



ORDER
on
AGGREGATE REVENUE REQUIREMENT
for
PRAGATI POWER CORPORATION LIMITED
for
FY 2011-12



DELHI ELECTRICITY REGULATORY COMMISSION

AUGUST, 2011

LIST OF TABLES.....	3
LIST OF ABBREVIATIONS	5
A1: INTRODUCTION.....	7
PRAGATI POWER CORPORATION LIMITED	7
DELHI ELECTRICITY REGULATORY COMMISSION (DERC)	7
MULTI YEAR TARIFF REGULATIONS AND EXTENSION OF THE CONTROL PERIOD	9
FILING OF PETITION FOR APPROVAL OF ARR FOR FY 2011-12	10
<i>Filing of Petition</i>	10
<i>Acceptance of Petition</i>	10
<i>Interaction with the Petitioner</i>	10
<i>Public Hearing</i>	11
LAYOUT OF THE ORDER.....	13
A2: RESPONSES FROM STAKEHOLDERS.....	14
INTRODUCTION	14
PAYMENT TO DPCL ON ACCOUNT OF PRIOR PERIOD LIABILITY	14
<i>Stakeholder's Comment</i>	14
<i>Petitioner's Submission</i>	14
<i>Commission's View</i>	14
PAYMENT TO PENSION TRUST	14
<i>Stakeholder's Comment</i>	14
<i>Petitioner's Submission</i>	15
<i>Commission's View</i>	15
A3: ANALYSIS OF AGGREGATE REVENUE REQUIRMENT FOR FY 2011-12	17
INTRODUCTION	17
REVISION OF EXPENSES FOR FY 2007-08 TO FY 2010-11	18
<i>Revision in Base O&M Expenses</i>	18
<i>Impact of 6th Pay Commission Recommendations on Employee Cost</i>	20
PARTICULARS	21
<i>Impact of 6th Pay Commission Recommendations on CISF Expenses</i>	24
<i>Impact of transfer of Employees from I.P. Power Station</i>	25
<i>Total Cost Allowed due to Revision of various expenses for FY 2007-08 to FY 2010-11</i>	27
<i>Carrying Cost Allowed on account of under recovery of Fuel Cost</i>	27
<i>Carrying Cost Allowed on account of implementation of the Hon'ble ATE Order in Appeal No. 82/2007</i>	29
AGGREGATE REVENUE REQUIREMENT (ARR) FOR FY 2011-12.....	30
NORMS OF OPERATION	30
<i>Station Heat Rate</i>	30
<i>Availability</i>	31
<i>Auxiliary Consumption</i>	32
<i>Gross and Net Generation</i>	32
DETERMINATION OF VARIABLE CHARGES	34
<i>Commission's Analysis</i>	35
<i>Variable Cost</i>	37
DETERMINATION OF FIXED COST	37
<i>Operations and Maintenance Expenses</i>	38
<i>Employee Expenses</i>	38
<i>Repair and Maintenance Expenses</i>	38
<i>Administrative and General Expenses</i>	40
<i>Capital Expenditure and Additional Capitalisation</i>	42
<i>Depreciation</i>	43
<i>Advance Against Depreciation</i>	44
<i>Return on Equity</i>	46
<i>Interest Expenses</i>	47

<i>Interest on Working Capital</i>	48
<i>Tax Expenses</i>	50
<i>Fixed Fuel Cost</i>	51
<i>Fixed Cost</i>	52
A4: SUMMARY	54
DIRECTIVES ISSUED BY THE COMMISSION	54
SUMMARY OF GENERATION TARIFFS.....	54

LIST OF TABLES

TABLE 1: LIST OF CORRESPONDENCE WITH PPCL	11
TABLE 2: ADDITIONAL CONTRIBUTION TO THE FUND (RS CR)	15
TABLE 3: TERMINAL BENEFITS AS ON 31.03.2011 (RS CR)	15
TABLE 4: DETAILS REGARDING PPCL	17
TABLE 5: SUMMARY OF THE PETITION	17
TABLE 6: IMPACT OF REVISION IN BASE O&M EXPENSES (RS. CR)	19
TABLE 7: REVISED O&M EXPENSES AFTER CORRECTION OF BASE (RS CR)	19
TABLE 8: IMPACT OF 6 TH PAY COMMISSION RECOMMENDATIONS (RS. CR)	20
TABLE 9: IMPACT OF WAGE REVISION ON EMPLOYEE COST APPROVED BY THE COMMISSION (RS CR)	21
TABLE 10: ADDITIONAL AMOUNT APPROVED ON ACCOUNT OF REVISION OF BASE EMPLOYEE COST (RS CR)	21
TABLE 11: AMOUNT PAID ON ACCOUNT OF 'NEW ALLOWANCES' (RS CR)	22
TABLE 12: ADDITIONAL AMOUNT ALLOWED ON WAGE REVISION (RS CR)	22
TABLE 13: APPROVED ARREARS AND INCREASE IN EMPLOYEE COST (RS CR)	23
TABLE 14: REVISED EMPLOYEE EXPENSES FOR FY 2007-08 TO FY 2010-11 (RS CR)	23
TABLE 15: TOTAL REVISED O&M EXPENSES (RS CR)	24
TABLE 16: IMPACT OF SIXTH PAY COMMISSION ON CISF SECURITY EXPENSES (RS CR)	24
TABLE 17: IMPACT OF SIXTH PAY COMMISSION ON CISF SECURITY EXPENSES (RS CR)	25
TABLE 18: MOVEMENT OF I.P. POWER STATION EMPLOYEES	25
TABLE 19: STATION WISE FINANCIAL IMPACT OF MOVEMENT OF I.P. POWER STATION EMPLOYEES (RS CR)	26
TABLE 20: TOTAL COST ALLOWED BY THE COMMISSION DUE TO REVISION OF EXPENSES FOR FY 2007-08 TO FY 2010-11 (RS. CR.)	27
TABLE 21: UNDER RECOVERY OF FUEL COST (RS CR)	27
TABLE 22: CARRYING COST ON UNDER RECOVERY OF FUEL COST (RS CR)	28
TABLE 23: CARRYING COST ON ADDITIONAL COST FOR FY 2006-07 (RS CR)	29
TABLE 24: STATION HEAT RATE SUBMITTED BY THE PETITIONER (KCAL/KWH)	31
TABLE 25: STATION HEAT RATE (IN KCAL/ KWH) APPROVED BY THE COMMISSION	31
TABLE 26: SYSTEM AVAILABILITY (%) SUBMITTED BY THE PETITIONER	31
TABLE 27: APPROVED AVAILABILITY (%) FOR PPCL-I	32
TABLE 28: AUXILIARY POWER CONSUMPTION (%) SUBMITTED BY THE PETITIONER	32
TABLE 29: AUXILIARY POWER CONSUMPTION (%) APPROVED BY THE COMMISSION	32
TABLE 30: GROSS AND NET GENERATION SUBMITTED BY THE PETITIONER	33
TABLE 31: GROSS AND NET GENERATION (MU) APPROVED BY THE COMMISSION	33
TABLE 32: CONSUMPTION OF GAS AND FUEL COST SUBMITTED BY THE PETITIONER	35
TABLE 33: FUEL COSTS FOR FY 2011-12	36
TABLE 34: WEIGHTED AVERAGE PRICE AND GCV OF FUEL	36
TABLE 35: VARIABLE COST OF GENERATION FOR FY 2011-12	37
TABLE 36: EMPLOYEE EXPENSES SUBMITTED BY THE PETITIONER (RS CR)	38
TABLE 37: EMPLOYEE EXPENSES APPROVED BY THE COMMISSION (RS CR)	38
TABLE 38: R&M EXPENSES SUBMITTED BY THE PETITIONER (RS. CR)	39
TABLE 39: R&M EXPENSES APPROVED NOW BY THE COMMISSION (RS. CR)	40
TABLE 40: A&G EXPENSES SUBMITTED BY THE PETITIONER (RS CR)	40
TABLE 41: EXPENDITURE ON ERP LICENSES AND IT SUPPORT	41
TABLE 42: A&G EXPENSES APPROVED BY THE COMMISSION (RS CR)	42
TABLE 43: O&M EXPENSES APPROVED BY THE COMMISSION FOR PPCL FOR FY 2011-12 (RS CR)	42
TABLE 44: CAPITAL EXPENDITURE AND CAPITALISATION SUBMITTED BY THE PETITIONER (RS CR)	42
TABLE 45: CAPITAL EXPENDITURE AND CAPITALISATION APPROVED BY THE COMMISSION (RS CR)	43
TABLE 46: DEPRECIATION SUBMITTED BY THE PETITIONER (RS CR)	44
TABLE 47: DEPRECIATION APPROVED BY THE COMMISSION (RS CR)	44
TABLE 48: ADVANCE AGAINST DEPRECIATION SUBMITTED BY THE PETITIONER (RS CR)	45
TABLE 49: ADVANCE AGAINST DEPRECIATION APPROVED BY THE COMMISSION (RS CR)	45
TABLE 50: RETURN ON EQUITY SUBMITTED BY THE PETITIONER (RS CR)	46
TABLE 51: RETURN ON EQUITY APPROVED BY THE COMMISSION (RS CR)	47

TABLE 52: INTEREST EXPENSES SUBMITTED BY THE PETITIONER (RS CR)	47
TABLE 53: INTEREST EXPENSES APPROVED BY THE COMMISSION (RS CR)	48
TABLE 54: INTEREST ON WORKING CAPITAL SUBMITTED BY THE PETITIONER (RS CR)	49
TABLE 55: INTEREST ON WORKING CAPITAL (MYT ORDER) APPROVED IN THE MYT ORDER BY THE COMMISSION (RS CR)	49
TABLE 56: APPROVED INTEREST ON WORKING CAPITAL FOR FY 2011-12 (RS CR)	50
TABLE 57: FIXED FUEL COSTS SUBMITTED BY THE PETITIONER (RS CR)	51
TABLE 58: FIXED FUEL COSTS APPROVED BY THE COMMISSION (RS CR)	51
TABLE 59: FIXED COST APPROVED BY THE COMMISSION (RS CR)	53
TABLE 60: SUMMARY OF GENERATION COST/ TARIFF APPROVED BY THE COMMISSION FOR THE FY 2011-12	54

LIST OF ABBREVIATIONS

Abbreviation	Explanation
A&G	Administrative and General
AAD	Advance Against Depreciation
APC	Auxiliary Power Consumption
APM	Administered Price Mechanism
ARR	Aggregate Revenue Requirement
AT&C	Aggregate Technical and Commercial
ATE (Aptel)	Appellate Tribunal for Electricity
BPTAs	Bulk Power Transmission Agreement
BRPL	BSES Rajdhani Power Limited
BYPL	BSES Yamuna Power Limited
CCA	City Compensatory Allowance
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
CISF	Central Industrial Security Force
DERA	Delhi Electricity Reform Act
DERC	Delhi Electricity Regulatory Commission
DISCOMs	Distribution Companies (BRPL, BYPL & NDPL)
DPCL	Delhi Power Corporation Limited
DTL	Delhi Transco Limited
DVB	Delhi Vidyut Board
EPF	Employees Contribution to Provident Fund
FPA	Fuel Price Adjustment
FRSR	Fundamental Rules / Supplementary Rules
GAIL	Gas Authority India Limited
GCV	Gross Calorific Value
GFA	Gross Fixed Assets
GoNCTD	Government of National Capital Territory of Delhi
GTPS	Gas Turbine Power Station
HRA	House Rent Allowance
IPGCL	Indraprastha Power Generation Company Limited
LDO	Light Diesel Oil
LPSC	Late Payment SurCharge
LSC	Leave Salary Contribution
LSHS	Low Sulphur High Speed
LTC	Leave Travel Concession
MU	Million Units
MYT	Multi Year Tariff
NDMC	New Delhi Municipal Corporation

Abbreviation	Explanation
NDPL	North Delhi Power Limited
NTPC	National Thermal Power Corporation
O&M	Operations and Maintenance
PC	Pension Contribution
PLF	Plant Load Factor
PMT	Panna Mukta Tapti
PPCL	Pragati Power Corporation Limited
R&M	Repair and Maintenance
RLNG	Regasified liquefied Natural gas
RoCE	Return on Capital Employed
RoE	Return on Equity
RPH	Rajghat Power House
SHR	Station Heat Rate
SLDC	State Load Despatch Centre
TPA	Transport Allowance

A1: INTRODUCTION

- 1.1 This Order relates to the petition filed by Pragati Power Corporation Limited (hereinafter referred to as 'PPCL' or 'the Petitioner') for determination of generation tariff for its generating station for the FY2011-12.
- 1.2 Before 2001, Delhi Vidyut Board (hereinafter referred to as 'DVB') was the sole entity handling all functions of generation, transmission and distribution of electricity in the National Capital Territory of Delhi. However, the Government of National Capital Territory of Delhi notified the Delhi Electricity Reform (Transfer Scheme) Rules, 2001 (hereinafter referred to as 'Transfer Scheme') on November 20, 2001 and provided for unbundling of the functions of DVB into different entities handling generation, transmission and distribution of electricity.

Pragati Power Corporation Limited

- 1.3 All the assets, liabilities, rights and interest of DVB in Pragati Power Project were transferred to PPCL.
- 1.4 PPCL is wholly owned by the Government of National Capital Territory of Delhi and controls the 330 MW Station, having two gas turbine units of 104 MW each and one steam turbine unit of 122 MW.

Delhi Electricity Regulatory Commission (DERC)

- 1.5 The Delhi Electricity Regulatory Commission (hereinafter referred to as 'DERC' or 'Commission') was constituted by the Government of National Capital Territory of Delhi on March 3, 1999 and it became operational from December 10, 1999.
- 1.6 The Commission's approach to regulation is driven by the Electricity Act 2003, the National Electricity Plan, the National Tariff Policy and the Delhi Electricity Reform Act 2000 (hereinafter referred to as 'DERA'). The Act mandates the Commission to take measures conducive to the development and management of the electricity industry in an efficient, economic and competitive manner.

Functions of the Commission

- 1.7 The Commission derives its powers from DERA as well as the Act. The major functions assigned to the Commission under the DERA are as follows:
- (a) to determine the tariff for electricity, wholesale, bulk, grid or retail and for the use of the transmission facilities;
 - (b) to regulate power purchase, transmission, distribution, sale and supply;

- (c) to promote competition, efficiency and economy in the activities of the electricity industry in the National Capital Territory of Delhi;
- (d) to aid and advise the Government on power policy;
- (e) to collect and publish data and forecasts;
- (f) to regulate the assets and properties so as to safeguard the public interest;
- (g) to issue licenses for transmission, bulk supply, distribution or supply of electricity;
- (h) to regulate the working of the licensees; and
- (i) to adjudicate upon the disputes and differences between licensees.

1.8 The functions assigned to the Commission under the Act are as follows:

- (1) “Section 86. The State Commission shall discharge the following functions, namely: -
 - (a) determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be, within the State: Provided that where open access has been permitted to a category of consumers under section 42, the State Commission shall determine only the wheeling charges and surcharge thereon, if any, for the said category of consumers;
 - (b) regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the State;
 - (c) facilitate intra-state transmission and wheeling of electricity;
 - (d) issue licences to persons seeking to act as transmission licensees, distribution licensees and electricity traders with respect to their operations within the State;
 - (e) promote cogeneration and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution licensee;

- (f) adjudicate upon the disputes between the licensees and generating companies and to refer any dispute for arbitration;
 - (g) levy fee for the purposes of this Act;
 - (h) specify State Grid Code consistent with the Grid Code specified under clause (h) of sub-section (1) of section 79;
 - (i) specify or enforce standards with respect to quality, continuity and reliability of service by licensees;
 - (j) fix the trading margin in the intra-state trading of electricity, if considered, necessary;
 - (k) discharge such other functions as may be assigned to it under this Act.
- (2) The State Commission shall advise the State Government on all or any of the following matters, namely: -.
- (a) promotion of competition, efficiency and economy in activities of the electricity industry;
 - (b) promotion of investment in electricity industry;
 - (c) reorganisation and restructuring of electricity industry in the State;
 - (d) matters concerning generation, transmission, distribution and trading of electricity or any other matter referred to the State Commission by that Government.”

1.9 As part of the tariff related provisions of the Act, the State Electricity Regulatory Commission (SERC) has to be guided by the National Electricity Policy, National Tariff Policy and the National Electricity Plan.

Multi Year Tariff Regulations and Extension of the Control Period

- 1.10 The Commission issued a Consultative Paper and Draft Regulations for Generation, Transmission and Distribution to all concerned stakeholders, including the Government, the Generation Companies, Transmission and Distribution Licensees, consumers, etc. These documents detailed the principles, approach and methodology to be adopted for the determination of tariff for various entities under the MYT framework and also highlighted the various issues which were to be discussed and finalized for successful implementation of the MYT principles.
- 1.11 These Draft Regulations and MYT Consultative Paper were issued on October 11, 2006 and a notice to this effect was published in leading newspapers seeking comments from public and stakeholders.

- 1.12 The Commission issued Regulations vide notification dated May 30, 2007 specifying Terms and Conditions for Determination of Tariff for Generation, Transmission and Distribution of electricity under the Multi Year Tariff (MYT) framework for the period FY 2007-08 to FY2010-11.
- 1.13 The Commission vide its Order dated May 10, 2011 extended the MYT Regulations and the Control Period for a further period of one year up to March 31, 2012 after following the due process of law.

Filing of Petition for Approval of ARR for FY 2011-12

Filing of Petition

- 1.14 PPCL has filed a petition before the Delhi Electricity Regulatory Commission on April 13, 2011 for approval of Aggregate Revenue Requirement (ARR) and determination of Generation Tariff for FY 2011-12 under Section 62, 64 and 86 of the Electricity Act, 2003, read with the MYT Regulations, 2007 duly extended upto March 31, 2012.

Acceptance of Petition

- 1.15 The Commission admitted the petition for approval of ARR and determination of Generation Tariff for FY 2011-12 vide its Order dated May 4, 2011 subject to clarifications, if any, which would be obtained from the Petitioner from time to time. A copy of the Admission Order dated May 4, 2011 is enclosed as **Annexure I** to this Order.

Interaction with the Petitioner

- 1.16 The Order has referred at numerous places to various actions taken by the “Commission”. It may be mentioned for the sake of clarity, that the term “Commission” in most of the cases refers to the Staff of the Commission and the Consultants appointed by the Commission for carrying out the due diligence on the petitions filed by the utilities, obtaining and analysing information/clarifications received from the utilities and submitting all issues for consideration by the Commission.
- 1.17 For this purpose, the Commission Staff and Consultants held discussions with the Petitioners, obtained information/clarifications wherever required and carried out technical validation with regard to the information provided.
- 1.18 The role of the Commission has been to hold public hearings and to take the final view with respect to various issues concerning the principles and guidelines for tariff determination. The use of the term “Commission” may, therefore, be read in the context of the above clarification. The Commission has considered due diligence conducted by the Staff of the Commission and the Consultants in arriving at its final decision.

- 1.19 The Commission interacted regularly with the Petitioner to seek clarifications and justification on various issues essential for the analysis of the tariff petition. The Commission and the Petitioner also discussed key issues related to the petition, which included norms of operation of the plant, details of fuel expenses submitted to the Commission, loan details, etc.
- 1.20 The Commission also conducted multiple validation sessions with the Petitioner during which discrepancies in the petition and additional information required by the Commission were sought. Subsequently, the Petitioner submitted replies to the issues raised in these sessions.
- 1.21 The Petitioner submitted its replies, as shown below, in response to the queries raised by the Commission in these sessions, which have been considered during approval of the Aggregate Revenue Requirement of the Petitioner.

Table 1: List of Correspondence with PPCL

S.No	Date	Letter No.	Subject
1	13.04.2011	F.11/CS/PPCL/14	Filing of Tariff Petition for Determination of Generation Tariff for FY 2011.12
2	19.05.2011	PPCL/Comml./PDRA11-12/83	Additional information reg. Determination of Generation Tariff for FY 2011-12 and Truing-up for MYT Control Period FY 2007-08 to FY 2010-11
3	17.06.2011	PPCL/Comml./PDRA11-12/195	Additional information reg. Determination of Generation Tariff for FY 2011-12 and Truing-up for MYT Control Period FY 2007-08 to FY 2010-11
4	28.06.2011	PPCL/Comml./PDRA11-12/255	Additional information reg. Determination of Generation Tariff for FY 2011-12 and Truing-up for MYT Control Period FY 2007-08 to FY 2010-11
5	08.07.2011	PPCL/Comml./IDRA11-12/273	Additional information reg. Determination of Generation Tariff for FY 2011-12 and Truing-up for MYT Control Period FY 2007-08 to FY 2010-11
6	29.07.2011	PPCL/Comml./IPDRA11-12/303	Clarification required vide e-mail dated 25.07.2011.

Public Hearing

- 1.22 The Petitioner published a Public Notice on May 11, 2011 indicating the salient features of its petition, for inviting responses from the stakeholders, in the following newspapers:
- (a) Times of India (English)
 - (b) Financial Express (English)
 - (c) Indian Express (English)

- (d) Jansatta (Hindi)
 - (e) Daily Educator (Punjabi)
 - (f) The Daily Milap (Urdu)
- 1.23 Copies of the Public Notice in English, Hindi, Punjabi and Urdu are enclosed as **Annexure II** to this Order. A detailed copy of the petition was also made available for purchase from the head-office of the Petitioner on any working day from May 12, 2011 to May 27, 2011, between 11 A.M. and 4 P.M. on payment of Rs 100/-. A complete copy of the petition was also made available on the website of the Commission, as well as that of the Petitioner, requesting for comments of the stakeholders thereon.
- 1.24 The Commission also published a Public Notice on May 13, 2011 inviting comments from stakeholders on the petitions filed by the DISCOMs in the following newspapers:
- (a) Times of India (English)
 - (b) Hindustan Times (English)
 - (c) Nav Bharat Times (Hindi)
 - (d) The Daily Milap (Urdu)
 - (e) Daily Educator (Punjabi)
- 1.25 Interested consumers and stakeholders were requested to file their objections and suggestions on the petition by May 31, 2011. Copies of the above Public Notices in English, Hindi, Punjabi and Urdu are attached as **Annexure III** to this Order.
- 1.26 The Petitioner/ Commission received comments from four stakeholders. The Petitioner responded to the comments of the stakeholders with a copy to the Commission. The Commission invited all stakeholders who had filed their objections and suggestions to attend Public Hearing. The list of stakeholders who responded to the public notice on ARR and tariff petitions and those who attended the public hearing is provided as **Annexure IV** to this Order.
- 1.27 The public hearing was held at the Commission's Court Room on July 1, 2011 at 10.30 AM to discuss the issues related to the petition filed by the Petitioner for approval of ARR and Transmission Tariff for FY 2011-12.
- 1.28 The issues and concerns voiced by various stakeholders have been examined by the Commission. The major issues discussed during the public hearing, through the comments made by the stakeholders and the views of the Commission, have been summarized in Section A2.

Layout of the Order

1.29 This Order is organised into four Chapters:

- (a) Chapter A1 provides details of the tariff setting process and the approach of the Order;
- (b) Chapter A2 provides a detailed account of the Public Hearing process, including the comments made by various stakeholders, the Petitioner's response and views of the Commission;
- (c) Chapter A3 analyses the Aggregate Revenue Requirement and Generation tariff for FY 2011-12; and
- (d) Chapter A4 details the Directives of the Commission and Summary of the Generation Tariffs for PPCL.

1.30 The Order contains the following Annexure, which are an integral part of the Tariff Order.

- (a) Annexure I – Admission Order;
- (b) Annexure II – Copies of Public Notices published by the Licensee;
- (c) Annexure III – Copies of Public Notice published by the Commission;
- (d) Annexure IV – List of Stakeholders.

A2: RESPONSES FROM STAKEHOLDERS

Introduction

- 2.1 Public hearing being a platform to understand the problems and concerns of various stakeholders, the Commission has always encouraged transparent and participative approach in the hearings, which are used to obtain necessary inputs required for tariff determination.
- 2.2 The public hearing was held in the office of the Commission on July 1, 2011, wherein stakeholders put forth their comments/suggestions before the Commission in the presence of the Petitioner.
- 2.3 The Commission has examined the issues and concerns voiced by various stakeholders in their written comments as well as in the Public hearing and also the response of the petitioner thereon. The comments/ suggestions submitted by various stakeholders in response to the ARR petition, the replies given by the Petitioner and the views of the Commission have been summarized under various sub-heads as below:

Payment to DPCL on account of Prior Period Liability

Stakeholder's Comment

- 2.4 DPCL has claimed that a sum of Rs. 276.80 Cr which it had paid to various third parties/contractors and suppliers as per the bills and claims against erstwhile DVB are payable to it by all the successor entities. Utility wise break-up of the same is however still being worked out.

Petitioner's Submission

- 2.5 The Petitioner has submitted that *"it has not received any information about the claims/bills paid by DPCL towards works/supplies/services supplied to PPCL before the unbundling of DVB. Hence no such claim has been included in the ARR."*

Commission's View

- 2.6 During the Public hearing, DTL submitted that DPCL has not raised any demand on account of prior period liability as the detailed break-up of the claim is yet to be worked out for various utilities. The Commission is of the view that the claim of DPCL is premature and does not require consideration at this stage.

Payment to Pension Trust

Stakeholder's Comment

2.7 Stakeholders have claimed that the successor entities of the erstwhile DVB are liable to make payment to the Pension Trust on account of

- (a) Actuarial Revaluation of the Fund (total amount to be paid – Rs 1315 Cr)
- (b) Reimbursement of actual payment to the retirees by the fund on account of medical reimbursement, LTC from 2002-11 and Pension Arrears paid on account of Sixth Pay Commission recommendations. The details for which are shown in the tables below:

Table 2: Additional Contribution to the fund (Rs Cr)

	DTL	IPGCL	BRPL	BYPL	NDPL	Total
Additional Contribution to the Fund*	119.67	159.51	399.10	326.91	309.81	1315.00

Table 3: Terminal benefits as on 31.03.2011 (Rs Cr)

	DTL	IPGCL	BRPL	BYPL	NDPL	Total
Amount Claimed by Trust for FY11*	16.84	21.84	79.68	65.27	61.85	245.48
Amount Claimed by Trust for FY12*	24.28	32.35	80.95	66.31	62.84	266.73
Claimed in Petition for FY11**	26.98	32.18	0	0	0	0
Claimed in Petition for FY12**	50	32.35	0	0	0	0

*As per representation received from Pension Trust **As per petition/ additional information

Petitioner's Submission

2.8 The Petitioner has submitted that *“the query raised does not relate to PPCL and it is in reference to unbundled entities of the erstwhile DVB i.e. IPGCL, DTL, BRPL, BYPL and NDPL only”*.

Commission's View

2.9 The Commission has considered the submissions made by Secretary, Pension Trust and CEO's of the DISCOMs at length. The Commission also examined the relevant provisions of the Transfer Scheme Rules, 2001, Tripartite Agreement entered amidst GoNCTD, DVB and association of Union of the officers and employees of the erstwhile DVB, Trust Deed, Pension Trust and the record pertaining to the Civil Writ Petition (C) No 1698/2010 filed by Delhi State Electricity Workers Union before the Hon'ble High Court of Delhi.

2.10 The Commission noticed that shortfall of the fund in the Pension Trust is the main issue in the said Writ Petition. At the present matter is sub-judice. The Commission also observed that Pension Trust is facing acute shortage of fund and is left with the meagre fund just sufficient to meet its obligation towards the pensioners for another 5 to 6 months only.

2.11 In view of the above and to avoid any undue hardship to the retired employees (pensioners) of the erstwhile DVB, the Commission has considered providing a

provisional lump sum amount of Rs 150 Cr in the ARR of the DTL for FY 2011-12 subject to the final outcome in the Civil Writ Petition (C) No 1698/2010.

A3: ANALYSIS OF AGGREGATE REVENUE REQUIREMENT FOR FY 2011-12

Introduction

- 3.1 The Commission has analysed the Tariff Petition submitted by the Petitioner for approval of Aggregate Revenue Requirement and determination of Generation Tariffs for the FY 2011-12.
- 3.2 The Commission held various discussions to validate the data submitted by the Petitioner and sought further clarifications on various issues. The Commission has considered all information submitted by the Petitioner as part of the tariff petitions, responses to various queries raised during the discussions and also during the public hearing, for determination of tariffs.
- 3.3 The Petitioner has a total generation capacity of 330 MW, and operates two gas turbine units of 104 MW each and one steam turbine generator of 122 MW, as detailed in the following table:

Table 4: Details regarding PPCL

Details	Gas Turbine I	Gas Turbine II	Steam Gas Turbine
Capacity (MW)	104	104	122
Date of Commissioning	May 2002	Nov 2002	Mar 2003
Fuel	Gas/ LNG		
Source	GAIL (APM,PMT, R-LNG & Spot R-LNG)		

- 3.4 In the present petition, the Petitioner has requested for true-up of FY 2007-08 to FY 2010-11 along with approval of ARR for FY 2011-12. A summary of the variable and fixed cost submitted by the Petitioner for FY 2007-08 to FY 2011-12 in the Tariff Petition is shown in the table below:

Table 5: Summary of the Petition

Particulars	Units	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
		(Actual)	(Actual)	(Actual)	(Provisional)	(Projected)
Gross Generation	MU	2366.74	2401.34	2452.93	2335.649	2318.98
Net Generation	MU	2299.50	2334.50	2381.80	2270.2	2249.41
Total Fixed Cost	Rs. Cr	4666.24	4735.84	4834.73	4605.849	4568.39
Total Variable Cost	Rs. Cr	235.62	286.04	267.6	411.74	508.98
Total Cost	Rs. Cr	442.98	491.32	472.58	651.3	760.72
Fixed Cost per Unit	Rs./kWh	0.9018	0.8793	0.8606	1.0552	1.1191
Variable Cost per Unit	Rs./kWh	1.0247	1.2253	1.1235	1.8137	2.2627
Total Cost per Unit	Rs./kWh	1.9264	2.1046	1.9841	2.8689	3.3819

- 3.5 The Commission has extended the MYT Regulations and the Control Period for a further period of one year up to March 31, 2012 and it shall carry out true up for each year of the Control Period only at the end of the extended Control Period. The Commission vide its Order dated May 4, 2011 has also admitted the petition for approval of ARR for FY 2011-12.
- 3.6 While the Commission shall carry out true up for all years of the extended Control Period (FY 2007-08 to FY 2011-12) at the end of the extended Control Period, it has decided to allow additional expenses/costs to the Petitioner on account of the Order of the Hon'ble Appellate Tribunal of Electricity (hereinafter referred to as "ATE") in Appeal No. 25/2008 and Order of the Commission dated December 3, 2009.
- 3.7 This Chapter contains detailed analysis of the petition submitted by the Petitioner and the various parameters approved by the Commission for determination of Generation Tariff for the Petitioner for FY 2011-12.

Revision of Expenses for FY 2007-08 to FY 2010-11

Revision in Base O&M Expenses

Petitioner's Submission

- 3.8 The Petitioner has submitted that the Commission while approving the O&M Expenses in its MYT Order dated December 14, 2007 had provided an escalation of 4% on the average of the approved O&M expenditure for FY 2005-06 and FY 2006-07, instead of the approved O&M expense for previous year i.e. FY 2006-07.
- 3.9 Further, it has stated that the Commission in its Review Order dated July 20, 2009 in respect of Petition No.2/2008 on the issue of O&M expenditure escalation has also agreed to true-up the same in accordance with MYT Regulations.

Commission's Analysis

- 3.10 In its MYT Order the Commission had projected the total O&M Expenses (Employee Expenses, A&G Expenses, R&M expenses) for the Control Period by escalating the base O&M Expenses, which were calculated as the average of the approved O&M expenses in the years FY 2005-06 and FY 2006-07. This approach was at variance with the approach followed by the Commission in case of the transmission and distribution licensees wherein the Commission had projected O&M expenses for FY 2007-08 to FY 2010-11 by considering the approved expenses for FY 2006-07 as the base.
- 3.11 The Commission has now decided to revise the base O&M expenses for the Petitioner to correct for the anomaly in the MYT Order and apply a common approach to all the Utilities. The revised base O&M expenses (for FY 2006-07) have been escalated by 4% p.a. for estimating the O&M expenses for each year of the MYT Control Period.

The revised approved O&M expenses for FY 2007-08 to FY 2010-11 are given in the table below:

- 3.12 The impact of revision in methodology for calculation of O&M expenditure as estimated by the Petitioner and as approved by the Commission is summarized in Table 6 below.

Table 6: Impact of Revision in Base O&M Expenses (Rs. Cr)

Particulars	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Escalation Factor		1.04	1.04	1.04	1.04
Base O&M Expenses Approved in the MYT Order	30.47#				
O&M Expenses allowed by the Commission in MYT Order	31.02	31.69	32.96	34.28	35.65
Actual O&M submitted by the Petitioner		32.27	33.56	34.90	36.29
Revised Base O&M Expenses Approved Now	31.02*				
Revised O&M Approved Now due to Correction of Base O&M Expenses	31.02	32.27	33.56	34.90	36.29

Base O&M expenses taken equal to average of O&M expenses of FY 2005-06 and FY 2006-07

* Base O&M expenses taken equal to approved O&M expenses for FY 2006-07 (as approved in Order dated December 3, 2009)

- 3.13 The expenses in respect of Employee Expenses, Repairs & Maintenance (R&M), and Administrative & General Expenses (A&G) as approved in the MYT Order and as approved now after correcting the anomaly are shown in the Table below:

Table 7: Revised O&M Expenses after Correction of Base (Rs Cr)

Particulars	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
		Approved in MYT Order			
Employee Cost	11.80	12.05	12.53	13.03	13.56
A&G Expenses	9.66	9.87	10.26	10.67	11.10
R&M Expenses	9.57	9.77	10.17	10.57	10.99
O&M Expenses	31.02	31.69	32.96	34.28	35.65
		Approved Now			
Employee Cost	11.80	12.27	12.76	13.27	13.80
A&G Expenses	9.66	10.05	10.45	10.86	11.30
R&M Expenses	9.57	9.95	10.35	10.76	11.19
O&M Expenses	31.02	32.27	33.56	34.90	36.29

Impact of 6th Pay Commission Recommendations on Employee Cost

Petitioner's Submission

- 3.14 The Petitioner has submitted that GNCTD has approved the Wage Revision Committee recommendations, based on Sixth Pay Commission in October 2009 with effect from January 1, 2006. The Petitioner has paid the interim relief w.e.f. April, 2008 and implemented the GNCTD Orders on Wage Revision Committee recommendations in October 2009 and paid the arrears for past period. The Petitioner has submitted that the wage revision due to 6th Pay Commission recommendations led to additional employee expenses of Rs 11.39 Cr for FY 2007-08 to FY 2010-11. It requested for the true up of the actual employee expenses for the period FY 2007-08 to FY 2010-11, including the impact of the recommendations of the Sixth Pay Commission.
- 3.15 The Commission directed the Petitioner to submit component wise and year wise break-up of the impact of wage revision on the total employee cost. The Petitioner submitted that in the details furnished in the petition on account of impact of Sixth Pay Commission, the figures on account of Interim relief already paid, Leave Salary Contribution (LSC), Pension Contribution (PC) and EPF contribution (Employer's Contribution to Provident Fund) upto September-2009 was erroneously left out. Further, the allowances payable on implementation of Sixth Pay Commission/GNCTD Order such as Generation Linked Incentive, Education allowance, LTC leave encashment etc. are also required to be accounted in the total impact. The same were not accounted for in the earlier figures submitted in the petition. The revised impact of wage revision as submitted by the Petitioner is shown in the table below.

Table 8: Impact of 6th Pay Commission Recommendations (Rs. Cr)

Particulars	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Impact due to the 6 th Pay Commission submitted in the Petition	0.72	2.86	2.83	3.49	3.84	4.22
Impact due to the 6 th Pay Commission submitted in the Additional Information	0.96	3.87	3.79	4.51	5.70	9.04

Commission's Analysis

- 3.16 The Commission in its MYT Order had anticipated additional expenditure on account of wage revision expected due to implementation of recommendations of the 6th Pay Commission.
- 3.17 While approving employee cost for the Control Period, in the MYT Order, the Commission had stated:

“The Commission has recognised the uncontrollable nature of the 6th Pay Commission recommendations and has considered an increase of 10% in total Employee Expenses

Since the arrears on account of revision of employee costs are expected to be paid only in FY09, the Commission has considered the same in tariffs from FY09 onward. The Commission shall true-up the impact on account of 6th Pay Commission recommendations based on the actual impact of the same”

- 3.18 The actual impact of wage revision on employee cost of FY 2005-06 and FY 2006-07 has been submitted as Rs 0.96 Cr and Rs 3.87 Cr and thus the revised employee cost, including impact of wage revision, for FY 2005-06 and FY 2006-07 works out to be Rs 11.78 Cr and Rs 15.67 Cr respectively.
- 3.19 For considering the impact of wage revision on employee cost for each year from FY 2007-08 to FY 2010-11, the revised employee expenses have been escalated by the relevant escalation factor to arrive at the employee expenses for each year of the Control Period from FY 2007-08 to FY 2010-11 as would have been done at the time of deciding the MYT tariff if the revised employee expense for FY 2006-07 had been known. The revised trajectory for employee expenses for FY 2007-08 to FY 2010-11 after revision in the base is shown below:

Table 9: Impact of Wage Revision on Employee Cost approved by the Commission (Rs Cr)

Particulars	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Base Employee Cost for FY 2006-07	15.67				
Escalation Factor		1.04	1.04	1.04	1.04
Employee Cost (Including 6th Pay Commission impact) – Revised		16.30	16.95	17.63	18.33

- 3.20 Hence, the Commission has allowed additional amount for the FY 2007-08 to FY 2010-11 on account of revision of employee cost in the base year (FY 2006-07) as shown in below:

Table 10: Additional Amount approved on account of revision of Base Employee Cost (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Revised Employee Cost (excluding 6th Pay Commission impact) - (A) (Refer Table 7)	12.27	12.76	13.27	13.80
Revised Employee Cost (Including 6th Pay Commission impact) –(B) (Refer Table 9)	16.30	16.95	17.63	18.33
Additional Employee Cost Allowed due to Increase in Base Year Employee Cost due to Wage Revision (B-A)	4.03	4.19	4.36	4.53

- 3.21 Further, the Commission has also observed that while the increase in salaries due to wage revision was with retrospective effect from January 1, 2006, the implementation

of wage revision recommendations also led to introduction/removal/increase of certain allowances such as HRA, TPA, CCA and Children Education Allowance (from FY 2008-09), LTC (from FY 2009-10), Special Duty Allowance and Generation Incentive (from FY 2010-11). The Commission has added the amount paid on account of these 'New Allowances' (excluding Generation Incentive) separately in the employee cost from FY 2008-09 onwards.

- 3.22 As per the Petitioner's submission, the Generation Linked Incentive scheme was framed to link the productivity with the operational targets. The factors recommended for incentives/ disincentives are Equivalent Availability Factor, Auxiliary Power Consumption, Station Heat Rate and Planned shutdown. The Commission has not allowed the additional amount on account of Generation Incentive as the Commission already provides Generation Incentive to the Petitioner for a higher PLF, which the Petitioner may utilize towards incentivizing its employees. The total amount allowed on account of these 'New Allowances' is shown below.

Table 11: Amount Paid on Account of 'New Allowances' (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Amount Paid due to New Allowances	0.00	0.96	1.77	2.69

- 3.23 The total impact of wage revision, including amount allowed on account of 'New Allowances' is shown below.

Table 12: Additional Amount allowed on Wage Revision (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Additional Employee Cost Allowed due to Revision of Base Year Expenses (A) (Refer Table 10)	4.03	4.19	4.36	4.53
Amount allowed due to New Allowances (B) (Refer Table 11)		0.96	1.77	2.69
Additional Employee Cost Allowed Now on account of Wage Revision (A+B)	4.03	5.15	6.13	7.22

- 3.24 The Commission while approving the employee cost in the MYT Order had expected the arrears on account of revision of employee costs to be paid in FY 2008-09 and had considered the payment of arrears in the total employee cost approved for FY 2008-09. Similarly, the increase in salaries had been considered for each year, but the impact of such increase had only been taken from FY 2008-09 onwards. Regarding the actual payment of arrears for the revision in salaries from FY 2007-08 to FY 2009-10, the Petitioner has submitted that:

- (a) It started paying the interim relief to its employees w.e.f. April, 2008. The payment on account of revision in salaries due to wage revision was paid in the month of October, 2009.

- (b) The revised claim on account of revision in Leave Salary Contribution (LSC) and Pension Contribution (PC) has been provided in the Books of Account.

3.25 Accordingly, while the Commission has considered the increase in salaries for each year, the payment of arrears has been considered partially in FY 2008-09 (Rs 0.91 Cr on account of interim relief @20% of salaries) and partially in FY 2011-12 (Rs 4.99 Cr on account of revised LSC and PC payments which have been provided for in the accounts but have not yet been paid). The balance amount on account of wage revision has been considered in FY 2009-10. Further, the impact of increase in salaries has been taken from FY 2010-11 onwards.

Table 13: Approved Arrears and Increase in Employee Cost (Rs Cr)

Particulars	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Extra Employee Cost Allowed due to Wage Revision	0.96	3.87					
Extra Employee Cost Allowed due to Revision of Base Year Expenses (Refer Table 12)			4.03	4.19	4.36	4.53	
Amount allowed due to New Allowances (Refer Table 12)				0.96	1.77	2.69	
Total	0.96	3.87	4.03	5.15	6.13	7.22	
Accumulated Arrears Pay Out				0.91	14.24		4.99*
Approved Increase in Salaries						7.22	

*On account of LSC and PC payments (not paid), this has been included in ARR of FY 2011-12

Table 14: Revised Employee Expenses for FY 2007-08 to FY 2010-11 (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Employee Cost Allowed MYT Order (A)	12.05	16.44	14.33	14.91
Revised Employee Cost Approved Now (excluding 6th Pay Commission) (B) (Refer Table 7)	12.27	12.76	13.27	13.80
Arrears Approved Now (C) (Refer Table 13)		0.91	14.24	
Increase in Salaries in FY 2010-11 Approved Now (D) (Refer Table 13)				7.22
Revised Employee Cost Approved Now (E=B+C+D)	12.27	13.67	27.51	21.02

3.26 The total O&M expenses as approved by the Commission in the MYT Order and as approved now (based on the discussion in the sections above) are shown in the table below.

Table 15: Total Revised O&M Expenses (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Approved in MYT Order				
Employee Cost	12.05	12.53	13.03	13.56
A&G Expenses	9.87	10.26	10.67	11.10
R&M Expenses	9.77	10.17	10.57	10.99
O&M Expenses	31.69	32.96	34.28	35.65
Impact of 6 th Pay Commission	0.00	3.91	1.30	1.36
Water Charges	2.55	2.65	2.76	2.87
Additional R&M Expenses	20.00	20.00	20.00	20.00
Total O&M Expenses	54.24	59.52	58.34	59.87
Approved Now				
Employee Cost	12.27	12.76	13.27	13.80
A&G Expenses	10.05	10.45	10.86	11.30
R&M Expenses	9.95	10.35	10.76	11.19
O&M Expenses	32.27	33.56	34.90	36.29
Impact of 6 th Pay Commission	0.00	0.91	14.24	7.22
Water Charges	2.55	2.65	2.76	2.87
Additional R&M Expenses	20.00	20.00	20.00	20.00
Total O&M Expenses	54.81	57.11	71.89	66.38
Difference from MYT	0.57	-2.40	13.56	6.51

Impact of 6th Pay Commission Recommendations on CISF Expenses

Petitioner's Submission

- 3.27 The Petitioner has also deployed CISF for the security of its plants. It has been submitted that their pay structure is also governed by the Central Government rules and thus the Sixth Pay Commission recommendations were also implemented in CISF. Accordingly, the expenditure on security has also increased substantially. The impact of Sixth Pay Commission on CISF manpower has been submitted in the petition as under.

Table 16: Impact of Sixth Pay Commission on CISF Security Expenses (Rs Cr)

Particulars	FY 2008-09	FY 2009-10	FY 2010-11
Additional CISF Cost	1.38	0.47	0.52

- 3.28 In the subsequent submissions to the Commission the Petitioner has also submitted that GoI has imposed service tax with effect from May 1, 2006 on security agency services through Finance Act. Ministry of Home Affairs has decided to charge service tax on the services provided by CISF w.e.f April 1, 2009 and service tax for the period prior to April 2009 is not payable pending decision by GoI. The Petitioner is paying service tax @ 10.3% on the services provided by CISF and has requested the Commission to consider this fact and allow the impact of the same in addition to the impact of Sixth Pay Commission recommendations

Commission's Analysis

- 3.29 The security (CISF) expenses of the Petitioner have increased due to increase in employee cost of CISF employees on account of implementation of recommendations of 6th Pay Commission and imposition of service tax on security expenses from 01.04.2009 onwards.
- 3.30 The exact impact on account of sixth pay commission implementation as well as service tax on the security expenses of the Petitioner is, however, unclear as according to the Petitioner, CISF has not indicated the arrears on account of wage revision separately in the bills raised by it.
- 3.31 Considering the statutory nature of the expense, the Commission has decided to provisionally allow the additional security expenses as submitted by the Petitioner. The same shall, however, be subject to true up at the end of the extended Control Period.
- 3.32 The Commission has also escalated the expenses for FY 2010-11 by 4% to arrive at additional CISF expenses for FY 2011-12 as shown below.

Table 17: Impact of Sixth Pay Commission on CISF Security Expenses (Rs Cr)

Particulars	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Additional CISF Cost	1.38	0.47	0.52	0.54*

*included in ARR of FY 2011-12

Impact of transfer of Employees from I.P. Power Station**Petitioner's Submission**

- 3.33 The Government of Delhi has closed down I.P. Power Station on December 31, 2009. The Commission directed the Petitioner to submit details regarding the redeployment of employees of I.P. Power Station and the financial impact of the same on PPCL, GTPS and RPH.
- 3.34 It has been submitted that out of a total of 621 employees, some of the employees had opted for SVRS in the month of November-2009. The remaining employees were transferred to various stations of IPGCL, PPCL and DTL as shown in the table below.

Table 18: Movement of I.P. Power Station Employees

Particulars	No. of Employees
SVRS	235
Retired	16
PPCL-III, Bawana Project	56
DTL	27
RPH	154

Particulars	No. of Employees
HQ	94
GTPS	4
PPCL-I	35
Total	621

3.35 The Petitioner has worked out the financial impact of movement of employees on the employee cost of GTPS, RPH and PPCL considering the following:

- (a) The average employee cost of IP station employees has been worked out considering the average salary of the employees of IP Station in FY 2009-10 and an escalation of 10% in the average salary of the employees per annum for FY 2010-11 and FY 2011-12.
- (b) The average Allowances Per Employee e.g. Incentive, LTC, LTC Leave encashment for FY 2010-11 have also been included in the employee cost.
- (c) The impact on each station – GTPS, RPH and PPCL – has been computed considering the number of employees transferred to the Station. The employee cost of employees transferred to Headquarters has been allocated between RPH and GTPS in the ratio 1:2.

3.36 The station wise impact of movement of I.P. Power Station employees in FY 2010-11 and FY 2011-12 as submitted by the Petitioner is shown in the table below.

Table 19: Station wise financial impact of movement of I.P. Power Station employees (Rs Cr)

Station	FY 2010-11	FY 2011-12
R.P.H.	15.8	17.38
GTPS	5.68	6.25
PPCL-I	2.98	3.28
Total	24.46	26.81

Commission's Analysis

- 3.37 Since the Commission has extended the MYT Regulations and the Control Period for one year upto March 31, 2012, the true up for all generating stations of the Petitioner, including I.P. Power Station, shall be carried out at the end of the extended Control Period.
- 3.38 The Commission, however, recognizes that the redeployment of employees from I.P. Power Station to RPH, GTPS and PPCL-I has caused an increase in the employee cost of these power stations that cannot be covered by the normative O&M expenses allowed to these stations. The Commission has, therefore, decided to provisionally allow additional employee cost on account of transfer of employees from I.P. Power Station, as submitted by the Petitioner (i.e. Rs 2.98 Cr for FY 2010-11 and Rs 3.28 Cr for FY 2011-12 for PPCL-I). The same shall be subject to true up at the end of the

extended Control Period, along with true up of expenses for I.P. Power Station for FY 2007-08 to FY 2009-10.

Total Cost Allowed due to Revision of various expenses for FY 2007-08 to FY 2010-11

- 3.39 The total additional cost allowed on account of revision of various expenses from FY 2007-08 to FY 2010-11, including the carrying cost, are shown in the table below. The carrying cost has been calculated from FY 2007-08 up to March 2011, considering the effective rate of interest on existing loans of the Petitioner for the respective years.

Table 20: Total Cost Allowed by the Commission due to Revision of Expenses for FY 2007-08 to FY 2010-11 (Rs. Cr.)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Opening Gap (A)	0.00	0.60	-0.42	14.18
Additions During the Year (B)	0.57	-1.02	14.03	10.01
<i>O&M Expenses</i>	<i>0.57</i>	<i>-2.40</i>	<i>13.56</i>	<i>6.51</i>
<i>Additional CISF Expenses</i>	<i>0.00</i>	<i>1.38</i>	<i>0.47</i>	<i>0.52</i>
<i>Additional Employee Cost for IP Station Employees</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>2.98</i>
Rate of Interest (%)	9.09%	9.01%	8.72%	8.67%
Carrying Cost (C)	0.03	0.01	0.58	1.66
Closing Gap (A+B+C)	0.60	-0.42	14.18	25.86

Carrying Cost Allowed on account of under recovery of Fuel Cost

Petitioner's Submission

- 3.40 The Petitioner has submitted that there was an anomaly in the MYT Order in respect of the weighted Average Price of Gas. The Commission vide their letter 31.03.2011 rectified the same. It has been submitted that the carrying cost on the financial impact of under recovery of fuel cost should also be allowed. The under recovery of fuel cost for which bills have been raised on the Discoms is given in the table below:

Table 21: Under recovery of Fuel Cost (Rs Cr)

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	Total
NDPL	3.84	3.26	3.24	3.02	13.36
BRPL	5.72	4.89	4.91	4.62	20.14
BYPL	5.64	3.41	3.46	3.12	15.63
NDMC		4.01	4.06	3.78	11.85
Total	15.2	15.56	15.66	14.54	60.96

Commission's Analysis

- 3.41 The Commission in its MYT Order had approved the base weighted average price of gas as Rs 4640.14/1000 SCM for the Petitioner. The Commission has taken note of

the submission of the PPCL that the base indices taken for weighted average price and weighted average GCV for the purpose of calculation in the fuel price adjustment formula are based on the true-up values of fuel consumption and pricing of FY 2006-07 whereas the basic energy charge for MYT period has been computed by taking different composition of fuel. The Commission's attention was drawn to the fact that the weighted average price of gas indicated in the MYT Order has been different from the weighted average price adopted for computation of basic energy charge of Rs. 0.9596/kWh.

- 3.42 The Commission considered the matter and observed that the weighted average price of Rs.4640.14 considered in the MYT Order was calculated based on the trued up quantities of FY 2006-07 instead of base fuel consumption for the FY 2007-08 as per the MYT Order. Accordingly, the Commission approved weighted average price of Rs.4341.67/1000 SCM vide letter bearing reference no. F.17(69)/Engg./DERC/2010-11/5406 dated March 31, 2011 as given in the table below:

Particular	APM Gas	PMT Gas	Fall Back RLNG	Spot RLNG
Quantity (MMSCM)	385	95	15.8	Nil
GCV (kcal/SCM)	9328.90	9328.90	9326.27	9492.46
Price (Rs./1000 SCM)	4263.41	4186.20	7183.54	Nil
Weighted average price (Rs./1000SCM)	4341.67			
Weighted average GCV (kcal/SCM)	9333.53			

- 3.43 Due to the high base price of gas specified in the MYT Order, there was under recovery in fuel costs each year from FY 2007-08 to FY 2010-11, which has been reported as Rs 60.96 Cr by the Petitioner in its submissions. The Petitioner has also informed the Commission that it has raised the bills for the same on the distribution licensees. Thus the same need not be included in the ARR for the Petitioner for FY 2011-12.
- 3.44 The Petitioner is, however, eligible for carrying cost on the same. The carrying cost has been calculated from FY 2007-08 up to March 2011, considering the effective rate of interest on existing loans of the Petitioner for the respective years. The total carrying cost for the period works out to be Rs 11.65 Cr as shown in the Table below:

Table 22: Carrying cost on under recovery of Fuel Cost (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Opening Gap	0.00	15.89	33.58	52.85
Additions During the Year	15.20	15.56	15.66	14.54
Rate of Interest (%)	9.09%	9.01%	8.72%	8.67%
Carrying Cost	0.69	2.13	3.61	5.21
Closing Gap	15.89	33.58	52.85	72.61
Total Carrying Cost for the Period				11.65

Carrying Cost Allowed on account of implementation of the Hon'ble ATE Order in Appeal No. 82/2007

Petitioner's Submission

- 3.45 The Petitioner has submitted that it has raised revised energy bills on Delhi Transco Limited (DTL) for Rs 5.07 Cr on January 18, 2010 in accordance with the Commission's Order for implementation of the Hon'ble ATE Order in Appeal No. 82/2007. The Petitioner has requested that carrying cost on the same be allowed to it.

Commission's Analysis

- 3.46 The Commission had approved the ARR for the Petitioner for FY 2006-07 vide its Order dated September 22, 2006. The Petitioner filed an appeal (Appeal No. 82/2007) with the Hon'ble ATE against this Order. The Hon'ble ATE has given its judgement in this Appeal vide its Order dated January 10, 2008. In compliance to the same, the Commission vide its letter dated December 3, 2009 has allowed an amount of Rs 5.07 Cr to the Petitioner on account of –
- (a) Additional Fuel Costs approved for FY 2006-07 of Rs. 4.78 Cr
 - (b) Additional amount approved on account of rebate on timely payment of bills of Rs. 0.29 Cr
- 3.47 Since the additional amount has already been allowed, it need not be included in the ARR of the Petitioner for FY 2011-12.
- 3.48 With regards to the carrying cost on the amount, the Petitioner has submitted that it had raised the revised bill for the FY 2006-07 on DTL in the month of January 2010 (in accordance with the Commission's Order dated December 3, 2009). Accordingly, the Petitioner is eligible for claiming carrying cost on this amount in its ARR only up to the date the Order of the Commission was given effect to, i.e. January 2010. The Petitioner may claim the surcharge/carrying cost, post January 2010 from the DTL for non payment of dues in accordance with the commercial arrangement between them.
- 3.49 In view of the above, carrying cost on this amount has been allowed from FY 2006-07 up to January 2010. The Commission has considered the effective rate of interest on existing loans of the Petitioner for the respective years for calculation of the same. The total carrying cost allowed to the Petitioner is shown in the Table below:

Table 23: Carrying Cost on Additional Cost for FY 2006-07 (Rs Cr)

Particulars	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Opening Gap	0.00	5.31	5.79	6.32	-
Additions During the Year	5.07	0.00	0.00	0.00	-
Rate of Interest (%)	9.51%	9.09%	9.01%	8.72%	-
Carrying Cost	0.24	0.48	0.52	0.46	-
Closing Gap	5.31	5.79	6.32	6.78	-

Particulars	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Total Carrying Cost	1.71				

- 3.50 Since the carrying cost has been allowed on the amount pertaining to FY 2006-07 (i.e. to the Policy Direction Period) when the Delhi Transco Limited (DTL) was responsible for the Bulk Supply of electricity in National Capital Territory of Delhi, PPCL shall raise the bill on account of carrying cost to DTL for recovery. The Commission has included this carrying cost in the ARR of DTL. The additional amount, as approved above, has not been included in the fixed cost of the Petitioner (which is recoverable from distribution licensees).

Aggregate Revenue Requirement (ARR) for FY 2011-12

Norms of Operation

- 3.51 The Commission has extended the MYT Regulations and the Control Period for a period of one year upto March 31, 2012. Accordingly, the operational norms given in the Regulations for previous years of the Control Period will also be applicable during FY 2011-12. The Petitioner has made submissions regarding relaxation of certain operational norms. The same have been discussed in the following sections.

Station Heat Rate

Petitioner's Submission

- 3.52 The Petitioner has submitted that it is not possible to achieve SHR of 2000 kCal/kWh in combined cycle mode and is not possible to achieve 2900 kCal/kWh in open cycle mode as approved by the Commission in the MYT Order. According to the Petitioner, the guaranteed heat rate of these turbines as given by the manufacturer is 1939 kCal/kWh in combined cycle mode (which has been computed by the CEA as 1978 kCal/kWh) and 2986 kCal/kWh in open cycle mode at 100% PLF. Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 for the period FY 2009-14 (regulation 26 (ii)(B)(b) on gross heat rate for newly commissioned projects) provides a correction of 5% over the design heat rate. Applying the correction factor of 5%, the combined cycle heat rate of PPCL-I computes to 2036 kCal/kWh and 3135 kCal/kWh in open cycle mode. The Petitioner has requested that the same be considered for FY 2011-12.
- 3.53 The Petitioner has also submitted that CEA has also considered the open cycle heat rate as 3075.3 kCal/kWh at 100% PLF in its report of December, 2004 on Technical Standards on Operational Norms for Gas Turbine Stations.
- 3.54 The Petitioner submitted that the large number of grid trippings in Delhi and backing down of generation on the instruction of SLDC have attributed to a lower PLF and higher SHR of the plant in the past and the same is expected to continue in future.

Table 24: Station Heat Rate submitted by the Petitioner (kCal/kWh)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Actual			Provisional	Projection
Station Heat Rate (Combined Cycle)	1973	1967	1984	2003	2036
Station Heat rate (Open Cycle)	3130	3075	3084	3138	3135

Commission's Analysis

- 3.55 The Commission directed the Petitioner to submit performance guarantee test report conducted and the machine specification, at site conditions, at the time of commissioning of the machines. Despite repeated queries, the details were not furnished by the Petitioner. Therefore, the Commission has decided to retain the SHR as per the norms specified in the MYT Regulations, which were set in accordance with the CERC norms for similar stations.
- 3.56 It may also be noted that the CERC has provided for SHR of 2000 kCal/kWh (combined cycle operations) and 2900 kCal/kWh (open cycle operations) to the Kayamkulam Combined Cycle Power Project, which is very close in technical specifications to PPCL-I.

Table 25: Station Heat Rate (in kCal/ kWh) approved by the Commission

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Approved in MYT Order				Approved Now
Station Heat Rate (Combined Cycle)	2000	2000	2000	2000	2000
Station Heat rate (Open Cycle)	2900	2900	2900	2900	2900

Availability**Petitioner's Submission**

- 3.57 The Petitioner has achieved the target availability of 80% during FY 2007-08 to FY 2010-11 and has proposed to maintain the same during FY 2011-12.

Table 26: System Availability (%) submitted by the Petitioner

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Actual			Provisional	Projection
Availability	84.08%	85.41%	85.5%	86.3%	80%

Commission's Analysis

- 3.58 The Commission has extended the MYT Regulations and the Control Period for a period of one year upto March 31, 2012. The Commission thus retains the target

Availability of 80% for FY 2011-12 as per the MYT Regulations. This is also in line with the projections made by the Petitioner for the FY 2011-12.

Table 27: Approved Availability (%) for PPCL-I

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Approved in MYT Order				Approved Now
Availability	80%	80%	80%	80%	80%

Auxiliary Consumption

Petitioner's Submission

- 3.59 Table 28 indicates the target Auxiliary Power Consumption (APC) as achieved by the Petitioner during the FY 2007-08 to FY 2010-11 and proposed APC for FY 2011-12.

Table 28: Auxiliary Power Consumption (%) submitted by the Petitioner

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Actual			Provisional	Projection
Auxiliary Consumption	2.84%	2.78%	2.90%	2.80%	3.00%

- 3.60 The Petitioner has submitted that PPCL-I would be able to perform within the norm of 3% auxiliary power consumption in combined cycle mode and 1% in open cycle mode during FY 2011-12.

Commission's Analysis

- 3.61 The Commission has extended the MYT Regulations and the Control Period for a period of one year upto March 31, 2012. The Commission thus retains the norm of 3% auxiliary power consumption in combined cycle mode and 1% in open cycle mode during FY 2011-12, which is also in line with the projections made by the Petitioner for the FY 2011-12.

Table 29: Auxiliary Power Consumption (%) approved by the Commission

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Approved in MYT Order				Approved Now
Auxiliary Consumption	3.00%	3.00%	3.00%	3.00%	3.00%

Gross and Net Generation

Petitioner's Submission

- 3.62 The Petitioner has projected gross generation during the Control Period to be 2319 MU considering the installed capacity of 330 MW and projected PLF of 80%. Further, it has projected that the quantum of generation in open cycle mode will be around 3.5% of the gross generation. However, the net generation for the year has

been has been proposed at 2249 MU, considering the proposed auxiliary consumption of 3.00% in combined cycle mode.

- 3.63 On the basis of Availability and Auxiliary Power Consumption as referred above, Gross and Net Generation from the power station are as given below.

Table 30: Gross and Net Generation submitted by the Petitioner

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Actual			Provisional	Projection
Gross Generation (MU)	2366.74	2401.34	2452.93	2335.64	2318.98
Auxiliary Consumption (%)	2.84%	2.78%	2.90%	2.80%	3.00%
Net Generation (MU)	2299.50	2334.50	2381.80	2270.2	2249.41

- 3.64 The Petitioner has requested that the incentive/disincentive during the FY 2011-12 be allowed based on the target Availability of 80% as per the CERC (Terms and Conditions of Tariff) Regulations, 2009.

Commission's Analysis

- 3.65 The Commission has accepted the amount of gross generation proposed by the Petitioner for PPCL-I at 2319 MU in line with the Gross generation approved in the MYT Order considering 80% PLF and 366 days in the FY 2011-12.
- 3.66 The Commission has calculated the net generation for determination of fuel cost by considering the approved auxiliary consumption of 3% in combined cycle mode. The approved gross and net generation calculated by the Commission are given in Table below:

Table 31: Gross and Net Generation (MU) approved by the Commission

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Approved in MYT Order				Approved Now
Gross Generation (MU)	2313	2313	2313	2313	2319*
Auxiliary Consumption (%)	3%	3%	3%	3%	3.00%
Net Generation (MU)	2243	2243	2243	2243	2249

**Considering 366 days in FY 2011-12*

- 3.67 The Commission has not considered any generation in open cycle mode for projection of net generation during the year. The Commission directs that the Petitioner shall seek prior permission of SLDC before generating in open cycle mode.
- 3.68 Further, since the Commission has extended the MYT Regulations and the Control Period for a further period of one year up to March 31, 2012, the incentive/dis-

incentive during the FY 2011-12 shall be allowed in accordance with the existing MYT Regulations of the Commission.

Determination of Variable Charges

- 3.69 The variable charges or the fuel cost of the plant depends upon the operational parameters such as the Station Heat Rate, Auxiliary Power Consumption, Fuel Cost and the Gross Calorific Value of fuel used. The Commission has considered all these factors to determine the variable cost of generation from the PPCL-I.

Petitioner's Submission

- 3.70 The Petitioner submitted that it has a long-term agreement with Gas Authority of India Limited (GAIL) for supply of gas. The contracted quantity of APM Gas is 1.22 MMSCMD and for PMT gas is 0.28 MMSCMD on daily basis. However, the day to day allocation of these gases is even lesser than the contracted quantity. The daily allocation of APM Gas is generally around 1.11MMSCMD, and PMT gas is around 0.19MMSCMD. To meet out shortage in gas allocation, the company has also entered into an agreement for supply of 0.2 MMSCMD RLNG on take-or-pay basis. It also has a fall back agreement with GAIL for supply of spot R-LNG gas on take-and-pay basis, in Order to meet the shortfall in gas supply.
- 3.71 The Petitioner has submitted that during FY 2007-08 to FY2010-11, the station has also operated in open cycle mode. The quantum of open cycle generation calculated in terms of percentage is around 3.5% of the total generation of the station.
- 3.72 The Petitioner has taken 3.5% open cycle generation for calculation of fuel consumption for FY 2011-12. Considering the heat rate of 2036kCal/kWh in combined cycle mode and 3135kCal/kWh in open cycle mode, at the gross calorific value of 9250kCal/SCM, the gas consumption for FY 2011-12 has been estimated at 520.07MMSCM. The proportion of APM, PMT and RLNG has been estimated based on the gas mix observed in February 2011. For FY 2011-12 the Petitioner has not projected any purchase of R-LNG from the spot market.
- 3.73 For projecting the total fuel costs for FY 2011-12, the weighted average price for the FY 2011-12 has been estimated to increase by 5% over the weighted average price for the month of February, 2011. The Petitioner has projected the rates for gas procured from various sources in FY 2011-12 as: APM gas – Rs 8401.5 per 1000 SCM, PMT gas – Rs. 8323.3 per 1000 SCM and R-LNG – Rs. 16314.22 per 1000 SCM. Based on above, Petitioner has estimated the total fuel cost of Rs. 508.98 Cr for FY 2011-12 for generation on target availability.
- 3.74 The consumption of APM Gas, PMT Gas, R-LNG gas and Spot- Gas and the total fuel cost submitted by the Petitioner during FY 2007-08 to FY 2010-11 and projected for FY 2011-12 is depicted in the table below.

Table 32: Consumption of Gas and Fuel Cost submitted by the Petitioner

Particulars		FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
		Actual			Provisional	Projections
APM	MMSCM	372.89	362.13	396.18	396.47	360.9
PMT	MMSCM	100.43	89.08	72.81	60.71	67.45
R-LNG	MMSCM	34.13	59.69	57.17	55.69	91.71
Spot R-LNG	MMSCM		6.5	0.04	0.047	0
Total	MMSCM	507.46	517.4	526.2	512.91	520.07
Total Fuel	Rs crore	235.62	286.04	267.6	411.74	508.98

Commission's Analysis

- 3.75 The Commission has projected the total gas consumption for the year considering the station heat rate of 2000 kCal/kWh in combined cycle mode and 2900 kCal/kWh in open cycle mode, at the Gross Calorific Value of 9250kCal/SCM. Since the Petitioner is expected to usually generate in combined cycle mode, the Commission has not considered any generation in open cycle mode for projection of fuel consumption for FY 2011-12.
- 3.76 The Petitioner, in its petition, has estimated the proportion of APM, PMT and RLNG based on the gas mix observed in February 2011. From the data submitted by the Petitioner, it has been observed that the proportion of RLNG consumed during the month of February 2011 was higher than that consumed in any other month during the year. The Commission has considered the consumption of various gases considering the average daily allocation of each gas (after cuts imposed by GAIL) and assuming that the cheapest gas will be consumed first. The Commission has not projected any purchase of R-LNG from the spot market as per the submission of the Petitioner.
- 3.77 The Petitioner has projected that the fuel prices shall escalate @ 5% over the weighted average price for the month of February 2011 and has made the projections accordingly. The Commission, however, does not consider it appropriate to project the gas prices on the basis of prices of one month alone and has projected the gas prices based on the average gas prices of last three months of the FY 2010-11. Also, since the Commission allows an FPA to account for variation in cost of fuel, it has not considered any escalation in the gas prices.
- 3.78 The Commission also directs PPCL to inform the SLDC when the plant is operated on R-LNG, since the variable cost is expected to be significantly higher and the SLDC can consider the same for Merit Order Dispatch.
- 3.79 The SLDC may test the declared capacity of the PPCL at random; and, in the event of the power station failing to demonstrate the declared capability, the SLDC shall report the matter to the Commission, which would then determine the penalty, if any, to be levied for false declaration.

- 3.80 The consumption of gas, the prices thereof and the total fuel cost as approved by the Commission is given in the Table below:

Table 33: Fuel Costs for FY 2011-12

Particulars	Unit	Proposed	Approved
APM Gas			
APM Gas	MMSCM	360.90	406.26
Gas Price	Rs/1000SCM	8401.5	7976.32
APM Gas Cost	Rs Cr	303.21	324.05
PMT Gas			
PMT Gas	MMSCM	67.45	69.54
Gas Price	Rs/ 1000SCM	8323.3	7891.40
PMT Gas Cost	Rs Cr	56.14	54.88
R-LNG			
R-LNG	MMSCM	91.71	25.60
R-LNG Price	Rs/1000SCM	16314.22	15243.16
R-LNG Cost	Rs Cr	149.62	39.02
Total Gas	MMSCM	520.07	501.40
Total Gas Cost	Rs Cr	508.98	417.95
Total Variable	Rs/kWh	2.2627	1.8580

- 3.81 The fuel costs incurred by the Petitioner during the year shall be automatically adjusted through the mechanism of Fuel Price Adjustment (FPA) as specified in the MYT Regulations. The weighted average price and the weighted average GCV of the fuel to be taken for the FPA shall be calculated considering the actual consumption of fuel from various sources and the corresponding price and GCV.
- 3.82 The weighted average price (P_s) and GCV of fuel (K_s) to be considered for the purpose of Fuel Price Adjustment (FPA) during the Control Period has been calculated based on the approved values for consumption, prices and GCV of fuels from various sources.

Table 34: Weighted Average Price and GCV of Fuel

Particulars	APM Gas	PMT Gas	Fall-back R-LNG	Spot R-LNG
Quantity (MMSCM)	406.26	69.54	25.60	-
GCV (kCal/SCM)	9,250.00	9,250.00	9,250.00	-
Price (Rs./ 1000 SCM)	7976.32	7891.40	15243.16	20015.81
Weighted Average Price/(Rs/ 1000 SCM)	8335.57			
Weighted Average GCV (kCal/ kWh)	9250.00			

- 3.83 The weighted average GCV of gas has been taken as 9250 kcal/SCM as per the submission of the Petitioner. However, any variation in the same is adjustable as per the FPA formula.
- 3.84 The Fuel Price Adjustment would be automatically done on a monthly basis and suitable upward and downward adjustments in variable cost would be made in the bills submitted by the Petitioner.

Variable Cost

Petitioner's Submission

- 3.85 The Petitioner submitted the projected variable cost of generation in its ARR petition, considering the projected fuel costs and the proposed net generation from the plant.

Commission's Analysis

- 3.86 Based on the analysis of fuel requirements by the Commission, the Petitioner would not require any purchases from the spot market to meet its fuel requirements during the year. The total fuel cost, considering the projected fuel prices, gross calorific value and approved station heat rate (on GCV basis) is approved as given in the Table below:

Table 35: Variable Cost of Generation for FY 2011-12

Particulars	Unit	Proposed	Approved
Gross Generation	MU	2319	2319
Auxiliary Energy Consumption	%	3.00%	3.00%
Net Generation	MU	2249	2249
Total Fuel Cost	Rs. Cr	508.98	417.95
Variable Cost	Rs./kWh	2.2627	1.8580

Determination of Fixed Cost

- 3.87 As per the MYT Regulations, the fixed cost includes the following components:
- Operations and Maintenance Expenses;
 - Depreciation;
 - Advance Against Depreciation;
 - Return on Equity
 - Interest Expenses; and

(f) Interest on Working Capital.

3.88 In addition to the above, the Commission has also considered the Fixed Fuel Costs to be incurred by PPCL as part of fixed cost in line with the approach followed in the MYT Order.

Operations and Maintenance Expenses

Employee Expenses

Petitioner's Submission

3.89 The Petitioner has submitted actual employee expenses incurred by it during the first three years of the Control Period and the provisional employee expenses for FY 2010-11 including salaries, dearness and other allowances, ex-gratia payments, contribution towards terminal benefits, leave encashment, staff welfare expenses, etc. The employee expenses for the FY 2010-11 have been escalated by 10% annually for estimating the employee expenses for FY 2011-12.

Table 36: Employee Expenses submitted by the Petitioner (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Actual			Provisional	Projection
Employee Cost	16.59	23.48	16.45	23.71	26.08

Commission's Analysis

3.90 The Commission has escalated the approved employee expenses as arrived at in for FY 2010-11 by 4% p.a. to arrive at the employee expenses for FY 2011-12, in line with the approach followed by it in the MYT Order.

3.91 The balance arrears to be paid on account of impact of 6th Pay Commission Recommendations, as shown in Table 13, have also been included in the employee cost for the year.

Table 37: Employee Expenses approved by the Commission (Rs Cr)

Particulars	FY 2010-11	FY 2011-12
Employee Cost	21.02	21.87
Unpaid arrears on account of 6 th Pay Commission (Refer Table 13)		4.99
Total Employee cost including arrears	21.02	26.86

Repair and Maintenance Expenses

Petitioner's Submission

- 3.92 The Petitioner has submitted Repair & Maintenance (R&M) Expenses at Rs 44.75 Cr for FY 2011-12 which have been arrived at by escalating the R&M expenses (provisional) incurred by the Petitioner in FY 2010-11 by 5.72% p.a. in accordance with the norms specified by the CERC for FY 2009-14.
- 3.93 It has further been submitted that PPCL has to incur higher R&M Expenses due to Water Charges, for the water obtained from sewage treatment plants. The Petitioner 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, and the treated water is being used in the Pragati Power Plant. The Petitioner has submitted water costs to be Rs 2.63 Cr for the year, which mainly includes expenditure on operation, electricity, chemicals etc.
- 3.94 The R&M expenditure submitted for FY 2011-12 includes Rs 20 Cr that the Petitioner expects to incur as additional expenditure due to DLN burners at PPCL-I.

Table 38: R&M Expenses submitted by the Petitioner (Rs. Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Actual			Provisional	
Base R&M Expenses	7.70*	11.37*	9.68*	13.52*	24.75*
Additional expenditure on DLN Burners	26.21	2.05	10.49	28.8	20.00**
Additional expenditure on Water from STP	2.26	2.29	2.62	2.49	2.63
Total	36.17	15.71	22.79	44.81	47.38

*derived by subtracting the expenditure on DLN burners and water from Sewage Treatment Plant (STP) from the total R&M expenses submitted by the Petitioner

**As submitted by the Petitioner in additional information

Commission's Analysis

- 3.95 The Commission has approved the base O&M Expenses for FY 2010-11 in respect of Employee Expenses, R&M and A&G Expenses as explained in paragraph 3.13. The approved R&M expenses for FY 2010-11 have been, then, escalated by 4% p.a. to arrive at the R&M expenses for FY 2011-12, in line with the approach followed in the MYT Order.
- 3.96 The Commission had also provisionally approved additional R&M Expenses of Rs.20.00 Cr for each year of the Control Period on DLN burners installed in PPCL. Against this the Petitioner has incurred Rs 67.55 Cr as expenditure on DLN burners till FY 2010-11.
- 3.97 Since the Petitioner has not been able to utilise the Rs 80 Cr that was approved for FY 2007-08 to FY 2010-11, the Commission has not approved any additional expenditure on DLN burners for FY 2011-12 and expects the Petitioner to utilise the remaining amount already approved for expenditure on DLN burners during FY 2011-12. The

Commission shall true up the actual expenditure on DLN burners at the time of true up for the extended Control Period.

- 3.98 The additional expenditure on Water Charges from STP for the year have been approved as per the submission of the Petitioner. The additional R&M allowed for each year on account of Water Charges shall be trued up at the end of the extended Control Period.

Table 39: R&M Expenses approved now by the Commission (Rs. Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Base R&M Expenses	9.95	10.35	10.76	11.19	11.64
Additional expenditure on DLN Burners	20.00	20.00	20.00	20.00	0.00
Additional expenditure on Water from STP	2.55	2.65	2.76	2.87	2.63
Total	32.5	33.0	33.52	34.06	14.27

Administrative and General Expenses

Petitioner's Submission

- 3.99 The Petitioner has projected A&G expenses for FY 2011-12 by applying 5.72% p.a. annual increase as stipulated in CERC (Terms and Conditions of Tariff) Regulations, 2009, on the provisional costs for FY 2010-11. An additional expenditure of Rs. 7.25 Cr has also been considered during FY 2011-12 with regards to ERP licenses and its Annual Maintenance charges.
- 3.100 The Petitioner has also requested the Commission to approve the property tax and water-cess as pass-through on actual basis besides the other O&M Expenses.

Table 40: A&G Expenses submitted by the Petitioner (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Actual			Provisional	Projection
A&G Expenses	9.2	10.54	9.26	12.43	13.12
Additional Amount for ERP	-	-	-	-	7.25
Total	9.2	10.54	9.26	12.43	20.37

Commission's Analysis

- 3.101 The Commission has approved the base O&M Expenses for FY 2010-11 in respect of Employee Expenses, R&M and A&G Expenses as arrived at in Table 7. The approved A&G expenses for FY 2010-11 have been, then escalated by 4% p.a. to arrive at the A&G expenses for FY 2011-12, in line with the approach followed in the MYT Order.

- 3.102 The Petitioner has also requested for additional expenditure to be allowed on account of ERP licenses. The scheme for installation of ERP was approved by the Board of Directors of IPGCL and PPCL on December 19, 2008 and work was awarded to M/s NICS. The Commission has also given, in principle, approval for implementation of the ERP project vide its letter dated October 15, 2009.
- 3.103 The Petitioner was directed to submit the details regarding the expenditure on ERP licenses projected by it for the FY 2011-12, including Contract Documents of Annual Maintenance Contracts, SAP licenses etc. The Petitioner has submitted details related expenditure on ERP licenses/IT support amounting to Rs 7.17 Cr as shown in the Table below:

Table 41: Expenditure on ERP licenses and IT Support

Category	Description of item	Amount (Rs)
1	Annual Maintenance Contracts	4,14,12,730
2	Other Costs	
	<i>Internet Leased Line</i>	
	<i>MTNL</i>	5,07,380
	<i>ERNET</i>	2,75,750
	<i>Radio Connectivity Link ERNET</i>	1,54,420
	<i>Website Hosting</i>	1,45,000
	<i>Email Hosting</i>	54,000
	<i>SAP Licenses ATS Support @22%</i>	
	<i>2010-11</i>	1,14,65,685
	<i>2011-12</i>	1,14,65,685
	Sub Total	2,40,67,920
3	Hiring of Experts	15,45,848
4	IT Specialized Training	46,89,050
	Total	7,17,15,548

- 3.104 On scrutiny of the information provided by the Petitioner, it was observed that out of the total expenditure submitted by the Petitioner, Rs 0.20 Cr was on account of non ERP related expenditure which is already covered under the normative expenditure allowed by the Commission.
- 3.105 The ERP related expenditure includes SAP License @ 22% (i.e. 1.15 Cr) for FY 2010-11 and an expenditure of Rs 5.82 Cr for FY 2011-12, including SAP License @ 22% (i.e. 1.15 Cr). This expenditure is not covered under the normative O&M expenses for FY 2011-12. The Commission has, therefore, decided to allow this additional expenditure in the FY 2011-12. The expenditure on SAP license in FY 2010-11 shall be considered at the time of true up for the FY 2010-11.
- 3.106 While the entire cost of the ERP Project has been included in the ARR of PPCL by the Petitioner, the ERP is being utilised by both IPGCL and PPCL. The approved ERP expenditure for FY 2011-12 (i.e. Rs 5.82 Cr) has therefore been apportioned

between IPGCL and PPCL in the ratio 19.23%: 80.77% as submitted by the Petitioner. (i.e. Rs 1.12 Cr for IPGCL and Rs 4.70 Cr for PPCL).

3.107 The total A&G expenses as approved by the Commission are as given in table below:

Table 42: A&G Expenses approved by the Commission (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Normative A&G Expenses	10.05	10.45	10.86	11.30	11.75
Additional Amount for ERP	-	-	-	-	4.70
Total A&G Expenses	10.05	10.45	10.86	11.30	16.45

3.108 O&M Expenses approved by the Commission for PPCL for FY 2011-12 is shown below:

Table 43: O&M Expenses approved by the Commission for PPCL for FY 2011-12 (Rs Cr)

Particulars	FY 2011-12
Employee Expenses	26.86
R&M Expenses	14.27
A&G Expenses	16.45
O&M Expenses	57.58

Capital Expenditure and Additional Capitalisation

Petitioner's Submission

3.109 The Petitioner has submitted that it carried out capital expenditure/additional capitalisation during each year of the Control Period as shown in Table 44 below. Further, it has submitted that the same has been segregated into the debt and equity on the basis of 70:30 ratio in the Control Period while calculating the fixed cost. The table also shows that no capital expenditure was approved for the plant in the MYT Order.

Table 44: Capital Expenditure and Capitalisation submitted by the Petitioner (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Actual			Provisional	Projection
Capital Expenditure	0.0066	4.10	13.27	0.00	1.95

3.110 The Petitioner has also proposed capital expenditure and capitalization of Rs 1.95 Crores for FY 2011-12 on the following schemes:

(a) Speed reduction of HPBFPs

Estimated cost of the Scheme:

Rs.1.00 Cr/-

Scheme period:

FY 2011-12

- (b) Installation of Plate type Heat Exchangers (PHE) in the gas turbine cooling systems

Estimated cost of the Scheme: Rs.0.80 Cr

Scheme period: FY 2011-12

- (c) Laying of Raw Water Pipe from Auxiliary area of GTPS to Raw water pond of PPCL

Estimated cost of the Scheme: Rs.0.15 Cr

Scheme period: FY 2011-12

Commission's Analysis

- 3.111 The Commission had not considered any capital expenditure for PPCL from the FY 2007-08 to FY 2010-11 in the MYT Order. The Petitioner has now requested the Commission to true up the actual capital expenditure incurred by it during the MYT period.

- 3.112 With regards to this, the Commission notes that Clause 5.6 of the DERC MYT Generation Tariff Regulations, 2007 states:

"...The Commission shall review the actual capital investment at the end of each year of the Control Period. Adjustment for the actual capital investment vis-à-vis approved capital investment shall be done at the end of Control Period."

- 3.113 Since the Commission has extended the Control Period for one more year, upto March 31, 2012, it has not considered any adjustment in capital expenditure and GFA for the years FY 2007-08 to FY 2010-11. The adjustment in ARR for the capital expenditure and capitalization actually done by the Petitioner shall be carried out at the end of the extended Control Period.

- 3.114 The Commission has provisionally approved the additional capital expenditure and capitalisation of Rs 1.95 Cr for FY 2011-12, as submitted by the Petitioner, subject to true-up at the end of the extended Control Period.

Table 45: Capital Expenditure and Capitalisation approved by the Commission (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Approved in MYT Order				Approved Now
Capital Expenditure	0.00	0.00	0.00	0.00	1.95

Depreciation

Petitioner's Submission

- 3.115 The Petitioner has charged depreciation on the basis of straight-line method, on the fixed assets in use at the beginning of the year. The depreciation is based on the original cost, estimated life and residual life. It has been submitted that depreciation amount during the Control Period from FY 2007-08 to FY 2011-12 has been

calculated as per the depreciation rates specified under MYT Regulations issued by the Commission. The depreciation charges submitted by the Petitioner are given below.

Table 46: Depreciation submitted by the Petitioner (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Actual			Provisional	Projection
Opening GFA	1031.57	1031.58	1035.68	1050.00	1050.00
Additions to GFA	0.01	4.10	14.32	0	1.95
Closing GFA	1031.58	1035.68	1050.00	1050.00	1051.95
Depreciation	59.85	59.98	62.08	64.07	64.12

Commission's Analysis

- 3.116 The Commission has not considered any adjustment in GFA for the years FY 2007-08 to FY 2010-11. The same shall be carried out at the time of true up of the capital expenditure actually done by the Petitioner, at the end of the extended Control Period.
- 3.117 For FY 2011-12, the Commission has calculated the depreciation according to the methodology and depreciation rates notified in the MYT Regulations. It has considered the closing balance of GFA for FY 2010-11 (Rs.1031.57 Cr) as approved in the MYT Order as the opening balance of GFA for FY 2011-12. The additions to GFA have been considered at Rs 1.95 Cr.
- 3.118 The depreciation amount as estimated by the Petitioner and as approved by the Commission are as follows:

Table 47: Depreciation approved by the Commission (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Approved in MYT Order				Approved Now
Opening GFA	1031.57	1031.57	1031.57	1031.57	1031.57
Additions to GFA	0	0	0	0	1.95
Closing GFA	1031.57	1031.57	1031.57	1031.57	1033.52
Depreciation	59.86	59.86	59.86	59.86	59.92

Advance Against Depreciation

Petitioner's Submission

- 3.119 The Petitioner has calculated advance against depreciation (AAD) during the Control Period, by considering the actual debt repayment and the depreciation recovered during the period from FY 2007-08 to FY 2010-11. For FY 2011-12, the AAD has been calculated using the expected depreciation and debt repayment.

Table 48: Advance Against Depreciation submitted by the Petitioner (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Actual			Provisional	Projection
1/10th of the Loan(s)	67.53	67.82	68.82	68.82	68.96
Repayment of the Loan(s) as considered for working out Interest on Loan	67.53	67.82	68.82	68.82	68.96
Minimum of the Above	67.53	67.82	68.82	68.82	68.96
Less: Depreciation during the year	59.85	59.98	62.08	64.07	64.12
A	7.68	7.84	6.74	4.75	4.83
Cumulative Repayment of the Loan(s) as considered for working out Interest on Loan	287.02	354.55	422.37	491.19	560.01
Less: Cumulative Depreciation	315.43	375.41	437.50	501.56	565.68
B	0.00	0.00	0.00	0.00	0.00
Advance Against Depreciation	0.00	0.00	0.00	0.00	0.00

Commission's Analysis

- 3.120 The Commission has not considered any adjustment in Advance Against Depreciation for the years FY 2007-08 to FY 2010-11, based on the submission of the Petitioner. The same shall be carried out at the time of adjustment of the capital expenditure and capitalization done by the Petitioner, at the end of the extended Control Period.
- 3.121 For FY 2011-12, the Commission has calculated the Advance Against Depreciation using the principles specified in the MYT Regulations and using the details of actual cumulative debt repayment and accumulated depreciation till FY 2010-11 as considered for calculation of AAD in the MYT Order. Considering the total repayment and depreciation, and accumulated repayment and accumulated depreciation approved for the year, the Commission has concluded that the Petitioner is eligible for AAD for the FY 2011-12.

Table 49: Advance Against Depreciation approved by the Commission (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010- 11	FY 2011-12
	Approved in MYT Order				Approved Now
1/10th of the Loan(s)	67.05	67.05	67.05	67.05	68.42
Repayment of the Loan(s) as considered for working out Interest on Loan	67.53	67.53	67.53	67.53	67.53

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010- 11	FY 2011-12
Minimum of the Above	67.05	67.05	67.05	67.05	67.53
Less: Depreciation during the year	59.86	59.86	59.86	59.86	59.92
A	7.19	7.19	7.19	7.19	7.61
Cumulative Repayment of the Loan(s) as considered for working out Interest on Loan	335.95	403.47	471.00	538.53	606.06
Less: Cumulative Depreciation	315.44	375.30	435.16	495.02	554.94
B	20.50	28.17	35.84	43.50	51.11
Advance Against Depreciation	7.19	7.19	7.19	7.19	7.61

Return on Equity

Petitioner's Submission

- 3.122 The Petitioner has computed return on equity on approved equity of Rs. 323.19 Cr of the project and the 30% equivalent amount of the capital additions made during the Control Period.
- 3.123 Return on Equity has been taken during FY 2007-08 and FY 2008-09 at 14% in line with the MYT Regulations of the Commission. For FY 2009-10 to FY 2011-12 RoE has been computed @ 15.5%, as per the rate specified in CERC (Terms and Conditions of Tariff) Regulations, 2009 for FY 2009-14 and not at 14% as specified in the MYT Regulations of the Commission.

Table 50: Return on Equity submitted by the Petitioner (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Actual			Provisional	Projection
Equity (Opening Balance)	323.19	323.19	324.42	328.72	328.72
Net additions during the year	0	1.23	4.3	0	0.59
Equity (Closing Balance)	323.19	324.42	328.72	328.72	329.3
Average Equity	323.19	323.81	326.57	328.72	329.01
Return on Equity	45.25	45.33	50.62	50.95	51
Rate of Return on Equity	14.00%	14.00%	15.50%	15.50%	15.50%

Commission's Analysis

- 3.124 The Commission has not considered any revision in equity for the years FY 2007-08 to FY 2010-11. The same shall be carried out at the time of adjustment of the capital

expenditure and capitalization done by the Petitioner, at the end of the extended Control Period.

3.125 The Commission has considered the closing equity approved for FY 2010-11 in the MYT Order as opening equity of FY 2011-12 for calculation of RoE. The additions to equity during the year have been calculated @ 30% of the approved additional capitalization for FY 2011-12.

3.126 Further, since the Commission has extended the MYT Regulations and the Control Period for a further period of one year up to March 31, 2012, the rate of return on equity shall be allowed to the Petitioner in accordance with the MYT Regulations of the Commission and not CERC (Terms and Conditions of Tariff) Regulations, 2009-14. The rate of return on equity is thus retained at 14% for the FY 2011-12.

Table 51: Return on Equity approved by the Commission (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Approved in MYT Order				Approved Now
Equity (Opening Balance)	323.19	323.19	323.19	323.19	323.19
Net additions during the year	0	0	0	0	0.59
Equity (Closing Balance)	323.19	323.19	323.19	323.19	323.78
Average Equity	323.19	323.19	323.19	323.19	323.48
Return on Equity	45.25	45.25	45.25	45.25	45.29
Rate of Return on Equity	14.00%	14.00%	14.00%	14.00%	14.00%

Interest Expenses

Petitioner's Submission

3.127 The Petitioner has submitted the actual interest and finance charges incurred by it during the Control Period. It has also submitted that it made certain capital additions in PPCL-I during the MYT Control Period, which have been funded through Reserves and Surplus. As per Regulations, 70% of the capital additions have been considered to be funded through loans. Accordingly, interest on this loan has been taken @ 11.00% p.a. i.e. PFC lending rate in FY 2007-08 and has been included in the interest and finance charges.

Table 52 Interest Expenses submitted by the Petitioner (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Actual			Provisional	Projection
Interest Charges	23.17	31.37	25.21	19.17	13.37

Commission's Analysis

3.128 In its MYT Order, the Commission had determined the interest costs for each year of the Control Period by considering the opening balance of loans, the repayment

schedule and by applying the actual rate of interest applicable to various types of loans.

- 3.129 The Commission has not considered any revision in the loan amounts for the years FY 2007-08 to FY 2010-11. The same shall be carried out at the time of adjustment of the capital expenditure and capitalization done by the Petitioner, at the end of the extended Control Period.
- 3.130 For calculating the interest and finance charges for FY 2011-12, the Commission has considered the interest on loan from PFC; calculated as per the opening balance of loans, the repayment schedule and by applying the actual rate of interest applicable to various components of the loan.
- 3.131 The Commission has also considered 70% of the capital additions during FY 2011-12 to be funded through loans. The interest on this loan has been taken @ 8.45% p.a. which is equal to the effective rate of interest on the average existing PFC loan for the FY 2010-11.

Table 53: Interest Expenses approved by the Commission (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Approved in MYT Order				Approved Now
Interest Charges	38.38	31.94	25.02	19.03	12.89

Interest on Working Capital

Petitioner's Submission

- 3.132 The Petitioner has calculated the Interest on Working Capital as per the following norms:
- Cost of fuel for 1 month;
 - O&M expenses for 1 month;
 - Receivables equivalent to 2 months average billing;
 - Maintenance Spares @ 1% of project cost plus escalation for FY 2007-08 to FY 2008-09 and @ 30% of the O&M expenses for FY 2009-10 onwards.
- 3.133 The Petitioner has submitted that the fuel cost has increased steeply in FY 2010-11; this increase in prices of fuel had substantial impact on certain components considered in the computation of working capital and resultantly the interest on working capital has considerably increased in comparison to the interest allowed by the Commission during the MYT Period.
- 3.134 The rate of interest on working capital has been assumed at 12.75% p.a. which is the SBI PLR (as on 1.04. 2007) for calculating interest on working Capital till FY 2010-

11. Since the SBI PLR has increased to 13% p.a. w.e.f 12.2.2011, the increased rate has been considered for FY 2011-12.

Table 54: Interest on Working Capital submitted by the Petitioner (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Actual			Provisional	Projection
Total Working Capital	116.9	130.05	127.17	172.45	207.1
Rate of Interest (%)	12.75	12.75	12.75	12.75	13.00
Interest on Working capital	14.9	16.58	16.21	21.99	26.92

Commission's Analysis

3.135 Regarding the true up of working capital requirement, the Commission had stated in MYT Order for the Petitioner that:

“The Commission has not considered any escalation in fuel costs in its calculation for working capital requirements for the Control Period. Though the variation in fuel costs would be adjusted automatically through the FPA mechanism, the Commission shall not true-up the working capital requirements due to the same. Hence, the Commission has escalated the working capital requirement for FY09, FY10 and FY11 at an annual rate of 4% to consider for the escalation in fuel costs.”

3.136 In view of the above, the Commission had already accounted for increase in the working capital requirements of the Petitioner due to increase in fuel costs while approving the working capital requirement for each year of the Control Period in the MYT Order. Therefore, there is no requirement for true up the interest on working capital.

Table 55: Interest on Working Capital (MYT Order) approved in the MYT Order by the Commission (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Total Working Capital	106.04	111.34	115.08	119.95
Rate of Interest (%)	12.75	12.75	12.75	12.75
Interest on Working capital	13.52	14.2	14.67	15.29

3.137 Further, the Commission has extended the MYT Regulations and the Control Period for a period of one year up to March 31, 2012. Therefore, the formula for calculation of working capital requirement allowable under the MYT Regulations of the Commission instead of CERC (Terms and Conditions of Tariff) Regulations, 2009-14, shall be applicable for calculating the working capital requirement for FY 2011-12.

3.138 The Commission has estimated the working capital requirement of the Petitioner for FY 2011-12 based on the following norms specified in the MYT Regulations:

- (a) Fuel expenses for 1 month corresponding to the Target Availability duly taking into account the mode of operation of the generating station on gas fuel and liquid fuel;
- (b) Liquid fuel stock for 15 days;
- (c) O&M Expenses for 1 month;
- (d) Receivables equivalent to 2 months of fixed and variable cost for sale of electricity calculated on the Target Availability;
- (e) Maintenance spares: 1% of the actual capital cost escalated @ 6% per annum from the date of commercial operation;

3.139 For calculation of working capital, the receivables considered in (d) is equal to the total variable and fixed cost projected for the year (divided by six). The fixed cost considered also includes the amount receivable on account of past liabilities, recoverable in FY 2011-12.

3.140 The Commission has calculated the interest on working capital for the year, considering an interest rate of 13% based on the SBI Prime Lending Rate effective on April 1, 2011.

Table 56: Approved Interest on Working Capital for FY 2011-12 (Rs Cr)

Particulars	Proposed	Approved**
Cost of Fuel	42.42	34.83
Cost of Secondary Fuel	0.00*	0.00
O & M expenses	7.82	4.80
Maintenance Spares	28.15	13.81
Receivables	128.72	111.08
Total Working Capital	207.10	164.52
Rate of Interest	13.00%	13.00%
Interest on Working Capital	26.92	21.39

*As per the Petitioner's submission, no liquid fuel is being used.

**Approved as per the formula applied in the MYT Order.

Tax Expenses

Petitioner's Submission

3.141 The Petitioner has projected tax expenses at Rs 11.38 Cr for FY 2011-12.

Commission's Analysis

- 3.142 The Commission has not considered any expenses on account of Income Tax or Fringe Benefit Tax, payable by the Petitioner during the Control Period, for calculation of fixed cost. Income Tax, if any, shall be treated as expense and shall be recoverable from the Beneficiaries.
- 3.143 Recovery of income tax shall be done directly by the Petitioner from the beneficiaries without making any application before the Commission. Further, any refund of income tax shall be adjusted with the tax payable in the year of its receipt.
- 3.144 In case of any objections by the beneficiaries to the amounts claimed on account of income tax, they shall first make payments to the Petitioner and may subsequently make an application before the Commission regarding the same.

Fixed Fuel Cost

Petitioner's Submission

- 3.145 The Petitioner has submitted that it is required to pay fixed monthly transmission and other service charges to GAIL, based on the Fuel Supply Agreement, irrespective of the quantum of gas supplied. These expenses were Rs.15,54,682 in FY 2002-03, and are escalated @ 3.00% annually.
- 3.146 The Petitioner has used the above for projecting the fixed fuel cost to be incurred during FY 2011-12.

Table 57: Fixed Fuel Costs submitted by the Petitioner (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Actual			Provisional	Projection
Fixed Fuel Cost	2.23	2.29	2.36	2.43	2.51

Commission's Analysis

- 3.147 As Fixed Fuel Charges are an integral part of the price of the gas and have to be paid irrespective of the quantum of gas bought by the Petitioner, the Commission has treated the same as fixed cost instead of variable cost for the purpose of ARR calculations.
- 3.148 The Commission, therefore, approves the fixed fuel costs as part of the Aggregate Revenue Requirement of the Petitioner, as submitted by the Petitioner, is shown in Table below:

Table 58: Fixed Fuel Costs approved by the Commission (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Approved in MYT Order				Approved Now
Fixed Fuel Cost	2.23	2.29	2.36	2.43	2.51

Fixed Cost

- 3.149 The fixed cost for the Petitioner for the Control Period, based on the analysis of various components by the Commission and revision of O&M expenses, is shown on the following page.
- 3.150 The carrying cost on additional amount allowed on account of revision of ARR for FY 2007-08 to FY 2010-11 has been calculated by considering the effective interest rate on the existing loan amounts of the Petitioner for each year of the Control Period.

Table 59: Fixed Cost approved by the Commission (Rs Cr)

Particulars	FY 2007-08			FY 2008-09			FY 2009-10			FY 2010-11			FY 2011-12
	Approved MYT Order	Approved Now	Difference	Approved MYT Order	Approved Now	Difference	Approved MYT Order	Approved Now	Difference	Approved MYT Order	Approved Now	Difference	Approved Now
O&M Expenses	54.24	54.81	0.57	59.52	57.11	-2.40	58.34	71.89	13.56	59.87	66.38	6.51	57.58
Additional CISF Expenses	0.00	0.00	0.00	0.00	1.38	1.38	0.00	0.47	0.47	0.00	0.52	0.52	0.54
Additional Employee Cost for IP Station Employees	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.98	2.98	3.28
Depreciation	59.86	59.86	0.00	59.86	59.86	0.00	59.86	59.86	0.00	59.86	59.86	0.00	59.92
AAD	7.19	7.19	0.00	7.19	7.19	0.00	7.19	7.19	0.00	7.19	7.19	0.00	7.61
Interest Charges	38.38	38.38	0.00	31.94	31.94	0.00	25.02	25.02	0.00	19.03	19.03	0.00	12.89
Return on Equity	45.25	45.25	0.00	45.25	45.25	0.00	45.25	45.25	0.00	45.25	45.25	0.00	45.29
Interest on Working Capital	13.52	13.52	0.00	14.20	14.20	0.00	14.67	14.67	0.00	15.29	15.29	0.00	21.39
Income Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fixed Fuel Cost	2.23	2.23	0.00	2.29	2.29	0.00	2.36	2.36	0.00	2.43	2.43	0.00	2.51
Non Tariff Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Fixed Cost	220.67	221.24	0.57	220.25	219.22	-1.02	212.70	226.72	14.03	208.93	218.94	10.01	211.00
Additional Amount Allowed on account of Revision in ARR from FY2007-08 to FY2010-11 including carrying cost (Refer Table 21)													25.86
Carrying Cost Allowed for under recovery of Fuel Cost (Refer Table 22)													11.65
Total Amount Recoverable from Fixed Cost													248.52

A4: SUMMARY**Directives issued by the Commission**

- 4.1 The Commission directs PPCL to inform the SLDC when the plant is operated on Spot R-LNG, since the variable cost is expected to be significantly higher and the SLDC can consider the same during merit order dispatch.
- 4.2 The SLDC may test the declared capacity of the PPCL-I at random and in the event of the power station failing to demonstrate the declared capability, the SLDC shall report the matter to the Commission, which would then determine the penalty, if any, to be levied for false declaration.
- 4.3 The Commission also directs the Petitioner to consider any source of cheaper fuel available in the future, and accordingly restructure the order of scheduling of fuel to ensure that the cheapest available fuel is utilised first.
- 4.4 PPCL/IPGCL shall furnish details of the employees transferred from I.P. Power Station to other stations of IPGCL and PPCL. The exact number of employees transferred, and the actual year-wise financial impact thereof shall be submitted to the Commission with the filing of the next tariff petition. The impact allowed in this tariff Order is provisional and subject to true up at the end of the extended MYT Control Period.
- 4.5 The Commission reiterates its direction to the Petitioner to submit performance guarantee test report conducted and the machine specifications, at site conditions, at the time of commissioning of the machines.
- 4.6 The Commission directs the Petitioner to seek prior permission of SLDC before generating in open cycle mode.

Summary of Generation Tariffs

- 4.7 The Generation tariffs for the PPCL Power Station as determined by the Commission after approval of the Aggregate Revenue Requirement for FY 2011-12 is as shown in the table below:

Table 60: Summary of Generation Cost/ Tariff approved by the Commission for the FY 2011-12

Particulars	FY 2011-12
Net Generation (MU)	2249.41
Net Fixed Costs (Rs. Cr)*	211.00
Past Arrears (Rs Cr)	37.51
Total Amount Recoverable from Fixed Cost (Rs Cr)	248.52
Total Amount Recoverable from Fixed Cost (Rs/kWh)	1.1048
Variable Cost (Rs. Cr)	417.95
Variable Cost (Rs/kWh)	1.8580
Total Generation Tariff (Rs/kWh)	2.9628

*excluding past arrears

- 4.8 The net fixed costs (as specified in the table above) shall be recovered by the Petitioner at target availability specified by the Commission. The recovery of net fixed cost below the level of target availability shall be on pro rata basis with no net fixed cost payable at zero availability. For this purpose, the availability of the power station shall be certified by the SLDC. Any adjustment of recovery of net fixed costs shall be based on the cumulative availability as certified by the SLDC at the end of the year. The net fixed cost shall be recovered in proportion to allocated/contracted capacity.
- 4.9 The Past Arrears shall be recovered in proportion to allocated/contracted capacity.
- 4.10 Intra-state ABT (Availability Based Tariff) is in operation in Delhi since April 1, 2007. Consequent to this, the Variable Cost shall be billed by the Petitioner to the beneficiaries based on the scheduled generation during the month from the station as per the rates approved by the Commission.
- 4.11 Incentive shall be payable at a flat rate of 25 paise/kWh for the scheduled generation achieved beyond the level corresponding to target PLF. However, the generating station shall comply with the SLDC instructions with respect to the backing down of the generation and such backing down shall not qualify for calculation of PLF for Incentive. Further, in case of non-compliance by generating stations to backing down instructions given by SLDC, generation during backing down period as instructed by SLDC shall not be considered for Incentive purpose. The SLDC shall at the end of the year, certify the generation level of generating stations which qualifies for Incentive purpose as per the above guidelines.
- 4.12 Deviations from the schedule are to be accounted for in accordance with the principals laid down in the order of the Commission regarding Intra-state ABT.