject petition is given below:

**Table No. 32: Annual Depreciation claimed for the project (Rs. in Crore)**

<b>Particulars for the Project</b>	<b>Unit</b>	<b>FY 2024-25</b>
<i>Opening Capital Cost</i>	<i>Rs. Crore</i>	<i>8184.32</i>
<i>Closing Capital Cost</i>	<i>Rs. Crore</i>	<i>8188.43</i>
<b>Average Capital Cost</b>	<b>Rs. Crore</b>	<b>8186.38</b>
<i>Weighted Average Rate of depreciation</i>	<i>%</i>	<i>4.87%</i>
<b>Depreciation (for the period)</b>	<b>Rs. Crore</b>	<b>398.73</b>

106. With regard to depreciation of emission control system, the petitioner submitted the following:

*“In terms of Regulation 34.11 of Tariff Regulations 2024 and the Depreciation Schedule as per Appendix-I to Tariff Regulations, 2024, the annual weighted average rate of Depreciation for FGD during FY 2024-25 has been considered as 5.28%”.*

**Table No. 33: Depreciation Claimed for FGD System****(Rs. in Crore)**

<b>Particulars</b>	<b>Amount</b>
<i>Opening Capital Cost as on 01.06.2024</i>	802.73
<i>Closing Capital Cost as on 31.03.2025</i>	870.79
<i>Average Capital Cost</i>	836.76
<i>Rate of depreciation</i>	5.28%
<b>Depreciation (annualized) for the period 01.06.2024 to 31.03.2025</b>	44.18
<b>Depreciation (annualized) for the period 01.04.2024 to 31.05.2024 as determined by this Commission in its Order dated 27.11.2025 passed in Petition No. 23 of 2025</b>	20.19

**Provision in Regulations:**

107. Regarding the depreciation, Regulation 34 of the Regulations, 2024 provides as under:

34.1 *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.*

34.2 *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 of commercial operation. In case of commercial operation of the asset for part of the Year, depreciation shall be charged on pro rata basis.*

34.3 *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 station, the salvage value shall be as provided in the agreement, if any, signed by the developers with the State Government for development of the generating station:*

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

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

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

*34.4 Land other than the land held under lease for a generating station 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.*

*34.5 Depreciation for existing projects shall be calculated annually based on 'Straight Line Method' and at rates specified in Appendix-I to these Regulations for the assets of the generating station:*

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

*Provided further that in the case of an existing hydro generating station, the generating company, with the consent of the beneficiaries, may charge depreciation at a rate lower than that specified in Appendix-I and Appendix-II to these Regulations to reduce front loading of tariff.*

*34.6 Depreciation for New Projects shall be calculated annually based on the 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 31<sup>st</sup> March of the year closing after a period of 15 years from the effective date of commercial operation of the generating station shall be spread over the balance useful life of the assets.*

*Provided further that in the case of a new hydro generating stations, the generating company, with the consent of the beneficiaries, may charge depreciation at a rate lower than that specified in Appendix II to these Regulations to reduce front loading of tariff.*

- 34.7 *In case of the existing projects, the balance depreciable value as on 01.04.2024 shall be worked out by deducting the cumulative depreciation as admitted by the Commission up to 31.03.2024 from the gross depreciable value of the assets.*
- 34.8 *The generating company shall submit the details of capital expenditure proposed to be incurred during five years before the completion of useful life of the project along with justification and proposed life extension. The Commission based on prudence check of such submissions, shall approve the depreciation by equally spreading the depreciable value over the balance Operational Life of the generating station or unit thereof or fifteen years, whichever is lower.*
- 34.9 *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 service.*
- 34.10 *Where the emission control system is implemented within the original scope of the generating station and the date of commercial operation of the generating station or unit thereof and the date of operation of the emission control system are the same, depreciation of the generating station or unit thereof including the emission control system shall be computed in accordance with Regulations 34.1 to 34.9 of this Regulation.*
- 34.11 *Depreciation of the emission control system of an existing or a new generating station or unit thereof where the date of operation of the emission control system is subsequent to the date of commercial operation of the generating station or unit thereof, shall be computed annually from the date of operation of such emission control system based on straight line method at rates specified in Appendix-I to these Regulations:*

*Provided that the remaining depreciable value as on 31st March of the year closing after a period of 12 years from the date of operation of such emission control system shall be spread over the balance period of 13 years or balance operational life of generating station, whichever is lower;*

*Provided further that in case the date of operation of the emission control system is after 20th year of commercial operation of the generating station or unit thereof, but before the completion of the useful life of the generating station, the*

*depreciation on emission control system (ECS) shall be computed annually from the date of operation of such ECS based on the straight line method, with a salvage value of 10% and the depreciable value shall be recovered till the operational life of the generating station.*

*34.12 In case the date of operation of the emission control system is subsequent to the date of completion of the useful life of generating station commercial operation of the generating station or unit thereof, depreciation of ECS shall be computed annually from the date of operation of such emission control system based on the straight line method, with a salvage value of 10% and recovered over ten years or a period mutually agreed by the generating company and the beneficiaries, whichever is higher.*

**Commission's Analysis:**

108. For the purpose of determining depreciation for the project, the closing Gross Fixed Assets of Rs. 8184.32 Crore as on 31.03.2024, as considered in Commission's last true-up order dated 28.03.2025 for FY 2023-24 is considered as opening GFA as on 01.04.2024 in this Order. The Commission has also allowed additional capitalization of Rs. 4.11 Crore in this Order. Further, the write off/ deletion of fixed assets of Rs. 0.53 Crore during the FY 2024-25 has also been considered in this order to work out the closing Gross Fixed Assets as on 31.03.2025.
109. With regard to FGD System, the closing Gross Fixed Assets of Rs. 802.73 Crore as on 31.05.2024, as considered in Commission's supplementary tariff order dated 27.11.2025 (i.e., ODe of Unit No. 2) is considered as opening Capital Cost as on 01.06.2024. The Commission has considered assets addition of Rs. 44.40 Crore in respect of additional capitalization towards FGD System from 01.06.2024 to 31.03.2025.
110. By affidavit dated 24.02.2026, the petitioner filed Assets-cum-Depreciation Register for FY 2024-25 for the project. The Commission observed that the weighted average rate of depreciation 4.8706% worked out by the petitioner is based on the rates of depreciation prescribed in the Regulations, 2024 for the project.
111. For the purpose of determining depreciation for FGD System, Regulation 34.11 provides that the Depreciation of the emission control system of the existing or a new generating station shall be computed annually from the date of operation of such emission control system based on straight line method at rates specified in Appendix-I of the Regulations. Therefore, the Commission has considered weighted average rate of depreciation of

5.28% for FY 2024-25 for FGD System as filed by the petitioner based on Depreciation rate specified in Appendix-I of the Regulations, 2024.

112. Considering the above, the Commission has worked out annual depreciation during the year based on the following:

- i. Opening GFA of Rs. 8184.32 Crore as on 01.04.2024 for the project and Rs. 802.73 Crore as on 01.06.2024 for the FGD System is considered same as admitted by the Commission in order dated 28.03.2025 in Petition No. 64 of 2024 and order dated 27.11.2025 in Petition No. 23 of 2025, respectively;
- ii. Asset additions of Rs. 4.11 Crore for the project and Rs. 44.40 Crore for the FGD System are considered for FY 2024-25;
- iii. De-capitalization of fixed assets of Rs. 0.53 Crore is considered for FY 2024-25 for the project;
- iv. Opening cumulative depreciation of Rs. 3623.61 Crore as on 01.04.2024 for the project and Rs. 3.78 Crore as on 01.06.2024 for FGD System is considered, same as admitted in order dated 28.03.2025 in Petition No. 64 of 2024 and order dated 27.11.2025 in Petition No. 23 of 2025, respectively;
- v. Weighted average rate of depreciation @ 4.8706% for the project and @ 5.28% for FGD System is considered as worked out based on the Regulations, 2024.

113. Accordingly, Annual depreciation for FY 2024-25 is worked out in this Order as under:

**Table No. 34: Depreciation for FY 2024-25 allowed for the project in this Order**

Sr. No.	Particular	Unit	FY 2024-25
1	Opening Gross Fixed Assets as on 01.04.2024	Rs Crore	8184.32
2	Assets Addition during the year	Rs Crore	4.11
3	Assets de-capitalized during the year	Rs Crore	0.53
4	Closing Gross Fixed Assets as on 31.03.2025	Rs Crore	8187.90
5	Average Gross Fixed Assets	Rs Crore	8186.11
6	Weighted Average Rate of Depreciation (%)	%	4.8706%
<b>7</b>	<b>Annual Depreciation</b>	<b>Rs Crore</b>	<b>398.72</b>
8	Opening Cumulative Depreciation as on 01.04.2024	Rs Crore	3623.61
9	Closing Cumulative Depreciation as on 31.03.2025	Rs Crore	4022.33
10	Less: Cumulative depreciation on account of decapitalization	Rs Crore	0.37
11	Closing Cumulative Dep at the end of the year	Rs Crore	4021.95

**Table No. 35: Depreciation for FY 2024-25 allowed for FGD System in this Order**

Sr. No.	Particular	Unit	FY 2024-25
1	Opening Gross Fixed Assets as on 01.06.2024	Rs Crore	802.73
2	Assets Addition during the year	Rs Crore	44.40
3	Assets de-capitalized during the year	Rs Crore	0.00
3	Closing Gross Fixed Assets as on 31.03.2025	Rs Crore	847.13
4	Average Gross Fixed Assets	Rs Crore	824.93
5	Weighted Average Rate of Depreciation (%)	%	5.28%
<b>6</b>	<b>Annual Depreciation</b>	<b>Rs Crore</b>	<b>43.56</b>
<b>7</b>	<b>Depreciation for the period (01.06.2024 to 31.03.2025)</b>	<b>Rs Crore</b>	<b>36.30</b>
8	Opening Cumulative Depreciation	Rs Crore	3.78
9	Closing Cumulative Depreciation	Rs Crore	40.08

**(c) Interest on Loan Capital:****Petitioner's Submission:**

114. While claiming the interest on loan capital for the project during FY 2024-25, the petitioner has considered the same opening loan as on 01.04.2024 as considered by the Commission in last true-up order dated 28.03.2025 (in petition No. 64 of 2024) for true-up of FY 2023-24. For FGD System, the petitioner has considered opening loan as on 01.06.2024 as considered by the Commission in Order dated 27.11.2025.
115. Regarding the rate of interest, the Petitioner has submitted that it has considered the Weighted Average Rate of Interest of 9.59% based on actual loan portfolio and actual interest paid during FY 2024-25 as per banker's certificate for FY 2024-25. Accordingly, the petitioner has worked out interest on loan capital as given below:

**Table No. 36: Interest on Loan Capital claimed for the project (Rs. in Crore)**

<i>Particulars</i>	<i>Unit</i>	<i>FY 2024-25</i>
<i>Opening Normative Loan as on 01.04.2024</i>	<i>Rs Crore</i>	<i>2659.11</i>
<i>Add: Increase in Loan during the year</i>	<i>Rs Crore</i>	<i>2.88</i>
<i>Less: Normative Repayment during the year</i>	<i>Rs Crore</i>	<i>398.73</i>
<i>Closing Loan Balance as on 31.03.2025</i>	<i>Rs Crore</i>	<i>2263.26</i>
<i>Average Loan</i>	<i>Rs Crore</i>	<i>2461.48</i>
<i>Weighted Average Rate of Interest</i>	<i>%</i>	<i>9.59%</i>
<b><i>Interest on Loan Capital</i></b>	<b><i>Rs Crore</i></b>	<b><i>236.05</i></b>

116. In the subject petition, the petitioner worked out the interest on loan capital for FGD System as below:

**Table No. 37: Interest on Loan Capital claimed for the FGD System (Rs. in Crore)**

<b>Particulars</b>	<b>FY 2024-25</b>
<i>Net Normative Loan – Opening as on 01.06.2024 as allowed by this Commission in Order dated 27.11.2025 in Petition 23 of 2025</i>	574.07
<i>Add: Increase due to addition/ discharges during the year/ period</i>	47.64
<i>Less: Normative Repayment during the period</i>	36.82
<i>Net Normative Loan – Closing</i>	584.89
<i>Average Normative Loan</i>	579.48
<i>Weighted Average Rate of Interest (“WAROI”)</i>	10.59%
<b>Interest on Loan for the period 01.06.2024 to 31.03.2025</b>	<b>61.36</b>

**Provision in Regulations:**

117. Regarding the interest on loan Capital, Regulation 35 of the Regulations 2024, provides as under:

*35.1 The loans arrived at in the manner indicated in Regulation 31 of these Regulations shall be considered as gross normative loan for calculation of interest on loan.*

*35.2 The normative loan outstanding as on 01.04.2024 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.03.2024 from the gross normative loan.*

*35.3 The repayment for each of the year of the tariff period 2024-29 shall be deemed to be equal to the depreciation allowed for the corresponding year or 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.*

*35.4 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 depreciation allowed for the year or part of the year.*

*35.5 The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio or allocated loan portfolio after providing appropriate accounting adjustment for interest capitalized, subject to ceiling of Reference Rate of Interest or 14%, whichever is lower:*

*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 of the loan portfolio shall be considered;*

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

*Provided also that if the generating company does not have any actual loan, then the rate of interest for a loan shall be considered as 1-year MCLR of the State Bank of India as applicable as on April 01, of the relevant financial year.*

*35.6 The rate of interest on loan for installation of emission control system commissioned subsequent to date of commercial operation of the generating station or unit thereof, shall be the weighted average rate of interest of actual loan portfolio of the emission control system and in the absence of actual loan portfolio, the weighted average rate of interest of the generating company as a whole shall be considered, subject to ceiling of Reference Rate of Interest or 14%, whichever is lower.*

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

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

**Commission's Analysis:**

118. For determination of interest on term loan for the project, closing loan balance as on 31.03.2024 as admitted in the Commission's last true-up order dated 28.03.2025 for FY 2023-24, is considered as the opening loan balance as on 01.04.2024.
119. The petitioner has submitted that the assets under additional capitalization has been funded through equity component/internal resources only. Accordingly, the petitioner has claimed corresponding normative loan i.e. 70% of additional capitalization. Hence, the Commission has considered the loan addition of Rs. 2.88 Crore in respect of additional capitalization considered during FY 2024-25 in this Order.
120. With regard to reduction of loan towards asset of Rs. 0.53 Crore de-capitalized during the year, the Commission has observed that the corresponding loan amount towards such de-capitalization has been adjusted towards accumulated depreciation recovered and considered the same as repayment of loan, therefore, it is considered that the loan amount of de-capitalized assets has been fully repaid, hence, loan reduction amount towards de-capitalized assets is treated as nil.

121. Regarding the interest on term loan for FGD System, Regulation 35.2 of the Regulations, 2024 provides that the normative loan outstanding as on 01.04.2024 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.03.2024 from the gross normative loan. In accordance with the aforesaid Regulation, loan balance of Rs. 574.07 Crore as on 31.05.2024 admitted in the supplementary tariff order dated 27.11.2025 is considered as the base figure for opening loan balance as on 01.06.2024. Further, the Commission has considered loan addition of Rs. 31.08 Crore towards additional capitalization from 01.06.2024 to 31.03.2025 in this Order.
122. With regard to weighted average rate of interest, the petitioner has filed @ 9.59% for the project and @ 10.59% for FGD System in the subject petition. Vide Commission's letter dated 06.02.2026, the petitioner was asked to file the supporting documents, such as banker's certificate in respect of actual weighted average rate of interest claimed in the petition. The Petitioner was also asked to confirm and demonstrate that any interest on interest on loan amount or any penalty due to default in repayment should not be part of interest on loan amount.
123. In response to above, by affidavit dated 24.02.2026, the petitioner submitted the Bankers' Certificates based on which the Weighted Average Rate of Interest ("WAROI") of 9.59% for the project and 10.59% for FGD System have been claimed. Further, the petitioner confirmed that the interest amount mentioned in these Certificates does not include any interest on the interest on loan amount or any penalty on account of default in repayment.
124. Accordingly, the Commission has considered the actual weighted average rate of interest for FY 2024-25 as worked out and claimed by the petitioner by considering the actual loan outstanding and actual interest paid.
125. Considering the above, the interest on loan capital for FY 2024-25 determined in this Order is as given below: -
- (i) Opening loan of Rs. 2659.11 Crore as on 01.04.2024 for the project and Rs. 574.07 Crore as on 01.06.2024 for the FGD System is considered, same as admitted by the Commission order dated 28.03.2025 in Petition No. 64 of 2024 and order dated 27.11.2025 in Petition No. 23 of 2025, respectively.
  - (ii) Loan addition of Rs. 2.88 Crore for the project and Rs. 31.08 Crore for the FGD System is considered towards additional capitalization during FY 2024-25 in this Order.

- (iii) Annual repayment of Loan equal to depreciation is considered in accordance to provisions under the Regulations, 2024.
- (iv) Weighted Average Rate of Interest @ 9.59% for the project and @ 10.59% for FGD System worked out based on the actual interest paid to the lenders on actual loan portfolio.

**Table No. 38: Interest on loan for FY 2024-25 allowed for the project in this Order**

Sr. No.	Particular	Unit	FY 2024-25
1	Opening Loan as on 01.04.2024	Rs. Crore	2659.11
2	Loan Additions during the year	Rs. Crore	2.88
3	Loan adjustment towards decapitalized assets	Rs. Crore	0.00
4	Repayment of Loan equal to dep.	Rs. Crore	398.72
5	Closing Loan as on 31.03.2025	Rs. Crore	2263.27
6	Average Loan	Rs. Crore	2461.19
7	Weighted Average Rate of Interest	%	9.59%
<b>8</b>	<b>Annual Interest amount on Loan</b>	<b>Rs. Crore</b>	<b>236.05</b>

**Table No. 39: Interest on loan for FY 2024-25 allowed for FGD System in this Order**

Sr. No.	Particular	Unit	FY 2024-25
1	Opening Loan as on 01.06.2024	Rs. Crore	574.07
2	Loan Additions during the year	Rs. Crore	31.08
3	Loan Reduction due to write-off	Rs. Crore	0.00
4	Repayment of Loan equal to dep.	Rs. Crore	36.30
5	Closing Loan as on 31.03.2025	Rs. Crore	568.85
6	Average Loan	Rs. Crore	571.46
7	Weighted Average Rate of Interest (%)	%	10.59%
<b>8</b>	<b>Annual Interest amount on Loan</b>	<b>Rs. Crore</b>	<b>60.51</b>

**Re-financing or Restructuring of loan:**

126. Apart from interest on term loan, petitioner has also claimed additional recovery of Rs. 4.73 Crore on account of saving in interest due to re-financing of loan by the Petitioner in accordance with the Regulation 59 of the Regulations, 2024.

**Petitioner's Submission:**

127. With regard to re-financing or re-structuring of loan, the petitioner in para 54 of the subject petition, submitted the following:

“As submitted under the earlier Petitioner No. 64 of 2024 filed by the Petitioner before this Commission for true of tariff for FY 2023-24, the Petitioner had undertaken refinancing of the outstanding loans during FY 2023-24 by way of closure of the outstanding loans of SBI and AXIS Bank and availing a fresh loan from IIFCL, India at a substantial lower interest rates vis-à-vis the interest rates charged by SBI and AXIS Bank, thereby resulting in an overall reduction of 1.28% in the overall WAROI.”

In view of the above, the working of net saving of interest during FY 2024-25 on account of re-financing of loan by the Petitioner is as under: (Rs. in Crore)

<b>Particulars</b>	<b>Amount</b>
Net reduction of WAROI during FY 2024-25 on account of re-financing of loan by the Petitioner (%)	1.28%
Average Normative Loan during FY 2024-25	2461.48
Annual saving in interest during FY 2024-25 for the Project	31.50
Annual saving in interest during FY 2024-25 w.r.t MPPMCL's share of 30%	9.45
<b>Saving to be shared by MPPMCL with the Petitioner in accordance with Regulation 59 of MPERC Tariff Regulations, 2024</b>	<b>4.73</b>

#### **Provision in Regulations:**

128. Regarding the Sharing of saving in interest due to re-financing or restructuring of loan, Regulation 59 of the Regulations, 2024, provides as under:

59.1 If re-financing or restructuring of loan by the generating company results in net savings on interest after accounting for cost associated with such refinancing or restructuring, the same shall be shared between the beneficiaries and the generating company in the ratio of 50:50.

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

Provided that the 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:**

129. With regard to re-financing of loan, it was observed that the total saving in the interest rate after refinancing is 1.28%. Vide Commission's letter dated 06.02.2026, the petitioner was asked to file the detail computation of net saving i.e. saving achieved and expenditure, if any incurred in this account in light of Regulation 59 of the Regulations, 2024.

130. In response to above, by affidavit dated 24.02.2026, the petitioner submitted the following:

*As observed by this Commission, in its Order dated 28.03.2025 passed in Petition 64 of 2024 filed by the Petitioner for true-up of tariff for FY 2023-24, the Petitioner had undertaken refinancing of the outstanding loans during FY 2023-24 by way of closure of the outstanding loans of SBI and AXIS Bank and availing a fresh loan from IIFCL, India at a substantial lower interest rates vis-à-vis the interest rates charged by SBI and AXIS Bank. This refinancing of loan had resulted in the net reduction of 1.28% in the overall Weighted Average Rate of Interest (“WAROI”) for FY 2023-24.*

*This Commission in its said Order dated 28.03.2025 has acknowledged this reduction of 1.28% in the overall WAROI and allowed the sharing of saving of interest on account of such reduction of 1.28% in the overall WAROI between the Petitioner and the Respondent MPPMCL in the ratio of 50:50 in accordance with Regulation 57 of the MPERC Tariff Regulations, 2020.*

*It is to be appreciated that such refinancing of loan by the Petitioner during FY 2023-24 has also resulted in the reduction in the overall WAROI for FY 2024-25 as well as evident from the fact that at the time of closure of loans from SBI and AXIS Bank, the rate of interest of outstanding loans of SBI and AXIS Bank were 11.62% and 11.50% respectively, while the rate of interest of outstanding loans of IIFCL-India during FY 2024-25 is only 8.92%. However, since the loans from SBI and AXIS Bank got closed in FY 2023-24, hence in absence of the net loans and the interest rates of SBI and AXIS Bank for FY 2024-25, any comparison of the overall WAROI for FY 2024-25 (i) considering loans of SBI and AXIS Bank for FY 2024-25 (i.e. without refinancing of loan) and (ii) without considering loans of SBI and AXIS Bank for FY 2024-25 (i.e. with refinancing of loan) will be marked with practical challenges. Accordingly, to avoid any complexities and any hypothetical assumptions, reduction in the overall WAROI for FY 2024-25 on account of refinancing of loan by the Petitioner has been retained as 1.28% which has already been approved by this Commission.*

*Regulation 59 of MPERC Tariff Regulations, 2024 provides that if re-financing of loan by a generating company results in net-saving on interest, the same shall be shared between the beneficiaries and generating company in the ratio of 50:50.*

*Accordingly, it is prayed that in addition to the Annual Fixed Cost for FY 2024-25 so determined under the present Petition, this Commission may be pleased to direct*

*MPPMCL to pay to the Petitioner a sum of Rs. 4.73 Crore on account of sharing of saving in interest due to re-financing of loan by the Petitioner in accordance with Regulation 59 of the MPERC Tariff Regulations, 2024 along with the applicable interest/ carrying cost.*

131. The respondent No. 1 (MPPMCL) in its response to the subject petition has broadly submitted the following on sharing in interest on account of refinancing of loan:

*Petitioner is seeking sharing of saving in interest due to refinancing of loan of Rs.4.73 Crore. It is submitted that the issue has been adjudicated in petition nos.7, 8 & 9 of 2022 and this amount has been disallowed by this Commission and appeal with respect to the same is pending before the Hon'ble APTEL and there are no stay granted on the order passed by the Commission in petition nos.7, 8 & 9 of 2022 and therefore, this amount also ought to be disallowed.*

132. By affidavits dated 06.04.2026 and 24.04.2024, the Petitioner in its response has broadly submitted the following on sharing in interest on account of refinancing of loan:

*MPPMCL's reliance on the Orders passed by this Commission in Petition Nos. 7 and 9 of 2022 is entirely misplaced. In those earlier cases, this Commission had observed that the saving in interest arose from temporary restructuring/refinancing arrangements with no certainty of continuation the remaining life of the project since no specific timelines were provided under the Framework Agreement therein. In earlier matters the lower rate of interest applicable on account of temporary nature of loan restructuring had already been allowed in the MYT Order therein and hence was not considered for sharing of benefits. Whereas in the present case, sharing in savings in interest claimed by the Petitioner on account of refinancing of the outstanding loans undertaken by the Petitioner is fundamentally different in nature. The Petitioner has refinanced its outstanding loans by prepaying/ closure of the loans availed from SBI and Axis Bank and availing a fresh loan from IIFCL at substantially lower interest rates. This refinancing is not any kind of a temporary arrangement but is applicable for the balance tenure of the loan, thereby resulting in sustained savings in interest over the remaining life of the Project.*

133. On perusal of the above details and documents filed by the petitioner in Petition No. 64 of 2024 for FY 2023-24, the Commission observed that the outstanding loans of SBI and AXIS Bank (carrying interest rates of 11.62% and 11.50%, respectively), were refinanced

through a fresh loan from IIFCL, India at a lower rate of interest of 9.40%. The petitioner had submitted that the Weighted Average Rate of Interest (WAROI) on overall loan portfolio reduced from 11.48% (without refinancing) to 10.20% (with refinancing), resulting in a net reduction of 1.28% during FY 2023-24, which was duly admitted by the Commission. Further, the petitioner has retained the same reduction of 1.28% in the WAROI on account of refinancing and has computed the total annual interest saving for the project as Rs. 31.50 Crore for FY 2024-25. The saving corresponding to the contracted capacity of 30% has been worked out as Rs. 9.45 Crore.

134. The Commission further observed that in Form TPS-13 of the petition the applicable rate of interest of IIFCL, India for FY 2024-25 is 8.92%, which is lower than the interest rates for FY 2023-24. Considering that the reduction in WAROI of 1.28% on account of refinancing had already been examined and admitted by the Commission, and the same has been considered for reduction in WAROI for the purpose of computing interest saving for FY 2024-25.
135. Regulation 59.1 of the Regulations, 2024 provides that the net saving on loan interest after refinancing or restructuring of loan, shall be shared between the beneficiaries and generating company in the ratio of 50:50. Accordingly, the petitioner has claimed sharing of annual saving in the Interest during FY 2024-25 corresponding to contracted capacity of 30% with MPPMCL in accordance to Regulation 59 of the Regulations, 2024. The sharing of saving towards re-financing of loan worked out by the Commission is as follow:

S.No.	Particulars	Amount
1	Net reduction of WAROI during FY 2024-25 on account of re-financing of loan	1.28%
2	Average Normative Loan during FY 2024-25	2461.19
3	Annual saving in interest during FY 2024-25 for the Project	31.50
4	Annual saving in interest during FY 2024-25 w.r.t MPPMCL's share of 30%	9.45
5	<b>Saving to be shared by MPPMCL with the Petitioner in accordance with Regulation 59 of MPERC Tariff Regulations, 2024</b>	<b>4.73</b>

136. In view of the above, out of the total saving of Rs. 9.45 Crore (for 30% capacity), the petitioner is allowed to recover 50% of saving i.e. Rs. 4.73 Crore in this Order.

(d) **Operation & Maintenance Expenses:  
Petitioner's Submission:**

137. The Petitioner filed Operation & Maintenance Expenses for the Project during FY 2024-25 in accordance to the norms under the Regulations, 2024.as given below:

**Table No. 41: Operation & Maintenance Expenses claimed (Rs. in Crore)**

Particular	FY 2024-25
Annual O&M expenses	309.36

138. The Petitioner has also claimed the Water Charges, Ash Transportation Expenses & Security Expenses as part of the O&M Expenses are as given below:

**Table No. 42: Water charges, Ash transportation Expenses & Security Expenses claimed for FY 2024-25**

Particulars	Amount (in Rs.)
Water Charges	8,35,09,825
Ash Transportation Expenses	74,93,39,721
Security Expenses	6,81,66,979
<b>TOTAL FY 2024-25</b>	<b>90,10,16,525</b>

139. In the subject petition, the petitioner has claimed following O&M Expenses for FGD system:

**Table No. 43: Operation & Maintenance Expenses claimed (Rs. in Crore)**

Particulars	FY 2024-25
Total Capital Cost of FGD System as on 31.03.2025	870.79
Less: IDC as on 31.05.2024 as approved by this Commission in its Order dated 27.11.2025 passed in Petition No. 23 of 2025	38.81
Less: IEDC as on as on 31.05.2024 as approved by this Commission in its Order dated 27.11.2025 passed in Petition No. 23 of 2025	31.86
Less: Discharge of liabilities towards IEDC during the period 01.06.2024 to 31.03.2025 as claimed in the present Petition	1.13
Net Capital Cost for computation of Annual O&M Charges for FGD System for the Project for the period 01.06.2024 to 31.03.2025	798.93
O&M Charges (annualized) for FGD System for the Project for the period 01.06.2024 to 31.03.2025 (@2% of Net Capital Cost)	15.98
Income generated from sale of gypsum or other byproducts during the period 01.06.2024 to 31.03.2025 as recorded by this Commission in its Order dated 27.11.2025 passed in Petition No. 23 of 2025	0.07

<b>Net O&amp;M Charges (annualized) for FGD System for the Project for the period 01.06.2024 to 31.03.2025 (@2% of Net Capital Cost)</b>	<b>15.91</b>
<b>O&amp;M Charges (annualized) for the period 01.04.2024 to 31.05.2024 as determined by this Commission in its Order dated 27.11.2025 passed in Petition No. 23 of 2025</b>	<b>7.26</b>

**Provision in Regulations:**

140. The norms for Operation and Maintenance Expenses for thermal generating units commissioned on or after 01/04/2012 are specified under Regulation 37.2 of the Regulations, 2024 for the generating Unit of “600/660 MW Series” for FY 2024-25 are as given below:

**Table No. 44: Normative O&M Expenses for FY 2024-25**

Units (MW)	Rs. Lakh/MW/Year
<b>600/660 MW Series</b>	<b>25.78</b>

*Provided that the Water Charges, Security Expenses, Ash Transportation Expenses and Capital Spares for thermal generating stations shall be allowed separately after prudence check:*

*Provided further that water charges shall be allowed based on water consumption depending upon type of plant, type of cooling water system or water agreement with State govt. and considering the norms of specific water consumption notified by the Ministry of Environment, Forest and Climate Change subject to prudence check. The details regarding the same shall be furnished along with the petition:*

.....

141. With regard to O&M Expenses on account of Emission Control System, Regulation 37.5 of the Regulations 2024, provides as under:

37.5 *“The operation and maintenance expenses on account of emission control system in coal based thermal generating station shall be 2% of the admitted capital expenditure (excluding IDC and IEDC) as on its date of operation, which shall be escalated annually @ 5.25% during the tariff period ending on 31.03.2029:*

*Provided that income generated from sale of gypsum or other by-products shall be reduced from the operation and maintenance expenses.”*

**Commission's Analysis:**

142. For thermal power station, the Commission has worked out the annual Operation and Maintenance Expenses as per above Regulations, 2024 for the generating unit of "600 MW and above" as given below:

**Table No. 45: O & M Expenses allowed in this Order for FY 2024-25**

<b>Particular</b>	<b>Units</b>	<b>FY 2024-25</b>
Installed Capacity	MW	1200
Per MW O&M Expenses Norms	Rs in Lakh/MW	25.78
<b>Annual O&amp;M expenses</b>	<b>Rs in Crore</b>	<b>309.36</b>

143. Beside the aforesaid O&M expenses, Regulation 37.2 of the Regulations, 2024 also provides that the water charges, security expenses, ash transportation expenses and capital spares for thermal generating stations shall be allowed separately after prudence check. The Commission has analysed the aforesaid expenses separately filed by the petitioner as below:

**Water Charges: -**

144. The petitioner has claimed water charges of Rs. 8.35 Crore for FY 2024-25. With regard to water charges, first proviso of Regulation 37.2 provides that the water charges for thermal power station shall be allowed separately after prudence check. Further, second proviso of aforesaid Regulation provides that the water charges shall be allowed based on water consumption depending upon type of plant, type of cooling water system or water agreement with the State Govt. and considering the norms of specific water consumption notified by the Ministry of Environment, Forest and Climate Change (MoEF&CC) subject to prudence check.
145. Vide letter dated 06.02.2026, the petitioner was asked to submit details of payments made to GoMP towards Water Consumption with a copy of the GoMP notification for water charges and a copy of the agreement executed with Water Resource department, GoMP. It was also asked to confirm, whether water consumption of its power station is within the norms specified by MoEF&CC. In response, by affidavit dated 24.02.2026, the petitioner submitted the details of monthly Water Charges containing reconciliation with the books of accounts, copy of Bills by WRD, Notification from WRD and agreement dated 05.05.2018 executed by the petitioner with WRD and copy of challans of payment to WRD.

146. As per agreement dated 05.05.2016 with WRD, it is observed that the petitioner's plant was granted permission to draw 26.40 MCM per year/ 72328.77 Cum per day water from Sone River. Further, as per clause 2 of the said agreement, water charges are payable for at least 90% of the quantum of water contracted at the rate fixed by WRD. Accordingly, the petitioner has claimed Rs 8.35 Crore for water charges for FY 2024-25 for 90% of allocated 26.40 MCM per year/ 72328.77 Cum per day. The petitioner informed that total Water Consumption during FY 2024-25 was 19123845 Cum which translates into the specific water consumption of 2.24 Cum/MWh well within the norms specified by MoEF&CC in this regard.
147. The petitioner was also asked to reconcile the aforesaid expenses towards Water Charges with the Annual Audited Accounts for FY 2024-25. In response, the petitioner has submitted that the total payment made towards Water Charges and Power is Rs. 28.22 Crore indicated at Note 32 of the Annual Audited Accounts. Out of aforesaid amount Rs. 22.77 Crore pertains to payment towards power and balance of Rs. 5.45 Crore is towards net water charges (i.e., net of the recoveries by the Petitioner from the beneficiaries). The petitioner further submitted that the total Water Charges for water consumed at Project site, during FY 2024-25 is Rs. 8.35 Crore, out of which Rs. 2.91 Crore has been recovered by the Petitioner from the beneficiaries. Moreover, Water Charges for water consumed at Corporate Office during FY 2024-25 is Rs. 1.02 lakhs. Therefore, the total Water Charges for water consumed after adjusting the recoveries from the beneficiaries amounts to Rs. 5.45 Crore (i.e. Rs. 8.35 Crore – Rs. 2.91 Crore + Rs 0.01 Crore), which has been reconciled with the net Water Charges of Rs 5.45 Crore under the Annual Audited Account for FY 2024-25.
148. In light of the above submission and provisions under the Regulations, 2024, the Commission has considered water charges of Rs. 8.35 Crore for the project for FY 2024-25 at 100% capacity basis and considered the same under annual O&M expenses. The same shall be pro-rated to the extent of MPPMCL share in the summary of the Annual Capacity (fixed) Charges.

**Security Expenses: -**

149. The petitioner has claimed Security Expenses of Rs. 6.82 Crore for FY 2024-25. With regard to Security Expenses, first proviso of Regulation 37.2 provides that the security expenses for thermal power stations shall be allowed separately after prudence check.

150. Vide letter dated 06.02.2026, the petitioner was asked to submit copy of agreements executed with Security Agencies along with the terms and conditions of payment and details of actual payment made. In response, by affidavit dated 24.02.2026, the petitioner filed copy of the agreement/work order executed with the Security Agencies and Statement showing details of the payments made to the Security Agencies. Further, the petitioner has also filed statement of month-wise security charges incurred for the generating station. The petitioner also submitted the breakup of Security Expenses as given below:

(Rs. in Crore)		
S. No.	Heads	Amount
1.	Security Staff Salaries & Wages	5.53
2.	Payment made to the external Security Agencies	1.29
<b>TOTAL</b>		<b>6.82</b>

151. The petitioner was also asked to reconcile the aforesaid expenses with the Annual Audited Accounts for FY 2024-25. In response, by affidavit dated 24.02.2026, the petitioner submitted the followings:

*As per Note 29 of the Annual Audited Accounts for FY 2024-25, the total Salary and Wages (excluding Petitioner's contribution to Provident funds and other funds) paid during FY 2024-25 was Rs. 137.89 Crore, against which Rs. 5.14 Crore was towards Security Staff Salary and Wages and the remaining amount of Rs. 132.75 Crore was towards the Salary and Wages of the other employees. Further, against the total contribution of Rs 9.19 Crore by the Petitioner during FY 2024-25 towards Provident fund and other funds, Petitioner's contribution to Provident fund and other funds for Security Staff was Rs. 0.39 Crore and the remaining amount Rs. 8.80 Crore was towards Petitioner's contribution to Provident fund and other funds of the other employees. Hence the cumulative amount towards Salaries & Wages (including contribution to Provident funds and other funds) for the Security Staff during FY 2024-25 was Rs 5.53 Crore (i.e. Rs 5.14 Crore + Rs 0.39 Crore).*

*Furthermore, as per Note 32 of the Annual Audited Accounts for FY 2024-25, the other security expenses during FY 2024-25 were Rs. 1.43 Crore, against which of Rs. 1.29 Crore were paid to external Security Agencies and the remaining amount of Rs. 0.14 Crores was towards expenses recoverable from the Security Staff.*

152. In view of the above, the Commission has observed that the amount towards deployment of security personal from external agencies recorded in Annual Audited Accounts for FY 2024-25 is Rs. 1.29 Crore. Hence, the Security Expenses of Rs. 1.29 Crore only towards external security agency based on Annual Audited Accounts for FY 2024-25 is allowed in light of the provisions under the Regulations, 2024 at 100% capacity basis and considered the same under annual O&M expenses. The same shall be pro-rated to the extent of MPPMCL share in the summary of the Annual Capacity (fixed) Charges. Further, the security expenses of Rs. 5.53 Crore pertaining to MB Power employees have not been considered separately, as the same are already covered under normative O&M Expenses.
153. Accordingly, the Commission has worked out O&M Expenses including water charges and security expenses as given below:

**Table No. 46: O&M Expenses including Water Charges & Security Expenses allowed in this Order**

<b>Installed Capacity</b>	<b>Units</b>	<b>FY 2024-25</b>
O&M Expenses	Rs in Crore	309.36
Water Charges	Rs in Crore	8.35
Security Expenses	Rs in Crore	1.29
<b>Total O&amp;M Expenses including water charges and security expenses</b>	<b>Rs in Crore</b>	<b>319.00</b>

154. With regard to O&M expenses for FGD System, vide letter dated 06.02.2026, the petitioner was asked to confirm whether income from sale of gypsum or other by-product of Rs. 0.07 Crore has been reduced from O&M Expenses in light of the Regulation 37.5 of the Regulations, 2024. It was also asked to file the details of income generated from sale of gypsum or other by-products alongwith supporting documents and duly reconcile it with Annual Audited Accounts.
155. In response, by affidavit dated 24.02.2026, the petitioner submitted that it is trying to tie-up the offtake and sale of Gypsum/ Bi-products generated from FGD System with various cement manufactures/ other off-takers. However, the Petitioner was able to generate a marginal income of Rs 0.07 Crore only from sale of of Gypsum/ Bi-products generated from FGD System during FY 2024-25.
156. On perusal of the above details and documents filed by the petitioner, the Commission observes that the petitioner has earned Rs. 7,12,500/- from sale of Gypsum through short-term contracts executed with Ultratech Cement Ltd. This income from sale of Gypsum is

considered from reduction of O&M expenses towards FGD System in accordance of Regulations.

157. It has been noted that the petitioner has claimed Annual O&M expenses for FGD System by considering total capital cost (excluding IDC and IEDC) of FGD System including additional capitalization towards discharge of liability as on 31.03.2025. In this regard Regulation 37.5 clearly mentions that “the operation and maintenance expenses on account of emission control system in coal based thermal generating station shall be 2% of the admitted capital expenditure (excluding IDC and IEDC) as on its date of operation”. Therefore, the aforesaid approach of the petitioner for computing O&M Expenses of FGD System is incorrect because the capital cost admitted from the Date of Operation is required to be considered for computing O&M Expenses. In view of the above, the Commission has considered the same O&M Expenses as determined in order dated 27.11.2025 in Petition No. 23 of 2025 in accordance to the provisions of the Regulations, 2024.
158. Based on the above, O&M Expenses of FGD for FY 2024-25 is considered in this Order as given below:

**Table No. 47: O& M Expenses for FGD System allowed for FY 2024-25 in this Order (Rs. in Crore)**

Particular	FY 2024-25
Annual O&M Charges as on 01.06.2024 ( <i>escalated @ 5.25% per annum</i> )	14.78
Income generated from sale of gypsum or other by-products	-0.07
<b>Annual O&amp;M Charges</b>	<b>14.71</b>

(e) **Interest on Working Capital:  
Petitioner’s Submission:**

159. The petitioner claimed Interest on Working Capital for the project for FY 2024-25 as given below: -

**Table No. 48: Interest on Working Capital claimed for the project (Rs in Crore)**

Particulars	FY 2024-25
<i>Cost of Coal towards 20 days Stock &amp; 30 days Generation (i.e. total 50 days)</i>	319.57
<i>Cost of Main Secondary Fuel Oil (2 Months)</i>	5.81
<i>O &amp; M Expenses including Water Charges and Security Expenses (One Month)</i>	27.04
<i>Maintenance Spares</i>	64.91

(@ 20% of O&M Expenses including Water Charges and Security Expenses)	
Receivables (45 days) - Energy Charges	291.91
Receivables (45 days) - Capacity Charges	197.63
<b>Total Working Capital</b>	<b>906.87</b>
Rate of Interest on Working Capital (%)	11.90%
<b>Interest on Working Capital</b>	<b>107.92</b>

**Table No. 49: Interest on Working Capital claimed by the petitioner for FGD System (Rs. in Crore)**

<b>Particulars</b>	<b>FY 2024-25</b>
Cost of Limestone towards Stock for 20 days as determined by this Commission in its Order dated 27.11.2025 passed in Petition No. 23 of 2025	0.78
Advance payment towards cost of Limestone for 30 days as determined by this Commission in its Order dated 27.11.2025 passed in Petition No. 23 of 2025	1.17
O&M Expenses for 1 month	1.33
Maintenance Spares @ 20% of Annual O&M Expenses	3.18
Receivables for 45 days	24.87
<b>Total Working Capital</b>	<b>31.33</b>
<b>Reference Rate of Interest on Working Capital</b>	<b>11.90%</b>
<b>Interest on Working Capital for the period 01.06.2024 to 31.03.2025</b>	<b>3.73</b>
<b>Interest on Working Capital for the period 01.04.2024 to 31.05.2024 as determined by this Commission in its Order dated 27.11.2025 passed in Petition No. 23 of 2025</b>	<b>1.68</b>

**Provision in Regulations:**

160. Regulation 39 of the Regulations, 2024 regarding working capital for coal based generating stations provides that:

39.1 The working capital shall cover:

**A. Coal-based thermal generating stations**

- (i) Cost of coal towards stock for 10 days for pit-head generating stations and 20 days for non pit-head generating stations for generation corresponding to the normative annual plant availability factor or the maximum coal stock storage capacity whichever is lower;

- (ii) Advance payment for 30 days towards cost of coal for generation corresponding to the normative annual plant availability factor;
- (iii) Cost of secondary fuel oil for two months for generation corresponding to the normative annual plant availability factor, and in case of use of more than one secondary fuel oil, cost of fuel oil stock for the main secondary fuel oil;
- (iv) Operation and maintenance expenses, including water charges and security expenses for one month;
- (v) Maintenance spares @ 20% of operation and maintenance expenses, including water charges and security expenses; and
- (vi) Receivables equivalent to 45 days of capacity charges and energy charges for sale of electricity calculated on the normative annual plant availability factor.

**B. For emission control system of coal based thermal generating stations:**

- (i) Cost of limestone or reagent towards stock for 20 days corresponding to the normative annual plant availability factor;
- (ii) Advance payment for 30 days towards cost of reagent for generation corresponding to the normative annual plant availability factor;
- (iii) Operation and maintenance expenses in respect of emission control system for one month;
- (iv) Maintenance spares @ 20% of operation and maintenance expenses in respect of emission control system; and
- (v) Receivables equivalent to 45 days of supplementary capacity charge and supplementary energy charge for sale of electricity calculated on the normative annual plant availability factor.

.....  
39.2 The cost of fuel in cases covered under Regulations 39.1(A) and 39.1(B) of this Regulation shall be based on the landed fuel cost incurred (taking into account normative transit and handling losses) by the generating station and gross calorific value of the fuel as per actual weightage average for the preceding financial year and no fuel price escalation shall be provided during the Control period:

Provided that in case of new generating station, the cost of fuel for the first financial year shall be considered based on landed fuel cost (taking into account normative transit and handing losses) and gross calorific value of the fuel as per actual weighted average for three months, as used for infirm power, preceding date of commercial operation for which tariff is to be determined.

39.3 Rate of interest on working capital shall be on normative basis and shall be considered at the Reference Rate of Interest as on 01.04.2024 or as on 1st April of the year during the tariff period 56 2024-25 to 2028-29 in which the generating station or a unit thereof, is declared under commercial operation, whichever is later:

Provided that in case of truing-up, the rate of interest on working capital shall be considered at Reference Rate of Interest as on 1st April of each of the financial year during the tariff period 2024-29.

39.4 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:

161. Regulation 39.2 of the Regulations, 2024 provides that no fuel price escalation shall be provided during the tariff period for calculating the working capital. The working capital for the project is worked out as per the provisions under the Regulations, 2024 as below:

- (i) 50 Days Cost of coal and two months' Cost of secondary main fuel oil equivalent to normative plant availability factor as considered in Commission's Order dated 28.02.2025 in petition No. 57 of 2024 for FY 2024-25 is considered as given below:

**Table No. 50: Cost of Coal and Cost of Main Secondary Fuel Oil considered in this Order (Rs. in Crore)**

Particulars	FY 2024-25
Coal Cost (50 days) as per Regulation 39.1 (A) (i&ii)	319.57
Cost of Secondary Fuel Oil for two Months	5.81

- (ii) O&M Expenses of one month including water charges and security expenses have been considered as per the provision under the Regulations, 2024 for computation of working capital requirement of thermal power station as follows:

**Table No. 51: O&M Expenses, including water charges and security expenses for 1 month considered in this Order (Rs. in Crore)**

Particulars	FY 2024-25
Annual O & M Expenses (including Water Charges & Security Expenses)	319.00

O&M Expenses for 1 month (including Water Charges & Security Expenses)	26.58
--	-------

- (iii) Maintenance Spares for FY 2024-25 is worked out as 20% of the normative annual O&M expenses, including water charges and security expenses as per the provision under the Regulations as follows:

**Table No. 52: Maintenance spares considered in this Order (Rs in Crore)**

Particulars	FY 2024-25
Annual O & M Expenses (including Water Charges & Security Expenses)	319.00
Maintenance Spares (20% of O&M Expenses, including Water Charges & Security Expenses))	63.80

- (iv) Receivables have been worked out on the basis of 45 Days of fixed and energy charges as given below:

**Table No. 53: Receivables considered in this Order (Rs in Crore)**

Particular	FY 2024-25
Variable Charges- 45 Days (As considered in Order dated 28.02.2025 in P.No. 57/2024)	291.91
Fixed Charges- 45 Days (Worked out in this Order)	187.53
<b>Receivables- 45 Days</b>	<b>479.44</b>

162. Further, the working capital for FGD system is worked out based on the norms for working capital as given below:

- (i). 20 Days Cost of Limestone and 30 Days advance payment towards cost of limestone for generation corresponding to normative plant availability factor as considered in Commission's Order dated 27.11.2025 in petition No. 23 of 2025 for FY 2024-25 is considered as given below:

**Table No. 54: Cost of Limestone and Cost of Advance Payment towards cost of limestone considered in this Order (Rs. in Crore)**

Particulars	FY 2024-25
Cost of Limestone (20 days) as per Regulation 39.1 (B) (i)	0.78
Advance Payment towards cost of limestone for 30 days as per Regulation 39.1 (B) (ii)	1.17

- (ii). O&M Expenses of one month for the purpose of working capital have been considered as per the provision under the Regulations, 2024 for computation of working capital requirement for emission control system of thermal power station as follows:

**Table No. 55: O&M Expenses for 1 month considered in this Order (Rs. in Crore)**

Particulars	FY 2024-25 (Rs. Crore)
Annual O & M Expenses	14.71
O&M Expenses for one month	1.23

- (iii). Maintenance Spares for the purpose of working capital is worked out as 20% normative annual O&M expenses as per the provision under applicable Tariff Regulation as follow:

**Table No. 56: Maintenance spares considered in this Order (Rs in Crore)**

Particulars	FY 2024-25 (Rs. Crore)
Annual O & M Expenses	14.71
Maintenance Spares (20% of O&M Expenses)	2.94

- (iv). Receivables have been worked out on the basis of 45 Days of Supplementary fixed and Energy Charges at normative Plant Availability factor are as below :

**Table No. 57: Receivables considered in this Order (Rs in Crore)**

Particular	FY 2024-25
Variable Charges- 45 days	4.74
Fixed Charges- 45 days	19.73
<b>Receivables- 45 days</b>	<b>24.47</b>

163. Regarding the rate of interest on working capital, Regulation 39.3 of the Regulations, 2024 provides that in case of truing-up, the rate of interest on working capital shall be considered at Reference Rate of Interest as on 1<sup>st</sup> April of each of the financial year during the tariff period 2024-29.

164. Further, Regulation 3.1(53) defined Reference Rate of interest as under:

*‘Reference Rate of Interest’ means the one-year marginal cost of funds based lending rate (MCLR) of the State Bank of India (SBI) issued from time to time plus 325 basis points’.*

165. In accordance with Regulation 39.3 of the Regulations, 2024, the rate of interest on working capital has been considered based on the Reference Rate as on 01.04.2024 for FY 2024-25. With regard to Reference Rate of Interest, Regulation 3.1 (53) of the Regulations, 2024 provides that the reference rate of interest means one-year marginal cost of funds based lending rate (MCLR) of the State Bank of India (SBI) issued from time to time plus 325 basis points. Considering Reference rate of 8.65% as on 01.04.2024 plus 3.25%, rate of interest on working capital is worked out as 11.90% for FY 2024-25 as under:

**Table No. 58: Rate of Interest on Working Capital Determined in this Order**

Particulars	FY 2024-25
MCLR prevailing as on 01.04.2024 specified by State Bank of India.	8.65%
Plus 325 basis point	3.25%
<b>Reference Rate of Interest on Working Capital</b>	<b>11.90%</b>

166. Considering the above, the interest on working capital worked out by the Commission for FY 2024-25 in this true-up order is as given below:-

**Table No. 59: Interest on Working Capital for the project allowed in this Order for FY 2024-25**

Sr. No.	Particular	Unit	FY 2024-25
1	Cost of Coal for 50 Days	Rs Crore	319.57
2	Cost of Main Secondary Fuel Oil for two months	Rs Crore	5.81
3	O&M Expenses for One Month (including Water Charges & Security Expenses)	Rs Crore	26.58
4	Maintenance Spares 20% of O&M expenses (including Water Charges & Security Expenses)	Rs Crore	63.80
5	Receivables for 45 days	Rs Crore	479.44
<b>6</b>	<b>Total Working Capital</b>	<b>Rs Crore</b>	<b>895.21</b>
7	Applicable Rate of Interest (SBI MCLR)	%	11.90%
<b>8</b>	<b>Interest on working Capital</b>	<b>Rs Crore</b>	<b>106.53</b>

**Table No. 60: Interest on Working Capital for FGD System allowed in this Order for FY 2024-25**

S. No.	Particular	Unit	FY 2024-25
1	Cost of Limestone towards stock for 20 days	Rs. Crore	0.78
2	Advance Payment towards cost of limestone for 30 days	Rs. Crore	1.17

3	O&M Expenses for One Month	Rs. Crore	1.23
4	Maintenance Spares 20% of O&M expenses	Rs. Crore	2.94
5	Receivables for 45 days	Rs. Crore	24.47
<b>6</b>	<b>Total Annual Working Capital</b>	<b>Rs. Crore</b>	<b>30.59</b>
7	Rate of Interest on Working Capital	%	11.90%
<b>8</b>	<b>Annual Interest on working Capital</b>	<b>Rs. Crore</b>	<b>3.64</b>

(f) **Non-Tariff Income.**

167. The petitioner filed Rs. 1.33 Crore (50% of total non-tariff income) as non-tariff income during the year.

**Provision in Regulations:**

168. Regulation 60 of the Regulations, 2024 provides as under:

*“The non-tariff net income in case of generating station on account of following shall be shared in the ratio of 50:50 with the beneficiaries and the generating company on annual basis:*

- a). Income from rent of land or buildings;*
- b). Income from sale of scrap;*
- c). Income from sale of fly ash;*
- d). Interest on advances to suppliers or contractors;*
- e). Rental from staff quarters;*
- f). Rental from contractors;*
- g). Income from advertisements;*
- h). Income from eco-tourism;*
- i). Interest on investments and bank balances;*
- j). Income from sale of tender documents; and*
- k). Income generated from sale of ESCerts:*

*Provided that the interest or dividend earned from investments made out of Return on Equity corresponding to the regulated business of the Generating Company shall not be included in Non-Tariff Income:*

*Provided further that the Generation Company shall submit full details of its forecast of Non-Tariff Income to the Commission. Non-tariff income shall also be trued-up based on audited accounts.*

**Commission's Analysis:**

169. The petitioner has filed non-tariff income of Rs. 1.33 Crore during FY 2024-25, whereas, in Note 27 of Annual Audited Accounts "other income" is shown as Rs. 127.39 Crore. Vide letter dated 06.02.2026, the petitioner was asked to explain the reasons for aforesaid difference in non-tariff income recorded in Annual Audited Accounts vis-à-vis filed in subject petition. The petitioner was also asked to confirm, whether any income from sale of fly ash is considered under non-tariff income.

170. By affidavit dated 24.02.2026, the petition submitted the following regarding Non-Tariff Income:

- As per the Accounting Standards followed under either IGAAP or IND AS, the Annual Audited Accounts are prepared on accrual basis (irrespective of actual realization or expenditure in cash). As such, "Other Income" in the Annual Audited Accounts is also booked on accrual basis. Accordingly, "Other Income" under Note 27 of the Annual Audited Accounts for FY 2024-25 is booked on accrual basis as Rs. 127.39 Crore.
- The detailed break-up of "Other Income" in the Annual Audited Accounts for FY 2024-25 on accrual basis vis-à-vis actually realized is as under:

**Table No. 61: Breakup of Other Income filed by the petitioner during FY 2024-25**

S. No	Head of Other Income	Amount on Accrual basis for FY 2024-25	Remarks
1	Bank deposits	72.02	• Income on Fixed Deposits earned out of RoE. <b>This does not amount to Non-Tariff Income in terms of 1<sup>st</sup> proviso of Regulation 60 of MPERC Tariff Regulations, 2024</b>
2	Others	3.08	• Interest from Income Tax refunds and others, along with Ind AS Adjustments. <b>This does not amount to Non-Tariff Income in terms of 1<sup>st</sup> proviso of Regulation 60 of MPERC Tariff Regulations, 2024.</b>
3	Gain on Sale/ fair valuation of investments	22.11	• Income on mutual fund investment earned out of RoE. <b>This does not amount to Non-Tariff Income in terms of 1<sup>st</sup> proviso of Regulation 60 of MPERC Tariff Regulations, 2024</b>
4	Liabilities written back	0.13	• Provisions made in the earlier years towards certain liabilities which are now reversed in Annual Audited Accounts for FY 2024-25. [i.e. Reversal of Creditor (Rs. 0.13 Crore)] <b>This does not amount to Non-Tariff Income in terms of Regulation 60 of MPERC Tariff Regulations, 2024</b>
5	Scrap sales	1.06	• Realized income from sale of scrap. <b>This amounts to Non-</b>

			<b>Tariff Income in terms of Regulation 60(b) of MPERC Tariff Regulations, 2024</b>
6	Sale of Rejected Coal	1.17	<ul style="list-style-type: none"> <li>Realized income from sale of Rejected Coal. <b>This amounts to Non-Tariff Income in terms of Regulation 60(b) of MPERC Tariff Regulations, 2024.</b></li> </ul>
7	Others	27.82	<p>a) Rs 21.34 Crore against the encashment of a Bank Guarantee of a vendor towards non-completion of a contract. This does not amount to Non-Tariff Income in terms of Regulation 60 of MPERC Tariff Regulations, 2024</p> <p>b) Rs 5.58 Crore against adjustment of CTUIL transmission charges. This does not amount to Non-Tariff Income in terms of Regulation 60 of MPERC Tariff Regulations, 2024</p> <p>c) Rs 0.16 Crore against recovery of maintenance, hire, utility and other charges. This does not amount to Non-Tariff Income in terms of Regulation 60 of MPERC Tariff Regulations, 2024</p> <p>d) Rs 0.32 Crore towards reversal of provisions made in the earlier years. This does not amount to Non-Tariff Income in terms of Regulation 60 of MPERC Tariff Regulations, 2024</p> <p>e) Rs 0.27 Crore against recovery of rent &amp; electricity from employees at the plant colony. This amounts to Non-Tariff Income in terms of Regulation 60(e) of MPERC Tariff Regulations, 2024</p> <p>f) Rs 0.06 Crore against rent from Power Grid. This amounts to Non-Tariff Income in terms of Regulation 60(a) of MPERC Tariff Regulations, 2024.</p> <p>g) Rs 0.09 Crore against recovery of mobile tower Rent. This amounts to Non-Tariff Income in terms of Regulation 60(a) of MPERC Tariff Regulations, 2024.</p>
	<b>Total</b>	<b>127.39</b>	<b>Net Non-Tariff Income realized for the Project: Rs. 2.65 Crore [i.e., S. No. 5+6+ 7(e) + 7(f) + 7(g)]</b>

- It is evident from above table that the total Non-Tariff Income realized for the Project on cash basis during FY 2024-25 is corresponding to items under S. No. 5 & S. No. 6 & S. No.7 (e.), (f), (g) of the above table aggregating to Rs. 2.65 Crore.

- In terms of Regulation 60 of MPERC Tariff Regulations, 2024, the net Non-Tariff income on account of above is to be shared in the ratio of 50:50 with the beneficiaries and the generating company on annual basis. Accordingly, the amount to be considered as net Non-Tariff income on annual basis for the Project is Rs. 1.325 Crore for FY 2024-25, which translates into Rs. 39.75 Lakhs for sharing with MPPMCL (i.e. MPPMCL's share being 30% of Project Capacity).
- The Petitioner undertakes that it has not earned any income from sale of fly ash during FY 2024-25.

171. It was observed that, "Other Income" under Note 27 of the Annual Audited Accounts for FY 2024-25 is recorded as Rs 127.39 Crore, out of which, only Rs 2.65 Crore during FY 2024-25 covered as Non-Tariff Income as per Regulation 60 of the Regulations, 2024. This includes rent of mobile tower installed at site, others including sale of rejected coal realized income from sale of scrap and recovery of rent & electricity from employees.

172. Accordingly, the total non-tariff income of 2.65 Crore for the project for FY 2024-25 is considered in this Order. The break-up of non-tariff income considered is as given below:

**Table No. 62: Non-Tariff Income considered in this Order for FY 2024-25 (Rs in Crore)**

<b>Sr. No.</b>	<b>Head of Non-tariff/Other Income</b>	<b>Non-tariff Income for the Project</b>
1	Income from scrap sales	1.06
2	Income from rent of mobile tower	0.09
3	Income from recovery of rent & electricity from employees	0.27
4	Income from Rent from power grid	0.06
5	Sale of Rejected Coal	1.17
<b>Total – Non-tariff Income</b>		<b>2.65</b>
<b>50% of the Non-tariff income</b>		<b>1.33</b>

**Other Charges:**

173. In the subject true-up petition, the petitioner claimed following other charges:

- Recovery of the application filing fees from the beneficiary;
- Recovery of the publication expenses from the beneficiary;

- (iii) Recovery of other statutory charges like RLDC/NLDC charges, electricity duty, cess and etc. on pass through basis from the beneficiary in accordance with the provisions of the Regulations, 2024.

174. Regarding the other charges, in Para 154 to 155 of the MYT order dated 28.02.2025, the following was mentioned by the Commission:

- *“The petitioner is allowed to recover the fee paid to MPERC and publication expenses as per Regulation 66.1 (i) of the Regulations, 2024 on submission of documentary evidence. Application filing fees if any, for condonation of delay is not allowed to recover in this Order.*
- *The petitioner is also allowed to recover electricity duty on plant auxiliary consumption, Energy Development Cess on energy supplied to MPPMCL as per Regulation 66.3 and 66.4 of the Regulations, 2024 on submission of documentary evidences. Water Charges on provisional basis have already been allowed in O&M Expenses (Table 17) of this Order. In accordance to the second proviso of Regulation 37.2 of the Regulations, 2024, water charges are allowed only to the extent of water consumption as per norms specified by the MOEF&CC.*

175. With regard to Application fee, publication expenses and other statutory charges, Regulation 66 of the Regulations, 2024 provides as under:

*66.1 The following fees, charges and expenses shall be reimbursed directly by the beneficiary in the manner specified herein:*

- (i). The application filing fee and the expenses incurred on publication of notices in the application for approval of tariff, may in the discretion of the Commission, be allowed to be recovered by the generating company directly from the beneficiaries.*
- (ii). The Commission may, for the reasons to be recorded in writing and after hearing the affected parties, allow reimbursement of any fee or expenses, as may be considered necessary.*
- (iii). SLDC Charges and Transmission Charges as determined by the Commission shall be considered as expenses, if payable by the generating stations.*
- (iv). RLDC/NLDC charges as determined by the Central Commission shall also be considered as expenses, if payable by the generating station.*

.....

66.3. *Electricity duty, cess and water charges if payable by the Generating Company for generation of electricity from the power stations to the State Government, shall be considered and allowed by the Commission separately by considering normative parameters specified in these Regulations and shall be trued-up on actuals:*

*Provided that in case of the Electricity duty is applied in the auxiliary consumption, such amount of electricity duty shall apply on normative auxiliary consumption of the generating station (excluding colony consumption) and apportioned to each beneficiaries in proportion to their schedule dispatch during the month.*

176. In view of the above, the petitioner is allowed to recover the fee paid to MPERC and publication expenses as per Regulation 66.1 (i) of the Regulations, 2024 on submission of documentary evidence.
177. The petitioner is also allowed to recover the electricity duty on plant auxiliary consumption, Energy Development Cess on energy supplied to MPPMCL as per Regulation 66.3 of the Regulations, 2024. Water Charges as claimed has been allowed under O&M Expenses in this Order.
178. The petitioner is further allowed to recover RLDC/NLDC charges if any paid from the beneficiary in accordance to Regulation 66.1 (iv) of the Regulations, 2024.

### **Fly Ash Transportation Expenses:**

#### **Petitioner's Submission:**

179. The petitioner has claimed total expenditure of Rs. 74.93 Crore towards Transportation of Fly Ash during FY 2024-25.

#### **Provision in Regulation:**

180. With regard to recovery of Fly Ash Transportation Expenses, proviso of Regulation 66.4 of the Regulations, 2024 provides that:

*66.4 Expenses towards Fly Ash utilization & transportation shall be payable in accordance to directives issued by Government of India, Ministry of Environment, Forest and Climate Change (MoEF&CC) vide Notification No. S.O. 5481 (E) dated 31.12.2021 and subsequent amendment issued from time to time:*

*Provided that the generating company shall maintain separate accounts/records for expenses towards Fly Ash utilization & transportation reconciled with the Annual Audited Accounts and duly certified by the statutory Auditor. The generating company shall submit complete details of aforesaid expenses to the procurer along with supporting documents*

**Commission's Analysis:**

181. The petitioner has claimed expenditure of Rs. 74.93 Crore towards transportation and utilization of Fly Ash during FY 2024-25 for the project for 100% capacity. Vide Commission's letter dated 06.02.2026, the petitioner was asked to file the following:
- i. Details of expenses towards Fly Ash utilization & transportation and reconciled it with the Annual Audited Accounts.
  - ii. Annual revenue realized from sale of Fly ash and expenses incurred towards disposal of fly ash duly certified by Chartered Accountant. Details of bills / invoices towards such expenses raised to procurer and revenue realized during the year.
  - iii. Copies of Agreement executed with Ash transportation/ utilization agencies for transportation of Ash alongwith details of actual payment made during FY 2024-25 towards Ash transportation in light of the MoEF&CC notification.
182. By affidavit dated 24.02.2026, the petitioner submitted the following:
- i. As per Note 32 of the Annual Audited Accounts for FY 2024-25, the net cost of fly ash utilization amounts to Rs. 54.42 Crore. Further, an amount of Rs. 20.51 Crore has been recovered/ received by the Petitioner during FY 2024-25 from the beneficiaries towards fly ash utilization and transportation expenses. Hence the total expenses incurred by the Petitioner towards fly ash utilization and transportation during 2024-25 was Rs 74.93 Crore.
  - ii. No revenue from sale of fly ash received during FY 2024-25.
  - iii. The copy of the agreement executed with the transportation agency, copy of quarterly bills raised to MPPMCL towards reimbursement of ash utilisation and transportation expenses along with statutory auditor certificate certifying ash transportation expenses has been submitted.

183. On perusal of the details filed by the petitioner, it is observed that the Petitioner has raised quarterly bills to MPPMCL for reimbursement of expenses incurred towards Fly Ash transportation and utilization to the extent of scheduled energy of MPPMCL for 30% power of the installed capacity. The Petitioner has submitted that the said expenditure have been duly certified by the Statutory Auditor and reconciled with the Annual Audited Accounts for FY 2024-25.

184. In view of the above, the Commission has observed the following:

- I. The total scheduled energy of the plant for FY 2024-25 is 806.80 KWh, out of which, scheduled energy to MPPMCL against 30% long term PPA is 227.24 KWh.
- II. Total amount towards Ash transportation and utilization expenses for the plant is Rs. 74.93 Crore, out of which amount of Rs. 21.10 Crore pertains to MPPMCL towards supply of power under 30% PPA.

185. Accordingly, the fly ash transportation and utilization expenses filed in the petition is considered (as per Regulation 66.4 of the Regulations, 2024), only to the extent of such expenses pertaining to MPPMCL towards power scheduled under long term PPA for 30% of the installed capacity. However, the petitioner is directed to submit all the details/ documents including statutory auditor's certificate as per Regulation 66.4 of the Regulations, 2024, to the procurer MPPMCL alongwith bills for Ash transportation in this regard.

**Annual Plant Availability Factor:**

186. In the MYT Order dated 28.02.2025, the Commission had allowed recovery of AFC only to the extent of Max. PAF of the last three years or Normative PAF, whichever is lower in accordance to the Regulation 45.2 of the Regulations, 2024, subject to truing up at actual PAF achieved during the year. It is pertinent to mention that the Maximum PAF of last three years of petitioner's project was more than the normative PAF i.e. 85%, therefore, in MYT Order, AFC were allowed at normative PAF.

187. Vide Commission's letter dated 06.02.2026, the petitioner was asked to file actual Plant Availability Factor achieved during FY 2024-25 duly certified by concerned Load Dispatch Centre during FY 2024-25. In response to the above, by affidavit dated 24.02.2026, the petitioner submitted the Peak and Off Peak PAF achieved by JNSTPP during FY 2024-25 is as under:-

<b>Annual Availability of Plant for FY 2024-25</b>		
Cumulative Plant Availability Factor for Peak Hours (4 Hrs/day) (%)	Cumulative Plant Availability Factor for off-Peak Hours (20 Hrs/day) (%)	Weighted Average Cumulative Plant Availability Factor (%)
<b>88.09</b>	<b>88.25</b>	<b>88.22</b>

188. In view of the above, it is observed that the Actual Plant Availability Factor achieved during FY 2024-25 is higher than the Normative Plant Availability Factor. Therefore, the AFC determined in this Order is allowed on Normative Plant Availability Factor in line with Regulation 45.2 of the Regulations, 2024. Accordingly, the true-up amount has been worked out in this Order.

#### **Summary of Annual Capacity (fixed) Charges:**

189. The details of the Annual Capacity (fixed) Charges for FY 2024-25 allowed in this true-up Order vis-a-vis those determined in the MYT Order dated 28.02.2025 for plant and 27.11.2025 for FGD System at normative Plant Availability Factor are summarized as below:

**Table No. 63: Annual Capacity (Fixed) Charges at normative availability allowed for the project in this Order (Rs. in Crore)**

<b>Sr. No.</b>	<b>Particulars</b>	<b>Allowed in MYT Order dated 28.02.2025 for FY 2024-25 (A)</b>	<b>Allowed in this true-up order for FY 2024-25 (B)</b>	<b>True Up Amount (B-A)</b>
1	Return on Equity	345.54	462.12	116.58
2	Depreciation	398.06	398.72	0.66
3	Interest and Loan Capital	268.92	236.05	-32.87
4	O & M Expenses	317.34	319.00	1.66
5	Interest on Working Capital	105.17	106.53	1.36
<b>6</b>	<b>Total Annual Capacity (fixed) Charges</b>	<b>1435.03</b>	<b>1522.42</b>	<b>87.39</b>
7	Less:-Non Tariff Income	2.50	1.33	-1.18
<b>8</b>	<b>Net Annual Capacity (Fixed) Charges</b>	<b>1432.53</b>	<b>1521.10</b>	<b>88.57</b>
<b>9</b>	<b>Annual Capacity (Fixed) Charges for contracted Capacity i.e. (30%) of installed Capacity at normative availability</b>	<b>429.76</b>	<b>456.33</b>	<b>26.57</b>

**Table No. 64: Supplementary Annual Capacity (Fixed) Charges for FGD System at normative availability allowed for the project in this Order (Rs. in Crore)**

Sr. No.	Particulars	FY 2024-25		
		1.06.24 to 31.03.2025		
		Allowed in MYT Order dated 27.11.2025 for FY 2024-25 (A)	Allowed in this true-up order for FY 2024-25 (B)	True Up Amount (B-A)
1	Return on Equity	27.32	37.59	10.27
2	Depreciation	42.38	43.56	1.18
3	Interest and Loan Capital	58.42	60.51	2.09
4	O & M Expenses	14.71	14.71	0.00
5	Interest on Working Capital	3.44	3.64	0.20
<b>6</b>	<b>Supplementary Annual Capacity (fixed) Charges</b>	<b>146.28</b>	<b>160.02</b>	<b>13.74</b>
7	Supplementary AFC corresponding to 30% of installed capacity of the Project	43.88	48.00	4.12
<b>8</b>	<b>No. of Days in Operation</b>	<b>304.00</b>	<b>304.00</b>	<b>0.00</b>
<b>9</b>	<b>Supplementary AFC for 30% capacity for No. of Days in Operation</b>	<b>36.55</b>	<b>39.98</b>	<b>3.43</b>

190. Aforesaid Annual Capacity Charges have been computed based on the norms specified under the Regulations, 2024. The Annual Capacity (Fixed) Charges are determined corresponding to the contracted capacity under long term PPA. Recovery of Annual Capacity (Fixed) Charges shall be made by the petitioner in accordance with Regulation 45 of the Tariff Regulations, 2024.
191. The aforesaid Supplementary Capacity Charges for FGD System have been computed based on norms specified under the Regulations, 2024. The above Supplementary Capacity (fixed) Charges are determined corresponding to the contracted capacity under PPA. Recovery of Supplementary Annual Capacity (Fixed) charges shall be made by the petitioner in accordance with Regulation 46 of the Regulations, 2024.
192. Regarding the performance-based true-up of energy charges on account of controllable parameters, Regulation 58.1 of the Regulations 2024 provides that the generating company shall work out gains based on the actual performance of applicable controllable parameters as under:
- Station Heat rate
  - Secondary Fuel Oil Consumption
  - Auxiliary Energy Consumption

193. In view of the above Regulations, the generating company shall carry out the truing-up of tariff of generating station based on the controllable performance parameters like Station Heat Rate, Secondary fuel oil consumption and Auxiliary Energy consumption. Vide Commission’s letter dated 06.02.2026, the petitioner was asked to file the annual details of aforesaid performance parameters actually achieved vis-à-vis normative parameters under the Regulations, 2024. The petitioner was also asked to file the details of financial gain, if any, on account of controllable parameters and shared with the beneficiaries in light of the Regulations 58.2 of the Regulations, 2024.
194. In response to above, by affidavit dated 24.02.2026, the petitioner submitted the annual details of actual operating parameters like Station Heat Rate, Secondary Fuel Consumption, Auxiliary Energy Consumption achieved by the Petitioner’s Project during FY 2024-25 vis-à-vis their respective normative values under the Regulations 2024 & financial gain thereof are as given below:

FY 2024-25			
Operating Parameters	Actual Achieved by the Project	Normative as per the Regulations, 2024	Financial Gains (if any)
Station Heat Rate (kCal/kWh)	2469.70	2372.80	Nil
Secondary Fuel Oil Consumption (ml/kWh)	0.53	0.50	Nil
Aux. Energy Consumption (%) (with FGD)	7.71%	6.75% 5.75% (for Project) + 1% (for FGD System)	Nil

195. On examination of the above parameters filed by the petitioner, it is observed that actual parameters achieved by the petitioner’s plant during FY 2024-25 are inferior than the normative parameters under the Regulations, 2024, therefore, the petitioner incurred loss on account of the poor performance and actual inferior operating parameters achieved by it during FY 2024-25.
196. Regulation 58.2 of the Regulations, 2024 provides that the financial gains by a generating company on account of controllable parameters shall be shared between generating company and the beneficiaries in the ratio of 50:50 on annual basis. However, the aforesaid Regulations do not provide sharing of loss incurred by the generating company, as per information provided by the petitioner, the actual operating parameters achieved in FY 2024-25 were inferior, hence, the loss incurred by the petitioner on account of inferior operating parameters shall not be passed on to the beneficiary.

**Implementation of the Order:**

197. The petitioner must take steps to implement the order after giving seven 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 01.04.2024 to 31.03.2025.
198. The petitioner is also directed to provide information to the Commission in support of having complied with this Order. The gap/deficit amount for the project and FGD System as a result of this order shall be recovered from MP Power Management Company Ltd. / three Distribution Companies of the state in terms of applicable Regulation in six equal monthly installments during FY 2026-27.
199. With the above directions, the subject Petition No. 04 of 2026 is disposed of.

**(Gajendra Tiwari)**  
**Member**

**(Gopal Srivastava)**  
**Acting Chairman**

**Date: 29.05.2026**

**Place: Bhopal.**

**Annexure-I**

**Petitioner's Response on the comments offered by Respondent No.1 (MPPMCL) along with the observations:**

**(i) MPPMCL's Response:**

The Petitioner has claimed an amount of Rs.4.11 Crore with respect to R&R expenses for the project. In this regard, it is submitted that the Petitioner had earlier filed Petition No.64/2024 before the Commission in which the Petitioner had sought an amount of Rs.4.12 Crore towards the R&R expenses and therefore, there is no justification is given to seek this amount again in the instant petition and hence, the same be disallowed. As earlier an amount of Rs.4.12 Crore was allowed in Petition No.64/2024 vide order dated 28.03.2025.

**Petitioner's Reply:**

*The Respondent No.1 has erroneously sought to rely upon the allowance of Rs. 4.12 Crore in Petition No. 64 of 2024 without appreciating that the said approval pertained to a different financial year, i.e., FY 2023-24. In contrast, the claim for ACE of Rs 4.11 Crore towards Land & Site Development (including R&R expenses) in the present Petition pertains to FY 2024-25 and has been made strictly in accordance with the applicable provisions of the Regulations, 2024.*

*Additional capitalization of Rs 4.12 Crore has been allowed by this Commission during the true-up of Tariff for FY 2023-24, hence ACE of Rs 4.11 Crore claimed for FY 2024-25 in the present Petition should not be allowed has absolutely no basis whatsoever and is in the contravention to tariff determination framework prescribed by this Commission under the Regulations, 2024. As such, these unfounded allegations of the Respondent No.1 are liable to be rejected in absence of any merit whatsoever.*

**Observation:**

The petitioner has filed additional capitalization on account of discharging of liabilities/ provisions for R&R payments which include payment to Project Affected People & annual diversion payments to the Government of Madhya Pradesh ("GoMP") for change of land use. The aforesaid asset additions are towards discharge of liability hence, allowed under Regulation 24.1(iv), of the Regulations, 2024.

**(ii) MPPMCL's Response:**

An amount of Rs. 68.06 Crore has been claimed in the present Petition towards the Additional Capital Expenditure for Flue Gas Desulphurization ("FGD") System. The said claim is stated to comprise Rs. 44.40 Crore towards the discharge of liabilities against the Hard Cost, Rs. 1.13 Crore towards the Discharge of liabilities against the Pre-operative Expenditure and Rs. 22.53 Crore towards incentives paid to the EPC Contractor for early commissioning of the FGD system.

It is not clear as to what was the terms of the contract between the Petitioner and its EPC contractor and as to why an amount of Rs.22.53 Crore has been paid in terms of incentives to the EPC contractor. No details have been furnished with respect to the same and the contract which was executed by the EPC contractor to claim incentives in terms of earlier commissioning of the FGD system is wholly incorrect and ought to be disallowed by this Commission. It is submitted that no such incentives payment made by the Petitioner for the FGD System ought to be allowed by the Commission. The allowance of the incentives shall permit generators to claim any amounts as in the name of incentives given to EPC contractors and there is no prudence check on the same when such contracts are entered into by the generator.

**Petitioner's Reply:**

*It is submitted that in terms of the EPC Contracts, the Scheduled Date of Operation ("ODe") of FGD for Unit-1 and Unit-2 of the Project stand as 31.12.2024 and 31.03.2025, respectively, with a provision for incentives (over and above the respective Contract price under the EPC Contracts) to the EPC Contractor in event of early completion vis-à-vis the above completion schedule. The copies of the EPC Contracts have already been placed on record by the Petitioner before this Commission and also shared with the Respondents. The relevant extracts of the EPC Contract with respect to the Scheduled ODe for FGD for Unit-1 and Unit-2 of the Project and also the provision of early completion incentives payable to the EPC Contractor are reproduced hereunder:*

**"6. Contract Validity/Time Schedule:**

*All material/ equipment under the scope shall be supplied so as to complete the FGD System as per following completion schedule from the Effective Date of Purchase Order:*

<i>Particular</i>	<i>Unit No. 1</i>	<i>Unit No. 2</i>
<i>Completion of Trial Operation:</i>	<i>33 months</i>	<i>36 months</i>
<i>Successful PG Test Completion</i>	<i>36 months</i>	<i>39 months</i>

Contractor shall submit detailed execution Schedule covering Engineering, Procurement, Supply, Construction and Erection activities within 2 (Two) weeks from the Effective Date.

**Effective Date of Contract:**

Date of issuance of Advance Payment shall be considered as Effective Date of Contract. However, Contractor shall commence the Basic Engineering works immediately after release of PO.”

**“D. Incentive for successful early PG test:**

- a) In case the PG test is completed earlier than the scheduled PG Test completion date, Contractor shall be entitled for Incentive at the rate of one (1)% of fifty (50)% Contract Price per month or part thereof, for the period by which the PG test has been advanced.
- b) The Incentive shall in no event exceed 10% of the Contract Price.
- c) The Incentive shall be applied for each Unit separately.”

It is submitted that the Effective Date was the date of issuance of advance payment by the Petitioner to the EPC Contractor which was 31.12.2021. In this respect, reliance is placed on Letter dated 05.01.2022 issued by the Petitioner to the EPC Contractor evidencing Effective Date as 31.12.2021.

In view of the above provisions of the EPC Contract, it is clearly evident that Scheduled ODe of FGD for Unit-1 of the Project was 36 months after the Effective Date of 31.12.2021 i.e. 31.12.2024 and Scheduled ODe of FGD for Unit-1 of the Project was 39 months after the Effective Date of 31.12.2021 i.e. 31.03.2025. However, with rigorous efforts and meticulous project planning, the Petitioner and its EPC Contractor have been able to achieve the ODe of FGD of Unit-1 of the Project on 21.03.2024 against its scheduled ODe of 31.12.2024 (i.e. 9 months ahead of its schedule) and ODe of FGD for Unit-2 of the Project on 31.05.2024 against its Scheduled ODe of 31.03.2025 (i.e. 10 months ahead of its schedule). Such an expeditious implementation of FGD by the Petitioner and its EPC Contractor, ahead of its schedule, has resulted in substantial savings in Interest During Construction (“IDC”) thereby resulting in the reduced overall FGD Capital Cost. This enormous saving has been passed on to the end consumer of the Madhya Pradesh in terms of the reduced tariff. Besides, such expeditious implementation of FGD has also significantly mitigated SO<sub>2</sub> emissions, benefiting the public at large. In any case payment of incentives etc for early commissioning of the FGD for the Project

ahead of its schedule agreed between the parties under the contract is an established industry practice and contentions of MPPMCL disputing the same without any basis does not merit any interference.

As already submitted before this Commission the total contract price under the EPC Contract (both Supply Contract & Services Contract) was Rs 799,45,68,312/- as per the following details:

Contract/ Order Details and Scope	Vendor Name	Order Date	Contract/ Order Value. (Rs)		
			Without Tax	Taxes & Duties (@ 18%)	Total Value Including Taxes & Duties
<b>Supply Contract</b> Design, Engineering & Supply of items and equipment for Wet Limestone based FGD	Apollo International Limited	14.06.2021 subsequently amended on 27.05.2022 & 12.07.2022	346,60,00,000	62,38,80,000	408,98,80,000
<b>Services Contract</b> Erection, Testing & Commissioning for Wet Limestone based FGD	Apollo International Limited	14.06.2021 subsequently amended on 12.07.2022 & 02.01.2024	330,90,57,892 (Revised from initial value of Rs. 301,60,00,000 due to subsequent revision in scope of work)	59,56,30,420	390,46,88,312
<b>Total Hard Cost</b>			<b>677,50,57,892</b>	<b>121,95,10,420</b>	<b>799,45,68,312</b>

Further, in terms of the aforesaid incentive provisions of the EPC Contract, the Unit-wise maximum incentives towards early completion of the FGD payable to EPC Contractor is as under:

- Incentives for early completion of FGD for Unit-1 of the Project: 1%\*50% of the Contract Price (Rs 799.46 Crore)\*9 months: Rs 35.97 Crore.
- Incentives for early completion of FGD for Unit-2 of the Project: 1%\*50% of the Contract Price (Rs 799.46 Crore)\*10 months: Rs 39.97 Crore.
- Total Incentive for early completion of FGD for the Project (Unit-1+Unit-2): Rs 75.94 Crore.

*However, the total incentives for early completion of the FGD claimed under the present Petition is only Rs. 22.53 Crore which is well within the permissible early completion incentives of Rs 75.94 Crore. As such, the contentions made by the Respondent No. 1 are completely baseless and are factually incorrect and hence merit no consideration whatsoever.*

**Observation:**

It is observed that the petitioner adhered to the timelines set by the MoEF&CC / CPCB for installation of FGD. The Commission vide orders dated 31.12.2024 and 27.11.2025 in Petition No. 32 of 2024 and Petition No. 23 of 2025, respectively has already dealt with this issue of incentive towards such early commissioning of FGD System and not allowed such early commissioning incentive to EPC Contractor. Hence, the additional capitalization towards incentive for early commissioning of the project has not been allowed in this Order. Further, the additional capitalization towards discharge of undischarged liabilities, has been allowed under the Regulations, 2024.

**(iii) MPPMCL's Response:**

It is submitted that the Petitioner has also sought expenses with respect to water charges and Fly Ash Transportation expenses. In this regard, it is submitted that the Petitioner is not supplying its entire capacity to answering Respondent herein, and therefore, to load the entire charges on the answering Respondent is grossly unjust and any expenses for Fly Ash and water charges should be based on a pro-rata basis and relatable share of power being supplied to the answering Respondent under the PPA.

Loading the entire amount on the answering Respondent is wholly unjustified and ought not to be allowed. It is submitted that without prejudice the invoices for water charges and Fly Ash have been paid by the Respondent and there should not be a case of Petitioner seeking those very amounts again. Further the Petitioner has admitted during hearing that it shall not seek any payments made for the invoices for Fly Ash and Water charges which have been paid by the MPPMCL. It is submitted that all invoices upto October 2025 are paid. It is submitted that the Fly Ash and Water charges amounts were claimed through separate invoices which all have been paid and therefore to now seek to recover Ash Expenses under the O&M head charges would amount to double recovery which cannot be countenanced.

The Answering Respondents submit that the computation of Annual O&M Expenses as stated by the Petitioner is not accurate. Based on the claimed O&M rate of Rs. 25.78 Lakh/MW for a total installed capacity of 1200 MW, the correct Annual O&M Expenses work out to Rs. 309.36 Crore, as against Rs. 309.60 Crore claimed by the Petitioner. It is prayed that the O & M expenses may be allowed in accordance with Regulations 37.2 of MPERC Tariff Regulations, 2024.

**Petitioner's Reply:**

*The submissions of the Respondent No.1 regarding computation of water charges and fly ash transportation expenses on a pro-rata basis are misplaced and factually incorrect. It is submitted that the Petitioner has claimed such expenses strictly on a pro-rata basis, in line with the applicable regulatory provisions and established norms. Further, MPPMCL has wrongly alleged that it has made entire payment towards its pro-rata share of water charges and fly ash transportation expenses incurred by the Petitioner during FY 2024-25. While MPPMCL has made only partial payments against its pro-rata share of these expenses/ charges, nonetheless, the petitioner undertakes to duly adjust these partial payments made by MPPMCL against the trued-up tariff/AFC so determined by this Commission after accounting for MPPMCL's pro-rata share of water charges and fly ash transportation expenses incurred by the Petitioner during FY 2024-25.*

**Observation:**

Water Charges and Fly Ash Transportation expenses are considered only to the extent of MPPMCL Share as per the relevant provisions under the Regulations, 2024.

**(iv) MPPMCL's Response:**

Petitioner is seeking sharing of saving in interest due to refinancing of loan for amount about of Rs.4.73 Crore. It is submitted that the issue has been adjudicated in petition nos.7, 8 & 9 of 2022 and this amount has been disallowed by this Commission and appeal with respect to the same is pending before the Hon'ble APTEL and there are no stay granted on the order passed by the Commission in petition nos.7, 8 & 9 of 2022 and therefore, this amount also ought to be disallowed.

**Petitioner's Reply:**

*MPPMCL's reliance on the Orders passed by this Commission in Petition Nos. 7 and 9 of 2022 is entirely misplaced. In those earlier cases, this Commission had observed that the saving in interest arose from temporary restructuring/refinancing arrangements with no certainty of continuation the remaining life of the project since no specific timelines were provided under the Framework Agreement therein. This Commission, in the said earlier matters, further observed that lower rate of interest applicable on account of temporary nature of loan restructuring had already been allowed in the MYT Order therein and hence was not considered for sharing of benefits. Whereas in the present case, sharing in savings in interest claimed by the Petitioner on account of refinancing of the outstanding loans undertaken by the Petitioner is fundamentally different in nature. The Petitioner has refinanced its outstanding loans by prepaying/ closure of the loans availed from SBI and Axis Bank and availing a fresh loan from IIFCL at substantially lower interest rates. This refinancing is not any kind of a temporary arrangement but is applicable for the balance tenure of the loan, thereby resulting in sustained savings in interest over the remaining life of the Project.*

*Such sharing in savings in interest on account of refinancing of the loans undertaken by the Petitioner is duly recognized under Regulation 59 of the Regulations, 2024, which expressly provides for sharing of gains arising from financial restructuring/refinancing. This Commission itself acknowledged the nature and impact of this refinancing undertaken by the Petitioner in its Order dated 28.03.2025 in Petition No. 64 of 2024. The claim is just, proper, and in accordance with law.*

**Observation:**

Saving in loan interest due to refinancing of loan is considered in accordance with the provisions of the Regulation 59 of the Regulations, 2024, and such saving on account of refinancing of loan corresponding to contracted capacity has been allowed in the ratio of 50:50 between petitioner and MPPMCL in this Order.

**(v) MPPMCL's Response:**

With regard to grossing-up of base rate of RoE with applicable tax , it is submitted that since FY 2015-16 onwards including during the FY 2024-25, the Petitioner has not paid any tax on the income/ profits generated by supply and sale of power under the Regulated MP PPA. The Regulated MP PPA has been earning profits on an annual basis, and that the absence of tax

payment is due to the fact that the profits earned under the Regulated MP PPA are getting offset against the losses incurred under the sale of balance power through market sales and/or other PPA's (unregulated business). Accordingly, the Petitioner has contended that the profitability under the regulated MP PPA ought to be considered independently, and that the benefit of grossing-up of RoE cannot be denied merely because the Petitioner has not paid tax at the aggregate corporate entity level.

The Petitioner has further placed reliance on the following judgements passed by the Hon'ble APTEL in Appeal Nos. 104, 105 and 106 of 2012, Appeal Nos 283 of 2017, 131 of 2018 and 231 of 2018, and Appeal No. 113 of 2022. In these judgments, the Hon'ble APTEL examined the issue of grossing-up of RoE with the effective tax rate in cases where the generating company, at the corporate/entity level, had not paid any income tax or MAT owing to overall losses being incurred by the other unregulated business. Petitioner relied on these judgements were not applicable in the facts and circumstance of this matter and the Commission has to examine and consider the matter as per its extant regulation and not as per the APTEL judgements given in unrelated matters.

It is submitted that under the aforesaid Judgment of JVPL dated 22.03.2024 passed by the Hon'ble APTEL, grossing-up of RoE was allowed in terms of the Regulations, 2012 and 2015. From the reading of Regulations 34 and 35 of the Regulations, 2020 and also Regulations 32 and 33 of the Regulations, 2024, it is seen that provisions relating to tax on RoE under the Regulations, 2020 and 2024 provides for similar dispensation as provided under the Regulations, 2015. Therefore, the Petitioner owing to the similarity of the provisions enshrined under the Regulations, 2015, 2020 and 2024 is claiming that the principle laid down in the aforesaid Judgments is to be equally applied and can be extended to the control period commencing from FY 2019-20 to FY 2023-24, which is governed by the Regulations, 2020 and also for FY 2024-25, which is governed by the Regulations, 2024.

**Petitioner's Reply:**

*The taxable losses arising from the Petitioner's other unregulated businesses are greater than the taxable profits generated under the Regulated MP PPA, due to which no tax was paid by the Petitioner from FY 2015-16 onwards. The tariff for supply of power under the Regulated MP PPA is determined on the basis of a cost-plus approach i.e. cost incurred plus applicable RoE and therefore is bound to make profit.*

*Pertinently, the Regulations 30 and 31 the Regulations, 2015 and Regulations 34 and 35 of the Regulations, 2020 are pari materia and provide for similar treatment pertaining to grossing-up of RoE as that provided under the Regulations, 2012. Therefore, relying on principle of 'ring-fencing of the regulated business' as established by the Hon'ble APTEL vide its earlier Judgment dated 28.11.2013 in Appeal No. 104, 105 and 106 of 2012 titled Tata Power Company Limited (Transmission) vs. MERC, the principles laid down by the Hon'ble APTEL in its Judgement dated 22.03.2024, passed in Appeal No. 283 of 2017, 131 of 2018 and 231 of 2018 titled Jaiprakash Power Ventures Limited vs. MPERC interpreting the provisions of the Regulations, 2012 and 2015 as well as in the Hon'ble APTEL's Judgement dated 28.07.2025, passed in Appeal No. 113 of 2022 will squarely apply to the control period governed by the Regulation, 2020 as well. Therefore, the Petitioner shall be entitled to claim grossing up of RoE with normal/effective tax rate applicable to the Generating Companies under the Income Tax Act for the Control Periods governed by the Regulations of 2012, 2015 and 2020.*

*The Regulated MP PPA is bound to make profit as the tariff for the supply of power under this PPA is determined on the basis of a cost-plus approach i.e. cost incurred plus applicable RoE. Therefore, by applying the principle of 'ring-fencing of the regulated business' as established by the Hon'ble APTEL vide its Judgment dated 28.11.2013 in Appeal No. 104, 105 and 106 of 2012 titled Tata Power Company Limited (Transmission) vs. MERC and followed in the aforesaid Hon'ble APTEL's JPVL Judgments dated 22.03.2024 and 28.07.2025, the Regulated MP PPA made profits from the commissioning of the Project i.e., from FY 2015-2016 onwards thereby entitling the Petitioner to seek grossing-up of RoE with the normal/effective tax rate applicable to the Generating Companies.*

*Further, the incremental amounts allowed by this Commission on account of grossing-up of RoE for the past years shall be subject to payment of tax in the current-tax period wherein the Petitioner shall be liable to pay tax computed at the prevailing tax rates. In terms of the Principle of Restitution enshrined under the Change in Law compensation, any additional tax liability (grossed-up for tax) on this account shall have to be pass through for recovery from the beneficiaries under the Regulated MP PPA.*

**Observation:**

The grossing-up of RoE has been worked out in accordance with the Hon'ble APTEL Judgments dated 22.03.2024 and 28.07.2025, the relevant Regulations of the MPERC and the principles laid down by the Hon'ble Supreme Court judgement as detailed in the relevant part of this Order.

**(vi) MPPMCL's Response:**

Further, the claim of the Petitioner is time barred and hit by limitation, since the Petitioner is seeking grossing-up of RoE for the period from FY 2015-16 to FY 2024–25 at this belated stage. It is settled principle of law that the law of limitation does not permit the Petitioner to claim such outdated claims for the years 2015- 16, onwards which are barred by limitation. It is further submitted that there has been a considerable delay in raising such claims, which pertain to past financial years. In the absence of any sufficient cause justifying such delay, the Petitioner cannot be permitted to agitate claims for earlier periods at this stage, and the same should be rejected on this ground alone. Without prejudice to above, pertinently, the Answering Respondent has challenged the legality, validity and propriety of the aforesaid JPVL Judgments dated 22.03.2024 and 28.07.2025 before the Hon'ble Supreme Court in Civil Appeal No. 6562 of 2024 and Civil Appeal No. 3253 of 2026, respectively.

**Petitioner's Reply:**

*MPPMCL has contended that the claim of grossing-up of RoE with the normal/effective tax rate for the Financial Years FY 2015-16 to FY 2024-25 is time barred. Pertinently the legal position regarding entitlement to grossing-up of RoE with normal/effective tax rate applicable to the Generating Companies even in those cases where no income tax was paid at the corporate level got conclusively settled only upon the pronouncement of the Hon'ble APTEL's Judgment dated 22.03.2024, passed in Appeal No. 283 of 2017, 131 of 2018 and 231 of 2018 titled Jaiprakash Power Ventures Limited vs. MPERC which was reaffirmed in Hon'ble APTEL's Judgment dated 28.07.2025, passed in Appeal No. 113 of 2022.*

*It is submitted that the present Petition has been filed under Section 86(1)(a) and (b) of the Electricity Act, 2003 seeking true-up of the tariff i.e. It is settled that there is no bar of limitation in respect of the regulatory functions of the State Electricity Regulatory Commissions. The Hon'ble Supreme Court in the case of A.P. Power Coordination Committee vs. Lanco Kondapalli Power Ltd, (2016) 3SCC 468 has categorically held that the provisions of the Limitation Act, 1963 applies only in respect of the adjudicatory powers of the State Electricity Regulatory Commissions i.e., on the petitions filed under Section 86(1)(f) of the Electricity Act. Further, the tariff setting is a continuous and on-going process as held by the Hon'ble Supreme Court in the case of Uttar Pradesh Power Corporation Limited vs. National Thermal Power Corporation Limited and Ors, (2009) 6 SCC 235.*

*Importantly, JPVL for its Thermal Power Project which was commissioned prior in time than the Project of the Petitioner, sought grossing up of RoE in its true-up Petitions for FY 2014-15 to FY*

2016-17 filed before this Commission. However, the same was disallowed by this Commission. Accordingly, the Petitioner, whose Project was subsequently commissioned in FY 2015-16, did not claim any grossing up of RoE due to rejection of JPVL's claim. It is only in the years 2024 and 2025 when the Hon'ble APTEL passed the aforesaid Judgements in the Appeals filed by JPVL challenging the Order of this Commission disallowing grossing up of RoE by JPVL, the legal position regarding grossing-up of RoE with normal/effective tax rate was accepted and got clarified for the first time. The said interpretation of law in effect entitled the Petitioner to seek grossing-up of RoE even for the previous period starting from the commissioning of its Project i.e. From FY 2015-16 onwards.

Therefore, the pronouncement of aforesaid JPVL Judgements dated 22.03.2024 and 27.07.2025 by the Hon'ble APTEL is a Change in Law event under Article 12 of the Regulated MP PPA, which categorically provides that "a change in the interpretation of any Law by any Indian Governmental Instrumentality having the legal power to interpret or apply such Law, or any Competent Court of Law" shall be considered as a Change in Law event. Considering that the said JPVL Judgements decisively held that even where the generating company has not paid any tax at the corporate level due to overall losses, a profitable regulated business cannot be denied grossing-up of RoE were pronounced by the Hon'ble APTEL in 2024 and 2025. The claim of the Petitioner for grossing-up of RoE with normal/effective tax rate applicable to the Generating Companies cannot be argued to be barred by limitation.

The Article 12.2 of the Regulated MP PPA embodies the principle of restitution that the affected party must be restored to the same economic position as it would have occupied had the Change in Law event had not occurred. In computing the financial impact of the Change in Law, the compensation mechanism must therefore ensure complete restitution in its true sense. Further, Article 10.4.2 of the Regulated MP PPA categorically provides that any outstanding amount shall be paid by MPPMCL to the Petitioner along with a Late Payment Surcharge ("LPS") at the rate of 1.25% per Month on the outstanding payment, calculated on day-to-day basis for each day of the delay, compounded on monthly rests.

The Hon'ble Supreme Court has interpreted similar provision in the Judgment dated 24.08.2022 passed in *Uttar Haryana Bijli Vitran Nigam Ltd. v. Adani Power (Mundra) Ltd.*, (2023) 2 SCC 624, holding that that where a party has suffered an economic disadvantage on account of a Change in Law event, restoration to its original economic position necessarily includes compensation towards carrying cost compounded on a monthly basis. Therefore, the petitioner shall be entitled to get carrying cost to be calculated at the rate of 1.25% per Month calculated

*on a day-to-day basis for each day of the delay, compounded on monthly rests in order to be restituted to the same economic position.*

*In the context of the interim order dated 13.02.2026 passed by the Hon'ble Supreme Court in Civil Appeal No. 3253 of 2026, wherein the Hon'ble APTEL's said JPVL Judgement dated 25.07.2025 is under challenge, it is submitted that the existence of an ad-interim order does not warrant complete denial or suspension of the Petitioner's legitimate tariff entitlement, including grossing up of RoE by the normal/effective tax rate(s).*

**Observation:**

The grossing-up of RoE has been worked out in accordance with the Hon'ble APTEL Judgments dated 22.03.2024 and 28.07.2025, the relevant Regulation of the MPERC and the principles laid down by the Hon'ble Supreme Court judgement as detailed in the relevant part of this Order. Late payment surcharge has been considered as per provision under PPA.

**(vii) MPPMCL's Response:**

The Hon'ble Supreme Court, vide interim order dated 13.02.2026 passed in Civil Appeal No. 3253 of 2026 filed against the Hon'ble APTEL's Order dated 28.07.2025 passed in Appeal No. 113 of 2022 has directed the MPERC to undertake the exercise of calculating the revised RoE by way of grossing it up by the tax rate, however, it has been clarified that the said APTEL's Order shall not be given effect to, pending further orders of the Hon'ble Supreme Court. The said Civil Appeals are pending adjudication before the Hon'ble Supreme Court.

**Petitioner's Reply:**

*Pertinently, there is no stay on the findings and observations of the Hon'ble APTEL in the said JPVL Judgement dated 25.07.2025. The Hon'ble Supreme Court held that the Hon'ble APTEL's said JPVL Judgement dated 25.07.2025 shall not be given effect though this Commission has been directed to undertake computation of the revised RoE payable to JPVL. Therefore, it cannot be argued that the findings and the observations of the Hon'ble APTEL in the said JPVL Judgement dated 25.07.2025 has been obliterated or are nullity in law. The said observations and findings are still binding on this Commission until and unless they are set aside by the Hon'ble Supreme Court as held by the Division Bench of Hon'ble High Court of Andhra Pradesh in Govt of A.P and others vs. N. Rami Reddy and others, 2000 SCC Online AP 721.*

*Therefore, the reliance placed by MPPMCL on the aforesaid ad-interim order passed by the Hon'ble Supreme Court cannot be a ground to reject or defer the Petitioner's claim. On the*

*contrary, the said order supports the position that tariff determination ought to proceed, with suitable safeguards, as may be deemed appropriate by this Commission. Furthermore, there is no stay in Civil Appeal Nos. 6562-6544 of 2024 filed challenging Hon'ble APTEL's JPVL's Judgement dated 22.03.2024. Therefore, the principles established and observations made therein are still binding on this Commission.*

**Observation:**

Return on Equity has been worked out in accordance with the Hon'ble APTEL Judgments dated 22.03.2024 and 28.07.2025, the relevant Regulations of the MPERC and the principles laid down by the Hon'ble Supreme Court judgement as detailed in the relevant part of this Order.

-----X-----