



DELHI ELECTRICITY REGULATORY COMMISSION

Viniyamak Bhawan, 'C' Block, Shivalik, Malviya Nagar, New Delhi- 110017.

F.11(1530)/DERC/2017-18/5965

Review Petition No. 60/2017

In the matter of : Review Petition filed against the Tariff Order dated 31.08.2017 in Petition no. 27 of 2017 for True Up of expenditure for FY 2014-15 and FY 2015-16 and Petition no. 16 of 2017 for deciding the ARR & tariff for FY 2017-18.

Pragati Power Corporation Ltd.

.... Review Petitioner

Vs.

BSES Rajdhani Power Ltd. & Ors.

....Respondents

Coram: Hon'ble Mr. Justice S S Chauhan, Chairperson

ORDER

(Date of Order: 17.10.2019)

1. The instant review Petition has filed by M/s Pragati Power Corporation Ltd. for review of the Tariff Order dated 31.08.2018.
2. The Review Petitioner has sought review on the following issues:
 - a. Auxiliary Power Consumption (APC) to be taken for computation of Declared Capacity & Energy Charges Rate (ECR).
 - b. Special R&M on DLN & STP;
 - c. Carrying cost on the amount of Rs. 65.55 crores for DLN Expenditure; and
 - d. Return on Capital Employed (RoCE).
3. The submissions made by the Petitioner have been considered and analyzed to arrive at the decision. The issue wise analysis and decision are as follows:

3.1 Issue No. 1

Auxiliary Power Consumption (APC) to be taken for computation of Declared Capacity & Energy Charges Rate (ECR);

Petitioner's Submission

- 3.1.1 The petitioner has submitted that when the ECR and fixed costs is computed, the same have been done based on generation limited to net generation with 2% of APC. In so far the recovery of tariff is concerned, the impact of 2% APC has to be

taken in variable cost and of 0.5% APC in fixed costs. However, when it comes to ECR and Fixed Costs computation, the total APC norm of 2.5% should be taken and not of 2%.

3.1.2 It is reiterated that the petitioner is not asking for its actual APC or the APC of 3% as per the Tariff Regulations, 2011. The petitioner is also not seeking any relaxation in the APC of 2.5% or its manner of adjustment in the Fixed Charges (@2%) and Energy Charges (@0.5%). However, the limited issue being raised by the petitioner is that for the purpose of computation of Declared Capacity, and ECR, the APC of 2.5% needs to be taken instead of 2%.

3.1.3 Accordingly, the revised values of fuel cost requirement and ECR after accounting 2.5% APC would be as per the following table:

Sl. No.	Particulars	UoM	Petitioner's submission	Approved	Re-submission	Ref/Remarks
A	Net Generation	MU	2383.46	2408.04	2457.18	Table 29, Gross Generation at 85% PLF
B	ECR	Rs/k Wh	2.703	2.787	2.787	
C	Fuel cost	Rs Cr	644.21	671.03	684.82	AxC

3.1.4 As a corollary to the above, the fuel cost for arriving ECR and working capital is to be taken on gross Generation instead of net generation.

Commission’s Analysis

3.1.5 The DERC (Business Plan) Regulations, 2017 were issued after due deliberation on the operational parameters and comments received from stakeholders. The extant provision of DERC (Business Plan) Regulations, 2017 in respect of Auxiliary Power Consumption for PPCL Station are as follows:

“(3) AUXILIARY ENERGY CONSUMPTION

Auxiliary Energy Consumption shall be computed in two parts:

a) *Fixed: 0.5% of the generation at normative PLF of the plant capacity which shall form part of other expenses under Fixed Cost, at energy charge rate approved by the Commission in respective Order.*

b) *Variable: 2.0% in Combined Cycle Mode and 0.5% in Open Cycle mode of the actual generation which shall form part of computation of energy charge rate of the respective month.”*

- 3.1.6 For the purpose of recovery of fuel cost, the Auxiliary Energy Consumption has been split in two parts i.e. Fixed and Variable. Therefore, fuel cost is recovered through fixed cost also in addition to that through variable cost as per the norms specified in DERC (Business Plan) Regulations, 2017.
- 3.1.7 Further, the Commission has computed the Interest on Working Capital on the Receivables which include the Fixed Cost on account of Fixed Auxiliary Consumption (0.5%) and Variable component of Auxiliary Consumption (2.0%) in Energy Charge computation. Further, the ECR is determined by grossing up the Gross Heat Rate with the Normative Auxiliary Consumption. The impact of fuel cost corresponding to Gross Generation has already been considered. Therefore, the submission of the petitioner that variable cost should be computed again on Gross Generation with the determined ECR is not correct.
- 3.1.8 On the issue of declared capacity etc., it has been brought to the notice of this Commission that SLDC is considering an auxiliary power consumption of 2% only for declared capacity of the generating station. Whereas, for the purpose of determination of Plant Availability Factor and Plant Load factor, the auxiliary power consumption as per extant Regulation is 2.5%, which has to be adhered by SLDC.

3.2 Issue No. 2

Special R&M on DLN & STP

Petitioner's Submissions

- 3.2.1 The petitioner has submitted that in the Order the Commission in Table 11 has included the O&M expenses both on DLN and STP. However, the expenditure on DLN & STP for FY 2014-15 has not been allowed. Further, the office of the Commission vide e-mail dated 04.07.2017 had sought the clarification on the STP & DLN expenditure for FY 2015-16 and the petitioner has given the clarification both for FY 2015-16 and as well as FY 2014-15 for both DLN and STP expenditure.
- 3.2.2 In Table 11 of the tariff order the Commission has taken into account the expenditure of STP for FY 2014-15 & FY 2015-16. However, in Table 34 of the tariff order, the Commission has only allowed the O&M expenditure for DLN but not STP for FY 2017-18. The same also needs to be added in Table 34 of the tariff Order.

Commission's Analysis

- 3.2.3 The Petitioner in its true up petition for FY 2014-15 had not submitted its claim on account of DLN and STP and no purchase orders pertaining to DLN and STP for FY 2014-15 were submitted during the course of prudence check. The details of

expenditure including Purchase Orders pertaining to DLN and STP for FY 2014-15 and payment details thereof has since been submitted by the Petitioner. The same have been examined and it is observed that the expenses towards DLN and STP for the FY 2014-15 are in order and may be allowed. The impact shall be given in the subsequent Tariff Order.

- 3.2.4 Further, the STP expenses for FY 2017-18 have been allowed to the Petitioner based on the actual expenditure incurred and prudence check during the true up of ARR for FY 2017-18.

3.3 Issue No. 3

Carrying cost on the amount of Rs. 65.55 crores for DLN Expenditure

Petitioner's Submissions

- 3.3.1 In the tariff order an amount of Rs. 65.55 crores has been approved towards DLN expenditure. The recovery of the same has been spread out over the Tariff period, namely FY 2017-18 to FY 2020-21.
- 3.3.2 On the principle there is no difficulty in the above approach. However, the petitioner has to spend the entire amount of Rs. 65.55 crores in one go despite the fact that it will be recovered over the tariff period. Therefore, the carrying cost on the amount which is being deferred for recovery needs to be allowed to the petitioner.

Commission's Analysis

- 3.3.3 The Commission has allowed the said expenses over a period of 4 years i.e. FY 2015-16 to FY 2018-19 and the expenditure appears to be cyclic in nature. As the expenditure has been incurred by the petitioner upfront, therefore carrying cost on the residual value of the expenditure may be considered in the subsequent Tariff Order.

3.4 Issue No. 4

Return on Capital Employed (RoCE)

Petitioner's Submissions

- 3.4.1 The petitioner has submitted that the calculation of net assets after deducting the accumulated depreciation and then after apportioning the same in normative ratio of equity and debt is causing double prejudice to the petitioner. The accumulated depreciation once being reduced from the capital cost leads to repayment of loan. Once the loan is repaid, the reduced capital cost reflects the equity portion. This cannot be further divided into debt and equity portion. This method of arriving at ROCE has resulted in drastic reduction of ROCE due to reduced amount of equity Component.

3.4.2 It is humbly submitted that the ROCE needs to be recomputed as under:

Sl. No.	Particulars	UoM	Quantum	Remarks
A	Average RRB	Rs Cr	474.71	
B	Average Loan Requirement for Capital Investment	Rs Cr	0.0	
C	Loan for Working Capital Requirement	Rs Cr	226.54	
D	Total Loan	Rs Cr	226.54	B+C
E	Average Equity	Rs Cr	248.175	
F	WACC	Rs Cr	14.55	
G	RoCE	Rs Cr	69.07	AXF

Commission's Analysis.

3.4.3 The Return on Capital Employed (RoCE) for FY 2017-18 in respect of petitioner has been computed as per the provisions of Regulation 65-70 of the Delhi Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2017. The contention of the Petitioner is against the provision of the DERC (Terms and Conditions for Determination of Tariff) Regulations, 2017, review of which is not tenable through the instant Review petition.

3.4.4 In view of the above the claim of the petitioner is not admissible.

4. The Petition is disposed of as per the directions and decisions contained in the paragraph 3 of this Order.

5. Ordered Accordingly.

Sd/-
(Justice S S Chauhan)
Chairperson