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The Petition

Before the Delhi Electricity Regulatory Commission

Filing No. _____
Case No. _____

IN THE MATTER OF

Petition for approval of Annual Revenue Requirement for the Financial Year 2004-05 and for determination of tariff to be charged from Delhi Transco Ltd. (DTL) for the power being supplied to them.

AND

IN THE MATTER OF

Pragati Power Corporation Limited (hereinafter called "PPCL") the Company incorporated under the provisions of Companies Act having its registered office at 'Himadri', Rajghat Power House Complex, New Delhi –110 002.

PETITIONER

**PETITION UNDER SECTION 86 READ WITH SECTION 64 OF THE
ELECTRICITY ACT, 2003**

The Petitioner respectfully submits as under:-

1. The Petitioner herein called “Pragati Power Corporation Ltd.” (PPCL) is a Government Company within the meaning of Companies Act, 1956 and is wholly owned by the Government of National Capital Territory of Delhi. Further it is a Generating Company as defined under Section 2(28) of The Electricity Act, 2003.
2. That consequent to Section 86(1) (a) and other applicable provision of The Electricity Act, 2003, the appropriate Commission shall determine the tariff for supply of electricity by a generating company. The Honourable Commission is vested with the jurisdiction to determine the tariff.
3. Pursuant to the applicable provisions of the Delhi Electricity Reforms Act, 2000, the Government of National Capital Territory of Delhi undertook the reform and restructuring of the erstwhile Delhi Vidyut Board (DVB), which was implemented through a statutory transfer scheme. The Transfer Scheme rules notified provides for reorganization of DVB including transfer of properties, assets, liabilities etc. The Transfer Scheme provides for unbundling of the erstwhile DVB into 6 (Six) Companies / entities. PPCL has also to take over certain assets and liabilities from erstwhile DVB as on 01.7.2002 as per the Balance Sheet to be notified for the purpose.
4. PPCL is undertaking the functions of generation of electricity from its power station at pragati.
5. It is submitted that the power generated from this power station is being supplied to the transmission Company i.e. Delhi Transco Limited, which is also a Govt. of NCT of Delhi Undertaking. The PPCL and DTL have mutually finalized the draft Power Purchase Agreement which has been submitted for the approval of Honourable Commission.

6. Based on examination of the ARR filed by TRANSCO for the year 2002-03 (9 months) and for the year 2003-04 as well as considering various aspects of tariff determination, the Honourable Commission had passed an Order dated June 26, 2003, which fixed the tariffs for PPCL for the year 2002-03 and 2003-04.
7. The Honourable Commission vide its order of 26th June, 2003 has fixed the tariff of PPCL. Further the Hon'ble Commission has issued orders on 17/19th December, 2003 against the review petition of PPCL against the order of June, 2003.
8. PPCL is filing herewith its revenue requirements for the FY 2004-05 for determination and fixing the Tariff to be charged from DTL.
9. The present petition contains the following documents:
 - i. Summary of the petition
 - ii. Detailed formats with explanatory notes
 - iii. Copy of approval of MD, PPCL to the ARR proposal for FY 2004-05.
 - iv. The affidavit verifying the petition duly notarized.

The petitioner submits that the above mentioned Annexures appended may please be read as integral part of the petition.

10. It is submitted that fuels used by the Company are with other subject to price variation from time to time. It is submitted that Hon'ble Commission approve appropriate Fuel Price Adjustment formula to compensate the variation in fuel cost.
11. The Petitioner reserves the right to amend this petition by reasons of any subsequent developments.
- 12.. The petitioner undertakes to submit any other information/document as and when directed/required by the Hon'ble Commission during the course of proceedings for taking just and proper decision in the matter.

The petitioner respectfully prays the Honourable Commission to please:

- a) Approve the tariff of PPCL for FY 2004-05.
- b) Approve Fuel Price Adjustment Formula.
- c) Pass any such further order (or) orders as the Honourable Commission may deem just and proper in the circumstances explained above.

PETITIONER: _____

PPCL

PRAGATI POWER CORPORATION LIMITED

Explanatory Notes

Power Generation:

The Honourable Commission has taken the generation at 69% in its order dated 26th June, 2003. The Company has assumed the same PLF for the FY 2003-04 and 2004-05.

Fixed Asset:

The fixed assets of the Company has been taken at Rs.1077 crores. However the project closing is yet to take place.

Financing:

As per the approvals, the project cost is financed as under
30% equity i.e. Rs.323 Cr.

70% Loan Part

PFC Rs.700 Cr.

Delhi Govt. Rs.54 Cr.

Debt Fund:

Loan from PFC – The Company has arranged a loan of Rs.700 Cr. from Power Finance Corporation Ltd. against the guarantee of Delhi Govt. The Interest on loan is varying from 14% to 11.5%. An average rate of interest of 11.5% has been taken on this loan on the assumption that Company will be able to get reimbursement of subsidy on interest.

Loan from Delhi Government:

The interest on the loan from Delhi Govt. has been taken @ 6.75% as the Delhi Govt. is charging concessional rate which is half of the normal rate.

Working Capital Loan:

The rate of interest on the working capital has been taken as 12.5% as allowed by DERC in its Tariff Order dated 26th June, 2003.

Depreciation

The Commission in the BST order for financial year 2001-02 has approved a weighted average rate of depreciation of 8.24%. Based on that, the petitioner had estimated the same rate of depreciation in its petition for the FY 2002-03 and FY 2003-04 but the Commission has allowed the depreciation @ 5% on straight line method on the gross value of the fixed assets.

It may not be out of place to mention here that after enactment of Electricity Act 2003 and the repeal of the Electricity Supply Act, 1948, the Power Sector utilities may be required to follow the Companies Act, 1956 in matters of depreciation. The Ministry of Power in its draft Tariff policy has mentioned that for tariff determination, depreciation rate would be as per Schedule XIV of the Companies Act, 1956. All power sector entities will be treated as 'continuous process plant' for the purpose of determination of depreciation rate. If that is finally accepted by the MOP in the tariff policy, the uniform rate of depreciation for power entities would be 5.28%.

In view of above, Hon'ble Commission may kindly consider to allow depreciation @ 8.24% as approved in the Tariff Order for the year 2001-02 pending notification of Tariff Policy by the Govt. of India under the Electricity Act, 2003.

The depreciation for FY 2004-05 has been calculated @ 8.24%. The Honourable Commission may kindly approve the same.

Return on Equity:

Return on Equity has been calculated @ 16% on Rs.323 Crores.

O&M Expenses:

The O&M expenses for the FY 2003-04 have been taken 2.5% of the total project cost. This has been further escalated by 10% in the year 2004-05. It is estimated that at present the Company will be able to manage within this limit.

Repair & Maintenance-

The Company has used the technology of DLN Burners for the first time in India for reducing pollution level in Delhi. These burners are very costly. These burners are required to be replaced after every 8000 hours and subject to damages these burners have maximum life of 24000 hours. It is estimated that the Company has to incur a substantial amount from time to time in respect of this technology of DLN Burners.

Corporate Office Expenses:

The key Executive functionaries including Managing Director, Director (T), Director (F), Company Secretary etc. of both IPGCL and PPCL are common and the expenses are common. Besides this the activities of Administration, Finance, Stores, Medical, Civil, Training etc. are also looked after by IPGCL. As per Board of Directors the corporate office expenses of IPGCL are to be shared between IPGCL and PPCL.

Water Charges:

The company has taken over the sewage water treatment plants from Delhi Jal Board for treating the sewerage water from Delhi Gate Nala and Sen Nursing Home Nala. The treated water is being used in Pragati Power Plant. The annual cost on this account is estimated as Rs.2.16 Cr. for the year 2003-04 and Rs.2.38 Crore for the year 2004-05.

Voluntary Retirement Scheme:

During the FY 2003-04, the Company has introduced the VRS Scheme for its employees in Category B,C & D. The company is most likely offer to its employees in Category 'A' before the close of the FY 2003-04.. Similar VRS scheme is envisaged in near future in phased manner to the employees. The Honourable Commission is requested to keep in view the liability arising on account of VRS schemes already introduced or to be introduced by the Company, at the time of fixing of the tariff.

Heat Rate:

The company is assuming a heat rates 2000 Kcal/Kh for the FY 2003-04 and the next FY 2004-05. This rate was also allowed by the Honourable Commission vide order dt. 26th June,2003.

Fuel Cost:

The Company has estimated an escalation of 5 0% in FY 2004-05 over the FY 2003-04. The Company is paying fixed transmission and other service charges on CNG fuel which has been included in the variable cost part.

SALIENT FEATURES OF PPCL PETITION

PARTICULARS	UNITS	PPCL 2004-05
A. Gross Generation	MU	1998
B. Net Generation	MU	1938
C. Total Fixed Cost	Rs.Cr.	263.14
D. Total Variable Cost	Rs.Cr.	221.35
E. Total Cost	Rs.Cr.	484.49
F. Variable Cost per Unit (D x 10/B)	Rs/Kwh	1.14
G. Total Cost Per Unit (E x 10 /B)	Rs/Kwh	2.50

