

**Delhi Electricity Regulatory Commission**  
**Viniyamak Bhawan, 'C' Block, Shivalik, Malviya Nagar, New Delhi – 17.**

No. F.11(1605)/DERC/2017-18/6223

**Review Petition No. 41/2018**

**In the matter of:      Petition for seeking review of the Commission's Tariff Order dated  
28.03.2018 in Petition No. 05/2018.**

**Indraprastha Power Generation Company Limited**

**.... Review Petitioner**

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

**ORDER**

(Date of Order:17.10.2019)

1. The aforesaid Review Petition has been filed by Indraprastha Power Generation Co. Ltd. (IPGCL) for seeking review of the Commission's Tariff Order dated 28.03.2018 in Petition No. 05/2018 in the matter of truing up of Tariff for FY 2016-17 and ARR for FY 2018-19.
2. The Review Petitioner has sought review on the following issues:
  - a) To allow recovery of Rs. 175.41 Crore for Indraprastha Power Station (I.P. Station) without linking it to the final disposal of the station;
  - b) Total Auxiliary Power Consumption (APC) to be taken for computation of Declared Capacity & Energy Charges Rate (ECR) for GTPS; and
  - c) Return on Capital Employed (RoCE) for GTPS .
3. The submissions made by the Petitioner and Respondent have been considered and analysed to arrive at the decision. The issue wise analysis and decision are as follows:

**3.1 Issue No. 1**

**Indraprastha Power Station (I. P Station):**

**Petitioner's Submissions**

- 3.1.1 The Commission trued up expenditure of I.P station and calculated additional amount to be recovered for the energy supply from the station from FY 2007-08 to FY 2009-10. However, the Commission has withheld the recovery of amount of Rs. 175.41 Cr. For I.P Station vide its Tariff Order dated 31.07.2013. The Petitioner has been requesting the Commission time and again to allow recovery of Rs.

175.41 Crore without linking it to the final disposal of the station. The recovery of the amount of Rs. 175.41 Cr. Should not be linked with final disposal of assets, as 10% of assets belong to the company as part of equity and same should be allowed to retain by the company. Accordingly, the treatment of final disposal of amounts of assets and profit earned as part of operation business while arriving net recoverable amount is against the provisions of the DERC Tariff Regulations, 2007.

- 3.1.2 Further, while truing up and allowing expenditures for recovery related to I.P Station, the Commission has taken gross figures on year to year basis from the profit earned by the Petitioner ignoring the fact that 1/3<sup>rd</sup> of assets of unit no. 2, 3 and 4 was related to Govt. of Haryana. Further the profit of Rs. 9.36 Cr. is related to unit no. 1 of the station which has not been the part of opening GFA after unbundling of Delhi Power Sector. Moreover, the petitioner is still incurring huge expenditure on account of safety and security of balance assets lying at plant site, expenditure on litigation with vendor. The final net balance on account of assets sale may not be same as currently booked in the petitioner's account. Therefore, without prejudice to the issues raised by the petitioner on the amount to be received by the petitioner for IP station, there is an error in the Order since even while adjusting net profit, the State Commission has calculated total profit considering total fixed assets for Delhi DISCOMs only.
- 3.1.3 Further, the Commission's consideration of profit figures of Rs. 69.70 Crores for FY 2010-11 is erratic, as the same includes Haryana share also. The revised profit on sale of plant was of Rs. 71.02 Cr. and has been adjusted in the amount of Rs. 127.14 Cr. Further, since the Commission has considered total amount of sale deed while arriving net recoverable amount from Discoms. Therefore, there is no reason to restrict the recovery of only 80% of net value arrived as part of recovery of amount on implementation of the judgment of the Appellate Tribunal.

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

- 3.1.4 The Petitioner's contention is that the profit of Rs. 9.36 Cr. need not be considered towards sale proceeds as it is related to unit no. 1 of the station (which has not been the part of opening GFA after unbundling of Delhi Power Sector). It has been found acceptable as the Commission in its earlier Tariff Order (for FY 2006-07) has recognized IP Station's Units 2 to 5 only while determining the Tariff for IP Station.
- 3.1.5 The Petitioner's claim of sharing the sale proceeds of IP Station's Units 2 to 4 with Haryana in a ratio of 2:1 has also been examined on the basis of documents submitted by the Petitioner and is found valid. Accordingly, the GFA and Accumulated Depreciation of the said units also need to be shared between IPGCL and Haryana.

3.1.6 The Haryana Government has one third share in units 2, 3 and 4 of 62.5 MW each, whereas it has no share in the fifth unit of 60 MW. On computation the total share of Haryana Government comes out to be 25.25% and therefore, only 74.75% share from sale proceed/profit can be apportioned to IPGCL. The sale proceed of units 2 to 5 is Rs.101.51 Cr, whereas the unrecovered depreciation is Rs.24.89 Cr. After adjustment of unrecovered depreciation of 24.89 Cr, the balance sale proceed is Rs.76.62 Cr. The 74.75% share of IPGCL in this sale proceed comes out to be Rs.57.27 Cr.

3.1.7 Further, the Petitioner's claim of allowing recovery of 100 % remaining dues instead of 80% in view of the fact that the entire sale proceeds have been considered while calculating the remaining dues and the pending dispute between Mukti Credit Pvt. Ltd. and IPGCL cannot anyway result in increase in sale proceeds. Accordingly recovery of 100% remaining dues is allowed.

3.1.8 In view of the above, the computation for remaining dues of IPGCL shall be revised as under:

Profit with Carrying Cost on sale of plant

Particulars	UoM	FY 2009-10		FY 2010-11	
		Existing	Revised	Existing	Revised
Opening Balance	Rs Cr	11.04*	0.00	20.18	7.88
Profit	Rs Cr	7.45	7.45	69.70	57.27
Carrying Cost Rate	%	11.50	11.50	11.50	11.50%
Carrying Cost	Rs Cr	1.70	0.43	6.33	4.20
Closing Balance	Rs Cr	20.18	7.88	96.21	69.35

\* Profit of Rs.9.36 Cr in respect of unit 1 after carrying cost for 2008-09 and 2009-10

3.1.9 Consequently, the opening balance of remaining dues of FY 2011-12 is revised to Rs. 57.79 Cr, after adjusting the Profit on sale of plant of Rs. 69.35 Crore against the amount of Rs. 127.14 Crore. The net amount to be recovered with carrying cost is indicated in table as under:

Particulars	UoM	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Opening Balance	Rs Cr	57.79	64.43	71.84	80.11	89.32	99.59	111.04
Carrying Cost Rate	%	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%	10.26%
Carrying Cost	Rs Cr	6.65	7.41	8.26	9.21	10.27	11.45	11.39
Closing Balance	Rs Cr	64.43	71.84	80.11	89.32	99.59	111.04	122.44
Impact of carrying cost (Implementation of Hon'ble ATE Judgment in Appeal No. 81 of 2007)								17.35
Total								139.79

3.1.10 Accordingly, from FY 2018-19, the remaining dues along with a carrying cost @10.26% per annum may be recovered from the beneficiaries in six equal monthly instalments.

### **3.2 Issue No. 2**

**Total Auxiliary Power Consumption (APC) to be taken for consumption of Declared Capacity & Energy Charges Rate (ECR) for GTPS.**

#### **Petitioner's Submissions**

- 3.2.1 The Commission has specified the target norms of operation for the period MYT FY 2017-18 to 2019-20, for the purpose of determination of tariff as per Business Plan Regulation 2017. Further, the Commission has allowed the Auxiliary Energy consumption in accordance with the Tariff Regulations, 2017 read with Business Plan Regulations, 2017. The Commission while arriving ECR has considered only 2% of APC. However, as far as 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, but while arriving Ex-bus energy gross APC of 2.5% is to be considered.
- 3.2.2 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 (@0.5%) and Energy charges (@2.0%). 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 2.0%.

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

- 3.2.3 The DERC (Business Plan) Regulations, 2017 were issued after due deliberation on the operational parameters and comments received from stakeholders. The extant provisions of DERC (Business Plan) Regulations, 2017 in respect of Auxiliary Power Consumption for IPGCL 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.”*

- 3.2.4 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.

- 3.2.5 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.
- 3.2.6 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.

### **3.3 Issue No. 3**

#### **Return on Capital Employed (RoCE) for GTPS.**

##### **Petitioner's Submissions**

- 3.3.1 For the MYT period FY 2017-18 to FY 2019-20, the Commission has specified the methodology for allowing Return on Capital Employed in Tariff Regulations, 2017. It is respectfully 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 only. This cannot be further divided into debt and equity. This method of arriving at ROCE has resulted in drastic reduction of ROCE due to reduced amount of equity Component. Therefore, ROCE for FY 2018-19 will become Rs. 37.37 Cr. Thus AFC of GTPS station for FY 2018-19 will be of Rs. 136.09 Cr.

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

- 3.3.2 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.
- 3.3.3 In view of the above the claim of the petitioner is not admissible.

4. The Petition is disposed off as per the directions and decisions contained in the paragraph 3 of this order.
5. Ordered Accordingly.

**Sd/-**  
**(Justice S S Chauhan)**  
**Chairperson**