

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 212/2010

Subject: Approval of proposal for Renovation & Modernization (R&M) of Talcher Thermal Power Station (460 MW).

Date of Hearing: 19.2.2013

Coram: Dr. Pramod Deo, Chairperson
Shri V. S. Verma, Member
Shri M. Deena Dayalan, Member

Petitioner: NTPC Ltd.

Respondent: GRIDCO Ltd.

Parties present: Shri Ajay Dua, NTPC
Shri Rohit Chabra, NTPC
Shri Guryog Singh, NTPC
Shri Ishpal Uppal, NTPC
Shri Shyam kumar, NTPC
Shri V. Ramesh, NTPC
Shri A. K. Bishoi, NTPC
Shri R. B. Sharma, Advocate, GRIDCO
Shri S R. Sarangi, GRIDCO

RECORD OF PROCEEDINGS

During the hearing, the representative of the petitioner submitted as under:

- (a) Rejoinder to the reply filed by the respondent has been filed on 6.2.2013.
- (b) The petition has been filed for in principle approval of Phase-IV R&M covering the balance area renovation of Stage-I and II Electrical system and balance Turbine auxiliaries of Stage-II ESP, CT and balance C&I system and other services and safety related systems. Additional Capital Expenditure has been incurred and claimed from time to time on account of R&M works above which are necessary and expedient for effective operation of the generating station.
- (c) The updated and revised details of the R&M schemes including the new schemes are indicated in paragraph 8 (Annexure-I and II) of the of the affidavit dated 20.11.2012 and the Commission may be pleased to allow the implementation of these new schemes along with schemes submitted earlier.
- (d) In-principle approval for carrying out some of the R&M schemes (8 Nos) which are proposed to be completed during the next tariff period may be granted so that the process of tendering, award of contract and execution of works could be taken up by the petitioner.

2. The learned counsel for the respondent submitted as under:
- (a) The Cost Benefit Analysis clearly indicating the tariff and the benefits to be derived out of this by the beneficiaries has not been furnished by the petitioner. The submission of the at page 10 Annexure-I of the petitioner as regards the loss of availability/generation and on account of failure etc cannot be considered as cost benefit analysis as it results in direct benefit to the generator. The beneficiaries are required to know the investment made on R&M schemes and the benefits derived out of this from the tariff recovered.
 - (b) Referring to para 3 of the reply dated 10.1.2013, it was submitted that the benefits to be derived by the beneficiaries would be the reduction in O&M expenses and the revision of operating norms of the generating station.
 - (c) The capacity of the generating station may be restored to its original capacity of 470 MW.
 - (d) As regards expenditure to be incurred for R&M of the generating station there has been no consultation/discussions with the beneficiaries in terms of clause (1) of Regulation 10 of the 2009 Tariff Regulations. The whole exercise of consultation with the beneficiary was a mere formality without any sincere effort to arrive at an amicable solution to meet the needs of R&M of the generating station.
3. On a specific query by the Commission as to whether the respondent had agreed to the R&M schemes, the learned counsel clarified that it has agreed for R&M scheme under Phase-IV programme on the condition that the petitioner shall provide due sharing of benefits in terms of improvement in operational parameters, life extension and re-rating of stage-I units etc. The learned counsel further continued with his submissions on R&M schemes as under:
- (e) Out of the 18 R&M schemes, one has been withdrawn and only 9 R&M schemes amounting to ₹23.86 crore will be taken up for implementation during 2009-14 period. The expenditure in respect of other 8 schemes amounting to ₹70.62 crore has been proposed beyond the 2009-14 tariff period for which in-principle approval has been sought for by the petitioner. Seeking in-principle approval of R&M schemes which are not needed for the tariff period 2009-14 amounts to binding the Commission in its decision making as well as framing of regulations during the next tariff period. The applicability of the 2009 Tariff Regulations cannot be extended for the period 2014-19 by the petitioner. Moreover, there exists no provision under the 2009 Tariff Regulations to obtain in-principle approval of R&M schemes for the next tariff period. Hence, the same may be rejected.
 - (f) The expenditure of ₹3473 lakh proposed for other renovation, new plant facilities and T&P for the period beyond 2009-14 is liable to be rejected. The investment of ₹1097.27 lakh on other renovation, new plant facilities and T&P for the period 2009-14 are in the nature of O&M expenses.

- (g) The petitioner has not submitted the amount of accumulated depreciation to arrive at an additional capital cost that shall form the basis for determination of tariff.
- (h) There exist wide gaps between the actual operating parameters and the normative operating parameters (NAPAF and Auxiliary Consumption) which are required to be removed by amending the relevant provisions of the 2009 Tariff Regulations. The parameters achieved have attained optimum value and no more investment under R&M be allowed on this count for the generating station.
- (i) The petitioner has not disclosed any information/data to this respondent in order to examine the requirements of R&M works and thus there exists serious doubts as regards the need for R&M works.
- (j) The Plant Load Factor of the generating station is high and no further investment in the form of R&M expenses is required as there is sustained generation of power from this generating station.
- (k) The rejection of capitalization of R&M expenses by the Commission had been affirmed by the Appellate Tribunal in Appeal No. 82/2009.

4. The representative of the petitioner objected to the above submissions of the respondent and clarified as under:

- (a) The R&M schemes under Phase-IV are planned based on RLA and other technical studies and there is a need to implement these schemes considering the prevailing operating conditions of equipment and for sustained performance. Any splitting/deferment of approval of these schemes will extend the time line for implementation and will put the reliability and safety of plant in danger.
- (b) The respondent has reaped full benefits of R&M by way of higher generation and operating norms specified by the Commission from time to time compare to the performance at the time of takeover of the generating station.
- (c) The higher O&M expenses in case of the generating station are on account of high employee cost as the employee transferred at the time of take over continues to get the benefits as per the transfer agreement. Moreover, the actual O&M expenses are much higher than the normative O&M expenses specified by the Commission.
- (d) The matter regarding rating of capacity has already been decided by the Commission by order dated 4.3.2008 and the same has been upheld by the Tribunal in its judgment dated 8.11.2011 in Appeal No. 86/2006 filed by the respondent.
- (e) The in-principle requirement of &M Phase-IV schemes (for initial 8 nos) was presented to the respondent at the time of phase-III works approval and the same was agreed vide clearance dated 1.9.2004 for Phase-III R&M. After final

consideration total 18 nos. R&M Phase-IV schemes were identified and presented and discussed with the beneficiary on 10.10.2009 and subsequently acknowledged by respondent vide letter dated 7.11.2009.

- (f) Since redesigning/retrofitting of Stage-II ESP is done based on CEPI action plan as per the directives of the State Pollution Control Board, the scheme is covered under Regulation 9(2) (ii) of the 2009 Tariff Regulations.
- (g) The generating station being a takeover station is an old station and operating under relaxed norms and is not entitled for compensation allowance and special allowance. Therefore, new facilities/assets, Tools and tackles are required to be created through R&M and cannot be covered under O&M expenses.
- (h) The benefits of higher availability and PLF achieved by the generating station has been reaped by the respondent in the form of more electricity at a cheaper rate as the power from the generating station is amongst the cheaper thermal power.
- (i) The petitioner is furnishing all information to the respondent as required under the regulations specified by the Commission. Besides this, the information sought for is filed in terms of Section 62(5) of the Act, and the same is in public domain.
- (j) The percentage of auxiliary consumption furnished by the respondent is without any basis and factually incorrect. The respondent has defined the same in an arbitrary manner different from the tariff regulations specified by the Commission.
- (k) The submissions of the respondent deserve no merit and may accordingly be rejected and the payer of the petitioner be allowed.

7. The Commission after hearing the parties reserved its order in the petition.

By order of the Commission

Sd/-
(T. Rout)
Joint Chief (Law)