

MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION
5th Floor, "Metro Plaza", Bittan Market, Bhopal - 462 016



**Petition Nos.55 of 2009
& 55 of 2011**

PRESENT:

Rakesh Sahni, Chairman

A. B. Bajpai, Member

IN THE MATTER OF:

Compliance with the judgement dated 3rd October, 2012 passed by the Hon'ble Appellate Tribunal for Electricity in Appeal No.121/2011 filed by M. P. Power Generating Co. Ltd., Jabalpur against Commission's Order dated 24th January, 2011 in petition No.55/2009.

M.P. Power Generating Company Ltd, Rampur, Jabalpur

PETITIONER

Vs.

1. **M.P. Power Trading Company Ltd., Rampur, Jabalpur**
2. **M.P. Poorv Kshetra Vidyut Vitaran Company Ltd., Jabalpur**
3. **M.P. Madhya Kshetra Vidyut Vitaran Company Ltd., Bhopal**
4. **M.P. Paschim Kshetra Vidyut Vitaran Company Ltd., Indore**
5. **M.P. Power Transmission Co. Ltd. Jabalpur**
6. **M.P. State Electricity Board, Rampur, Jabalpur**
7. **Rajasthan Rajya Vidyut Prasaran Nigam Ltd (RRVNL)**
8. **Uttar Pradesh Power Corporation Ltd (UPPCL), Lucknow**
9. **MSEB & Maharashtra State Transmission Co. Ltd., Mumbai**

RESPONDENTS

ORDER

(Passed on this 27th December, 2012)

1. M.P. Power Generating Company Ltd, Jabalpur being aggrieved with the true-up order for FY07-08 issued by the Commission on 24th January, 2011, filed an Appeal no.121 of 2011 with the Hon'ble Appellate Tribunal for Electricity on several issues including the issue of "disallowance of interest on excess equity".
2. The Hon'ble Tribunal in Para 44 of its judgment dated 3rd October, 2012 partially allowed the Appeal to the extent indicated in Para 27 of the same judgment on the issue of "**Disallowance of interest on excess equity**". The operational paragraphs 27 & 44 of the judgment are reproduced below:

Para 27 of the Judgment

"In the light of the above we are of the opinion that the Commission should have applied the Tariff Regulations, 2005 dealing with the excess equity with reference to the date of the opening of the balance sheet i.e. 1.6.2005, the date on which the generation undertakings of MPSEB got vested in the Appellant and not from the date of commercial operation. The Commission has wrongly calculated the interest on equity by considering the normative repayment of excess equity in 10 yearly installments from the date of commercial operation of the respective power station instead of acknowledging the excess equity as on the date of transfer of equity to the Appellant. We, therefore, direct the Commission to recalculate the interest on 'normative loan' i.e. equity in excess of 30% from the date of opening balance sheet".

Para 44 of the Judgment further reproduced as below:

"In view of the above findings, the Appeal is partially allowed to the extent indicated in para 27 above. The Commission is directed to revisit the issue of 'normative' loan as on 1.6.2005 in accordance with its own Tariff Regulations, 2005".

3. The true-up petition for FY 2007-08 was the first petition wherein MPPGCL incorporated the impact of final opening balance sheet notified by the Govt. of MP vide its notification dated 12th June, 2008. This true-up petition for FY 2007-08 was based on the audited accounts for FY 2007-08. MPPGCL's equity was increased by Rs.637.08 Cr. through the aforesaid final opening balance sheet notified by GoMP. Therefore, this increase in equity was filed by MPPGCL in its true up petition for FY 2007-08.
4. While processing the true-up petition for FY 2007-08, the Commission observed that there was an increase of Rs.567.33 Cr in the equity allocation to the projects under commercial operations including Rs.69.75 Cr equity in CWIP. The equity was re-allocated to various power stations on the basis of opening gross block of the projects. It was observed that the total equity allocated to MPPGCL (including inter-state power stations) through final opening balance sheet for running power stations was in excess of the normative by Rs.191.59 Cr. The Commission also considered the allocation of power station-wise equity based on the same percentage as in their opening gross block.
5. The Commission further observed that the amount allocated to power station-wise equity was more than the normative equity (30% of Gross Block) therefore, the return on equity was allowed only upto normative equity amount (30% of the Gross Block) and balance amount of equity was considered as loan on which weighted average rate of interest was applied.
6. Since the amount of equity in excess of the norms was treated as loan, repayment of this loan was also considered in accordance with the repayment schedule of other loan(s) for the respective power stations. No moratorium period was considered while working out the repayment of loan in excess of equity in respect of each power station and the **repayments were considered from the date of commercial operation of the last unit of the respective power house (emphasis supplied)**. Accordingly, the interest payable to the excess equity amount from FY 2005-06 to FY 2007-08 was worked out and allowed in Commission's true-up Order for FY 2007-08 issued on 24th January, 2011 by applying year-wise weighted average rate of interest in true-up order for FY 2007-08.

7. The interest on excess equity recalculated and allowed in this order is as per the directives of the Hon'ble Tribunal in para 27 and 44 of its judgment dated 03.10.2012. The true-up order for FY 2008-09 was issued by the Commission on 22nd March, 2012 wherein the interest on excess equity was also allowed on the same methodology as adopted in the impugned order.
8. Moreover, in the aforesaid true-up order, the Commission considered the additional capitalization on account of some need based R&M works from FY 2005-06 to FY 2008-09 and allowed the additional cost retrospectively from FY 2005-06 to FY 2008-09 over and above the cost already allowed in the true-up orders for the respective years. In view of the aforesaid position, the appropriate corrections in calculation of interest on excess equity are to be made in the true-up order for FY 2008-09 issued on 22nd March, 2012 so that the interest on excess equity from the date of opening balance sheet is finally corrected retrospectively from FY 2005-06 to FY 2008-09.

Interest on the Excess equity treated as loan:

9. Based on the directions of the Hon'ble Tribunal, the interest on excess equity is reworked by considering the normative repayments from 1st June, 2005 i.e., the date of the opening of the balance sheet acknowledging the excess equity as on the date of transfer of equity to the petitioner. Accordingly, the power station-wise excess equity and amount of annual repayment as per the actual loan port folio is worked out as below:

Table No.1

Details of normative loan (Equity excess):						Rs. Cr.
Sr. No.	Power Station	Amount of excess equity as on 1st June, 2005	Period of loan in years	No. of Instalment	Amount per instalment	Annual amount of instalment
Thermal Power Stations						
	ATPS, Chachai	6.18	10	20	0.31	0.62
	STPS, Sarni	25.95	10	20	1.30	2.60
	SGTPS, Birsinghpur	92.44	10	20	4.62	9.24
	Total thermal	124.57				12.46

Details of normative loan (Equity excess):						Rs. Cr.
Sr. No.	Power Station	Amount of excess equity as on 1st June, 2005	Period of loan in years	No. of Instalment	Amount per instalment	Annual amount of instalment
Hydel Power Stations:						
	Gandhi Sagar	0.44	10	40	0.01	0.044
	Pench	3.76	10	40	0.09	0.38
	Rajghat	3.55	10	40	0.09	0.36
	Bargi	3.73	10	40	0.09	0.37
	Bansagar	53.31	10	40	1.33	5.33
	Birsinghpur	2.23	10	40	0.06	0.22
	Hydel Total	67.02				6.70
	Total	191.59				19.16

10. Considering the above mentioned power station-wise repayment schedule and opening balances of excess equity as on 1st June, 2005, the power station wise amount of interest on excess equity is worked out as given below:

Table No.2
ATPS PH I&II: Rs. Cr.

Sr. No.	Particular	FY 2005-06 (10-months)	FY 2006-07	FY 2007-08	FY 2008-09
1	Opening excess equity	6.18	5.56	4.94	4.33
2	Excess equity addition due to additional capitalization	0.00	0.00	0.00	0.00
3	Repayment considered	0.62	0.62	0.62	0.62
4	Closing excess equity	5.56	4.94	4.33	3.71
5	Excess equity- average	5.87	5.25	4.64	4.02
6	Applicable rate of interest (%)	8.15	8.23	8.56	10.50
7	Interest amount	0.40	0.43	0.40	0.42
8	Interest on excess equity allowed in earlier true-up order	0.00	0.00	0.00	0.00
9	True-up amount	0.40	0.43	0.40	0.42

STPS Complex:**Rs. Cr.**

Sr. No.	Particular	FY 2005-06 (10-months)	FY 2006-07	FY 2007-08	FY 2008-09
1	Opening excess equity	25.95	25.84	23.82	22.86
2	Excess equity addition due to additional capitalization	2.48	0.58	1.63	0.38
3	Repayment considered	2.60	2.60	2.60	2.60
4	Closing excess equity	25.84	23.82	22.86	20.64
5	Excess equity- average	25.89	24.83	23.34	21.75
6	Applicable rate of interest (%)	8.15	8.23	8.56	10.50
7	Interest amount	1.76	2.04	2.00	2.28
8	Interest on excess equity allowed in earlier true-up order	0.00	0.00	0.00	0.00
9	True-up amount	1.76	2.04	2.00	2.28

SGTPS PH I&II:**Rs. Cr.**

Sr. No.	Particular	FY 2005-06 (10-months)	FY 2006-07	FY 2007-08	FY 2008-09
1	Opening excess equity	92.44	83.61	74.38	67.58
2	Excess equity addition due to additional capitalization	0.41	0.02	2.44	1.71
3	Repayment considered	9.24	9.24	9.24	9.24
4	Closing excess equity	83.61	74.38	67.58	60.04
5	Excess equity- average	88.02	78.99	70.98	63.81
6	Applicable rate of interest (%)	8.15	8.23	8.56	10.50
7	Interest amount	5.98	6.50	6.08	6.70
8	Interest on excess equity allowed in earlier true-up order	2.84	2.70	2.12	1.85
9	True-up amount	3.14	3.80	3.96	4.85

Gandhi Sagar:**Rs. Cr.**

Sr. No.	Particular	FY 2005-06 (10-months)	FY 2006-07	FY 2007-08	FY 2008-09
1	Opening excess equity	0.44	0.40	0.35	0.31
2	Excess equity addition due to additional capitalization	0.00	0.00	0.00	0.00
3	Repayment considered	0.04	0.04	0.04	0.04
4	Closing excess equity	0.40	0.35	0.31	0.26
5	Excess equity- average	0.42	0.37	0.33	0.29
6	Applicable rate of interest (%)	8.15	8.23	8.56	10.50
7	Interest amount	0.03	0.03	0.03	0.03
8	Interest on excess equity allowed in earlier true-up order	0.00	0.00	0.00	0.00
9	True-up amount	0.03	0.03	0.03	0.03

Pench:**Rs. Cr.**

Sr. No.	Particular	FY 2005-06 (10-months)	FY 2006-07	FY 2007-08	FY 2008-09
1	Opening excess equity	3.76	3.45	8.37	7.40
2	Excess equity addition due to additional capitalization	0.07	5.88	0.00	0.00
3	Repayment considered	0.38	0.97*	0.97*	0.97*
4	Closing excess equity	3.45	8.37	7.40	6.44
5	Excess equity- average	3.61	5.91	7.89	6.92
6	Applicable rate of interest (%)	8.15	8.23	8.56	10.50
7	Interest amount	0.24	0.49	0.67	0.73
8	Interest on excess equity allowed in earlier true-up order	0.00	0.22	0.43	0.47
9	True-up amount	0.24	0.27	0.24	0.26

Repayment on the amount of excess equity (Rs.5.88 cr.) on account of additional capitalization in FY 2006-07 is also considered in FY 06-07 and onwards.

Rajghat:

					Rs. Cr.
Sr. No.	Particular	FY 2005-06 (10-months)	FY 2006-07	FY 2007-08	FY 2008-09
1	Opening excess equity	3.55	3.20	2.84	2.50
2	Excess equity addition due to additional capitalization	0.00	0.00	0.01	0.00
3	Repayment considered	0.36	0.36	0.36	0.36
4	Closing excess equity	3.20	2.84	2.50	2.14
5	Excess equity- average	3.37	3.02	2.67	2.32
6	Applicable rate of interest (%)	8.15	8.23	8.56	10.50
7	Interest amount	0.23	0.21	0.19	0.20
8	Interest on excess equity allowed in earlier true-up order	0.10	0.09	0.07	0.05
9	True-up amount	0.13	0.12	0.12	0.15

Bargi:

					Rs. Cr.
Sr. No.	Particular	FY 2005-06 (10-months)	FY 2006-07	FY 2007-08	FY 2008-09
1	Opening excess equity	3.73	3.36	2.98	2.64
2	Excess equity addition due to additional capitalization	0.00	0.00	0.03	0.00
3	Repayment considered	0.37	0.37	0.37	0.37
4	Closing excess equity	3.36	2.98	2.64	2.27
5	Excess equity- average	3.54	3.17	2.81	2.45
6	Applicable rate of interest (%)	8.15	8.23	8.56	10.50
7	Interest amount	0.24	0.26	0.24	0.26
8	Interest on excess equity allowed in earlier true-up order	0.00	0.00	0.00	0.003
9	True-up amount	0.24	0.26	0.24	0.25

Bansagar I, II&III:					Rs. Cr.
Sr. No.	Particular	FY 2005-06 (10-months)	FY 2006-07	FY 2007-08	FY 2008-09
1	Opening excess equity	53.31	47.98	42.65	37.32
2	Excess equity addition due to additional capitalization	0.00	0.00	0.00	0.00
3	Repayment considered	5.33	5.33	5.33	5.33
4	Closing excess equity	47.98	42.65	37.32	31.99
5	Excess equity- average	50.64	45.31	39.98	34.65
6	Applicable rate of interest (%)	8.15	8.23	8.56	10.50
7	Interest amount	3.44	3.73	3.42	3.64
8	Interest on excess equity allowed in earlier true-up order	2.60	2.72	2.37	2.35
9	True-up amount	0.84	1.01	1.05	1.29

Birsinghpur hydel:					Rs. Cr.
Sr. No.	Particular	FY 2005-06 (10-months)	FY 2006-07	FY 2007-08	FY 2008-09
1	Opening excess equity	2.23	2.01	1.78	1.56
2	Excess equity addition due to additional capitalization	0.00	0.00	0.00	0.00
3	Repayment considered	0.22	0.22	0.22	0.22
4	Closing excess equity	2.01	1.78	1.56	1.34
5	Excess equity- average	2.12	1.90	1.67	1.45
6	Applicable rate of interest (%)	8.15	8.23	8.56	10.50
7	Interest amount	0.14	0.16	0.14	0.15
8	Interest on excess equity allowed in earlier true-up order	0.00	0.00	0.00	0.00
9	True-up amount	0.14	0.16	0.14	0.15

11. Considering all the above, the interest on excess equity for MPPGCL as a whole is tabulated below:

Table No.3**Interest on excess equity for MPPGCL's as whole:****Rs. Cr.**

Sr. No.	Particular	FY 2005-06 (10-months)	FY 2006-07	FY 2007-08	FY 2008-09
1	Opening excess equity	191.59	175.39	162.12	146.48
2	Excess equity addition due to additional capitalization	2.96	6.48	4.11	2.09
3	Repayment considered	19.16	19.75	19.75	19.75
4	Closing excess equity	175.39	162.12	146.48	128.82
5	Excess equity- average	183.49	168.76	154.30	137.65
6	Applicable rate of interest (%)	8.15	8.23	8.56	10.50
7	Interest amount	12.46	13.89	13.21	14.45
8	Interest on excess equity allowed in earlier true-up order	5.54	5.73	4.99	4.72
9	Balance amount	6.92	8.16	8.22	9.73

12. Since the interest on excess equity is revised in this order, the total interest and finance charges from FY 2005-06 to FY 2008-09 shall also be revised. The revised interest and finance charges (including interest on excess equity) vis-a-vis the power station-wise details of interest and finance charges already allowed in true-up order for FY 2008-09 are given as below:

Table No.4**Interest on loan (including interest on excess equity) as allowed in true-up order for FY 2008-09****Rs. Cr.**

Sr. No.	Power Station	Interest and finance charges allowed in this true up order including interest on principle of EMI				
		FY 2005-06 (10-months)	FY 2006-07	FY 2007-08	FY 2008-09	Total
1	ATPS Chachai	0.64	0.68	0.60	0.56	2.48
2	STPS	1.83	2.19	2.46	2.28	8.76
3	SGTPS	40.82	42.22	35.75	30.25	149.04
4	Gandhi Sagar	0.00	0.00	0.00	0.00	0.00
5	Pench	0.00	0.22	0.43	0.47	1.13
6	Rajghat	0.43	0.47	0.31	0.16	1.38
7	Bargi	0.00	0.00	0.00	0.00	0.00
8	Bansagar	30.58	32.36	28.56	25.16	116.66
9	Birsinghpur	0.00	0.00	0.00	0.00	0.00
Total		74.31	78.14	68.11	58.88	279.44

Table No.5

**Total interest including interest on excess equity allowed in this order:
(Rs. Cr.)**

Sr. No.	Power Station	FY 2005-06 (10-months)	FY 2006-07	FY 2007-08	FY 2008-09	Total
1	ATPS Chachai	1.04	1.11	1.00	0.98	4.13
2	STPS	3.59	4.23	4.46	4.56	16.84
3	SGTPS	43.96	46.02	39.71	35.10	164.79
4	Gandhi Sagar	0.03	0.03	0.03	0.03	0.12
5	Pench	0.24	0.49	0.67	0.73	2.13
6	Rajghat	0.56	0.63	0.47	0.36	2.02
7	Bargi	0.24	0.26	0.24	0.26	1.00
8	Bansagar	31.42	33.37	29.61	26.45	120.85
9	Birsinghpur	0.14	0.16	0.14	0.15	0.60
Total		81.22	86.30	76.33	68.62	312.47

Interest on working capital:

13. The "receivables" component of the working capital is revised on account of change in the figures of interest on loan, including revised interest on excess equity. Hence, the amount of working capital shall also be revised. Accordingly, the power station-wise details of revised calculation of interest on working capital is as under:

Table No.6 Thermal power stations

S. No.	Particulars	Unit	ATPS	STPS	SGTPS
1	Coal Cost	Rs.Cr.	117.81	894.75	484.90
2	45/ 60 Days Qty	Rs.Cr.	14.52	147.08	79.71
3	Oil Cost	Rs.Cr.	25.97	63.36	35.97
4	Two Month Oil Cost	Rs.Cr.	4.33	10.56	6.00
5	Total O&M charges	Rs.Cr.	59.71	184.70	75.18
6	O&M Charges for one Month	Rs.Cr.	4.98	15.39	6.27
7	Opening Gross Block	Rs.Cr.	182.62	625.52	2161.29
8	Maint. spares @1% of historical cost	Rs.Cr.	1.83	6.26	21.61

S. No.	Particulars	Unit	ATPS	STPS	SGTPS
9	Receivable				
i	Receivable for FY2008-09	Rs.Cr.	219.50	1222.29	812.68
ii	Receivable for FY2005-06	Rs.Cr.	-0.47	0.86	-2.84
iii	Receivable for FY2006-07	Rs.Cr.	0.14	1.69	0.08
iv	Receivable for FY2007-08	Rs.Cr.	0.56	2.82	0.30
v	Receivable due to additional interest on excess equity (from FY06 to FY09)	Rs. Cr.	1.65	8.08	15.75
	Total receivables	Rs.Cr.	221.38	1235.74	825.97
10	Receivables for two Months	Rs.Cr.	36.90	205.96	137.66
11	Working Capital	Rs.Cr.	62.55	385.25	251.24
12	Interest rate @ short term PLR + 1%	%	13.25	13.25	13.25
	Interest amount on working capital	Rs.Cr.	8.29	51.05	33.29
	Interest on WC allowed in true-up order for FY08-09	Rs.Cr.	8.25	50.87	32.94
	Balance amount of interest on WC	Rs.Cr.	0.04	0.18	0.35

Table No.7 Hydel power stations

S. No.	Particulars	Unit	G. Sagar	Pench	Bargi	Rajghat	Ban' sagar	Birsingh pur
1	One Month O&M Charges	Rs.Cr.	0.58	0.55	0.43	0.35	1.86	0.07
2	Opening Gross Block	Rs.Cr.	10.29	96.24	87.03	82.80	1243.92	52.15
3	Maint. spares @1% of GB	Rs.Cr.	0.10	0.96	0.87	0.83	12.44	0.52
4 i	Receivable for FY2008-09	Rs.Cr.	8.97	12.71	17.83	12.32	151.14	4.48
ii	Receivable for FY2005-06	Rs.Cr.	0.00	0.00	0.01	0.02	0.00	0.00
iii	Receivable for FY2006-07	Rs.Cr.	0.00	0.35	0.00	0.37	0.01	0.00
iv	Receivable for FY2007-08	Rs.Cr.	0.00	1.03	0.35	0.42	-0.01	0.01
v	Receivable due to additional interest on excess equity	Rs. Cr.	0.12	1.00	1.00	0.64	4.19	0.60
5	Total receivables	Rs.Cr.	9.09	15.09	19.19	13.77	155.33	5.09
6	Two Months Receivables	Rs.Cr.	1.52	2.52	3.20	2.30	25.89	0.85
7	Working Capital	Rs.Cr.	2.20	4.03	4.50	3.47	40.19	1.44
8	Interest rate @ short term PLR + 1%	%	13.25	13.25	13.25	13.25	13.25	13.25
	Interest amount on WC	Rs.Cr.	0.29	0.53	0.60	0.46	5.33	0.19
	Interest on WC allowed in true-up order for FY08-09	Rs.Cr.	0.29	0.51	0.57	0.45	5.23	0.18
	Balance amount	Rs.Cr.	0.00	0.02	0.03	0.01	0.10	0.01

14. In view of the above, the annual fixed charges determined by the Commission for FY 2005-06 to FY 2008-09 in true-up order dated 22nd March, 2012 for FY 2008-09 are now revised due to impact of interest on excess equity and interest on working capital. The other fixed cost components shall remain unchanged. The power station-wise details of revised annual fixed cost determined in this Order vis-a-vis the annual fixed cost allowed in true-up Order for FY 2008-09 are given below:

Table No.8**Annual Capacity charges allowed in true-up FY 2008-09: Rs. Cr.**

Sr. No.	Particular	FY 2005-06 (10-months)	FY 2006-07	FY 2007-08	FY 2008-09
1	Interest on loan (including interest on excess equity)	74.31	78.14	68.11	58.88
2	Depreciation	91.84	110.21	110.82	106.71
3	Return on Equity	156.55	188.27	188.86	189.29
4	Interest on working capital	-	-	-	99.29
5	O&M Expenses	-	-	-	365.72
6	Other fixed cost	-	-	-	47.85
7	Less non tariff income	-	-	-	-31.29
Total		322.7	376.62	367.79	836.45

Table No.9**Revised Annual Capacity charges allowed in this order: Rs. Cr.**

Sr. No.	Particular	FY 2005-06 (10-months)	FY 2006-07	FY 2007-08	FY 2008-09
1	Interest on loan (including interest on excess equity)	81.22	86.30	76.33	68.62
2	Depreciation	91.84	110.21	110.82	106.71
3	Return on Equity	156.55	188.27	188.86	189.29
4	Interest on working capital	-	-	-	100.02
5	O&M Expenses	-	-	-	365.72
6	Other fixed cost	-	-	-	47.85
7	Less non tariff income	-	-	-	-31.29
Total		329.61	384.78	376.01	846.92

15. Based on the above, the difference between the true-up amount already allowed and now revised in this order is given below :

Table No.10**Difference amount of Annual Capacity charges allowed in this order:**

						Rs. Cr.
Sr. No.	Particular	FY 2005-06 (10 months)	FY 2006-07	FY 2007-08	FY 2008-09	Total
1	Interest on loan (including interest on excess equity)	6.91	8.16	8.22	9.74	33.03
2	Depreciation	-	-	-	-	-
3	Return on equity	-	-	-	-	-
4	Interest on working capital				0.73	0.73
5	O&M expenses	-	-	-	-	-
6	Other fixed cost	-	-	-	-	-
7	Less non-tariff income	-	-	-	-	-
	Total	6.91	8.16	8.22	10.47	33.76

16. The other directions/conditions in the impugned order and the true-up order for FY 2008-09 issued on 22nd March, 2012 shall remain unchanged.
17. The difference of amount emerging from this Order shall be recoverable from the three Distribution Companies of the state in the ratio of energy supplied to them in FY2008-09 in equal monthly instalments during FY 2012-13.

Sd/-

(A.B. Bajpai)
Member

Sd/-

(Rakesh Sahni)
Chairman

Date: 27th December, 2012

Place: Bhopal