
MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

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



Petition No. 52 of 2022

PRESENT:

S.P.S Parihar, Chairman

Mukul Dhariwal, Member

Gopal Shrivastava, Member (Law)

IN THE MATTER OF:

True up of Tariff for Unit No.1 (45 MW) coal based power project at Village Niwari, Tehsil Gadarwara, District Narsinghpur (M.P) for FY 2014-15 and FY 2015-16 determined by the Commission vide order dated 22nd May' 2015 and Determination of Multi-Year Tariff for FY 2016-17, FY 2017-18 and FY 2018-19.

AND IN THE MATTER OF:

M/s B L A Power Pvt. Ltd., Petitioner

Versus

- 1. M. P. Power Management Co. Ltd., Jabalpur**
- 2. M. P. PoorvKshetra 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 14th December' 2022)

1. M/s. BLA Power Private Limited (hereinafter called “the petitioner”) filed the subject petition under Section 62 and Section 86(1) (a) of the Electricity Act, 2003 for true up of generation tariff for 45 MW Unit No 1 of its coal based thermal power project at Village Niwari, Tehsil Gadawara, District Narsinghpur, Madhya Pradesh for FY 2014-15 and 2015-16 determined by the Commission vide order dated 22nd May' 2015 under the provisions of Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for determination of Generation Tariff) Regulations, 2012 and for determination of generation tariff under the Multi-year Tariff framework for control period from 1st April' 2016 to 31st March' 2019 under the provisions of Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for determination of Generation Tariff) Regulations, 2015.
2. Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as “the Commission or MPERC”) issued “MPERC(Terms and Conditions for Determination of Generation Tariff) (Revision-II) Regulations, 2012 (hereinafter called the “Tariff Regulations, 2012”) for the control period FY 2013-14 to FY 2015-16 which were notified on 28.12.2012. Further, the Commission issued MPERC (Terms and Conditions for Determination of Generation Tariff) (Revision-III) Regulations, 2015” (hereinafter called the “Tariff Regulations, 2015”) for control period FY 2016-17 to FY 2018-19 which were notified on 01.01.2016.
3. The petitioner’s thermal power station under the subject petition comprises of two generating units of 45 MW each. Date of Commercial Operation (CoD) of both units of the petitioner’s power plant are as given below:

Table 1: CoD of Unit No.1& 2

S. No	Unit	Installed Capacity (MW)	Date of Commercial Operation (COD)
1.	Unit No. 1	45 MW	3 rd April' 2012
2.	Unit No. 2	45 MW	20 th March' 2017

4. A brief background of the subject petition is as follows:

- i. M/s BLA Power Pvt. Ltd. signed Power Purchase Agreement (PPA) with M.P. Power Trading Co. Ltd. (renamed MPPMCL) on 05.01.2011 for sale of power of 30% installed capacity from its 2x45 MW Thermal Power Plant for 20 years at tariff to be determined by the Commission. Further, the petitioner signed another PPA with GoMP on 04.05.2011 for purchase of 5% net power at variable charges only to be determined by the Commission.
- ii. The petitioner had filed its first petition as P.No. 28 of 2012 for determination of provisional tariff in accordance with provisions of Tariff Regulations, 2009. Vide order dated 24th July' 2022, the Commission had determined provisional tariff for Unit No 1 of the project.
- iii. On achieving the COD of generating Unit No 1, the petitioner had filed Petition No. 16 of 2014 for determination of final generation tariff for FY 2012-13 and FY 2013-14 based on Annual Audited Accounts and determination of provisional tariff for FY 2014- 15 and FY 2015-16 of Unit No.1. In the aforesaid petition, the petitioner had sought determination of energy charges on the basis of coal sourced from M/s BLA Industries Ltd. (fuel seller) from Gotitoria captive coal mine under the FSA executed between the M/s BLA Power Pvt. Limited and M/s BLA Industries Limited.
- iv. During the pendency of aforesaid Petition No. 16 of 2014, the Hon'ble Supreme Court of India, vide its Judgment dated 25th August, 2014 ruled that the allotment of coal blocks made by the Screening Committee of the Government of India, as also allotments made through Government dispensation route, were arbitrary and illegal. Further, vide its Judgment dated 24th September' 2014, the Hon'ble Supreme Court cancelled allocation of 204 coal blocks including allocation of the Gotitoria coal mine to BLA Industries. Accordingly, the Gotitoria coal mine of BLA Industries had been taken over by the Central Government on 31.03.2015.
- v. In light of the aforesaid judgment of Hon'ble Supreme Court, the Commission vide order dated 22.05.2015 in Petition No. 16 of 2014 determined the tariff of Unit No. 1 from its COD till 31st March' 2015. The tariff was applicable till 31.03.2015 and thereafter till exhaustion of the normative coal stock from the Gotitoria Coal Mine.
- vi. Thereafter, the petitioner in April' 2017 filed Petition No. 13 of 2017 with the

Commission for true up of the tariff of Unit No-1 for FY 2014-15 & FY 2015-16 based on Annual Audited Accounts and Multi Year Tariff (MYT) for new control period from FY 2016-17 to FY 2018-19 based on the MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2015.

- vii. Since, BLA Power was seeking tariff based on the coal blended with Pet Coke which was not recognized under the definition of fuel and provisions under Article 4.1.1 (iii) in the PPA, therefore, the Commission vide Order dated 02nd June' 2017 in the aforesaid petition No. 13 of 2017 had not considered the aforesaid petition and with several observations held that the PPA does not recognize 'Petroleum Coke' blended with domestic coal as a 'fuel source and directed BLA Power and MPPMCL to comply with Article 3.2(ii) and 4.1.1(iii) of the PPA.
- viii. Aggrieved with the aforesaid order, the petitioner filed an Appeal (No. 201 of 2017) before the Hon'ble Appellate Tribunal for Electricity against the Commission's above order dated 02.06.2017 issued in P No. 13 of 2017. Hon'ble Appellate Tribunal for Electricity by order dated 19th April' 2018, passed in Appeal No 201 of 2017, allowed the appeal and set aside the impugned order dated 02.06.2017 issued by the Commission.
- ix. Aggrieved with the aforesaid judgement passed by the Hon'ble APTEL, the Commission has filed an Appeal before Hon'ble Supreme Court of India as Civil Appeal No 5733 of 2018. The issue regarding use of Pet Coke blended with coal which was not in accordance with Article 4.1.1(iii) of PPA in aforesaid Civil Appeal is still subjudice before the Hon'ble Supreme Court.
- x. Subsequently, MPPMCL filed a Petition No. 39/2017 with the Commission for approval of 2nd addendum to PPA with the petitioner, primarily to incorporate use of Pet Coke blended with coal sourced for captive power plant. Vide order dated 30.12.2017, the Commission dismissed the petition. Thereafter, the petitioner, aggrieved with the order dated 30.12.2017 filed an appeal no. 354/2018 before Hon'ble APTEL, New Delhi, which is pending for adjudication.
- xi. After achieving the COD of Unit No 2, i.e., 20th March' 2017, the petitioner filed Petition No. 17 of 2018 for determination of final tariff for Unit No 2. In view of the fact, vide order dated 31st August' 2018, it was observed by the Commission that the issues and grounds based on which the Civil Appeal No. 5733 of 2018

was filed before the Hon'ble Supreme Court of India in the matter of determination of tariff for Unit No 1 were applicable to the subject matter also (Unit No. 2), therefore, the proceeding in the petition no 17 of 2018 was adjourned.

- xii. Thereafter, the petitioner informed that it had received provisional allocation of coal in the auction for coal linkage under SHAKTI (Scheme for Harnessing and Allocating Koyala (Coal) Transparently in India) Policy of Governemnt of India by offering a discount on existing tariff for each year of the balance period of the PPA with reference to the scheduled generation from Unit No. 2 using coal sourced under the proposed Fuel Supply Agreement(s) with Coal India Limited or its subsidiaries, under the SHAKTI Policy. Further, the petitioner had also executed the Addendum to the PPA and vide order dated 21.02.2020 in Petition No 40 of 2019, the Commission approved same addendum to PPA.
- xiii. By affidavit dated 12th March' 2020, the petitioner filed an interim application in petition no 17 of 2018 mentioning subsequent development in the subject matter and requested for listing the petition for hearing for Unit No 2. Vide order dated 25th October' 2021, the Commission determined final capital cost and Multi-Year Tariff of Unit No. 2 (45 MW) for FY 2016-17 to FY 2018-19 in Petition No 17 of 2018.
- xiv. Subsequently, the petitioner participated in the fourth round of auction for coal linkage held in September' 2021 under para B(ii) of SHAKTI Policy to secure coal linkage on notified price from Coal India Limited or its subsidiaries for use of such coal for supply of Contracted Capacity from Unit No. 1 and balance 10% quantity of Unit No. 2 under the long term PPA with the Respondent. The petitioner obtained a provisional allocation of coal in the auction by offering a levelized discount of 12 paise per unit for Unit No. 1 and 10 paise for Unit No. 2 for remaining 10% of its coal requirement on existing tariff for each year for balance period of the PPA with reference to scheduled generation from Unit Nos 1&2, respectively.
- xv. The petitioner vide its letter dated 07.02.2022 had informed MPPMCL about the provisional allocation of coal under the SHAKTI Policy and requested MPPMCL for the requisite amendment of PPA. For passing the discount to MPPMCL for the supply of Power from Unit-1 & Unit-2 of BLA Power's Generating Station

using SHAKTI Coal, the Commission by an order dated 04.05.2022 passed in Petition No. 19 of 2022, accorded approval to the draft Supplementary Agreement for amending the PPA.

xvi. Further, the petitioner informed that on 11.07.2022 it has received copy of the addendum dated 17.05.2022 to the PPA. The petitioner, vide its letter dated 16.07.2022, has submitted copy of the addendum dated 17.05.2022 to WCL. The petitioner submitted that it is pursuing with WCL for execution of the FSA under SHAKTI Scheme at the earliest.

xvii. By affidavit dated 09.02.2022, petitioner filed an interlocutory application in P No 13 of 2017 to bring on record subsequent events in the subject matter and seeking consequential relief owing to such subsequent events. In the aforesaid application, the petitioner broadly submitted the following:

- *The petitioner has confirmed that no Petroleum Coke (PetCoke) has been used to supply Contracted Capacity to MPPMCL from Unit No. 1 during the period FY 2016-17 to FY 2018-19 and the petition is based on coal only. The petitioner has also submitted that it does not intend to use PetCoke for supplying Contracted Capacity to MPPMCL from Unit No. 1.*
- *The petitioner also informed that it would again be able to source coal from Coal Mine, i.e. Gotitoria Coal Mine located at Tehsil Gadarwara, which is the primary source of Coal under the FSA dated 25.04.2011. The petitioner also informed that M/s Boulder Stone Mart Pvt. Ltd. have won the Gotitoria coal mine in auction conducted by the Ministry of Coal, Government of India under the Coal Mines (Special Provisions) Act, 2015. In accordance to the vesting order, the Successful Bidder has substituted the Prior Allottee for the purposes of FSA and the rights and obligations of the Supplier under the said FSA are to be performed by the Successful Bidder w.e.f. 18th November 2021. The petitioner also informed that the FSA dated 25.04.2011 between the petitioner and BLA Industries Pvt. Ltd., stands novated by operation of law in favour of the Successful Bidder pursuant to Vesting Order dated 18.11.2021 issued by the Nominated Authority, Ministry of Coal, Government of India. The Vesting Order fully and absolutely transferred and vested all rights, title and interest of BLA Industries Pvt. Ltd. in the Gotitoria coal mine to Successful Bidder with effect from 18.11.2021, including novation of the FSA.*

- *Consequent to the Vesting Order issued under the Coal Mines (Special Provisions) Act, 2015, the petitioner and the Successful Bidder have now become parties to the FSA. The petitioner and the Successful Bidder executed the amendments to the FSA, in order to update the FSA in terms of the Vesting Order.*
- *Government of India has notified 'SHAKTI (Scheme for Harnessing and Allocating Koyala (Coal) Transparently in India)' Policy, wherein para B(ii) authorises Coal India Limited/ Singareni Coal Company Limited to grant coal linkages on notified price on auction basis for generating companies having long term PPA, inter alia, under Section 62 of the Electricity Act, 2003. Such linkage culminates in a Fuel Supply Agreement(s) with Coal India Limited or its subsidiaries.*
- *The petitioner participated in the fourth round of auctions for coal linkage under para B(ii) of SHAKTI Policy to secure grant of coal linkage on notified price, from Coal India Ltd or its subsidiaries, for use of such coal for supply of contracted capacity under PPA from Unit 1. Petitioner has won a provisional allocation of coal in the auction by offering a discount on the existing tariff for each year of the balance period of the PPA with reference to scheduled generation from Unit No. 1 using coal sourced under the proposed Fuel Supply Agreement(s) with Coal India Limited or its subsidiaries, pursuant to para B(ii) of SHAKTI Policy.*
- *Since the petitioner has undertaken that it would not use Petcoke for supplying the Contracted Capacity to MPPMCL coupled with the fact that the Gotitoria Coal Mine will resume production shortly under the Successful Bidder. Further, the FSA dated 25.04.2011 now stands novated such that the Successful Bidder will be supplying coal to the petitioner's Generating Station under the same FSA. The petitioner has further submitted that the grounds on which the Commission had dismissed the Petition No. 13 of 2017 on 02.06.2017 no longer survive and stand resolved.*
- *The petitioner has succeeded in winning a provisional allocation of coal in the auction by offering a levelised discount of 12 paise for Unit 1 on existing tariff for each year for balance period of the PPA with reference to scheduled*

generation from Unit 1 using coal sourced under the Fuel Supply Agreement(s) to be executed with Coal India Ltd or its subsidiaries pursuant to B(ii) of SHAKTI Policy.

- In view of the aforesaid developments, the petitioner has prayed the Commission to take up the present petition and true up the tariff order of Unit-1 (45 MW) for FY 2014-15 & 2015-16 and determine tariff for FY 2016-17, FY 2017-18 & FY 2018-19.

xviii. In view of above observations, it was submitted that main issue in determination of tariff of Unit No 1 was linkage of coal on long term basis. However, the petitioner has now got allocation of coal under SHAKTI Scheme for Unit No 1 on discounted rate. Therefore, it was proposed that the Petition No 13 of 2017 case may be listed for motion hearing.

xix. At the motion hearing held on 26th July' 2022, the petitioner informed that there have been new developments subsequent to filing of this petition and that it is necessary to incorporate these developments and associated information in this petition which would require substantial amendment in the subject petition that has been filed, therefore, the petitioner requested to amend the petition. Therefore, the petitioner was directed that a fresh petition in P No 13 of 2017, comprehensively covering all facts and information be filed by petitioner for consideration of the Commission. Accordingly, petitioner withdrew the Petition no 13 of 2017 and later on filed a fresh petition (No 52 of 2022) incorporating all subsequent developments.

5. As per fresh petition, element- wise Annual Capacity (fixed) Charges and Energy (Variable) Charges claimed for Unit No. 1 (45 MW) for FY 2014-15 to FY 2015-16 and MYT period FY 2016-17 to FY 2018-19 as per applicable MPERC Tariff Regulations are as given below:

Table 2: Annual Capacity Fixed Charges claimed in the Petition (Rs in Crore)

S.No	Particulars	True Up		Multi-Year Tariff		
		FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
1	Depreciation	14.62	14.63	14.65	14.65	14.65
2	Interest on Loan	21.34	19.81	19.38	17.52	15.87
3	Return on Equity	13.13	13.13	13.15	13.15	13.15
4	Interest on Working Capital	4.62	5.03	6.51	6.52	6.54

5	O & M Expenses	12.58	13.58	14.43	15.34	16.31
6	Secondary fuel oil cost	2.13	1.78	0.00	0.00	0.00
7	Add: Loan Restructring Cost	0.66	0.00	0.00	0.00	0.00
8	Add: Other Charges	0.91	0.70	0.00	0.00	0.00
9	Total Fixed Cost (Capacity Charges)	69.99	68.66	68.12	67.18	66.51
10	Less:-Non-Tariff Income	0.30	0.19	0.00	0.00	0.00
11	Net Capacity Charges	69.70	68.46	68.12	67.18	66.51
12	Capacity Charges for 30% of installed capacity	20.91	20.54	20.44	20.15	19.95

Table 3: : Energy Charges Filed in the Petition (Rs./Unit)

Financial Years	Energy Charges
FY 2014-15	2.351
FY 2015-16	2.809
FY 2016-17	3.565
FY 2017-18	3.565
FY 2018-19	3.565

6. With the above submission, the petitioner prayed the following:
- i. *Approve proposed tariff for FY 2016-17, FY 2017-18 & FY 2018-19;*
 - ii. *Approve true up of Capacity Charge based on actual project cost in terms provisionally approved in the tariff order dated 22nd May 2015, for FY 2014-15 and FY 2015-16;*
 - iii. *Approve the Additional Capital Expenditure of Rs 5.3 Cr incurred by the Petitioner after COD as claimed in the present Petition;*
 - iv. *Approve the Other Charges as claimed in the present Petition.*

Procedural History

7. Motion hearing in the subject true-up petition was held on 13th September' 2022, wherein the petition was admitted and petitioner was directed to serve the copy of petition to all respondents. The respondents were also directed to file their response on the petition within four weeks, thereafter. The petitioner was asked to file rejoinder within two weeks, thereafter.
8. Vide Commission's letter dated 23rd September' 2022, information gaps and

requirement of additional details/ documents were communicated to the petitioner seeking its comprehensive response to the same with all the supporting documents by the 10th October' 2022.

9. By affidavit dated 17th October' 2022, the petitioner filed its response.
10. By affidavit dated 2nd November' 2022, the Respondent No. 1 (M.P. Power Management Co. Ltd) filed its response on the subject petition.
11. By affidavit dated 7th November' 2022, the petitioner filed rejoinder on the response/comments filed by Respondent No 1. The petitioner's response on each comment offered by the Respondent No 1 along with the observations are annexed as Annexure- I with this order.
12. The public notice inviting comments/suggestions from the stakeholders was published on 15th October' 2022 in the following newspapers:
 - i. Dainik Bhaskar (Hindi), Bhopal
 - ii. Dainik Bhaskar (Hindi), Jabalpur
 - iii. Dainik Bhaskar (Hindi), Indore
 - iv. The Hitavada (English), Bhopal
 - v. The Hitavada (English), Jabalpur
 - vi. Free Press (English), indore
13. The comments/objections from only one stakeholder were received in this matter on 31st October' 2022. By affidavit dated 7th November' 2022, the petitioner filed its response on the aforesaid comments. The petitioner's replies on each comments / objection offered by the stakeholder along with the observations are annexed as Annexure-II with this order.
14. The public hearing in the subject petition was held on 9th November' 2022 through video conferencing wherein the representatives of petitioner, Respondent No. 1 and stakeholder appeared.
15. The subject petition has been examined by the Commission in accordance with the principles, methodology and the norms specified in the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 and

Regulations, 2015 as well as other additional submissions filed by the petitioner in response to the additional information / details sought by the Commission alongwith all other documents placed on record by the petitioner. The Commission has also examined true-up based on the Annual Audited Accounts for FY 2014-15 and FY 2015-16.

True up of FY 2014-15 and FY 2015-16

Capital Cost

Petitioner's submission

16. In subject petition, the petitioner submitted that capital cost of Rs. 297.26 Crore had been approved by the Commission in order dated 22.5.2015 in Petition No 16 of 2014 for Unit No. 1 and same has been considered as opening capital cost as on 1st April' 2014.
17. In para 7.5 of subject petition, the petitioner filed following capital cost for true up of FY 2014-15 and FY 2015-16:

Table 4: Capital Cost:

(Rs.in Crore)

Particular	FY 2014-15	FY 2015-16
Opening Capital Cost	297.26	302.10
Additions claimed during the year	4.84	0.46
Closing Capital Cost	302.10	302.56

Provisions Under Regulations

18. With regard to capital cost of existing project, Regulation 17.2 of MPERC (Terms & Conditions for Determination of Generation Tariff) Regulations, 2012 provides that:

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

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

Provided also that where the power purchase agreement entered into between the Generating Company and the Beneficiaries or the implementation agreement provide for ceiling of actual expenditure, the capital expenditure admitted by the Commission shall take into consideration such ceiling for determination of Tariff :

Provided also that in case of the existing Projects, the capital cost admitted by the Commission prior to 1.4.2013 duly trued up by excluding un-discharged liability, if any, as on 1.4.2013 and the additional capital expenditure projected to be incurred for the respective Year of the Tariff period during 2013-16, as may be admitted by the Commission, shall form the basis for determination of Tariff.

Commission's Analysis

19. Regarding the capital cost of existing projects, Regulation 17.2 of MPERC (Terms & Conditions for Determination of Generation Tariff) Regulations, 2012 provides that, "the capital cost admitted by the Commission prior to 1.4.2013 duly trued up excluding un-discharged liability, if any, as on 1.4.2013 and additional capital expenditure projected to be incurred for the respective year of the Tariff period, as may be admitted by the Commission, shall form basis for determination of tariff."
20. The petitioner has filed opening capital cost of Rs 297.26 Crore as on 1st April' 2014 for Unit No. 1 which is same as closing capital cost as on 31st March' 2014 approved by the Commission in its order 22.05.2015 in Petition No. 16 of 2014. Further, the petitioner has claimed additional capitalization of Rs 4.84 Crore during FY 2014-15 and Rs 0.46 Crore during FY 2015-16.
21. The Commission has considered the closing capital cost of **Rs 297.26 Crore** as on 31st March' 2014 as admitted in last tariff order dated 22nd May' 2015 for FY 2013-14 in Petition No 16 of 2014 as a base figure of opening capital cost as on 01st April' 2014 in this order.

Additional Capitalization for FY 2014-15 and FY 2015-16

22. Regarding additional capitalization, Regulation 20 of Tariff Regulations' 2012 provides that:

20.1 "The capital Expenditure Incurred or projected to be Incurred, on the following counts within the original scope of work, after the Date of Commercial operation and up to cutoff date may be admitted by the Commission, subject to prudent check:

(a) Undischarged liabilities

(b) Works deferred for execution

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

court,

(d) Change in Law,

(e) Procurement of initial capital spares within the original scope of work, subject to the provisions of Regulation 17.1(b) Provided that the details of works included in the original scope of work along with estimates of expenditure, un-discharged liabilities and works deferred for execution shall be submitted along with the application for Tariff.

20.2 The capital expenditure of the following nature actually incurred on the following counts after the Cut off date may, in its discretion, be admitted by the Commission, subject to prudent check:

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

(b) Change in Law.

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

(d) In case of Hydro generating stations, any expenditure which has become necessary on account of damage caused by natural calamities (but not due to flooding of power house attributable to the negligence of the Generating Company) including due to geological reasons after adjusting for proceeds from any insurance scheme, and Expenditure Incurred due to any additional work which has become necessary for successful and efficient plant operation :

Provided that in respect sub-Regulations (d) above, any expenditure on acquiring the minor items or the assets like tools and tackles, furniture, airconditioners, voltage stabilizers, refrigerators, coolers, fans, washing machines, heat convectors, mattresses, carpets etc. brought after the cut-off date shall not be considered for Additional Capitalization for determination of Tariff for the Tariff period under these Regulations.....

23. In subject true-up petition, the petitioner has claimed additional capitalization of Rs 4.84 Crore towards variable frequency drive during FY 2014-15 and Rs 0.46 Crore towards continuous ambient air quality monitoring system (CAAQMS) during FY 2015-16. The petitioner submitted that aforesaid additional capitalization claimed for FY 2014-15 is within cut-off date of the project and is under original scope of work of the project in accordance with the Tariff Regulations, 2012, whereas, additional capitalization claimed for FY 2015-16 is beyond cut-off date and original scope of

work of the project.

24. On examination of subject petition, it was felt that certain necessary details/documents are required for proper scrutiny of additional capitalization claimed in the subject petition. Vide Commission's letter dated 23rd September' 2022, the petitioner was asked to file a comprehensive reply on various issues related to additional capitalization. By affidavit dated 17th October' 2022, the petitioner filed its response on all such issues raised by the Commission. The issues raised by the Commission and response of the petitioner on all such issues are mentioned below:

Issues raised by the Commission:

- a) Whether the assets capitalized during the year have been under original scope of work. The petitioner was also asked to file detailed break-up of original scope of work approved by BOD.
- b) The petitioner was asked to file information duly filled up in following table in respect of assets addition during the year:

Sr. No.	Particular	Asset Addition (Rs Cr)	Detailed reasons for Asset Additions	Provision of Regulations under which Add. Cap. Filed	Reference of Supporting Documents

- c) List of orders placed to different contractors/vendors for assets/works under additional capitalisation was sought.
- d) Copy of the bills/invoices of all such assets under additional capitalisation were also sought.
- e) The petitioner was asked to reconcile the assets addition claimed in the petition with the figures recorded in the Annual Audited Accounts and Assets cum Depreciation Register.
- f) The petitioner was asked to intimate the cut-off date of the Unit in light of the Regulation 4.1 (I) of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012.

Petitioner' Response on the abovementioned issues:

Response to point (a)

It is submitted that the additional capitalisation of VFD claimed by the petitioner is part of the original scope of work of Unit-1. The Purchase Order, bills/invoices etc. for the VFD has been submitted to the Commission. Furthermore, the cost of VFD is part of the Board approval dated 22.11.2014 wherein approval of the final capital cost of Unit-1 was given. The certified true copy of the Board Resolution dated 22.11.2014 has been submitted to the Commission.

Additional capitalisation towards CAAQMS was not part of original scope of work as its requirement was mandated by M.P. Pollution Control Board and hence subsequently installed.

Response to Point (b)

The details as sought by the Commission in para 5(b) of letter dated 23.09.2022 are provided below:

Sr. No.	Particular	Asset Addition (Rs Cr)	Detailed reasons for Asset Additions	Provision of Regulations under which Add. Cap. Filed	Reference of Supporting Documents
1.	Variable Frequency Drive	Rs. 4.84 Crore	* Details outlined below.	Regulation 20.1(b) of the MPERC Generation Tariff Regulations 2012	Extract of Fixed asset register of the petitioner showing additions to fixed assets is enclosed and marked as Annexure 4
2.	Continuous Ambient Air Quality Monitoring System [CAAQMS]	Rs. 0.46 Crore	** Details outlined below.	Regulation 20.2 (b) of MPERC Generation Tariff Regulations 2012	

***Variable Frequency Drive (VFD)**

The petitioner has installed CFBC boilers which is a newer type of boiler and has many additional advantages. The standard CFBC boiler requires VFD and all the large motors were already VFD compatible from the beginning i.e. at the time of procurement. The VFD

so installed in FY 2013-14 and claimed as additional capitalisation in the present Tariff Petition are only the controllers which interface the said large rotating equipment with the digital control system (DCS) of Unit-1. It may be noted that the said large rotating equipment and the DCS are already part of the capital cost approved by this Commission through its order dated 22.05.2015 in Petition No. 16/2014.

**** Continuous Ambient Air Quality Monitoring System [CAAQMS]**

In order to comply with the statutory provisions as specified by M. P. Pollution Control Board (hereinafter referred to as "MPPCB") for installation of CAAQMS has become mandatory. The requirement has emerged due to change of law, which is permitted in the Clause 20.2 (b) of MPERC Generation Tariff Regulations 2012. Thus, the Petitioner in FY 2015-16 has installed the same at a total cost of Rs 0.46 Crore. Letter dated 04.06.2015 from MPPCB is enclosed.

Response to Point (c)

The details are provided as given below:

Sr. No.	Name of Vendor	Work details	Date of Order	Price (Rs. Crores)	Date of Completion	Delay in completion	Penalty levied in case of delay
1	Yantra Harvest Energy Pvt. Ltd.	Supply, Installation, testing and commissioning of VFDs per order enclosed.	15.04.2013	4.84	18.10.2013	No Delay	Not Applicable
2	Swan Environmental Pvt. Ltd.	Supply, Installation and Commissioning of CAAQMSs per order enclosed.	13.04.2015	0.46	10.02.2016	No Delay	Not Applicable

response to Point (d)

The documents related to VFD are already submitted with the present reply. The documents related to CAAQMS are provided.

response to Point (e)

It is emphasized that as stated at Para 7.4 of the present Tariff Petition, the Variable Frequency Drive (hereinafter referred to as "VFD") was commissioned on 18.10.2013 and therefore, in accordance to the accounting standards, is appropriately capitalised in the audited accounts in the FY 2013-14. The additional capitalization figure for Unit-1 for FY 2013-14 is Rs. 10.81 crore which includes the capitalization of VFD of Rs. 4.84 crore. However, as the present Tariff Petition is filed for true up of FY 2014-15 and FY 2015-16, therefore the petitioner is claiming the additional capital cost of VFD in the scope of the present Tariff Petition.

As far as the Continuous Ambient Air Quality Monitoring System (hereinafter referred to as "CAAQMS") is concerned, it has been capitalised in FY 2015-16 and hence the additional capitalization is accordingly claimed in FY 2015-16. The additional capitalization figure for Unit-1 for FY 2015-16 is Rs. 0.51 Crore which includes the capitalization of CAAQMS of Rs. 0.46 Crore.

In short, the additional capitalisation of Rs. 4.84 Crore towards installation of VFD is reflecting in the petitioner's books of accounts in FY 2013-14 in the additional capitalisation for the year. The CAAQMS is capitalised in FY 2015-16. It is pointed out that in FY 2015-16, certain items of Unit-2 are also capitalised (this petition is only for Unit-1 and the Commission has already approved the capital cost of Unit-2 vide its order dated 25.10.2021 in Petition No. 17/2018) and hence the unit-wise break up of the balance sheet figure for additional capitalisation is provided in the statutory auditor's certificate.

The certificate from statutory auditor of the petitioner giving unit-wise break up of inter alia additional capitalisation for FY 2013-14, FY 2014-15 and FY 2015-16 is already submitted.

Response to Point (f)

The COD of Unit-1 was achieved on 03.04.2012. Therefore, "two years of the year of commercial operation of the Project" is 03.04.2014 and "31st March of the year closing after" 03.04.2014 is 31.03.2015. Therefore, in accordance to the definition of "Cut off date" as specified in the MPERC Generation Tariff Regulation, 2012, the "Cut off date" of Unit-1 is 31.03.2015.

25. On perusal of aforesaid response filed by the petitioner, the following is observed:

- a) The petitioner has filed additional capitalization of Rs 4.84 Crore towards VFD and Rs 0.46 Crore towards CAAQMS. During FY 2014-15 & FY 2015-16, respectively under Regulation 20.1(b) and 20.2(b) of the MPERC (Terms & Conditions for Determination of Generation Tariff) Regulations, 2012.
- b) The petitioner submitted that VFD claimed is part of original scope of work approved by BOD dated 22.11.2014 of Unit-1, whereas additional capitalisation towards CAAQMS was not part of original scope of work as its requirement was mandated by M.P. Pollution Control Board and hence subsequently installed.
- c) The petitioner has submitted the details of the bills/invoices, purchase orders placed on various suppliers/contractors for installation of VFD and CAAQMS.
- d) The petitioner also submitted that additional capitalization for FY 2014-15 and FY 2015-16 has been capitalized in Annual Audited Accounts.
- e) The petitioner informed that the cut-off date of Unit-1 is 31.03.2015 in accordance to Tariff Regulations, 2009.

MPPMCL Comment on Additional Capitalization:

26. By affidavit dated 2nd November' 2022, MPPMCL (Respondent No 1) submitted the following regarding additional capitalization:

“The claim regarding installation of VFD is totally vague. Apart from giving purchase order number and the value of the order, the petitioner has not provided any further details in respect of the said VFD, such as-

- i. Details of technical study, if any, done to establish the need and necessity of installation of the said VFD;*
- ii. How it is expected to reduce the Auxiliary Consumption?*
- iii. Where it is installed?*
- iv. Has it replaced any Normal Drive?*

In view of above, it is prayed that this Commission may graciously be pleased to reject the claim of capital expenditure of Rs. 4.84 Cr. stated to have been

incurred towards installation of VFD.

The Petitioner has filed Gross Block/ Project Cost for FY 2014-15 and FY 2015-16, including claims of Additional Capital Expenditures made in the present Petition. However, as submitted in the foregoing paragraphs, the claim of Rs. 4.84 Cr. towards installation of VFD made by the petitioner is inadmissible.

The Petitioner has also stated to have installed Continuous Ambient Air Quality Monitor (CAAQMS) in FY 2015-16 at a cost of Rs. 0.46 Cr. As this claim of Additional Capital Expenditure has been claimed under “Change in Law” under Clause 20.2 (b) of 2012 Tariff Regulations, the same requires appropriate prudence check by this Commission.

27. The Commission has examined the additional capitalization claimed by the petitioner in light of the Annual Audited Accounts, Asset-cum-Depreciation Register for the project, original scope of work of the project, project cost approved by BoD of the petitioner’s company, cut-off date of the unit and provisions for additional capitalisation under MPERC Regulations, 2012.

I. Variable Frequency Drive (VFD):

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

28. With regard to additional capitalization claimed towards variable frequency drive (VFD) during FY 2014-15, the petitioner submitted that “VFD” was commissioned on 18.10.2013 and the payment was made during FY 2014-15, therefore, in accordance to the accounting standards, it is capitalised in the Annual Audited Accounts in FY 2013-14 but claimed during FY 2014-15.
29. The petitioner further informed that the total additional capitalization for Unit-1 for FY 2013-14 is Rs. 10.81 Crore which includes capitalization of VFD of Rs. 4.84 Crore. The petitioner has also recorded additional capitalization of VFD in Asset-cum-Depreciation Register for FY 2013-14.
30. In support of petitioner’s claim for additional capitalisation towards VFD for Unit No. 1, the petitioner has submitted the Certificate from Statutory Auditor certifying unit-wise fixed assets capitalised during FY 2013-14, FY 2014-15 and FY 2015-16 as per Annual Audited Accounts which is given below:

Particulars	Unit 1	Unit 2	Total (Rs)
Total Fixed Assets Capitalized during FY 2013-14	10,81,79,333	-	10,81,79,333
Total Fixed Assets Capitalized during FY 2014-15	64,26,998	14,27,132	78,54,130
Total Fixed Assets Capitalized during FY 2015-16	51,50,231	3,01,24,86,860	3,01,76,37,091

31. On perusal of the above certificate of the Statutory Auditor, it is observed that the additional capitalisation of Rs. 4.84 Crore towards installation of VFD is capitalized and reflecting in the Petitioner's Annual Audited Accounts in FY 2013-14. It is further observed that this asset has been recorded in Asset cum-depreciation register for FY 2013-14 of BLA thermal power station filed by the petitioner with the subject petition.

Capital Cost under Original Scope of Work and approved by BoD

32. The petitioner submitted that the additional capitalization of Rs 4.84 Crore is within the original scope of work of Rs. 349.98 Crore of Unit No 1 as per the Resolution of Board of Directors dated 22nd November' 2014 approving project cost for Unit No 1 of the Project.
33. On perusal of the original scope of work approved by the BoD vis-à-vis expenditure actually incurred by the petitioner under additional capitalization, it is observed that the revised project cost approval for Unit No 1 by the BOD dated 22nd November' 2014 is Rs. 349.98 Crore whereas, the capital cost as on 31st March' 2014 approved by the Commission in last tariff order dated 22nd May' 2015 for FY 2013-14 was Rs. 297.26 Crore. Therefore, the additional capitalization of Rs. 4.84 Crore claimed towards VFD during FY 2014-15 is under the original scope of works as approved by the Board of the petitioner's company.
34. Further, it was observed that installation of the VFD's is under the original scope of the project, which is also reflected in the Detailed Project Report (DPR) filed with the Commission in Petition No 28 of 2012. In the said DPR, at clauses 9.1.2.6 page no 58 & clause 10.1.1.3 page no 111, it is mentioned that variable frequency drives will be provided.

Cut-off Date

35. Regarding Cut of date, Regulation 4.1 (j) of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2009 provides as under:

“cut of date” means 31st March of the year closing after two years of the year of commercial operation of the Project, and in case the Project is declared under commercial operation in the last quarter of a year, the Cut-off date shall be 31st March of the year closing after three years of the year of commercial operation

36. The Unit No 1 of Petitioner’s Power Plant in the subject matter achieved CoD on 3rd April’ 2012, therefore, the cut of date of the Unit No 1 is 31st March 2015 in accordance with the above provision under Regulations, 2009. The Commission has observed that the additional capitalization towards VFD filed by the petitioner is within the cut-off date of Unit No 1 and within the original scope of work. Therefore, the claim of additional capitalization has been examined in light of the Regulation 20.1 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012.

Examination of Additional Capitalization in light of the Regulations, 2012

37. The petitioner submitted that the additional capitalization of Rs. 4.84 Crore towards installation of variable frequency drive was commissioned and capitalised in FY 2013-14, however, the same was not claimed in the true up for FY 2013-14 as the same was unpaid till that date. The petitioner further informed that this asset has been funded through internal resources and payment was made during FY 2014-15, therefore same has been claimed in subject petition.
38. The petitioner informed that it has installed CFBC boilers which is a newer type of boiler and has many additional advantages. The standard CFBC boiler requires VFD and all the large motors were already VFD compatible at the time of procurement. The VFD so installed in FY 2013-14 and claimed as additional capitalisation in the present Tariff Petition are only the controllers which interface the said large rotating equipment with the digital control system of Unit-1. The petitioner also submitted that this large rotating equipment and the DCS (Digital Control System) are already part of the capital cost approved by the Commission through its order dated 22.05.2015 in Petition No. 16 of 2014.
39. On examination of details and documents filed by the petitioner, the Commission has observed that the aforesaid additional capitalization towards installation of VFDs is capitalized in the Annual Audited Accounts of FY 2013-14 and the same is under the

original scope of works and within cut-off date of the project. The installation of VFDs is also advised in Detailed Project Report (DPR) of the Project prepared by the Consultant.

40. Further, the petitioner informed that VFDs protect machinery from damage, thereby enhancing the safety of systems and in addition to safety of the plant, conservation of energy is also ensured by installation of VFD through reduction of Auxiliary Energy Consumption of the Unit. Since, the said asset is known for energy savings, therefore, the Commission has allowed this asset addition of Rs 4.84 Crore towards installation of Variable Frequency Drive's under Regulation 20.1 (b) of Tariff Regulations, 2012 in this order which allows for approval of those additional capitalization works deferred for execution.

II. Continuous Ambient Quality Monitoring System (CAAQMS):

Annual Audited Accounts and Asset-cum-Depreciation Register.

41. With regard to additional capitalization claimed towards CAAQMS during FY 2015-16, the petitioner submitted that the asset is capitalised in the Annual Audited Accounts of FY 2015-16 and recorded in Asset-cum-depreciation register, hence, the additional capitalization is accordingly claimed in FY 2015-16. The petitioner further submitted that the additional capitalization for Unit-1 for FY 2015-16 is Rs. 0.51 Crore which includes the capitalization of CAAQMS of Rs. 0.46 Crore.
42. In support of petitioner's claim for additional capitalisation towards CAAQMS for Unit-1, the petitioner has submitted the Certificate from Statutory Auditor certifying unit-wise fixed assets capitalised during FY 2013-14, FY 2014-15 and FY 2015-16 as per Annual Audited Accounts.
43. On perusal of the above certificate of the Statutory Auditor, it is observed that additional capitalisation of Rs. 0.51 Crore is capitalized in the Annual Audited Accounts in FY 2015-16 which includes the capitalization of Rs 0.46 Crore towards CAAQMS. The petitioner submitted that in FY 2015-16, certain items of Unit-2 are also capitalised (this petition is only for Unit-1 and the Commission has already approved the capital cost of Unit-2 vide its order dated 25.10.2021 in Petition No. 17/2018). This asset has also been recorded in Asset cum-depreciation register for FY 2015-16 of BLA thermal power station filed by the petitioner with the subject

petition.

Capital Cost under Original Scope of Work and BoD Approval

44. The petitioner submitted that the additional capitalization of Rs 0.46 Crore is towards CAAQMS was not part of original scope of work as its requirement was mandated by M.P. Pollution Control Board and hence subsequently installed.
45. Therefore, the additional capitalization of Rs. 0.46 Crore claimed towards CAAQMS during FY 2015-16 is beyond the original scope of works as approved by the Board of the petitioner's company.
46. However, Unit No 1 of Petitioner's Power Plant in the subject matter achieved CoD on 3rd April' 2012, therefore, the cut of date of the Unit No 1 is 31st March 2015 in accordance with the provision under Regulations, 2009. The Commission has observed that the additional capitalization towards CAAQMS filed by the petitioner is beyond cut-off date of Unit No 1 and beyond the original scope of work. Therefore, the claim of additional capitalization has been examined in light of the Regulation 20.2 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 which provides for admission of those capital expenditure works which are incurred after Cut off date subject to prudent check.

Analysis of Additional Capitalization in light of the Regulations, 2012

47. Regarding CAAQMS, the petitioner has submitted that, to comply with the statutory provisions as specified by (MoEF&CC), installation of CAAQMS was mandatory for the power plant. Thus the petitioner has installed the same at cost of Rs 0.46 Crore in FY 2015-16 and has claimed to approve this cost under Regulation 20.2 (b) of Tariff Regulations, 2012. The petitioner further informed that it has funded this asset through internal resources.
48. The petitioner informed that in accordance with the recent Pollution Control Board norms, implementation of CAAQMS has become mandatory. Accordingly, the petitioner has installed the same in FY 2015-16, on 10.02.2016.
49. It is observed that this requirement has emerged due to change of law, which is covered in the Clause 20.2 (b) of MPERC Generation Tariff Regulations 2012. The petitioner has submitted a copy of letter of Madhya Pradesh Pollution Control Board

(MPPCB) dated 04.06.2015 regarding installation of online monitoring system. The petitioner also clarified that this expense has actually been incurred and captured in Annual Audited Accounts and Asset-cum-Depreciation Registers for FY 2015-16.

50. On perusal of the details filed by the petitioner, the Commission observed that since second unit is also in the same premise and several common facilities/ auxiliaries/ expenses which presently pertains to Unit No. 1 and shared by Unit No. 2 as well (CAAQMS installed for monitoring air quality of Unit No 1 & 2). Hence, it is desirable to apportion this expenditure of air quality monitoring system between the two units as per provisions of the Regulations, 2012. Considering this approach, the apportionment of CAAQMS between Unit-1 and Unit-2 of the petitioner's project in equal shares is considered in this order.
51. In view of above, being a statutory requirement, the said capitalization of Rs 0.23 Crore (Rs 0.46 Crore/2) is considered under Regulation 20.2 (b) of MPERC Regulations 2012, which provides for approval of Capital Expenditure under Change in Law after cut-off date.

Debt: Equity:

Petitioner's Submission

52. With regards to funding of project, the petitioner in para 7.2 of the petition submitted that the Commission, in its tariff order dated 22.05.2015 has approved the following funding for Unit No. 1:

Particulars		Approved by the Commission in Order dated 22nd May 2015
1	<i>Debt in Cr Rs</i>	214.03
2	<i>Equity in Cr Rs</i>	83.23
3	Total in Cr Rs	297.26
4	<i>Debt %</i>	72%
5	<i>Equity %</i>	28%

53. In view of above, the Debt Equity ratio of 72:28 as on CoD of Unit-1 as approved by the Commission vide its order dated 22nd May' 2015, has been retained for the purpose of true up of tariff in subject petition. Further, the petitioner in terms of Regulation 21 of MPERC Tariff Regulations, 2012, has considered the Debt-Equity ratio of 70:30 for actual additional capital expenditure incurred during FY 2014-15 and FY 2015-16.

Commission's Analysis

54. For the true up of FY 2014-15, the petitioner has filed opening equity and loan as on 1st April' 2014 same as closing equity and loan as on 31st March' 2014 considered in tariff order dated 22nd May' 2015 in Petition No 16 of 2014. As per the Regulations, the Commission has considered the equity and loan at the end of 31st March' 2014 as an opening equity and loan for FY 2014-15.
55. The equity balance of Rs. 83.23 Crore and loan balance of Rs 185.51 Crore as approved by the Commission in tariff order dated 22nd May' 2015 is considered as opening equity and opening loan as on 1st April' 2014 in this order.
56. With regard to funding of additional capitalization claimed in subject petition, the petitioner has informed that the assets under additional capitalization are created through internal resources/equity. Vide Commission's letter dated 23rd September' 2022, the petitioner was asked to submit the Board approval for equity infusion in this regard.
57. In response to the above, by affidavit dated 17th October' 2022, the petitioner submitted certified copy of Board approval dated 21st August' 2012 wherein, it was accorded to allocate an amount upto Rs 5.00 Crore, out of available equity funds of the Company towards installation, testing and commissioning of VFD. The petitioner also submitted certified copy of Board approval dated 4th February' 2015 wherein, it was accorded to allocate an amount up to Rs 0.50 Crore from Owned (equity) funds of the company for the purpose of installation, testing and commissioning of Continuous Ambient Air Quality Monitoring System for Power project of the Company.
58. In view of the above submission and provisions under Regulation 25.1, the Commission has considered the normative Debt: Equity ratio of 70:30 for additional capitalization as filed by the petitioner. The details of additional capitalization considered during the year and its corresponding Debt and Equity considered by the Commission for FY 2014-15 and FY 2015-16 in this order are as given below:

Table 5: Additional Capitalization and Funding: (Rs. in Crore)

Sr. No.	Particulars	Asset Addition and Source of Funding Admitted for FY 2014-15
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		Asset Addition	Loan Addition	Equity Addition
1	Additions during the year	4.84	3.39	1.45
2	Debt : Equity Ratio	70:30		

Sr. No.	Particulars	Asset Addition and Source of Funding Admitted for FY 2015-16		
		Asset Addition	Loan Addition	Equity Addition
1	Additions during the year	0.23	0.16	0.07
2	Debt : Equity Ratio	70:30		

Annual Capacity (fixed) Charges

59. Regulation 34 of "Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012, {RG-26 (II) of 2012}" provides that the tariff for supply of electricity from a thermal power generating station comprises of Capacity (fixed) Charges and Energy (variable) Charges to be derived in manner specified in Regulations 40 and 41 of the Regulations, 2012. The annual Capacity (fixed) Charges consist of the following:

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

Provided that in case of coal based thermal generating stations, expenses on normative secondary fuel oil consumption during the year shall be included in the Fixed Charge.

Return on Equity

Petitioner's Submission

60. Regarding Return on Equity, the petitioner submitted that the rate of return has been considered as 15.50%, as permitted by the Commission in its final tariff order dated 22.05.2015. The petitioner further submitted that the Company has not made any profit in FY 2014-15 and FY 2015-16. Therefore, no true up of tax on the return on

equity is required.

61. In view of above, the petitioner has filed Return on Equity during during FY 2014-15 and FY 2015-16 in form TPS 1(B) of the petition as given below:

Table 6: Return on Equity Claimed

Particulars		Unit	FY 2014-15		FY 2015-16	
			Approved	Actual	Approved	Actual
1	Opening Equity	Rs Cr.	83.23	83.23	83.23	84.68
2	Addition in Equity	Rs Cr.	0.00	1.45	0.00	0.14
3	Closing Equity	Rs Cr.	83.23	84.68	83.23	84.82
4	Average Equity	Rs Cr.	83.23	84.68	83.23	84.70
5	Avg. Equity as % of Avg. Gross Block	%	28.00%	28.03%	28.00%	28.03%
6	Base Rate of Return on Equity	%	15.50%	15.50%	15.50%	15.50%
7	Tax Rate	%	0.00%	0.00%	0.00%	0.00%
8	Grossed up Rate of Return on Equity	%	15.50%	15.50%	15.50%	15.50%
9	Return on Equity	Cr. Rs.	12.90	13.13	12.90	13.13

Provisions in the Regulation:

62. With regard to Return on Equity, Regulation 22 (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 provides that:

“Return on equity shall be computed in rupee terms, on the paid up equity capital determined in accordance with Regulation 21. Return on equity shall be computed on pre-tax basis at the base rate of 15.5% to be grossed up as per Regulation 22.3 of this Regulation:

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

Provided further that the additional return of 0.5% shall not be admissible if the Project is not completed within the timeline specified above for reasons whatsoever. 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 tried up separately. Rate of return on equity shall be rounded off to three decimal points and be computed as per the formula given below:

Rate of pre-tax return on equity = Base rate / (1-t) Where t is the applicable tax rate in accordance with Regulation 22.3 of this Regulation.”

Commission’s Analysis:

63. For the purpose of computation of Return on Equity, the closing equity as on 31st March’ 2014 as admitted in the final tariff order dated 22nd May’ 2015 has been considered as opening equity as on 1st April’ 2014. Further, the Commission has considered normative equity addition of Rs. 1.45 Crore during FY 2014-15 and Rs 0.07 Crore during FY 2015-16 towards additional capitalization considered in this order. The petitioner has claimed Return on Equity on the base rate of 15.50% without considering any tax rate for grossing up base rate during FY 2014-15 and FY 2015-16, as it has neither paid any Normal Tax nor MAT during the year.
64. Accordingly, following Return on Equity for FY 2014-15 and FY 2015-16 is worked out by applying the base rate of Return on Equity as given below:

Table 7 : Return on Equity Considered in this Order

Particulars		Unit	FY 2014-15	FY 2015-16
1	Opening Equity	Rs.Cr.	83.23	84.68
2	Addition in Equity	Rs.Cr.	1.45	0.07
3	Closing Equity	Rs.Cr.	84.68	84.75
4	Average Equity	Rs.Cr.	83.96	84.72
5	Base Rate of Return on Equity	%	15.50%	15.50%
6	Tax Rate	%	0.00%	0.00%
7	Return on Equity	Rs.Cr.	13.01	13.13

Interest on Loan Capital

Petitioner’s Submission:

65. Regarding Interest on Loan capital, the petitioner submitted the following:

2.1 Petitioner was availing term loan facility from consortium of banks under the

leadership of Allahabad Bank. The borrowings were done for both the units together.

- 2.2 In the true up order issued for FY 2012-13 & FY 2013-14, the Commission has considered the rate of interest as 14.27% and 13.59% respectively. The corporate debt restructuring is expertise job and have costs associated with it. Thus, to undertake the task, the petitioner had engaged the following and have incurred the costs as mentioned against them:

Particulars			Amount (in Rs.)
IDBI Capital Market Services Ltd	Preparation and submission of TEV report		1,01,12,400
Batra Deepak & Associates	Professional Charges		56,18,000
CDR Cell	One time Lump-sum Contribution to CDR Fund		400,000
Total			1,61,30,400

- 2.3 In provisions for refinancing of the loan, sharing of costs and benefits between the beneficiary and the generating company are elaborated in Regulations 23.7 and 23.8 of the Tariff Regulations, 2012 are:

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

23.8. The changes to the terms and conditions of the loans shall be reflected from the date of such re-financing. The same provision can be found in Regulation 32.7 and 32.8 of the MPERC Generation Tariff Regulations 2015.

- 2.4 The re-structuring of the loan was done on loans for Unit-1 and Unit -2. At the same time the cost was also for re-finance of defaults. Thus, the proportionate cost to be borne by the beneficiary, in accordance with the provisions of the regulation works to Rs 0.66 Cr.

66. In light of aforementioned submission, it is apparent that loans for Units 1 and 2 have undergone re-structuring. The cost for re-financing of defaults was also calculated at the same time. In accordance with the Regulation 23.7 and 23.8 of the tariff

Regulation, 2012, the petitioner has claimed proportionate cost of Rs 0.66 Cr as ‘loan restructuring cost’ which needs to be borne by the beneficiary.

67. Accordingly, the petitioner has claimed interest on loan capital for FY 2014-15 and FY 2015-16 as given below:

Table 8: Interest on Loan claimed

Particulars		Unit	FY 2014-15		FY 2015-16		
			Approved	Actual	Approved	Actual	
1	Opening Loan balance	Rs Cr.	185.51	185.51	171.21	174.28	
2	Addition during year	Amount	Rs Cr.	0.00	3.39	0.00	0.32
		For Days	No	0	365	0	51
3	Repayment During year	Rs Cr.	14.30	14.62	14.30	14.63	
4	Closing Loan balance	Rs Cr.	171.21	174.28	156.91	159.97	
5	Average Loan During year	Rs Cr.	178.36	179.90	164.06	166.99	
6	Interest Rate on Loan	%	13.59%	11.86%	13.59%	11.86%	
7	Interest Liability	Rs Cr.	24.24	21.34	22.30	19.81	

Provisions in Regulation

68. With regard to interest and finance charges on loan capital, Regulation 23 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations 2012, provides as under:

“The loans arrived at in the manner indicated in Regulation 21 shall be considered as gross normative loan for calculation of interest on loan. The normative loan outstanding as on 1.4.2013 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2013 from the gross normative loan. The repayment for the Year of the Tariff period 2013-16 shall be deemed to be equal to the depreciation allowed for that Year. Notwithstanding any moratorium period availed by the Generating Company, the repayment of loan shall be considered from the first Year of commercial operation of the Project and shall be equal to the annual depreciation allowed. The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each Year applicable to the Project.

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

23.7 The Generating Company shall make every effort to re-finance the loan as long

as it results in net savings on interest and in that event the costs associated with such refinancing shall be borne by the Beneficiaries and the net savings shall be shared between the Beneficiaries and the Generating Company, in the ratio of 2:1.

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

Commission's analysis:

69. For determining interest on term loan, the Commission has considered opening loan amount of Rs. 185.51 Crore as on 1st April' 2014 as considered in final tariff order dated 22nd May' 2015 in Petition No 16 of 2014. Further, the Commission has considered normative loan addition of Rs. 3.39 Crore during FY 2014-15 and Rs 0.16 Crore during FY 2015-16 towards additional capitalization considered in this order.
70. In form TPS 13 A-(True up form) of the subject petition, the petitioner has submitted weighted average rate of interest based on actual loan portfolio @11.86% for FY 2014-15 and FY 2015-16 after re-financing of loan amount.
71. Vide Commission's letter dated 23rd September' 2022, the petitioner was asked to explain the basis of the weighted average rate of interest on term loan claimed in the subject petition. The petitioner was also asked to confirm that while computing the weighted average interest rate on loan, interest on interest amount or any penalty amount is not a part of interest on loan amount.
72. In response to above, by affidavit dated 17th October' 2022, the petitioner submitted the following:

The rate of interest considered by the petitioner is based on approved Corporate Debt Restructuring (CDR) approved by Consortium of Lenders. The approved rate of interest in CDR for the true up period is given below.

<i>Year</i>	<i>Rate of Interest</i>
<i>FY 2014-15</i>	<i>11.00%</i>
<i>FY 2015-16</i>	<i>11.00%</i>

Copy of the Letter of Approval of CDR which outlines the details of the interest rate approved by the Lender is attached.

Based on the above interest rates consequent to CDR and considering the Regulations 23.7 and 23.8 of MPERC Generation Tariff Regulations, 2012 which

pertain to refinancing of the loan, sharing of costs and benefits between the beneficiary and the generating company, the petitioner has worked out the interest rate chargeable on normative loans (para 9.11 of the Petition) as given below:

FY	Rate of Interest			Sharing as per Regulation 23.7 of MPERC Generation Tariff Regulation 2012		Effective Rate of interest as per Generation Tariff Regulations*
	Rate considered in MPERC Tariff Order Dated 22.05.2015	Re-structured	Saving by restructuring of loan	Beneficiary	Generating Company	
A	b	c	$d = b - c$	$e = d \times 2/3$	$f = d \times 1/3$	**g = b-e
FY 2014-15	13.59%	11.00%	2.59%	1.73%	0.86%	11.86%
FY 2015-16	13.59%	11.00%	2.59%	1.73%	0.86%	11.86%

* For FY 2014-15 and FY 2015-16 refer Regulations 23.7 and 23.8 of MPERC Generation Tariff Regulations, 2012..

** Saving on account of restructuring of loan, is passed on to the beneficiary as per regulations.

Hence, the interest rate as claimed by the petitioner takes into account the sharing of benefit in accordance with MPERC Generation Tariff Regulations.

The banker's certificate regarding actual interest rate charged and recovered is attached in the submission.

Petitioner has considered the base rates approved by the Lenders consequent to approval of the CDR proposal for the purpose of working out the weighted average rate of interest applicable to the normative loans and hence, it does not include any penal interest amount on account of defaults in repayment.

73. In view of above submission, the Commission observed the following:

- The petitioner's rate of interest is based on a Corporate Debt Restructuring (CDR) that has been approved by a consortium of lenders. The lender's approved interest rate is detailed in a copy of the CDR's Letter of Approval, which is submitted by the petitioner.
- The petitioner determined the interest rate charged on normative loans based on the interest rates as a result of CDR and taking into account Regulations 23.7 and 23.8 of Tariff Regulations, 2012 that deal with refinancing of the loan

and sharing of costs and benefits between beneficiary and generating company.

- The petitioner has claimed interest rate in accordance with Tariff Regulations, 2012.
- The submission includes the banker's certificate detailing the actual interest rate charged and recovered.
- The petitioner claimed that he has taken into account the base rates approved by the Lenders as a result of the CDR proposal's approval in order to determine the weighted average rate of interest applicable to the normative loans and it does not include any penal interest amounts due to repayment defaults.

74. On perusal of above submission, it is observed that the petitioner has filed weighted average rate of interest based on actual interest rates charged by the lenders to BLA Power Pvt Ltd Unit No.1 on actual loan portfolio as per prevailing interest rates of the respective Banks/Financial Institutions. The interest rate as filed by the petitioner also takes into account the sharing of benefit in accordance with MPERC Tariff Regulations, 2012. The petitioner has filed the Bank's certificates/statements in support of actual rate of interest for the respective year in this regard.
75. It is also observed that the overall weighted average rate of interest during FY 2014-15 and 2015-16 has reduced from @13.59% (considered in final tariff order dated 22nd May' 2015) to @11.86%. The Commission has considered actual weighted average rate of interest @11.86% for FY 2014-15 & 2015-16 as filed by the petitioner.
76. Considering above, the interest on loan has been worked out considering the following:
- To arrive at the opening loan balance as on 1st April' 2014, closing loan balance as on 31st March' 2014 approved in final tariff order dated 22.05.2015 (Rs. 185.51 Cr.) is considered.
 - Addition of normative loan amount of Rs. 3.39 Crore for FY 2014-15 and Rs 0.16 Crore for FY 2015-16 is considered;
 - Annual repayment of loan equal to annual depreciation is considered.
 - Weighted Average Rate of Interest @11.86% as worked out by the petitioner

based on the actual loan portfolio after refinancing of loan in accordance with the Tariff Regulations, 2012 is considered.

77. Accordingly, interest on loan worked out for FY 2014-15 and FY 2015-16 is as given below:

Table 9: Interest on Loan Allowed

Sr. No.	Particular	Unit	FY 2014-15	FY 2015-16
1	Opening Loan	Rs. Cr.	185.51	174.39
2	Loan Additions during the year	Rs. Cr.	3.39	0.16
3	Repayment of Loan equal to depreciation	Rs. Cr.	14.50	14.63
4	Closing Loan	Rs. Cr.	174.39	159.93
5	Average Loan	Rs. Cr.	179.95	167.16
6	Weighted Average Rate of Interest	%	11.86%	11.86%
7	Annual Interest amount on Loan	Rs. Cr.	21.34	19.83

78. Re-structuring of the loan was done on loans for Unit-1 and Unit -2 and cost of Rs 0.66 Crore was incurred for re-finance. Thus, the proportionate cost of refinance needs to be borne by the beneficiary in accordance with the Regulation 23.7 of Tariff Regulations, 2012 elaborated in above paras.

Depreciation

Petitioner's submission:

79. Regarding depreciation, the petitioner has submitted the following:

- i. *In para 9.41 & 9.42 of the order dated 22.05.2015, the Commission has considered the weighted average rate of depreciation @ 4.78% for FY2012-13 and 4.81% for FY2013-14 to FY 2015-16 based on the rate of depreciation for different capital cost components as per Regulations, 2012 and the detailed break-up of cost components filed in the petition.*
- ii. *Here it is submitted that the petitioner in its petition had requested for the rate of depreciation as 4.81%, considering the capital cost as Rs 304.23 Cr. However, if the disallowance of the project cost is considered, the revised depreciation rate shall be 4.83%, as elaborated at para 10.1.4 of the petition.*
- iii. *The Commission had considered the weighted average rate of depreciation at 4.81% per year on the revised gross block, as against the corrected depreciation rate of 4.83%. Due to this, a small correction in the depreciation shall be*

required.

- iv. The Commission has already tried up the tariff order for FY 12-13 and FY 13-14, thus the corrections in these years are not requested, however, it is requested to kindly consider the actual depreciation rate as 4.83% for FY 14-15 & FY 15-16.
- v. The detailed working for the depreciation for FY 2014-15 and FY 2015-16 is elaborated at para 10.1.8 of the subject petition.

80. Considering the above, the true up required on account of depreciation worked out by the petitioner is as below:

Table 10: Depreciation claimed by the petitioner (Rs in Crore)

Particulars		Unit	FY 2014-15		FY 2015-16	
			Approved	Actual	Approved	Actual
1	Opening Gross Block	Rs Cr.	297.26	297.26	297.26	302.10
2	Addition	Amount	0.00	4.84	0.00	0.46
3		For Days	No.	0	365	0
4	Closing Gross Block	Rs Cr.	297.26	302.10	297.26	302.56
5	Average Gross Block	Rs Cr..	297.26	302.10	297.26	302.16
6	Depreciation Rate	%	4.81%	4.84%	4.81%	4.84%
7	Depreciation Amount	Rs Cr.	14.30	14.62	14.30	14.63

Provisions of the Regulation:

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

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

- (a) *The value base for the purpose of depreciation shall be the capital cost of the assets as admitted by the Commission*
- (b) *The approved/accepted cost shall include foreign currency funding converted to equivalent rupee at the exchange rate prevalent on the date of foreign currency actually availed.*
- (c) *The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset:*

Provided that in case of Hydro generating stations, the salvage value shall be as provided in the agreement signed by the developers with the State Government

for creation of the site:

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

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

Provided that, the remaining depreciable value as on 31st March of the Year closing after a period of 12 Years from the Date of Commercial operation shall be spread over the balance Useful life of the assets.

(f) In case of the existing Projects, the balance depreciable value as on 1.4.2013 shall be worked out by deducting the cumulative depreciation including Advance against Depreciation if any as admitted by the Commission up to 31.3.2013 from the gross depreciable value of the assets. The rate of Depreciation shall be continued to be charged at the rate specified in Appendix-II till cumulative depreciation reaches 70%. Thereafter the remaining depreciable value shall be spread over the remaining life of the asset such that the maximum depreciation does not exceed 90%.

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

Commission's Analysis:-

82. For the purpose of determining depreciation, closing Gross Fixed Assets of Rs. 297.26 Crore as on 31st March' 2014 as admitted in Commission's Order dated 22.05.2015, is considered as the opening Gross Fixed Assets as on 1st April' 2014. The closing Gross Fixed Assets as on 31st March' 2015 and 31st March' 2016, is worked out after considering the additional assets of Rs. 4.84 Crore in FY 2014-15 and Rs 0.23 Crore in FY 2015-16 due to additional capitalization during year as considered in this order.

83. In response to the queries raised by the Commission, by affidavit dated 17th October' 2022, the petitioner filed Assets-cum-Depreciation Register for FY 2014-15 and FY 2015-16 in hard and soft copies. The weighted average depreciation rate of 4.84% is

worked out based on the rates of depreciation prescribed in the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012.

84. The Commission has worked out depreciation on the average Gross Fixed Assets duly taking into account the opening Gross Fixed Assets, additions during FY 2014-15 and FY 2015-16, closing Fixed Assets as considered in this order. Weighted average rate of depreciation in terms of Regulations, 2012 as worked out by the petitioner as given below:

Table 11: Annual Depreciation

Sr. No.	Particular	Unit	FY 2014-15	FY 2015-16
1	Opening Capital Cost	Rs Cr.	297.26	302.10
2	Assets Addition during the year	Rs Cr.	4.84	0.23
3	Closing Capital Cost	Rs Cr.	302.10	302.33
4	Average Capital Cost	Rs Cr.	299.68	302.22
5	Weighted Average Rate of Depreciation (%)	%	4.84%	4.84%
6	Annual Depreciation	Rs Cr.	14.50	14.63
7	Cumulative Depreciation	Rs Cr.	43.02	57.65

Operation & Maintenance Expenses

Petitioner's Submission

85. The petitioner filed the Operation and Maintenance expenses for its 45 MW thermal power Unit No. 1 for FY 2014-15 and FY 2015-16 in accordance with the MPERC Tariff Regulations, 2012 as given below:

Table 12: Operation & Maintenance Expenses claimed

Particular	Unit	FY 2014-15	FY 2015-16
Annual O&M expenses	Rs in Cr	12.58	13.58

Provision in Regulations:-

86. The norms for Operation and Maintenance Expenses for thermal generating units are specified under Regulation 36.1 of the Regulations, 2012 for the generating Unit of "45 MW" for FY 2014-15 and FY 2015-16 which are as given below:

Table 13: Norms for O&M Expenses for FY 2014-15 & FY 2015-16 (Rs. lakh/MW/Year)

Units (MW)	FY 2014-15	FY2015-16
45 MW Series	27.96	30.17

Commission's Analysis

87. For Thermal Power Station, the annual Operation and Maintenance Expenses worked out by the Commission as per the norms prescribed under aforesaid Tariff Regulations, 2012 for FY 2014-15 and FY 2015-16 are as given below:

Table 14: O& M Expenses for Generating Unit

Particular	Unit	FY 2014-15	FY 2015-16
Installed Capacity	MW	45	45
Per MW O&M Expenses Norms	Rs in Lakh/MW	27.96	30.17
Annual O&M expenses	Rs in Crore	12.58	13.58

Interest on Working Capital

Petitioner's submission

88. The petitioner claimed the interest on working capital for FY 2014-15 and FY 2015-16 in TPS form 13B-(True up form) of the petition as given below:-

Table 15: Interest on Working Capital claimed

Particulars	Unit	FY 2014-15		FY 2015-16	
		Approved	Proposed	Approved	Proposed
1 Receivables for 2 Months	Rs Cr.	22.56	22.25	22.50	22.29
2 Fuel Stock for 1.5 / 2 Months	Rs Cr.	8.06	8.06	10.81	10.81
3 Sec. Oil Stock for 2 Months	Rs Cr	0.27	0.36	0.27	0.30
4 O&M Charges for 1 Months	Rs Cr	1.05	1.05	1.13	1.13
5 Maint Spares as 20% of O&M Charges	Rs Cr.	2.52	2.52	2.72	2.72
6 Total Working Capital	Rs Cr.	34.45	34.23	37.43	37.25
7 Rate of Interest	%	13.50%	13.50%	13.50%	13.50%
8 Interest on Working Capital	Rs Cr	4.65	4.62	5.05	5.03

Provisions in Regulation:

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

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

- (i) *Cost of coal for 45 Days for pit-head generating stations and two months for non-pit-head generating stations, corresponding to the normative availability;*
- (ii) *Cost of secondary fuel oil for two months corresponding to the normative availability: Provided that in case of use of more than one secondary fuel oil,*

cost of fuel oil stock shall be provided for the main secondary fuel oil.

- (iii) *Maintenance spares @ 20% of the normative O&M expenses;*
- (iv) *Receivables equivalent to two months of capacity charges and energy charges for sale of electricity calculated on the Normative Annual Plant Availability Factor; and*
- (v) *Operation and Maintenance expenses for one month.*

Commission's analysis:

90. Regulation 37.2 of the Regulations, 2012 provides that no fuel price escalation shall be provided during the tariff period for calculating the working capital.
91. The Commission considered the same energy charges of FY 2014-15 for the purpose of working capital in the Annual Fixed Cost for FY 2015-16 in its final tariff order dated 22nd May' 2015 in P No 16 of 2014. As a result, the Commission considered the same energy charges of FY 2015-16 considered in the final tariff order for the purpose of calculating working capital in this order.
92. The details of working capital are worked out as per provisions under the Regulations, 2012 as given below:
- (i) Cost of coal as considered vide Tariff Order dated 22nd May' 2015.
 - (ii) Cost of secondary fuel main oil for two months' equivalent to normative plant availability factor as considered in Tariff Order dated 22nd May' 2015 as stated below is considered:

Particulars	FY 2014-15 (Rs in Cr.)	FY 2015-16 (Rs in Cr.)
Cost of Coal for working capital	8.06	8.04
Cost of Secondary Fuel Oil for two Months'	0.27	0.27

- (iii) Maintenance spares as considered in Tariff Order dated 22nd May' 2015 as stated below is considered:

Particulars	FY 2014-15 (Rs in Cr.)	FY 2015-16 (Rs in Cr.)
Maintenance Spares (20% of O&M Expenses)	2.52	2.72

- (iv) Receivable have been worked out on the basis of two months of fixed and energy charges as given below:

Particulars	FY 2014-15 (Rs in Cr.)	FY 2015-16 (Rs in Cr.)
Variable Charges- 2 Months (As considered on Order dated 22 nd May' 2015.)	10.90	10.93
Annual Fixed Charges- 2 Months (Worked out in this Order)	11.27	11.20
Total	22.17	22.13

- (v) O&M expenses for one month for the purpose of working capital as considered in Tariff Order dated 22nd May' 2015 is considered:

Particulars	FY 2014-15 (Rs in Cr.)	FY 2015-16 (Rs in Cr.)
O & M Expenses for One Month	1.05	1.13

93. With regard to rate of interest on working capital, Regulation 27.1 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 provides that:

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

94. In line with Regulation 27.1 of Tariff Regulations, 2012, the rate of interest on working capital shall be considered the bank rate as on 01.04.2014 or as on 1st April of the year plus 3.50%.
95. Considering one-year base rate as on 1st April of the year during the tariff period FY 2014-15 and FY 2015-16 plus 3.50% , the interest on working capital is worked out as 13.50% for FY 2014-15 and FY 2015-16. Accordingly, rate of interest on working capital is computed as under:

Table 16: Rate of Interest on Working Capital allowed

Particulars	FY 2014-15	FY 2015-16
Base rates on 1 st April of the year specified by SBI	10.00%	10.00%
Plus 350 basis point	3.50%	3.50%
Rate of Interest on Working Capital	13.50%	13.50%

96. Based on above, the interest on working capital for FY 2014-15 and FY 2015-16 is

determined as given below:

Table 17: Interest on Working Capital determined (Rs in Crore)

Sr. No.	Particular	FY 2014-15	FY 2015-16
1	Cost of coal for 45 days	8.06	8.04
2	Cost of Main Secondary Fuel Oil for two months	0.27	0.27
3	O&M Expenses for One Month	1.05	1.13
4	Maintenance Spares 20% of O&M expenses	2.52	2.72
5	Receivables for two months	22.17	22.13
6	Total Annual Working Capital	34.06	34.28
7	Rate of Interest on Working Capital	13.50%	13.50%
8	Annual Interest on working Capital	4.60	4.63

Secondary Fuel Oil Expenses

Petitioner's Submission

97. The petitioner filed the weighted average landed cost of secondary fuel oil of Rs63,646/KL for FY 2014-15 and Rs 52,999/KL for FY 2015-16 respectively, in accordance with Tariff Regulations, 2012. By affidavit dated 17th October' 2022, the petitioner filed copy of invoices/Bills of main secondary fuel oil (HSD) purchased during FY 2014-15 and FY 2015-16.

98. The cost of secondary fuel oil as filed by the petitioner for FY 2014-15 and FY 2015-16 in the petition is as given below:

Table 18: Cost of secondary Fuel Oil Expenses (Rs in Crore)

Sr. No.	Particulars	FY 2014-15	FY 2015-16
1.	Secondary fuel oil cost	2.13	1.78

Provision in Regulation:

99. Regulation 38 of the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 provides as under:

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

$$= SFC \times LPSFi \times NPAF \times 24 \times NDY \times IC \times 10$$

Where, SFC -Normative Specific Fuel Oil Consumption in ml/kWh

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

NAPAF - Normative Annual Plant Availability Factor in percentage NDY - Number of Days in a Year

IC - Installed Capacity in MW”

With regard to landed cost of oil, Regulation 38.2 of the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 provides as under;

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

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

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

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

Commission’s Analysis

100. With regard to landed cost of secondary fuel oil, aforesaid Regulation provides a mechanism/formula for the adjustment of fuel oil expenses at the end of the each year of the tariff period. Further, the fuel oil consumption is to be considered as per norms specified in the Regulations. However, the difference of actual weighted average landed price of fuel oil for the true-up period and the weighted average landed price of fuel considered in the MYT order dated 22nd May’ 2015 shall be applied to arrive at the true-up of secondary fuel oil expenses in the annual fixed cost in FY 2014-15 & 2015-16. The details of the actual wt. average rate of secondary fuel oil based on audited accounts for FY 2014-15 & 2015-16 are worked out by the petitioner. The petitioner filed a statement indicating actual weighted average rate of secondary fuel oil for FY 2014-15 and FY 2015-16 as Rs. 63,646/ KL and Rs. 52,999/ KL, respectively.

Unit	Allowed in Order dated 22nd May’ 2015 for FY	Actual filed in the petition for FY 2014-15	Difference
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	2014-15		
Unit No 1	47,809	63,646	15,837

Unit	Allowed in Order dated 22 nd May' 2015 for FY 2015-16	Actual filed in the petition for FY 2015-16	Difference
Unit No 1	47,809	52,999	5,190

101. While comparing the weighted average rate of secondary fuel oil, it was observed that there is abnormal increase in weighted average rate of secondary fuel oil for FY 2014-15 in comparison to FY 2015-16. Vide letter dated 23rd September' 2022, the petitioner was asked to explain the reasons for claiming higher rate of landed cost of secondary fuel oil during FY 2014-15.

102. In response to the above, by affidavit dated 17th October' 2022, the petitioner submitted the sample bills of secondary fuel oil purchased for FY 2014-15 and FY 2015-16.

103. Based on above, the actual secondary fuel oil expenses as per Tariff Regulations, 2012 is determined as below:

Table 19: Computation of Secondary Fuel Oil Expenses

Particular	Unit	FY 2014-15	FY 2015-16
Installed Capacity	MW	45.00	45.00
NAPAF	%	85%	85%
Gross Generation	MUs	335.07	335.99
Normative Specific Oil Consumption	ml/kWh	1.00	1.00
Annual Quantity of Sec Fuel Oil Required	KL	335.07	335.99
Wt Avg Rate of Secondary Fuel Oil	Rs/Kl	63646.00	52999.00
Secondary Fuel Oil Expenses	Rs Crore	2.13	1.78

Non-Tariff Income

Provisions in Regulation:

104. With regard to non-tariff income, Regulation 31 of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2012 provides as under:

- a) *Any income being incidental to the business of the Generating Company derived from sources, including but not limited to the disposal of assets, income from investments, rents, income from sale of scrap other than the de-capitalized/written off assets, income from advertisements, interest on advances to suppliers/contractors, income from sale of ash/rejected coal, and any other miscellaneous receipts other than income from sale of energy shall constitute the non tariff income.*
- b) *The amount of Non-Tariff Income relating to the Generation Business as approved by the Commission shall be deducted from the Annual Fixed Cost in determining the Annual Fixed Charge of the Generation Company:*

Provided that the Generation Company shall submit full details of its forecast of Non-Tariff Income to the Commission in such form as may be stipulated by the Commission from time to time. Non tariff income shall also be Trued-up based on audited accounts.

Commission's Analysis:

105. In tariff order dated 22.05.2015, the Commission had considered non-tariff income of Rs. 0.31 Crore and Rs. 0.19 Crore for FY 2014-15 and FY 2015-16, respectively. Regulation 31 of the Tariff Regulations, 2012 provides that the non-tariff income shall also be trued up based on the Annual Audited Accounts. The petitioner submitted the actual non-tariff income of Rs 0.30 Crore for FY 2014-15 and Rs 0.19 Crore for FY 2015-16.

106. Vide letter dated 23rd September' 2022, the petitioner was asked to file detailed breakup of Non- Tariff Income in accordance with Annual Audited Accounts in light of Regulation 31 of Tariff Regulations, 2012. The petitioner was also asked to file the reason for not considering sale of fly ash under non- tariff income.

107. By affidavit dated 17th October' 2022, the petitioner submitted the following:

It is submitted that the form No. 13 C of the submission has the detailed break-up of the non-tariff income claimed by the Petitioner in the Petition. It is further submitted that the Audited Annual Accounts of the Petitioner have been already submitted as part of the present Tariff Petition and the details of the non-tariff income are available in the audited accounts. The break-up of non-tariff income

as per the Audited Accounts and as claimed in the true up petition for the period FY 2014-15 and FY 2015-16 is reproduced hereunder:

Particulars		FY 2014-15		Ref. to Annual Accounts – Note Number	FY 2015-16		Ref. to Annual Accounts – Note Number
		Total Other Income (in Rs)	Non-Tariff Income (in Rs)		Total Other Income (in Rs)	Non-Tariff Income (in Rs)	
1	Income from disposal of fly ash	61,26,956	-	21	18,74,021	-	20
2	Income from Sale of Scrap	4,33,931	4,33,931	21	2,101	2,101	20
3	Provision written back	7,30,620	-	21	-	-	
4	Insurance Claims Received	-	-		74,03,606	-	20
5	Refund of Open Access Charges	-	-		35,75,987	-	20
6	Interest from Banks	5,43,177	5,43,177	22	7,49,828	7,49,828	21
7	Interest from MPPMCL	3,46,90,775	-	22, 20.1, 20.2 & 20.3	-	-	
8	Interest from Security Deposit	10,60,432	10,60,432	22	4,36,673	4,36,673	21
9	Rent income	4,11,955	4,11,955	22	4,12,229	4,12,229	21
10	Misc. receipts	5,22,301	5,22,301	22	2,87,127	2,87,127	21
11	Exchange rate Difference	53,218	53,218	22	-	-	
12	Total	4,45,73,365	30,25,014		1,47,41,572	18,87,958	

The petitioner has elaborated the reasons for not considering the proceeds from sale of fly ash under non-tariff income in para 14.1.2 (A) of the Petition. It is therefore requested to kindly consider to not to deduct the same from fixed charges.”

In the aforesaid table, the petitioner has provided the break-up of non-tariff income based on the Annual Audited Accounts for respective year. Regulation 31 of the Regulations, 2012 provides that the income from rents, income from sale of scrap, income from advertisements, interest on advances to suppliers/contractors, **income from sale of fly ash**, etc. are considered under non-tariff income. Therefore, amount of Rs 0.61 Crore for FY 2014-15 and Rs 0.19 Crore for FY 2015-16 towards income from fly ash is also considered as non-tariff income in this order.

108. Accordingly, the break-up of non-tariff income considered in this order for FY 2014-15

and FY 2015-16 based on the Annual Audited Accounts of the respective year are given below:

Table 20: Non-Tariff Income considered (Amount in Rs)

Particulars		FY 2014-15	FY 2015-16
1	Income from disposal of fly ash	61,26,956	18,74,021
2	Income from Sale of Scrap	4,33,931	2,101
3	Interest from Banks	5,43,177	7,49,828
4	Interest from Security Deposit	10,60,432	4,36,673
5	Rent income	4,11,955	4,12,229
6	Misc. receipts	5,22,301	2,87,127
7	Exchange rate Difference	53,218	-
8	Total	91,51,970	37,61,979

109. In view of above, the Commission has considered non-tariff income of Rs 0.91 Crore for FY 2014-15 and Rs 0.38 Crore for FY 2015-16 in accordance with the Annual Audited Accounts in this order.

Other Charges

110. In the subject petition, the petitioner has submitted following regarding other charges:

10.1.1 The expenses have duly been extracted from the Annual Statements of Accounts of the Petitioner, which have been duly audited by the Statutory Auditor and are summarised below:

Particulars		Unit	FY 2014-15	FY 2015-16	Total
1	MPERC Fee	Lakh Rs	1.00	1.00	2.00
2	Cost of Chemicals/Consumables	Lakh Rs	63.03	31.34	94.38
3	Rent Rates & Taxes	Lakh Rs	6.50	4.75	11.25
4	Water Charges	Lakh Rs	20.93	32.55	53.48
5	Total	Lakh Rs	91.46	69.64	161.10
		Rs Cr.	0.91	0.70	1.61

111. Regarding the other charges, Regulation 36.1 of Tariff Regulations, 2012 provides the following:

36.1 The Operation and Maintenance expenses admissible to existing thermal power stations comprise of employee cost, Repair & Maintenance (R&M) cost and Administrative and General (A&G) cost. These norms exclude Pension, Terminal Benefits and Incentive, arrears to be paid to employees, taxes payable

to the Government, and fees payable to MPERC. The Generating Company shall claim the rate, rent & taxes payable to the Government, cost of chemicals and consumables, fees to be paid to MPERC and any arrears paid to employees separately as actuals.

112. The petitioner is allowed to recover rate, rent and taxes payable to the Government, cost of chemicals and consumables based on Annual Audited Accounts in light of the Regulations 36.1 of the Tariff Regulations, 2012 in this Order.
113. Further, the petitioner is also allowed to recover the fee paid to MPERC and publication expenses as per Regulation 30 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 on submission of documentary evidence.
114. The petitioner is allowed to recover water charges from the beneficiaries on pro-rata basis, if payable, to the State Government for generation of electricity from its generating units as per actuals in accordance with Regulation 42 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2012.

Normative Annual Plant Availability Factor

115. Normative Annual Plant Availability Factor (NAPAF) for the power plant Unit No. 1 as per Regulation 35.2 of the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 which shall be considered for recovery of Annual Capacity (fixed) Charges is 85%.

Summary of Annual Capacity (fixed) Charges

116. The details of the Annual Capacity (fixed) Charges for FY 2014-15 and FY 2015-16 allowed in this true-up order vis-a-vis those determined in the tariff order dated 22nd May' 2015 at normative Plant Availability Factor are summarized as below:

Table 21: Summary of Annual Capacity (Fixed) Charges

(Rs in Crore)

Sr. No.	Particulars	FY 2014-15			FY 2015-16		
		Allowed in Tariff Order dt. 22.5.2015	Determined in this order	True-up Amount	Allowed in Tariff Order dt. 22.5.2015	Determined in this order	True-up Amount
1	Depreciation	14.30	14.50	0.20	14.30	14.63	0.33
2	Interest on Loan	24.24	21.34	-2.90	22.30	19.83	-2.47
3	Return on Equity	12.90	13.01	0.11	12.90	13.13	0.23

4	O&M Expenses	12.58	12.58	0.00	13.58	13.58	0.00
5	Interest on Working Capital	4.65	4.60	-0.05	5.05	4.63	-0.42
6	Cost of Secondary Fuel Oil	1.60	2.13	0.53	1.61	1.78	0.17
7	Annual Capacity Charges	70.27	68.17	-2.10	69.74	67.57	-2.17
8	Loan Restructuring Charges	0.00	0.33	0.33	0.00	0.00	0.00
9	Less:-Non Tariff Income	0.31	0.91	0.60	0.19	0.38	0.19
10	Net Annual Capacity Charges	69.96	67.59	-2.37	69.55	67.19	-2.36
11	Annual Capacity Charges for contracted capacity (30% of installed capacity of Unit No. 1)	20.99	20.28	-0.71	20.87	20.16	-0.71

117. The aforesaid Annual Capacity (fixed) Charges for FY 2014-15 and FY 2015-16 have been computed based on norms specified under MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012. The recovery of annual capacity (fixed) charges shall be made by the petitioner in accordance with Regulations 40 of MPERC (Terms & Conditions for Determination of Generation Tariff) Regulations, 2012 on pro-rata basis with respect to actual annual plant availability factor.

Multi-Year Tariff (MYT) for FY 2016-17 to FY 2018-19

Capital Cost

Petitioner's Submission:

118. The petitioner has considered Gross Fixed Assets as on 1st April' 2016 as is given below:

<i>Gross Fixed Assets as on 1st April' 2015</i>	<i>Rs 302.10 Cr</i>
<i>Additional capitalization proposed in FY 2015-16</i>	<i>Rs. 0.46 Cr</i>
<i>Gross Fixed Assets as on 1st April' 2016</i>	<i>Rs. 302.56 Cr</i>

Provisions in Regulations

119. Regulation 15.3 of MPERC (Terms & Conditions for Determination of Generation Tariff) Regulations, 2015 further provides that:

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

(a) the capital cost admitted by the Commission prior to 1.4.2016 duly trued up by

- excluding liability, if any, as on 1.4.2016;*
- (b) additional capitalization and de-capitalization for the respective year of tariff as determined in accordance with Regulation 20; and*
- (c) expenditure on account of renovation and modernization as admitted by the Commission in accordance with Regulations 21.*

Commission's Analysis:

120. With regard to opening Gross Fixed Assets, aforesaid Regulations provides that capital cost admitted by the Commission prior to 1.4.2016 duly true up by excluding liability, if any, as on 1.4.2016, shall be the base opening capital cost for MYT period i.e. as on 01.04.2016. The Commission has determined True-Up of tariff for FY 2014-15 and FY 2015-16 based on Annual Audited Accounts for respective years in this order.
121. To work out opening capital cost as on 1st April' 2016, the Commission has considered closing Gross Fixed Assets of Rs 302.33 Crore as on 31st March' 2016 (as admitted up for FY 2015-16) as a base figure for 1st April' 2016.

Additional Capitalization

122. Regarding the additional capitalization during control period FY 2016-17 to FY 2018-19, the petitioner submitted that it has no plan to invest in any additional capitalisation in MYT period.
123. Since the petitioner has not claimed any additional capitalization for MYT period (01st April' 2016 to 31st March' 2019), therefore, Opening Capital Cost of Rs 302.33 Crore as on 31st March' 2016 as considered by the Commission in this order shall remain unchanged during the entire control period of FY 2016-17 to FY 2018-19 in this order.

Debt: Equity:

Petitioner's Submission

124. The petitioner has filed the opening loan and equity balance as on 1st April' 2016 by considering the closing balance of equity and loan as on 31st March' 2016 as filed in the true up petition for FY 2015-16. The petitioner has not filed any addition of loan & equity during MYT period (01st April' 2016 to 31st March' 2019).

Provisions under Regulations

125. With regard to funding. Regulation 25 of MPERC (Terms and Conditions for Determination Generation tariff) Regulations, 2015, provides that;

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

.....

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

126. Regulation 25.3 of MPERC (Terms & Conditions for Determination of Generation Tariff) Regulations' 2015 provides that " in case of generating station declared under Commercial Operation prior to 01st April' 2016, the debt equity ratio allowed by the Commission for determination of tariff for period ending 31st March' 2016 shall be considered". Thus, the Commission has considered same opening equity and opening loan as on 01st April' 2016 as approved closing balances of loan and equity as on 31st March' 2016 in this order.

127. The petitioner has not filed any proposed additional capitalization and de-capitalization during the control period in this order. Therefore, the equity balance of Rs. 84.75 Crore and loan balance of Rs. 159.93 Crore as on 31st March' 2016 as approved by the Commission in true-up for FY 2015-16 is considered as on 01st April' 2016 in this order.

Annual Capacity (Fixed) Charges

128. Regulation 27 of the MPERC (Terms and Conditions for Determination of Generation

Tariff) Regulations, 2015, stated that the Capacity Charges shall be derived on the basis of annual fixed cost. The annual fixed cost (AFC) of a generating station shall consist of the following components:

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

Return on Equity

Petitioner's Submission

129. The petitioner filed Return on Equity during control period from FY 2016-17 to FY 2018-19 in Form 1B (MYT) of the petition as given below:

	Particulars	Unit	FY 2016-17	FY 2017-18	FY 2018-19
1	Opening Equity	Rs Cr.	84.82	84.82	84.82
2	Closing Equity	Rs Cr.	84.82	84.82	84.82
3	Average Equity	Rs Cr..	84.82	84.82	84.82
4	Avg. Equity as % of Avg. Gross Block	%	28.03%	28.03%	28.03%
5	Base Rate of Return on Equity	%	15.50%	15.50%	15.50%
6	Tax Rate	%	0.00%	0.00%	0.00%
7	Grossed up Rate of Return on Equity	%	15.50%	15.50%	15.50%
8	Return on Equity	Rs Cr..	13.15	13.15	13.15

Provisions in the Regulation:

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

30. Return on Equity:

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

30.2 Return on equity shall be computed at the base rate of 15.5% for thermal generating stations and hydro generating stations.

Provided that

- (a) in case of Projects commissioned on or after 1st April, 2016, an additional return of 0.5% shall be allowed if such Projects are completed within the timeline specified in Appendix-I :*
- (b) the additional return of 0.5% shall not be admissible if the Project is not completed within the timeline specified above for reasons whatsoever*
- (c) the rate of return of a new project shall be reduced by 1% for such period as may be decided by the Commission, if the Generating station is found to be declared under commercial operation without commissioning of any of the Restricted Governor Mode Operation (RGMO)/ Free Governor Mode Operation (FGMO):*
- (d) as and when any of the above requirements are found lacking in a generation station based on the report submitted by the respective SLDC/RLDC, ROE shall be reduced by 1% for the period for which the deficiency continues:*

31. Tax on Return on Equity:

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

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

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

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

surcharge and cess. For example: - In case of the generating company paying

- (i) Minimum Alternate Tax (MAT) @ 20.96% including surcharge and cess: Rate of return on equity = $15.50/(1-0.2096) = 19.610\%$
- (ii) In case of generating company paying normal corporate tax including surcharge and cess:
 - (a) Estimated Gross Income from generation business for FY2016-17 is Rs 1000 Crore.
 - (b) Estimated Advance Tax for the year on above is Rs 240 Crore.
 - (c) Effective Tax Rate for the year 2016-17 = $\text{Rs } 240 \text{ Crore} / \text{Rs } 1000 \text{ Crore} = 24\%$
 - (d) Rate of return on equity = $15.50 / (1-0.24) = 20.395\%$

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

131. Regulation 25.3 of the Regulations, 2015 provides that, in case of the generating station declared under commercial operation prior to 1.4.2016, debt- equity ratio allowed by the Commission for determination of tariff for the period ending 31.3.2016 shall be considered. In accordance with the aforesaid Regulation, the Equity balance as on 31st March' 2016 as admitted by the Commission in the true-up for FY 2015-16 is considered as the base figure for opening equity balance as on 01st April' 2016. However, petitioner has not proposed any additional capitalization during the control period. Therefore, the equity balance as on 01st April' 2016 shall remain unchanged during the control period.

132. In accordance to Regulation 30.2 (d) & (e) of MPERC Tariff Regulations, 2015, generating unit is required to operate with RGMO/FGMO. By affidavit dated 17th October' 2022, the petitioner submitted that requirement relating to RGMO/FGMO was done away with for the thermal power plants of less than 200 MW but the instructions of SLDC relating to generation are being faithfully/religiously followed by

the petitioner.

133. The petitioner claimed return on equity on the base rate of return (15.50%) without considering any tax rate for grossing up the base rate of return on equity during FY 2016-17 to FY 2018-19.

134. Accordingly, the annual Return on Equity has been worked out for the control period considering the base rate of return as given below:

Table 22 : Return on Equity Considered in this Order

Sr. No	Particular	Unit	FY 2016-17	FY 2017-18	FY 2018-19
1	Opening Equity	Rs. Cr.	84.75	84.75	84.75
2	Equity Addition during the year	Rs. Cr.	0.00	0.00	0.00
3	Closing Equity	Rs Cr	84.75	84.75	84.75
4	Average Equity	Rs Cr	84.75	84.75	84.75
5	Base Rate of Return on Equity	%	15.50%	15.50%	15.50%
6	Annual Return on Equity	Rs Cr	13.14	13.14	13.14

Interest on Loan Capital

Petitioner's submission:

135. The petitioner has claimed interest on loan capital for FY 2016-17 to FY 2018-19 as given below:

Table 23: Interest on Loan Claimed

Particulars		Unit	FY 2016-17	FY 2017-18	FY 2018-19
1	Opening Loan balance	Rs Cr	159.97	145.32	130.68
2	Addition during year	Rs Cr	0.00	0.00	0.00
3	Repayment During year	Rs Cr.	14.65	14.65	14.65
4	Closing Loan balance	Rs Cr.	145.32	130.68	116.03
5	Average Loan During year	Rs Cr	152.65	138.00	123.35
6	Interest Rate on Loan	%	12.70%	12.70%	12.86%
7	Interest Liability	Rs Cr.	19.38	17.52	15.87

Provisions in Regulation

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

- “32.1 The loans arrived at in the manner indicated in Regulation 25 shall be considered as gross normative loan for calculation of interest on loan.*
- 32.2 The normative loan outstanding as on 1.4.2016 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2016 from the gross normative loan.*
- 32.3 The repayment for the Year of the Tariff period 2016-19 shall be deemed to be equal to the depreciation allowed for the corresponding year/ period. In case of de- capitalization of assets, the repayment shall be adjusted by taking into account cumulative repayment on a pro rata basis and the adjustment should not exceed cumulative depreciation recovered upto the date of de- capitalisation of such asset.*
- 32.4 Notwithstanding any moratorium period availed by the Generating Company, the repayment of loan shall be considered from the first Year of commercial operation of the Project and shall be equal to the depreciation allowed for the year or part of the year.*
- 32.5 The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio after proving appropriate accounting.*

Commission’s analysis:

137. Regulation 32.2 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 provides that normative loan outstanding as on 1st April’ 2016, shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31st March’ 2016 from the gross normative loan. In accordance to the aforesaid Regulation, loan balances as on 31st March’ 2016 admitted in true-up for FY 2015-16 is considered as the base figures for opening loan balance as on 01st April’ 2016. Further, the petitioner has not proposed any additional capitalization during FY 2016-17 to FY 2018-19, therefore, the loan balances for each financial year is worked out accordingly by considering the normative repayment equivalent to depreciation for the respective year.
138. In form TPS 13 A (MYT) of the petition, the petitioner has worked out the weighted average rate of interest based on actual loan portfolio @12.70% for FY 2016-17 and FY 2017-18, @12.86% for FY 2018-19.
139. In view of above, vide Commission’s letter dated 23rd September’ 2022, the petitioner was asked to file the following:

- i. *Reasons for higher weighted average rate of interest claimed during the control period FY 2016-17 to FY 2018-19.*
- ii. *Basis for arriving the weighted average rate of interest on term loan.*
- iii. *Detailed computation in soft (excel-sheet) and hard copy for arriving at the lending agency-wise weighted average rate of interest claimed in the petition.*
- iv. *Supporting documents like Banker's certificate regarding actual interest paid to the bankers be also filed.*
- v. *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*

140. In response, by affidavit dated 17th October' 2022, the petitioner submitted the following response:

- i. *It is submitted that rate of interest considered by the petitioner is based on approved Corporate Debt Restructuring (CDR) approved by Consortium of Lenders. The approved rate of interest in CDR for the relevant MYT period is given below:*

Year	Rate of Interest
<i>FY 2016-17</i>	<i>12.25%</i>
<i>FY 2017-18</i>	<i>12.25%</i>
<i>FY 2018-19</i>	<i>12.50%</i>

Copy of the Letter of Approval of CDR which outlines the details of the interest rate approved by the Lender is attached in the submission.

Based on the above interest rates consequent to CDR and considering the Regulation 32.7 and 32.8 of MPERC Generation Tariff Regulations, 2015 which pertain to refinancing of the loan, sharing of costs and benefits between beneficiary and generating company, the petitioner has worked out the interest rate chargeable on normative loans (para 9.11 of the Petition) as given below:

Financial Year	Rate of Interest	Sharing as per Regulation 23.7 of MPERC Generation Tariff Regulation 2012	Effective Rate of interest as per Regulations*

	Rate considered in MPERC Tariff Order Dated 22.05.2015	Re-structured	Saving by restructuring of loan	Beneficiary	Generating Company	
A	B	c	d = b - c	e = d × 2/3	f = d × 1/3	**g = b-e
<i>FY 2016-17</i>	13.59%	12.25%	1.34%	0.89%	0.45%	12.70%
<i>FY 2017-18</i>	13.59%	12.25%	1.34%	0.89%	0.45%	12.70%
<i>FY 2018-19</i>	13.59%	12.50%	1.09%	0.73%	0.36%	12.86%

For FY 2016-17 to FY 2018-19 refer Regulations 32.7 and 32.8 of MPERC Generation Tariff Regulations, 2015.

** Saving on account of restructuring of loan, is passed on to the beneficiary as per regulations.

Hence, the interest rate as claimed by the petitioner takes into account the sharing of benefit in accordance with MPERC Generation Tariff Regulations mentioned above and the same may please be allowed.

- ii. The response to this covers the basis adopted by the petitioner for arriving at the weighted average rate of interest on term loan.*
 - iii. The detailed basis for the computation of the weighted average rate of interest has been outlined in the response and has also been discussed in Section 9 of the present Tariff Petition.*
 - iv. The banker's certificate regarding actual interest rate charged and recovered is attached in the submission.*
 - v. It is submitted that the petitioner has considered the base rates approved by the Lenders consequent to approval of the CDR proposal for the purpose of working out the weighted average rate of interest applicable to the normative loans and hence, it does not include any penal interest amount on account of defaults in repayment.*
141. On perusal of the above submission, the Commission observed the following:
- The rate of interest considered by the petitioner is based on the approved Corporate Debt Restructuring (CDR) approved by Consortium of Lenders. The petitioner has also submitted copy of the Letter of Approval of CDR which outlines the details of the interest rate approved by the Lender.
 - Based on the above interest rates consequent to CDR and considering the Regulation 32.7 and 32.8 of MPERC Generation Tariff Regulations, 2015, the petitioner has worked out the interest rate chargeable on normative loans after

considering the sharing of benefits between the beneficiary and generating company. Hence, the interest rate as claimed by the petitioner takes into account the sharing of benefit in accordance with Tariff Regulations.

- The petitioner has submitted the basis for the computation of the weighted average rate of interest claimed in the petition. The petitioner has also submitted the banker's certificate regarding actual interest rate charged.
- The petitioner has confirmed that it does not include any penal interest amount on account of defaults in repayment.

142. Considering the above, it is observed that the petitioner has filed weighted average rate of interest for FY 2016-17, FY 2017-18 and FY 2018-19 based on the actual interest rates charged by the lenders to BLA Power Pvt Ltd for Unit No.1 as per prevailing applicable interest rates of the respective Banks/Financial Institutions on actual loan portfolio. The petitioner has also filed documents such as Banker's certificate in support of interest rate on term loan claimed in the petition.

143. Accordingly, the Commission has considered the actual weighted average rate of interest for FY 2016-17, FY 2017-18 and FY 2018-19 as worked out and claimed by the petitioner by considering the actual loan outstanding and actual interest paid. **The interest rate as claimed by the petitioner also takes into account the sharing of benefit in accordance with MPERC Generation Tariff Regulations.**

144. Considering above, the interest on loan for FY 2016-17 to FY 2018-19 is determined in this order based on the following:-

- i. Gross Normative Opening loan of Rs. 159.93 Crore as on 1st April' 2016 is considered as per the closing loan as on 31st March' 2016 admitted in true-up of FY 2015-16.
- ii. No loan additions filed by the petitioner for the MYT period.
- iii. Annual repayment of Loan equal to annual depreciation is considered.
- iv. Weighted Average Rate of Interest @12.70% for FY 2016-17 & FY 2017-18 and @12.86% for FY 2018-19 based on the actual loan portfolio and in accordance with the Tariff Regulations, 2015 is considered in this order.

145. Based on the above, the interest on loan worked out for the control period FY 2016-17 to FY 2018-19 is as given below:

Table 24: Interest on Loan Allowed

Sr. No	Particular	Unit	FY 2016-17	FY 2017-18	FY 2018-19
1	Opening Loan Balance	Rs. Cr.	159.93	145.29	130.66
2	Loan Additions during the year	Rs. Cr.	0.00	0.00	0.00
3	Repayment of Loan equal to depreciation	Rs. Cr.	14.63	14.63	14.63
4	Closing Loan Balance	Rs. Cr.	145.29	130.66	116.03
5	Average Loan Balance	Rs. Cr.	152.61	137.98	123.35
6	Weighted Average Rate of Interest	%	12.70%	12.70%	12.86%
7	Annual Interest amount on Loan	Rs. Cr.	19.38	17.52	15.86

Depreciation**Petitioner's submission:**

146. The petitioner has claimed the depreciation for the MYT period FY 2016-17 to FY 2018-19 as given below:

Table 25: Depreciation Claimed

Particulars		Unit	FY 2016-17	FY 2017-18	FY 2018-19
1	Opening Gross Block	Rs. Cr	302.56	302.56	302.56
2	Closing Gross Block	Rs. Cr	302.56	302.56	302.56
3	Average Gross Block	Rs. Cr	302.56	302.56	302.56
4	Opening Acc. Depreciation	Rs. Cr	57.77	72.42	87.07
5	Depreciation for the year	Rs. Cr	14.65	14.65	14.65
6	Closing Accumulated Depreciation	Rs. Cr	72.42	87.07	101.71
		% of GB	23.93%	28.78%	33.62%

Provisions of the Regulation:

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

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

units.

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

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

33.3 *The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset: Provided that in case of Hydro generating stations, the salvage value shall be as provided in the agreement signed by the developers with the State Government for development of the Plant.*

Provided further that the capital cost of the assets of the hydro generating station for the purpose of computation of depreciated value shall correspond to the percentage of sale of electricity under Long-term power purchase agreement at regulated Tariff. Provided also that any depreciation disallowed on account of lower.”

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

33.5 *Depreciation shall be calculated annually based on ‘Straight Line Method’ and at rates specified in Appendix-II to these Regulations for the assets of the generating station: Provided that, the remaining depreciable value as on 31st March of the Year closing after a period of 12 Years from the effective date of commercial operation of the station shall be spread over the balance Useful life of the assets.*

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

33.7 *The rate of Depreciation shall be continued to be charged at the rate specified in Appendix-II till cumulative depreciation reaches 70%. Thereafter the remaining depreciable value shall be spread over the remaining life of the asset such that*

the maximum depreciation does not exceed 90%.

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

33.9 The generating company shall submit the details of proposed capital expenditure during the fag end of the project (five years before the useful life)

Commission’s Analysis:-

148. Regulation 33.2 stated that the value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission. In accordance to the aforesaid Regulation, Gross Fixed Assets as on 31st March’ 2016 admitted by the Commission in the True-up for FY 2015-16 is considered as the base figure for Gross Fixed Assets as on 01st April’ 2016. However, the petitioner has not proposed any additional capitalization during control period . Therefore, the Gross Fixed Assets as on 01stApril’ 2016 shall remain same for the entire control period.

149. Vide Commission’s letter dated 23rd September’ 2022, the petitioner was asked to submit the Asset-cum-Depreciation register for Unit No. 1 in accordance to MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2015. In response to above, by affidavit dated 17th October’ 2022, the petitioner submitted the following:

It is submitted that the TPS Form 11 submitted by the petitioner includes the details of the asset - wise gross fixed assets values and the depreciation booked for the year against each of the asset class which is the basis for determination of the weighted average rate of depreciation of 4.84% considered by the petitioner in its submission.

Asset-cum-Depreciation register of FY 2014-15 to FY 2015-16for Unit-1 is attached (Soft copyof the same is also enclosed with reply).

Asset-cum-Depreciation register of FY 2016-17 to FY 2018-19 for Unit-1 is attached (Soft copy of the same is also enclosed with reply).

150. Hence, it is observed that the petitioner submitted asset-cum-depreciation registers in hard and soft copy as well. Further, in form TPS 11 of subject petition, the petitioner worked out the weighted average rate of depreciation based on the

depreciation rates as per Depreciation Rate Schedule provided under the Regulations, 2015. Therefore, the Commission has considered weighted average rate of depreciation as filed by the petitioner based on the rate of depreciation as per Tariff Regulations, 2015.

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

Table 26: Annual Depreciation

Sr. No.	Particular	Unit	FY 2016-17	FY 2017-18	FY 2018-19
1	Opening Gross Fixed Assets	Rs Cr.	302.33	302.33	302.33
2	Assets Addition during the year	Rs Cr.	0.00	0.00	0.00
3	Closing Gross Fixed Assets	Rs Cr.	302.33	302.33	302.33
4	Average Gross Fixed Assets	Rs Cr.	302.33	302.33	302.33
5	Weighted Average Rate of Depreciation (%)	%	4.84%	4.84%	4.84%
6	Annual Depreciation	Rs Cr.	14.63	14.63	14.63
7	Cumulative Depreciation	Rs Cr.	72.28	86.92	101.55

Operation & Maintenance Expenses

Petitioner's Submission

152. The petitioner filed the Operation and Maintenance expenses for its 45 MW Unit No 1 for the period from FY 2016-17 to FY 2018-19 in accordance with the applicable MPERC Tariff Regulations, 2015 as given below:

Table 27: Operation & Maintenance Expenses claimed

Particular	Units	FY 2016-17	FY 2017-18	FY 2018-19
O&M expenses	Rs in Cr	14.43	15.34	16.31

Provision in Regulations:-

153. The norms for Operation and Maintenance Expenses are specified under Regulation 35.8 of the Regulations, 2015 for the generating Unit No 1 of 45 MW for the control period FY 2016-17 to FY 2018-19 which are as given below:

Table 28: Norms for O&M expenses for FY 2016-17 to FY 2018-19 (Rs Lakh/MW/Year)

Units (MW)	FY 2016-17	FY 2017-18	FY 2018-19
45 MW Series	32.07	34.09	36.24

Commission's Analysis

154. For Thermal Power Station, the annual Operation and Maintenance Expenses worked out by the Commission as per the norms prescribed under aforesaid applicable Regulations are as given below:

Table 29: O& M Expenses for Generating Unit

Particular	Units	FY 2016-17	FY 2017-18	FY 2018-19
Installed Capacity	MW	45	45	45
Per MW O&M Expenses Norms	Rs in Lakh/MW	32.07	34.09	36.24
Annual O&M expenses	Rs in Crore	14.43	15.34	16.31

Interest on Working Capital

Petitioner's submission

155. The petitioner claimed interest on working capital for the period from FY 2016-17 to FY 2018-19 in TPS form 13B (MYT) of the petition as given below:-

Table 30: Interest on Working Capital claimed (Rs. in Crore)

Particulars		Unit	FY 2016-17	FY 2017-18	FY 2018-19
1	Receivables for 2 Months	Rs Cr.	29.17	29.02	28.90
2	Fuel Stock for 2 Months	Rs Cr.	17.44	17.44	17.44
3	Sec. Oil Stock for 2 Months	Rs Cr.	0.14	0.14	0.14
4	O&M Charges for 1 Months	Rs Cr.	1.20	1.28	1.36
5	Maintenance Spares as 20 % of O&M Charges	Rs C.	2.89	3.07	3.26
6	Total Working Capital	Rs Cr.	50.84	50.94	51.10
7	Rate of Interest	%	12.80%	12.80%	12.80%
8	Interest on Working Capital	Rs Cr.	6.51	6.52	6.54

Provisions in Regulation:

156. Regulation 34 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulation, 2015 provides that:

34.1 "The Working Capital shall cover:

(1) Coal-based thermal generating stations

(a) Cost of coal towards stock, if applicable, for 15 Days for pit-head generating stations and 30 days for non-pit-head generating stations for generation

- corresponding to the normative annual plant availability factor or the maximum coal stock storage capacity whichever is lower;*
- (b) Cost of coal for 30 days for generation corresponding to the normative annual plant availability factor;*
 - (c) Cost of secondary fuel oil for two months for generation corresponding to the normative availability factor, and in case of use of more than one secondary fuel oil, cost of fuel oil stock for the main secondary fuel oil.*
 - (d) Maintenance spares @ 20% of the Operation & maintenance expenses specified in Regulation 35 ;*
 - (e) Receivables equivalent to two months of capacity charges and energy charges for sale of electricity calculated on the Normative Annual Plant Availability Factor; and*
 - (f) Operation and Maintenance expenses for one month.*

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

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

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

Commission’s analysis:

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

(a) Cost of coal for working capital

158. The weighted average rate of coal for FY 2016-17 to FY 2018-19 is worked out as per details filed by the petitioner in accordance to the Tariff Regulations, 2015.

159. GCV of coal has been considered as per information filed by the petitioner on ‘received basis’. The petitioner has filed the laboratory test reports for GCV of coal on

received basis in this regard. Accordingly, the cost of coal for working capital is worked out as under:

Table 31: Cost of Coal for working capital

Particular	Unit	FY 2016-17	FY 2017-18	FY 2018-19
Installed Capacity of the Unit	MW	45	45	45
Gross Station Heat Rate	kCal/kWh	2792.00	2792.00	2792.00
Gross Generation	MUs	335.99	335.07	335.07
Gross Calorific Value of Coal	kCal/Kg	4507.00	4507.00	4507.00
Sp. Coal Consumption	kg/kWh	0.6234	0.6234	0.6234
Annual Coal Consumption	MT	208869	208869	208869
60 days Coal Stock	MT	34335	34335	34335
Rate of Coal	Rs./MT	5079.00	5079.00	5079.00
Coal Cost for working capital	Rs in Cr.	17.44	17.44	17.44

(b) Secondary Fuel Oil Cost

160. Regulation 29.1 of the Regulations, 2015 provides as under:

*The landed fuel cost of primary fuel and secondary fuel for tariff determination shall be based on actual weighted average cost of primary fuel and secondary fuel of the three preceding months, and **in the absence of landed costs for the three preceding months, latest procurement price of primary fuel and secondary fuel for the generating station, before the start of the tariff period for existing stations and immediately preceding three months in case of new generating stations shall be taken into account.***

161. The petitioner filed the cost of secondary fuel oil based on the fuel oil purchased in FY 2016-17.

162. Regulation 34.1 (c) of the Regulations, 2015 provides that in case of use of more than one secondary fuel oil, cost of fuel oil stock shall be provided for the main secondary fuel oil. In view of the above provision, vide Commission's letter dated 23rd September' 2022, the petitioner was asked to confirm along with details that the cost of only main fuel is considered while determining the working capital.

163. By affidavit dated 17th October' 2022, the petitioner informed that it uses only one type of secondary fuel oil and hence has considered the cost of only one secondary

fuel oil which is the main secondary fuel oil for the purpose of claiming interest on working capital.

164. The petitioner has worked out the weighted average rate of oil as Rs. 49,794/KL based on the landed price of secondary fuel oil purchased during the respective year. The same weighted average rate of oil is considered by the Commission in this order. Accordingly, the cost of two months' main fuel oil stock at normative availability is worked out as given below:

Table 32: Cost of Main Secondary Fuel Oil for 2 Months availability

Particular	Units	FY 2016-17	FY 2017-18	FY 2018-19
Installed Capacity of the Unit	MW	45	45	45
NAPAF	%	85.00%	85.00%	85.00%
Gross Generation	MUs	335.99	335.07	335.07
Normative Specific Oil Consumption	ml/kWh	0.50	0.50	0.50
Quantity of Sec Fuel Oil required	KL	167.99	167.54	167.54
Two months' stock of main fuel oil	KL	27.92	27.92	27.92
Weighted Avg. Rate of Secondary Fuel Oil	Rs./KL	49,794.00	49,794.00	49,794.00
Oil Cost (Two Months Stock)	Rs. in Crore	0.14	0.14	0.14

(c) O&M Expenses

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

Table 33: O&M Expenses for 1Month (Rs. in Crore)

Particular	FY 2016-17	FY 2017-18	FY 2018-19
Annual O&M Expenses	14.43	15.34	16.31
O&M Expenses for 1 Month	1.20	1.28	1.36

(d) Maintenance Spares

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

Table 34: Maintenance Spares (Rs. in Crore)

Particular	FY 2016-17	FY 2017-18	FY 2018-19
Annual O&M Expenses	14.43	15.34	16.31
20% of Annual O&M Expenses	2.89	3.07	3.26

(e) Receivables

167. Receivables for thermal power stations are worked out equivalent to 2 months of Capacity (Fixed) charges and Energy Charges for sale of electricity worked out on basis of Normative Annual Plant Availability Factor as follows:

Table 35: Receivables for two months (Rs. in Crore)

Particular	FY 2016-17	FY 2017-18	FY 2018-19
Variable Charges- two months	17.82	17.82	17.82
Fixed Charges- two months	11.16	10.84	10.82
Receivables- two months	28.98	28.66	28.64

168. Further, Regulation 34.3 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 provides that:

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

169. In subject petition, the petitioner has claimed rate of interest on working capital for the control period as given below:

Table 36: Rate of Interest on Working Capital claimed (%)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19
Interest on allowed Working Capital	12.80%	12.80%	12.80%

170. In line with Regulation 34.3 of the Tariff Regulations, 2015, the rate of interest on working capital shall be considered bank rate as on 01.04.2016 or as on 1st April of the year during tariff period 2016-17 to 2018-19 plus 3.50%.

171. Considering base rate as on 1st April of the year during tariff period of FY 2016-17 to 2018-19 plus 3.50% , interest on working capital is worked out as 12.80% for FY 2016-17, 12.60% for FY 2017-18 and 12.20% for FY 2018-19. Accordingly, rate of interest on working capital is worked out as under:

Table 37: Rate of Interest on Working Capital allowed

Particulars	FY	FY	FY
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	2016-17	2017-18	2018-19
Base rates on 1 st April of the year specified by SBI.	9.30%	9.10%	8.70%
Plus 350 basis point	3.50%	3.50%	3.50%
Rate of Interest on Working Capital	12.80%	12.60%	12.20%

172. Based on above, the interest on working capital for the control period FY 2016-17 to FY 2018-19 is determined as given below:

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

Sr. No.	Particular	FY 2016-17	FY 2017-18	FY 2018-19
1	Cost of Coal for working capital	17.44	17.44	17.44
2	Cost of Main Secondary Fuel Oil for two months	0.14	0.14	0.14
3	O&M Expenses for One Month	1.20	1.28	1.36
4	Maintenance Spares 20% of O&M expenses	2.89	3.07	3.26
5	Receivables for Two Months	28.98	28.66	28.64
6	Total Annual Working Capital	50.64	50.59	50.84
7	Rate of Interest on Working Capital	12.80%	12.60%	12.20%
8	Annual Interest on working Capital	6.48	6.37	6.20

Non-Tariff Income

Provision in Regulation:

173. With regard to non tariff income, Regulation 53 of the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 provides as under:

- a) *Any income being incidental to the business of the Generating Company derived from sources, including but not limited to the disposal of assets, income from investments, rents, income from sale of scrap other than the de-capitalized/written off assets, income from advertisements, interest on advances to suppliers/contractors, income from sale of ash/rejected coal, and any other miscellaneous receipts other than income from sale of energy shall constitute the non tariff income.*
- b) *The amount of Non-Tariff Income relating to the Generation Business as approved by the Commission shall be deducted from the Annual Fixed Cost in determining the Annual Fixed Charge of the Generation Company:*

Provided that the Generation Company shall submit full details of its forecast of Non-Tariff Income to the Commission in such form as may be stipulated by the

Commission from time to time. Non tariff income shall also be Trued-up based on audited accounts

174. The aforesaid Regulation provides that the Generation Company shall submit full details of its forecast of Non-Tariff Income to the Commission. On perusal of the petition, it was observed that the petitioner had not file projected non-tariff income for the control period. Vide Commission's letter dated 23rd September' 2022, the petitioner's was asked to file projected non-tariff/other income during control period FY 2016-17 to FY 2018-19 in accordance to the Regulation 53 of MPERC Generation Tariff Regulations, 2015.

175. By affidavit dated 17th October' 2022, the petitioner submitted the following response:

It is submitted that since non-tariff income for FY 2016-17 to FY 2018-19 is already accrued, the break-up of non-tariff income as per the Audited Accounts and in line with the approach adopted by the petitioner for the true up period FY 2014-15 and FY 2015-16, is submitted hereunder:

Table 39 Non- tariff income

(Amount in Rs)

Particulars	FY 2016-17		FY 2017-18		FY 2018-19		Note No
	Total Other Income	Non-Tariff Income for FY 2016-17	Total Other Income	Non-Tariff Income for FY 2017-18	Total Other Income	Non-Tariff Income for FY 2018-19	
Income from disposal of fly ash	88,29,672		1,55,33,224		44,12,365	-	21
Income from Sale of Scrap	9,11,976	9,11,976	24,54,363		61,70,139	61,70,139	21
Provision written back	-		87214.5		84,93,792	-	21
Refund of Open Access Charges	28,69,000		-		-	-	
Interest from Banks	8,49,558		9,43,515		6,94,638	6,94,638	22
Late payment surcharge / interest from MPPMCL	-		-		7,65,49,429	-	22
Interest from security	1,54,774		1,22,588		1,37,665	1,37,665	22

<i>deposit</i>							
<i>Rent income</i>	4,18,297		4,70,201		4,48,471	4,48,471	22
<i>Misc. income / receipts</i>	11,776	11,776	1,320	1,320	4,21,921	4,21,921	22
<i>Interest on Income Tax Refund</i>	-		-		70,561	70,561	22
Total	1,40,45,053	23,46,381	1,96,12,425	39,91,987	9,73,98,981	79,43,395	

176. Regulation 53 of the Regulations, 2015 provides that the income from rents, income from sale of scrap, income from advertisements, interest on advances to suppliers/contractors, **income from sale of fly ash**, etc. are considered under non-tariff income.

177. In view of above, amount of Rs 0.88 Crore for FY 2016-17, Rs 1.55 Crore for FY 2017-18 and Rs 0.44 Crore for FY 2018-19 towards income from disposal of fly ash is also considered as non-tariff income in this order which is subject to true-up based on Annual Audited Accounts of each year of the control period.

178. Accordingly, the Commission has considered following non tariff income (after considering non tariff income from disposal of fly ash) for FY 2016-17 to FY 2018-19 in this order:

Table 40: Non-Tariff Income considered in the order (Rs in Crore)

Year	FY 2016-17	FY 2017-18	FY 2018-19
Amount Considered	1.11	1.95	1.23

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

Normative Annual Plant Availability Factor

180. Normative Annual Plant Availability Factor (NAPAF) for the (45 MW) of the petitioner's power plant as per MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 shall be considered for recovery of full capacity (fixed) charges. The NAPAF for the said Unit No 1 of power plant as per the applicable Tariff Regulations is 85%.

Summary of Annual Capacity (fixed) Charges

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

Table 41: Summary of Annual Capacity (Fixed) Charges (Amount in Rs Crore)

Sr No	Particulars	FY 2016-17	FY 2017-18	FY 2018-19
1	Depreciation	14.63	14.63	14.63
2	Interest and Finance Charges	19.38	17.52	15.86
3	Return on Equity	13.14	13.14	13.14
4	Operation & Maintenance Expenses	14.43	15.34	16.31
5	Interest on Working Capital	6.48	6.37	6.20
7	Total Annual Capacity (fixed) Charges	68.06	67.01	66.14
8	Less:-Non Tariff Income	1.11	1.95	1.23
9	Net AFC (after adjusting Other Income)	66.95	65.06	64.91
10	Annual Capacity Charges for contracted Capacity i.e. (30%) of installed Capacity	20.08	19.52	19.47

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

Energy (Variable) Charges

Petitioner's submission:

183. With regard to Energy Charges, the petitioner submitted that it has considered parameters like Gross Station Heat Rate, Auxiliary Energy Consumption, Specific fuel oil consumption, transit loss for FY 2016-17 to FY 2018-19 based on provisions under MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015. The details of Energy Charges claimed by the petitioner are as given below:

Table 42: Energy Charges claimed by the petitioner

	Particulars	Unit	FY 2016-17	FY 2017-18	FY 2018-19
1	Installed Capacity	MW	45.00	45.00	45.00
2	Normative Annual Plant Availability Factor	%	85.00%	85.00%	85.00%
3	Gross Generation	MU	335.07	335.07	335.07
4	Auxiliary Consumption	%	10.50%	10.50%	10.50%
5	Net Sales at ex-bus	MU	299.89	299.89	299.89

Particulars		Unit	FY 2016-17	FY 2017-18	FY 2018-19
6	Gross Station Heat Rate	K Cal/kWh	2792	2792	2792
7	GCV of Fuel Oil	k Cal/L	10000	10000	10000
8	Sec. Fuel Oil Consumption	ml/kWh	0.50	0.50	0.50
9	Heat Contributed by Fuel Oil	K Cal/kWh	5.00	5.00	5.00
10	Rate of Sec. Oil Consumption	Rs/kL	49794	49794	49794
11	Cost of Sec. Oil	Rs /kWh	0.025	0.025	0.025
12	GCV of Primary Fuel (Coal)	k Cal/kg	4507	4507	4507
13	Sp. Con. of Primary Fuel	kg/kWh	0.6184	0.6184	0.6184
14	Transit Loss	%	0.80%	0.80%	0.80%
15	Sp. Con. of Primary Fuel (Coal) including Transit Loss	kg/kWh	0.6233	0.6233	0.6233
16	Heat Contributed by Primary Fuel (Coal)	K Cal/kWh	2787	2787	2787
17	Landed Rate of Primary Fuel	Rs/MT	5078.98	5078.98	5078.98
18	Cost of Primary Fuel	Rs /kWh	3.166	3.166	3.166
19	Rate of Energy Charge (Generator Terminal)	Rs/kWh	3.191	3.191	3.191
20	Rate of Energy Charge (Ex-bus)	Rs/kWh	3.565	3.565	3.565

Provisions in Regulation:

184. For calculating energy charges (variable charges) of thermal power stations, Regulation 28 of MPERC (Terms and Conditions for Determination of Tariff) Regulations, 2015 provides that:

Energy charges shall be derived on the basis of the Landed Fuel Cost (LFC) of a generating station (excluding hydro) and shall consist of the following cost: (a) Landed Fuel Cost of primary fuel; and (b) Cost of secondary fuel oil consumption Provided that any refund of taxes and duties alongwith any amount received on account of penalties from fuel supplier shall have to be adjusted in fuel cost

185. Regulation 36 of MPERC (Terms and Conditions for Determination of Tariff) Regulations, 2015 further provides as under:

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

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

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

For coal based stations

$$ECR = \{(GHR - SFC \times CVSF) \times LPPF/CVPF + SFC \times LPSFi\} \times 100 / (100 - AUX)\}$$

Where,

AUX = Normative Auxiliary Energy Consumption in percentage.

CVPF = (a) Weighted Average Gross Calorific Value of coal as received, in kCal per kg, for coal based stations. (b) In case of blending of fuel from different sources, the weighted average Gross calorific value of primary fuel shall be arrived in proportion to blending ratio.

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

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

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

LPPF = Weighted average Landed price of Primary Fuel, in Rupees per kg, per liter or per standard cubic meter, as applicable, during the month.

(In case of blending of fuel from different from different sources, the weighted average landed price of primary fuel shall be arrived in proportion to blending ratio)

SFC = Specific Fuel Oil Consumption, in ml/kWh

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

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

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

Provided further that copies of the bills and details of parameters of GCV and price of fuel i.e. domestic coal, imported coal, e-auction coal etc., details of blending ratio of the imported coal with domestic coal, proportion of e-auction coal shall also be displayed on the website of the Generating Company. The details should be available on its website for a period of a three months-----“

Commission’s analysis:

186. In accordance with above provisions under Tariff Regulations, 2015, energy (variable) charges shall cover both primary and secondary fuel costs and shall be payable during calendar month for scheduled energy on ex-power plant basis and applicable for the period FY 2016-17 to FY 2018-19.
187. In order to determine energy charges of thermal power station, operating parameters like gross station heat rate, auxiliary energy consumption, secondary fuel oil consumption and plant availability factor need to be examined as per provisions under the applicable Tariff Regulations.

Operating Parameters:

Gross Station Heat Rate:

188. On perusal of details regarding Energy charges filed in the subject petition, it is observed that the petitioner has filed gross station heat rate of 2792 Kcal/kWh for MYT period FY 2016-17 to FY 2018-19.
189. Regarding Gross Station Heat Rate of thermal generating units, Regulation 39.3 (C) of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2015, provides as under:
- “(a) Existing Coal based thermal generating stations having COD on or after 1.4.2012 till 31.03.2016, (other than those covered under clause 39.2) shall be the heat rate norms approved during FY 2012-13 to FY 2015-16.*
190. The Unit-1 of 45 MW BLA Power Plant achieved COD on 3rd April’ 2012 which falls under the period mentioned in aforesaid Regulation. Further, the Commission issued final tariff order for Unit No 1 of BLA Thermal Power Plant on 22nd May’ 2015. The same norm for Station Heat Rate as approved by the Commission in aforesaid final tariff order is considered in this order for control period FY 2016-17

to FY 2018-19.

191. Considering above, the Gross Station Heat Rate of the 45 MW Unit No 1 is as given below:

- Turbine Cycle Heat Rate: 2281 Kcal/kWh
- Guaranteed Boiler Efficiency: 87%
- Design Heat Rate: $2281/87\% = 2621.84$ Kcal/kWh
- Gross Station Heat Rate for Tariff purpose: $2621.84 \times 1.065 = \mathbf{2792}$ Kcal/kWh

192. Hence, gross Station Heat rate of 2792 Kcal/Kwh as filed by the petitioner in accordance to the Generation Tariff Regulations, 2015 and same has been considered in this order.

193. Regarding auxiliary energy consumption, norms fixed under the Regulation 39.3 (E) of Tariff Regulations, 2015 have been considered. The petitioner's power station is having induced draft cooling tower. Therefore, the auxiliary energy consumption of 10.50% (10% + 0.50%) is considered.

194. Further, normative specific secondary fuel oil consumption of 0.50ml/Kwh is in accordance with Regulation 39.3(D) of the Regulations, 2015. Therefore, the Commission has considered the same specific fuel oil consumption as filed by the petitioner i.e., 0.50ml/Kwh for period FY 2016-17 to FY 2018-19.

195. The BLA thermal Power Plant is now non-pit head power station. Accordingly, norms for transit and handling losses are considered as per Regulation 36.8 of the Regulations, 2015.

196. In view of above, details of the operating norms as prescribed in the Regulations, 2015, for determination of energy charges for the control period FY 2016-17 to FY 2018-19 and considered in this order are as given below:

Particulars	Unit	FY 2016-17	FY 2017-18	FY 2018-19
Gross Station Heat Rate	kCal/kWh	2792	2792	2792
Specific Oil Consumption	ml/kWh	0.50	0.50	0.50
Aux. Energy Consumption	%	10.50%	10.50%	10.50%
Transit losses	%	0.80%	0.80%	0.80%

Gross Calorific Value of Coal:

197. Vide Commission's letter dated 23rd September' 2022, the petitioner was asked to inform the source of coal used by it for generation of electricity from its Unit No. 1 for supply of contracted capacity to MPPMCL during FY 2016-17 to FY 2018-19. The petitioner was also asked to establish that the fuel used during that period was in accordance with the extant policy of the Government of India as per PPA. Supporting documents was also sought in this regard.
198. In response to the above, by affidavit dated 17th October, 2022, the petitioner submitted that the detailed write up on fuel is provided under para 18 of the present Tariff Petition. The petitioner further submitted that the fuel used during MYT Period i.e. FY 2016-17 to FY 2018-19, for supply of contracted capacity to MPPMCL, was sourced from subsidiaries of Coal India Limited under the extant policy of Government of India. Supporting documents of purchases of coal for the 3 months period required in terms of Regulation 29 of MPERC Generation Tariff Regulations, 2015 for MYT for FY 2016-17 to FY 2018-19 was also provided by the petitioner. The petitioner mentioned that in terms of the MPERC Generation Tariff Regulations 2012, true-up is required to be done only for Capacity Charges and for additional Capital Charges, if any, incurred by the Petitioner. True up of energy charges is not required in terms of the MPERC Generation Tariff Regulation, 2012.
199. With regard to GCV of coal for three preceding months for purpose of Energy Charges claimed in the petition, it is observed that Regulation 36.6(a) of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2015 provided that the weighted average GCV of coal shall be considered as on '**received**' basis.
200. On scrutiny of the petition, it was observed that petitioner filed energy charges based on the weighted average GCV of coal on "as Received basis" for three months i.e. for the October, November, December' 2015 for control period FY 2016-17 to FY 2018-19.
201. In view of above, vide Commission's letter dated 23rd September' 2022, the petitioner was asked to file following details:
- a) *Weighted average GCV of coal "as received basis" for three preceding months in terms of Regulation 36.6 of the MPERC Tariff Regulations, 2015.*

- b) GCV of coal as per bill/invoice raised by the coal companies along with the copies of invoices.
- c) Laboratory test reports in support of weighted average GCV 'as received' basis.
- d) In case of blending of fuel from different sources, the weighted average gross calorific value of coal be filed in proportion to blending ratio in accordance to Regulation 36.6 (a) of MPERC Tariff Regulations, 2015

202. In response to above, by affidavit dated 17th October' 2022 , petitioner submitted following:

- a. The petitioner has considered "As received" GCV of coal for the three preceding months i.e. October' 2015 to December' 2015 which is the latest procurement of coal was done prior to start of the FY 2016-17. The details of "As received" GCV of coal have been provided in Form 15 MYT as part of the submission and the same is reproduced below:

Sr. No.	Particular	October 2015	November 2015	December 2015	Weighted Average GCV
1	Coal supplied to the Petitioner (MT) (net of transit loss)	266.23	6,199.79	240.70	
2	GCV of Domestic Coal as received at Station (kCal/kg)	3,926	4,541	4,276	4,507

- b. It is submitted that the invoices raised by the Coal companies mentions the GCV band of the coal supplied to the petitioner. Copies of Invoices raised by the coal companies are already annexed submitted in response to observation at point No.14.
- c. Copy of Certificate of Analysis of the coal purchased during October 2015 to December 2015 (being the latest procurement before the start of MYT period) is enclosed.
- d. Coal is being sourced from a single source and hence there is no requirement of filing the weighted average gross calorific value of coal in proportion to blending ratio.

203. In view of above submission, the Commission observed the following:

- i. The petitioner has considered actual weighted average GCV of coal 'as

received' during three preceding months i.e. for Oct' 2015, Nov' 2015, Dec' 2015 for period FY 2016-17 to FY 2018-19 in accordance to Regulation 36.6 of Regulations, 2015.

- ii. The petitioner also submitted bills/invoices raised by the coal companies as well as laboratory test reports in support of weighted average GCV "as received' basis.
- iii. The petitioner also informed that Coal is being sourced from a single source and hence there is no requirement of filing the weighted average gross calorific value of coal in proportion to blending ratio.

204. Based on above, weighted average GCV of coal as filed by the petitioner and considered by the Commission in this order is given below:

Table 43: Weighted Average GCV of Coal for FY 2016-17 to FY 2018-19 on received basis

Month	Total Quantity of Coal Received (MT)	GCV(Kcal/ Kg)	Weighted average	Weighted Average GCV(Kcal/Kg)
Oct'15	268.38	3926	1053659.88	
Nov'15	6249.79	4541	28380296.40	
Dec'15	242.64	4276	1037528.64	
Total	6760.81		30471484.90	
				4507

205. In view of above, GCV of coal on received basis as 4507 Kcal/Kg is considered for control period from FY 2016-17 to FY 2018-19 for determination of energy charges in this order. The petitioner is directed to ensure compliance of Regulation 36.7 of the Regulations, 2015.

206. The value of GCV of secondary fuel oil of 10,000 Kcal/ltr as filed by the petitioner is considered in this order.

Landed Cost of Coal:

207. In TPS 15 of the petition, the petitioner worked out weighted average landed price of coal based on the coal supplied by the Coal companies during preceding three months. i.e., from October' 2015 to December' 2015.

208. Regarding landed cost of coal, Regulation 36.8 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 provides as follows:

“The landed cost of fuel for the month shall include price of fuel corresponding to the grade and quality of fuel inclusive of royalty, taxes and duties as applicable, transportation cost by rail / road or any other means, and, for the purpose of computation of energy charge, and in case of coal shall be arrived at after considering normative transit and handling losses as percentage of the quantity of coal dispatched by the coal supply company during the month.”

209. Vide Commission’s letter dated 23rd September’ 2022, the petitioner was asked to submit detailed calculation sheet for arriving at weighted average landed cost of coal claimed while determining the energy charges in the petition along with supporting documents like copy of the bills/invoices.

210. By affidavit dated 17th October’ 2022, the petitioner submitted the following:

The calculation of the weighted average rate of coal is provided by the petitioner in Form 15 (MYT) of the present Tariff Petition.

Copies of Invoices raised by the coal companies are already annexed submitted in response to observation at Serial No.14. Copies of invoices for transportation and invoices for unloading charges are attached.

211. The petitioner has also informed that it has received provisional allocation of coal in the auction for coal linkage under SHAKTI Policy of Government of India, by offering a discount on the existing tariff for each year with reference to the scheduled generation from Unit No. 1 using coal sourced under the SHAKTI Policy.

212. Vide Commission’s letter dated 23rd September’ 2022, the petitioner was asked to inform whether the supply of coal under SHAKTI Scheme for Unit No. 1 has been commenced. If so, details of coal under Shakti scheme, quantity received, GCV and landed cost of coal be submitted. The petitioner was also asked to file the copy of FSA executed/to be executed under SHAKTI Policy along with all requisite details for computation of Energy Charges of Unit No.1.

213. By affidavit dated 17th October’ 2022, the petitioner in response to above regarding coal allocation in SHAKTI Scheme submitted the following:

“It is submitted that the petitioner has submitted all the documents required under the SHAKTI Policy to Western Coalfields Limited/ Coal India Limited. Fuel

Supply Agreement (FSA) under SHAKTI Policy for Unit-1 is pending with Western Coalfields Limited/ Coal India Limited for execution of FSA. The Petitioner is diligently following up with Western Coalfields Limited/ Coal India Limited for expeditious execution of FSA. However, it is worthwhile to mention that the commencement of coal under SHAKTI Policy shall commence in MYT Period 2019-24”

214. Further, during the proceeding of the subject petition, the petitioner informed that Fuel Supply Agreement (FSA) under SHAKTI Policy for Unit-1 has been executed with Western Coalfields Limited/ Coal India Limited on 5th December’ 2022.
215. The petitioner power station is a non-pit head for the period of this MYT. The petitioner has included normative transit and handing losses of 0.8% in the landed cost of coal. However, the Commission has considered the transit and handling losses of 0.8% for non-pit head plant as per Regulations while calculating the specific coal consumption for energy charge rate in this order.
216. It is observed that the weighted average landed cost of coal considered in this order for FY 2016-17 to FY 2018-19 is for preceding three months i.e. Oct’ 2015, Nov’ 2015 and Dec’ 2015 in accordance to the applicable MPERC Tariff Regulations.
217. Based on submissions and details & documents filed by the petitioner regarding quantity and cost of coal received by the petitioner and provided in Form TPS15 of the petition, the Weighted Average landed price of coal is worked out in terms of Tariff Regulations, 2015 as given below:

Table 44: Weighted Average Price of Coal for FY 2016-17 to FY 2018-19

Month	Total Quantity Coal Received (MT)	Cost of Coal (Rs/MT)	Rate of Coal Received (Rs/MT)	Weighted average Landed price of Coal (Rs /MT)
October’15	268.38	4929.01	1322848	
November’ 15	6249.79	5083.05	31767972	
December’ 15	242.64	5140.21	1247220	
Total	6760.81		34338040	
				5079

218. Accordingly, weighted average price of coal of Rs. 5079/MT (with out considering

transit and handling losses) is worked out by considering weighted average rate of preceeding three month's in this order.

219. Regulation 34.2 of the Regulations, 2015 provides that while determining the weighted average price of fuel, no fuel price escalation shall be provided during the tariff period.

Landed Cost of secondary fuel oil:

220. The petitioner claimed weighted average landed cost of secondary fuel oil as Rs. 49,794/KL for control period based on landed cost of fuel oil purchased in FY 2016-17.

221. Vide Commission's letter dated 23rd September' 2022, the petitioner was asked to submit the following;

While computing the weighted average rate of Secondary fuel oil, the petitioner has claimed the weighted average price of LDO/HFO. It needs to be clarified whether the aforesaid weighted average price pertains to oil consumed or purchased during three preceding months. The petitioner is required to file the wt. average landed price of secondary fuel oil for preceding three months or the latest procurement price for calculating energy charges. The copies of the invoices/bills for purchase of secondary fuel oil be also submitted.

222. In response to above, by affidavit dated 17th October' 2022, the petitioner submitted the following:

The weighted average price of oil pertains to the oil purchased during the preceding three months. The computation of the weighted average rate of secondary fuel has been provided in the present Tariff Petition under para 6.2.2 and the same is reproduced below for reference:

Month	Quantity in kL	Amount in Rs. Lacs.
Jan-16	43.22	21.19
Feb-16	18.13	9.09
Mar-16	14.20	7.34
Total	75.55	37.62

Month	Quantity in kL	Amount in Rs. Lacs.
Average	Per KL	0.49794

The supporting documents in the form of bills/invoices is enclosed.”

223. In view of above, weighted average rate of secondary fuel for preceding three months from Jan'16 to March'16 as filed by the petitioner is considered based on the details submitted by the petitioner.

224. Regulation 34.2 of the Regulations, 2015 provides that while determining the weighted average price of fuel, no fuel price escalation shall be provided during the tariff period. Therefore, the preceding three months weighted average rate of secondary fuel of Rs 49,794 /KL is considered for control period FY 2016-17 to FY 2018-19 in this order.

225. Accordingly, Energy Charges for the period from FY 2016-17 to FY 2018-19 are worked out as given below:

Table 45: Energy Charges determined in this order

Particular	Unit	FY 2016-17	FY 2017-18	FY 2018-19
Capacity	MW	45	45	45
NAPAF	%	85%	85%	85%
Gross Station Heat Rate	kCal/kWh	2792.00	2792.00	2792.00
Sp. Fuel Oil Consumption	ml/kWh	0.50	0.50	0.50
Aux. Energy Consumption	%	10.50%	10.50%	10.50%
Transit Loss	%	0.80	0.80	0.80
Weighted average GCV of Oil	kCal/ltr.	10000.00	10000	10000
Weighted average GCV of Coal	kCal/kg	4507.00	4507.00	4507.00
Weighted Average landed Price of Coal (prior to notmative transit & handling losses)	Rs./MT	5079.00	5079.00	5079.00
Weighted Average landed Price of Oil	Rs/ KL	49794.00	49794.00	49794.00
Heat Contributed from HFO	kCal/kWh	5.00	5.00	5.00
Heat Contributed from Coal	kCal/kWh	2787.00	2787.00	2787.00
Specific Coal Consumption	kg/kWh	0.618	0.618	0.618
Sp. Coal Consumption including Transit Loss	kg/kWh	0.623	0.623	0.623
Rate of Energy Charge	Rs./kWh	3.191	3.191	3.191
Rate of Energy Charge at ex bus	Rs./kWh	3.565	3.565	3.565

226. The base rate of the energy charges as determined above shall however, be subject

to month to month adjustment of actual fuel price and actual GCV of coal. For the period FY 2016-17 to FY 2018-19, the recovery of energy charges shall be made in accordance with Regulations 36.6 to 36.8 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2015.

227. With regard to other charges for the control period, the petitioner submitted that the other charges including reimbursement of fee of Rs. 3,15,000/- deposited by the Petitioner for MYT period of FY 2016-17, FY 2017-18 & FY 2018-19 along with the expenses to be incurred for the purpose of publication of the Petition shall be claimed along with true up petition for the respective year.

Implementation of the order

228. The Commission has determined true up of generation tariff for the period from FY 2014-15 to FY 2015-16 and Multi-Year Tariff for the control period from FY 2016-17 to FY 2018-19 under MPERC (Terms and Conditions for Determination of Generation Tariff) Regulation' 2012 and Regulation' 2015, respectively.

229. The petitioner must take steps to implement this order after giving seven (7) days' public notice in accordance to Regulation 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 & its amendments and recalculate its bills for the energy supplied to Distribution Companies of the State for 1st April, 2014 to 31st March, 2019. The petitioner must also provide information to the Commission in support of having complied with this Order. The deficit/surplus amount as a result of this order shall be recovered by the petitioner or passed on to MP Power Management Company Ltd / three Distribution Companies of the state in six equal monthly installments in terms of applicable Regulations in the ratio of energy supplied to them.

230. With above directions, this Petition No. 52 of 2022 is disposed of.

(Gopal Srivastava)
Member

(Mukul Dhariwal)
Member

(S.P.S Parihar)
Chairman

Date: 14th December' 2022

Place: Bhopal

Annexure-I

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

MPPMCL's Comment-

1. Without prejudice to above, it is submitted that the claim regarding installation of VFD is totally vague. Apart from giving purchase order number and the value of the order, the petitioner has not provided any further details in respect of the said VFD, such as-
 - i. Details of technical study, if any, done to establish the need and necessity of installation of the said VFD;
 - ii. How it is expected to reduce the Auxiliary Consumption?
 - iii. Where it is installed?
 - iv. Has it replaced any Normal Drive?

In view of above, it is prayed that this Commission pleased to reject the claim of capital expenditure of Rs. 4.84 Cr. stated to have been incurred towards installation of VFD.

In Table at Para 18 (at Page No. 6) and in Para 7.5 (at Page No. 33) of the Petition, the Petitioner has shown Gross Block/ Project Cost for FY 2014-15 and FY 2015-16, including claims of Additional Capital Expenditures made in the present Petition. However, as submitted in the foregoing paragraphs, the claim of Rs. 4.84 Cr. towards installation of VFD made by the petitioner is inadmissible. Therefore, it is prayed that this Commission may graciously be pleased to disallow the illegal and impermissible claim of Additional Capital Expenditure during FY 2014-15 and FY 2015-16.

Petitioner's Reply-

It is most respectfully submitted that the petitioner has incurred a cost of Rs. 4.84 Cr in the end part of FY 2013-14, towards installation of Variable Frequency Drive (VFD).

Variable Frequency Drives work with VFD compatible motors etc for energy savings and are part of all modern Generating Stations and is a standard industry practice for the purpose of bringing down auxiliary consumption and enhance energy savings. Cost incurred towards installation of VFDs is regularly allowed by CERC, for it helps generating stations in achieving energy savings.

In the present case, the CFBC (Circulating Fluidised bed Combustion) boilers of the Petitioner require VFD and all the large motors were already VFD compatible ab initio i.e., at the time of procurement as installation of VFD was envisaged at the design phase of the Generating Station. The VFD so installed in FY 2013-14 and claimed as additional capitalisation in the present Tariff Petition are only the controllers which interface the said large rotating equipment with the digital control system of Unit-1. It may be noted that the said large rotating equipment and the digital control system (except the VFDs) are already part of the capital cost approved by this Commission through its order dated 22.05.2015 in Petition No. 16/2014 and in the instant petition only the cost of the said VFDs are claimed, in accordance with the provisions of the MPERC Generation Tariff Regulations.

MPPMCL's contention that the Generating Station could have run even without VFDs is entirely misplaced as the same would not be a prudent industry practise. The auxiliary consumption for Unit-1 has in fact reduced in FY 2014-15, as compared to auxiliary consumption for the FY 2012-13 and FY 2013-14, after installation of VFD. It is furthermore clarified that the Petitioner is not challenging the Tariff Regulations notified by the Ld. Commission. By the present petition, BLA Power is only claiming additional capital expenditure incurred by it towards installation of VFD under the provisions of the MPERC Tariff Regulations. The petitioner has clarified in the Petition that the asset was commissioned in FY 2013-14, on 18.10.2013. However, the same could not be claimed in the true up for FY 2013-14. Hence, the same is claimed in the present true up petition.

Observation:

The additional capitalization claimed by the petitioner in the subject petition during the year has been examined in light of the Regulation 20 of the Tariff Regulations 2012 and other details/documents provided by the petitioner. It is observed that the works related to installation of VFD's were completed in FY 2013-14 but payment has been made in FY 2014-15, therefore the petitioner has claimed additional capitalization towards VFD's in FY 2014-15.

MPPMCL's Comment-

2. In Para 17 (at Page No. 6) and in Para 7.4 (B) (at Page No. 33) of the Petition, the petitioner has stated to have installed Continuous Ambient Air Quality Monitor (CAAQMS) in FY 2015-16 at a cost of Rs. 0.46 Cr. As this claim of Additional Capital

Expenditure has been claimed under “Change in Law” under Clause 20.2 (b) of 2012 Tariff Regulations, the same requires appropriate prudence check by this Commission.

Petitioner’s Reply-

It is most submitted that the CAAQMS was not part of the original scope of work as there was no such requirement under the then prevailing law. However, the Petitioner had to subsequently install CAAQMS in compliance of the statutory requirements as specified by M. P. Pollution Control Board in its Letter dated 04.06.2015 (already submitted to the Ld. Commission). The requirement has emerged due to change of law, additional capitalisation towards which is covered under the Regulation 20.2 (b) of MPERC Generation Tariff Regulations 2012 and accordingly may be allowed. Thus, the Petitioner in FY 2015-16 has installed the same at a total cost of Rs 0.46 Crore.

Observation:

The additional capitalization towards installation of CAAQMS claimed by the petitioner in the subject petition during the FY 2015-16 has been examined in light of the Regulation 20 of the Tariff Regulations 2012 as well as Annual Audited Accounts for FY 2015-16 and other details/documents provided by the petitioner. The Commission has shared the cost of CAAQMS between Unit No 1 & 2 in accordance to Regulation 8.3 of Tariff Regulations, 2012.

MPPMCL’s Comment

3. In Para 5.3 (at Page No. 24) of the Petition, the petitioner has stated that the performance parameters for FY 2014-15 and FY 2015-16 are considered same except Transit Loss for FY 2015-16, which is considered at 0.8 %, as the Station is Non-Pit Head from FY 2015-16 onwards. It is to submit that the Project of the petitioner was originally considered as a Pit-head Station and the Transit Loss was allowed at 0.2 % only. Therefore, this claim of the Petitioner needs scrutiny by this Commission

Petitioner’s Reply-

It is most respectfully submitted that the petitioner has already made submissions in support of its claim for transit loss in the present petition. The Petitioner reiterates the contents of the Petition and the same shall be treated as part and parcel of the present rejoinder and the same are not being repeated herein for the sake of

brevity. It is humbly submitted that the claim of the petitioner for transit loss at 0.8% is in accordance with MPERC Generation Tariff Regulations 2012/2015.

Observation:

Transit Loss has been considered in accordance to the provisions under applicable MPERC Generation Tariff Regulations, 2015.

Annexure-II

Petitioner's Response on the comments offered by the Stakeholder along with the observations:

Stakeholder's Comment-

- A. The present tariff petition has been filed before the Commission after a lapse of 4 years of passing the judgment dated 19.04.2018 by APTEL

Petitioner's Reply-

1. *It is submitted that the Petitioner had filed Petition No. 13/2017 before this Ld. Commission seeking true up of tariff for Unit-1 for FY 2014-15 & FY 2015-16 and Determination of Multi Year Tariff for FY 2016-17, FY 2017-18 & FY 2018-19. However, the Ld. Commission by an order dated 02.06.2017 dismissed the said petition.*
2. *By the judgment dated 19.04.2018, passed by APTEL in Appeal no. 201/2017, the aforesaid petition stood revived.*
3. *The present petition has been filed by BLA Power in compliance of the order dated 02.08.2022 passed by the Commission in Petition 13/2017. Certain relevant extracts of the order are reproduced hereunder for convenience:*
 2. *At the motion hearing held on 26th July' 2022, Ld. Counsel who appeared for the petitioner informed that there have been new developments subsequent to filing of this petition and that it is necessary to incorporate these developments and associated information in this petition which would require substantial amendment in the subject petition that has been filed, therefore, the petitioner may be allowed to amend this petition for which adequate time may be given.*
 - ...
 3. *The Commission felt that the subject petition has been ongoing for a very long time and any further delay in adjudicating this matter on grounds of subsequent developments does not seem appropriate. Moreover, logical presentation of facts and*

information would require revision/ comprehensive changes in the subject petition. Since, Counsel for petitioner expressed her apprehension about limitation therefore, it is made clear that rule of limitation is not applicable in determination of tariff.

4. *Therefore, it is appropriate that the subject petition in present form is not heard and it is directed that a fresh petition comprehensively covering all facts and information be filed by petitioner for consideration of the Commission. It is further directed that fees deposited in the subject petition be adjusted against fresh petition.*

...”

Therefore, the objection raised that the present tariff petition has been filed after a lapse of 4 years of passing the order dated 19.04.2018 by APTEL, is baseless and misplaced.

Observation:

The subject petition has been filed in accordance with the direction issued by the Commission vide order dated 2.8.2022 and applicable MPERC Generation Tariff Regulations.

Stakeholder’s Comment-

- B. APTEL has not granted any relief to BLA Power in its judgment dated 19.04.2018. MPPMCL has misrepresented that APTEL has allowed the appeal in favour of BLA Power and has erroneously paid tariff to the Petitioner.

Petitioner’s Reply

4. *The allegations raised by the objector are entirely wrong, baseless and misleading. APTEL by an order dated 19.04.2018, allowed Appeal No. 201/2017 and held as follows:*

“ORDER

We are of the considered opinion that the issues raised in the present Appeal have merits as discussed above. For the foregoing reasons as stated supra, the Appeal is hereby allowed. The Impugned Order dated 2.6.2017 passed by the State Commission in Petition No. 13 of 2017 is hereby set aside.

...”

5. *The Petitioner has made available the Contracted Capacity to MPPMCL in accordance with the provisions of the 27MW PPA. Accordingly, the payments released by MPPMCL to the Petitioner are in terms of the 27MW PPA, State Energy Accounts and the MPERC Tariff Regulations.*

Observation:

The petition has been dealt in detail considering all the developments.

Stakeholder's Comment-

- C. MPPMCL is continuing to source power from the petitioner even though the Commission has not allowed for the same in the ARR, since FY2016-17.

Petitioner's Reply-

6. *The 27MW PPA executed between the petitioner and MPPMCL continues to remain valid and subsisting. The Petitioner has made available the Contracted Capacity in terms of the PPA to MPPMCL. It is settled law that there cannot be a tariff vacuum/ tariff holiday. The Electricity Act, 2003 and the MPERC Tariff Regulations 2012/2015 envisage continuity of tariff without any tariff holiday.*
7. *It is pertinent to mention herein that the judgment dated 19.04.2018 passed by APTEL has not been stayed by the Hon'ble Supreme Court in the appeal filed by the Commission being, Civil Appeal No. 5733/2018. However, in I.A. No. 1659/2019 filed by BLA Power before Hon'ble Supreme Court, by an order dated 11.01.2019, the Hon'ble Supreme Court has in fact stayed the capping of variable charge by APTEL in paragraph 13(p) of the judgment dated 19.04.2018.*
8. *Accordingly, non-inclusion of the power from BLA Power's Generating Station in the ARR, does not preclude the parties from acting in terms of a valid, subsisting and approved PPA. Furthermore, this Commission by an order dated 19.09.2022 has admitted the present petition. Therefore, all allegations raised by the Objector regarding the relevance/ validity of the present petition are baseless and misplaced.*

Observation:

Issue raised by the stakeholder is not relevant to the subject petition.

Stakeholder's Comment-

- D. Disallow the claim for Additional Capitalisation of Rs. 4.84 Crore towards variable Frequency Drive (VFD).

Petitioner's Reply

9. *It is most respectfully submitted that the petitioner has incurred a cost of Rs. 4.84 Cr in the end part of FY 2013-14, towards installation of Variable Frequency Drive (VFD) in order to attempt achieving the permitted auxiliary consumption norms determined by the Commission.*
10. *Variable Frequency Drives work with VFD compatible motors etc for energy savings and are part of all modern Generating Stations and is a standard industry practice for the purpose of bringing down auxiliary consumption and enhance energy savings. Cost incurred towards installation of VFDs is regularly allowed by CERC, for it helps generating stations in achieving energy savings.*
11. *In the present case, the CFBC (Circulating Fluidised bed Combustion) boilers of the Petitioner require VFD and all the large motors were already VFD compatible ab initio i.e., at the time of procurement. The VFD so installed in FY 2013-14 and claimed as additional capitalisation in the present Tariff Petition are only the controllers which interface the said large rotating equipment with the digital control system of Unit-1. It may be noted that the said large rotating equipment and the digital control system are already part of the capital cost approved by this Ld. Commission through its order dated 22.05.2015 in Petition No. 16/2014.*
12. *The Petitioner has already clarified in the Petition that the asset was commissioned in FY 2013-14, on 18.10.2013. However, the same could not be claimed in the true up for FY 2013-14. Hence, the same is claimed in the present true up petition.*
13. *Further, it is pointed out by the Objector that the auxiliary consumption after installation of VFD has increased in FY 2015-16.*
14. *The table below elaborates the auxiliary energy consumption achieved by the Petitioner in FY 2012-13 to FY 2015-16.*

Particulars	Norms	FY 2012- 13	FY 2013- 14	FY 2014- 15	FY 2015- 16

<i>Plant Load Factor [PLF]</i>	%	85.00%	79.68%	79.09%	85.53%	35.92%
<i>Auxiliary Energy Consumption</i>	%	10.50%	12.82%	12.26%	11.53%	13.52%

It is apparently clear from the aforesaid table that in the year FY 2014-15, after installation of VFD, auxiliary consumption has reduced as compared to auxiliary consumption for the FY 2012-13 and FY 2013-14. Plant load factors of the years FY 2012-13, FY 2013-14 and FY 2014-15 are at comparable levels. As can be seen from the above table that in the year FY 2015-16 Plant Load Factor was less, therefore, the auxiliary consumption has comparatively increased in FY 2015-16.

Observation:

The additional capitalization claimed by the petitioner in the subject petition during the year has been examined in light of the provisions under the Tariff Regulations 2012 and other details/documents provided by the petitioner.

Stakeholder's Comment-

- E. Disallow the claim of Additional Capitalization of Rs. 0.46 Crore for installation of Continuous Ambient Air Quality Monitoring System ("CAAQMS")

Petitioner's Reply-

15. *It is most respectfully submitted that the CAAQMS was not part of the original scope of work as there was no such requirement under the then prevailing law. However, the petitioner had to subsequently install CAAQMS in compliance of the statutory requirements as specified by M. P. Pollution Control Board (hereinafter referred to as "MPPCB") in its Letter dated 04.06.2015 (already submitted to the Commission). The requirement has emerged due to change of law, additional capitalisation towards which is permitted under the Regulation 20.2 (b) of MPERC Generation Tariff Regulations 2012. Thus, the Petitioner in FY 2015-16 has installed the same at a total cost of Rs 0.46 Crore.*

Observation:

The additional capitalization towards installation of CAAQMS claimed by the petitioner in the subject petition during the FY 2015-16 has been examined in light of the Regulation 20 of the Tariff Regulations 2012 as well as Annual Audited Accounts for FY 2015-16 and other details/documents provided by the petitioner. The

Commission has shared the cost of CAAQMS between Unit No 1 & 2 in accordance to Regulation 8.3 of Tariff Regulations, 2012.

Stakeholder's Comment-

- F. Examination of cost of Coal for determination of interest on working capital, for FY 2016-17 to 2018-19.

Petitioner's Reply

16. *The Objector has contended that the petitioner ought to be directed to produce all the relevant documents of coal purchased from October 2015 to December 2015 including coal cost, its transportation and handling charge and that should be properly checked and only then it should be considered by the Ld. Commission for annual tariff for 2016-17 to 2018-19 and for calculation of interest on working capital.:*
17. *It is humbly submitted that the Petitioner has already provided copies of Invoices raised by the coal companies, Copies of invoices for transportation and invoices for unloading charges along with its reply dated 17.10.2022, to this Ld. Commission.*

Observation

Copies of invoices for transportation and invoices for unloading charges along with its reply dated 17.10.2022, to the Commission. Interest on working capital has been considered in accordance to the provisions under MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2015.

Stakeholder's Comment-

- G. Irregularities in coal purchase

Petitioner's Reply-

18. *BLA Power has already provided exhaustive details in the present petition on fuel, which are not repeated herein for the sake of brevity. It is most respectfully submitted that the fuel data for 2014-15 & 2015-16 may not be relevant for the purposes of the present true-up petition, as in terms of the MPERC Generation Tariff Regulations, 2012 only capacity charges (and not energy charges) of the Generating Station are subject to true up. Therefore, the observation of the Objector is irrelevant and baseless as it is outside the scope of the MPERC Generation Tariff Regulations.*

Observation:

Fuel Cost for working capital for FY 2014-15 and FY 2015-16 has been considered same as allowed in order dated 22ndMay' 2015 in Petition No 16 of 2015. No Fuel Escalation is provided for FY 2014-15 and FY 2015-16.

Stakeholder's Comment-

H. Update on New Fuel Supply Agreement

Petitioner's Reply-

19. *It is submitted that the Petitioner has submitted all the documents required under the SHAKTI Policy to Western Coalfields Limited/ Coal India Limited. Fuel Supply Agreement ("FSA") under SHAKTI Policy for Unit-1 is pending with Western Coalfields Limited/ Coal India Limited for execution of FSA. The Petitioner is diligently following up with Western Coalfields Limited/ Coal India Limited for expeditious execution of FSA.*

Observation:

The petitioner has submitted that it has already filed the documents required under the SHAKTI Policy to Western Coalfields Limited/ Coal India Limited. The petitioner has informed that it has awarded coal linkage for Unit No 1 under SHAKTI Scheme and necessary amendment in this regard has been already done after approval of the Commission.