Delhi Electricity Regulatory Commission

Viniyamak Bhawan, 'C' Block, Shivalik, Malviya Nagar, New Delhi – 17.

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

Review Petition No. 42/2018

In the matter of : **Petition seeking review of the Commission's Tariff Order dated 28.03.2018 in Petition No. 06/2018.**

Pragati Power Corporation Limited **….Review Petitioner**

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

ORDER

(Date of Order: 23.10.2019)

1. The aforesaid Review Petition has been filed by Pragati Power Corporation Ltd. (PPCL) for seeking review of the Commission's Tariff Order dated 28.03.2018 in Petition No. 06/2018 in the matter of truing up of Tariff for FY 2016-17 and ARR for FY 2018-19.

2. The Review Petitioner has sought review on the following issues:
   a) Carrying cost on the amount of Rs. 65.55 crores for DLN Expenditure for FY 2016-17;
   b) Approval of Capital Expenditure in FY 2016-17;
   c) Auxiliary Power Consumption (APC) to be taken up for computation of Declared Capacity and Energy Charges Rate (ECR) for FY 2018-19; and
   d) Return on Capital Employed (RoCE).

3. The submissions made by the Petitioner and Respondent have been considered and analysed to arrive at the decision. The issue wise analysis and decision are as follows:

3.1 **Issue No. 1**

Carrying cost on the amount of Rs. 65.55 crores for DLN Expenditure for FY 2016-17:

Petitioner's Submissions

3.1.1 The Commission in its Tariff Order dated 31.08.2017 has approved an amount of Rs. 65.55 Crore claimed by the petitioner towards DLN Expenditure. The Commission has divided the recovery of the expenses incurred towards the DLN expenditure into four years and allowed such recovery over the tariff period starting from FY 2015-16 to FY 2018-19 and considered Rs. 16.12 Crore for FY 2016-17. On the principle, there is no difficulty in the above approach. However, the petitioner had spent the entire amount of Rs. 65.55 crores in one go but the fact is that the expenditure will be recovered over the Four years period starting from FY 2015-16 to FY 2018-19. Therefore, the carrying cost on the amount which is being deferred for recovery needs to be allowed to the petitioner. Accordingly, petitioner has requested the Commission to allow the expenses against DLN Burner (AGP) along with Carrying cost.

Commission's Analysis

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

3.2 **Issue No. 2**

Approval of Capital Expenditure in FY 2016-17:

Petitioner Submissions

3.2.1 This Commission has not trued up any amount on account of expenses incurred on capitalization of assets as submitted by the Petitioner during FY 2016-17, even after verification of the same done by the team of the Commission on 20.03.2018.

Commission Analysis

3.2.2 The Commission has time and again reiterated that as per extant Regulations, the expenses on capitalization of only those assets may be allowed, which are meant for increasing the efficiency of the Station. It has been observed that the claim of the petitioner is in respect of those schemes, which are not related to increasing the efficiency of the station. Therefore, the claim of the petitioner cannot be allowed.

3.3 **Issue No. 3**

Auxiliary Power Consumption (APC) to be taken up for computation of Declared Capacity and Energy Charges Rate (ECR) for FY 2018-19:

Petitioner's Submissions

3.3.1 The Commission has specified the target norms of operation for the period MYT FY 2017-18 to 2019-20, for the purpose of determination of tariff as per Business Plan Regulation 2017. Further, the Commission has allowed the Auxiliary Energy consumption in accordance with the Tariff Regulations, 2017 read with Business

Plan Regulations, 2017. The Commission while arriving ECR has considered only 2% of APC. However, as far as recovery of tariff is concerned, the impact of 2% APC has to be taken in variable cost and of 0.5% APC in fixed costs, but while arriving Ex-bus energy gross APC of 2.5% is to be considered.

3.3.2 The petitioner is not asking for its actual APC or the APC of 3% as per the Tariff Regulations, 2011. The petitioner is also not seeking any relaxation in the APC of 2.5% or its manner of adjustment in the Fixed charges (@0.5%) and Energy charges (@2.0%). However, the limited issue being raised by the petitioner is that for the purpose of computation of Declared Capacity, and ECR, the APC of 2.5% needs to be taken instead of 2.0%.

Commission's Analysis

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

> *"(3) AUXILIARY ENERGY CONSUMPTION*
>
> *Auxiliary Energy Consumption shall be computed in two parts:*
>
> *a) Fixed: 0.5% of the generation at normative PLF of the plant capacity which shall form part of other expenses under Fixed Cost, at energy charge rate approved by the Commission in respective Order.*
>
> *b) Variable: 2.0% in Combined Cycle Mode and 0.5% in Open Cycle mode of the actual generation which shall form part of computation of energy charge rate of the respective month."*

3.3.4 For the purpose of recovery of fuel cost, the Auxiliary Energy Consumption has been split in two parts i.e. Fixed and Variable. Therefore, fuel cost is recovered through fixed cost also in addition to that through variable cost as per the norms specified in DERC (Business Plan) Regulations, 2017.

3.3.5 Further, the Commission has computed the Interest on Working Capital on the Receivables which include the Fixed Cost on account of Fixed Auxiliary Consumption (0.5%) and Variable component of Auxiliary Consumption (2.0%) in Energy Charge computation. Further, the ECR is determined by grossing up the Gross Heat Rate with the Normative Auxiliary Consumption. The impact of fuel cost corresponding to Gross Generation has already been considered. Therefore, the submission of the petitioner that variable cost should be computed again on Gross Generation with the determined ECR is not correct.

On the issue of declared capacity etc., it has been brought to the notice of this Commission that SLDC is considering an auxiliary power consumption of 2% only for declared capacity of the generating station. Whereas, for the purpose of determination of Plant Availability Factor and Plant Load factor, the auxiliary power consumption as per extant Regulation is 2.5%, which has to be adhered by SLDC.

3.4 **Issue No. 4**

Return on Capital Employed (RoCE):

Petitioner's Submissions

3.4.1 For the MYT period FY 2017-18 to FY 2019-20, the Commission has specified the methodology for allowing Return on Capital Employed in Tariff Regulations, 2017. It is respectfully submitted that the calculation of net assets after deducting the accumulated depreciation and then after apportioning the same in normative ratio of equity and debt is causing double prejudice to the petitioner. The accumulated depreciation once being reduced from the capital cost leads to repayment of loan. Once the loan is repaid, the reduced capital cost reflects the equity portion only. This cannot be further divided into debt and equity. This method of arriving at ROCE has resulted in drastic reduction of ROCE due to reduced amount of equity Component. Therefore, ROCE for FY 2018-19 will become Rs. 77.57 Cr. Thus, AFC of PPS-I station for FY 2018-19 will be of Rs. 177.70 Cr.

Commission Analysis:

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

3.4.3 In view of the above, the claim of the petitioner is not admissible.

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

5. Ordered Accordingly.

Sd/-
(Justice S S Chauhan)
Chairperson