

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 24/RP/2024
in
Petition No. 563/GT/2020

Coram:
Shri Jishnu Barua, Chairperson
Shri Ramesh Babu V, Member
Shri Harish Dudani, Member

Date of Order: 6th February, 2025

In the matter of:

Review of the Commission's order dated 24.4.2024 in Petition No. 563/GT/2020 pertaining to truing-up of tariff of Kudgi Super Thermal Power Station (2400 MW) for the period from COD of Unit-I i.e., from 31.7.2017 to 31.3.2019.

AND

In the matter of:

NTPC Limited
NTPC Bhawan, Core-7, SCOPE Complex,
7, Institutional Area, Lodhi Road,
New Delhi

...Review Petitioner

Vs

1. A.P Eastern Power Distribution Company Limited,
Corporate Office, P&T Colony, Seethammadhara,
Visakhapatnam-530013
2. A.P Southern Power Distribution Company Limited,
Corporate Office, Back Side, Srinivasa Kalyana Mandapam,
Tiruchhanur Road, Kesavayana Gunta,
Tirupathi - 517 503 (AP)
3. Telangana State Northern Power Distribution Company Limited,
H.No. 2-5-31/2, Vidyut Bhavan, Nakkalagutta, Hanamkonda,
Warangal - 506 001 (AP)
4. Telangana State Southern Power Distribution Company Limited,
Mint Compound, Corporate Office,
Hyderabad-500063
5. Tamil Nadu Generation & Distribution Corporation Limited,
144, Anna Salai, Chennai- 600002



6. Bangalore Electricity Supply Company Limited,
Corporate Office, K. R. Circle, Bangalore-560 001

7. Mangalore Electricity Supply Company Limited Corporate Office,
MESCOM Bhavan, First floor, Kavour Cross Road,
Bijai, Mangalore- 575004

8. Chamundeshwari Electricity Supply Company Limited,
Corporate Office No. 29, Vijayanagar 2nd Stage,
Hinkal, Mysore- 570017

9. Gulbarga Electricity Supply Company Limited,
Station Main Road, Gulbarga- 585102

10. Hubli Electricity Supply Company Limited,
Corporate Office, Navanagar, PB Road,
Hubli- 580025

11. Kerala State Electricity Board Limited
Vaidyuthi Bhavanam, Pattom
Thiruvananthapuram- 695004

...Respondents

Parties Present:

Shri Venkatesh, Advocate, NTPC
Shri Nihal Bhardwaj, Advocate, NTPC
Shri Harsh Vardhan, Advocate, NTPC
Ms. Ananya Dutta, Advocate, NTPC
Shri S. Vallinayagam, Advocate, TANGEDCO
Shri R. Kathiravan, TANGEDCO

ORDER

Petition No. 563/GT/2020 was filed by the Review Petitioner for approval of the tariff of Kudgi Super Thermal Power Station (2400 MW) (in short, "the generating station /Project") after true-up exercise, from the COD of Unit-I (31.7.2017) till 31.3.2019, in accordance with the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (in short, "the 2014 Tariff Regulations") and the Commission vide its order dated 24.4.2024 (in short, 'the impugned order') disposed of the same. Aggrieved thereby, the Review Petitioner has filed the Review Petition seeking review on the ground that there is an error apparent on the face of the impugned order on the



following issues:

- (A) Disallowance of un-amortized finance cost on account of change of methodology from IGAAP to Indian Accounting Standards (Ind-AS).*
- (B) Non-consideration of the repayment adjustment on account of de-capitalization in the interest of loan calculation; and*
- (C) Non-consideration of depreciation adjustment on account of de-capitalization in the depreciation calculation.*

Hearing dated 8.8.2024

2. During the hearing 'on admission', the learned counsel for the Review Petitioner made detailed oral submissions seeking review of the impugned order on the aforesaid issues. The Review Petition was admitted vide ROP and notice was ordered on the Respondents, with directions to parties, complete pleadings in the matter. None of the Respondents have filed replies in the matter.

Hearing dated 27.9.2024

3. During the hearing of the Review Petition on 27.9.2024, the learned counsel for the Review Petitioner made detailed oral arguments in support of its prayer for review of the impugned order on the said issues. However, the Commission, after permitting the Respondent TANGEDCO to file their reply, reserved its order in the matter based on the consent of the parties. No reply has been filed by the said Respondent.

4. Accordingly, based on the submissions and the documents on record, we proceed to examine the issues raised by the Review Petitioner in the subsequent paragraphs:

(A) Disallowance of un-amortized finance cost on account of change of methodology from IGAAP to Indian Accounting Standards (Ind-AS).

5. The Commission, in the impugned order, disallowed the claim of the Review Petitioner, observing as under:

"27. The Commission vide its order dated 8.1.2020 had disallowed the un-amortized finance cost for Rs.616.00 lakh, Rs. 1536.00 lakh and Rs.1633.00 lakh, as on COD of Unit-I, Unit-II, and Unit-III/ the generating station respectively, on the ground that these expenses are



pertaining to IND-AS adjustments and should have formed part of Auditor's certified gross block as per IGAAP. Accordingly, no further adjustment to the capital cost based on IGAAP, in the nature of un-amortized finance cost pertaining to IND-AS, was allowed for the purpose of tariff.

xxx

30. The matter has been considered. The Petitioner's justification that this claim is due to IND-AS adjustment was considered in an order dated 8.1.2020 also, wherein the said expenditure was disallowed as it was considered that Rs.1633.00 lakh pertaining to un-amortized bond issue expenses due to IND-AS adjustments, already forms part of auditors certified cash capital cost as per IGAAP (on a cash basis), therefore, any further adjustment to the same on account of IND-AS adjustment is unjustifiable. This, was, however, subject to truing up. The issue was not raised by the Petitioner in 8/RP/2020 filed in an order dated 8.1.2020. In the present Petition, no additional information/ justification has been provided, which indicates that this amount did not form part of IND-AS adjustments in the Auditor-certified (cash) capital cost. Accordingly, the Petitioner's claim under this head is disallowed.

Submissions of the Review Petitioner

6. The Review Petitioner, in the Review Petition, has submitted the following:

(a) The Commission has emphasized that these expenses should already be part of the Auditor-certified cash capital cost as per IGAAP and since no new information or justification was provided to prove otherwise, the Petitioner's claim remains disallowed. Notably, in the order dated 8.1.2020 (in Petition No 199/GT/2017), the Commission had disallowed the un-amortized finance costs of Rs. 616.00 lakh, Rs. 1536.00 lakh, and Rs. 1633.00 lakh as on the COD of Units I, II, and III respectively, on the grounds that these costs were related to IND-AS adjustments and should have already been included in Auditor's certified gross block as per IGAAP and consequently no further adjustment was allowed for tariff purposes.

(b) In the said Petition, the Review Petitioner had submitted that under IGAAP, loan issue expenses were accounted for upfront and were claimed during the construction period. Under IND-AS, these expenses are amortized over the loan's tenure, leading to the partial capitalization as Interest During Construction (IDC). Accordingly, the inclusion of the unamortized bond issue expenses of Rs. 616.00 lakh, Rs. 1536.00 lakh, and Rs. 1633.00 lakh at COD of Units I, II, and III respectively, in the capital cost, was prayed for.

Analysis and Decision

7. The matter has been examined. The Commission, in the impugned order dated 24.4.2024, had disallowed the claim of the Review Petitioner on account of unamortized finance cost after taking note of the fact that the said claim was disallowed by the Commission vide its order dated 8.1.2020 in Petition No. 199/GT/2017. It is also noticed that the Review Petitioner had filed Petition No. 8/RP/2020 against this order dated 8.1.2020, wherein the issue of disallowance on account



of the unamortized finance cost was never raised by the Review Petitioner. Though the Review Petitioner, in the original Petition (Petition No. 563/GT/2020), had claimed the unamortized finance cost, it had not furnished any information/ justification for the same. Thus, in the absence of any documentary evidence (that the Auditor certified gross block as per IGAAP, as on CODs, does not include any IND-AS adjustment towards unamortized finance charges) and also considering the fact that the Petitioner has not submitted any revised Auditor certificate in respect of gross block as per IGAAP, the claim of the Review Petitioner was disallowed. In view of this, we find no reason to entertain the prayer of the Review Petitioner on this count. Accordingly, there is no error apparent on the face of the impugned order dated 24.4.2024 and review on this count is not maintainable.

(B)&(C) Non-consideration of the repayment adjustment on account of de-capitalization in the interest of loan calculation AND Non-consideration of depreciation adjustment on account of de-capitalization in the depreciation calculation.

Submissions of the Review Petitioner

8. The Review Petitioner has pointed out that the claim of repayment adjustment on account of de-capitalization in the Interest of loan calculation for the period from 15.9.2018 (Unit-3 COD) to 31.3.2019, amounts to Rs 1.59 crore, which has been calculated as 70% of the sum of decapitalization of spares and decapitalization of the MBOA. Similarly, the Review Petitioner has submitted that it had claimed a cumulative depreciation adjustment due to de-capitalization for the period from 15.9.2018 (Unit-3 COD) till 31.3.2019, amounting to Rs 5.51 lakhs, which was not considered. It has also submitted that as per Form 9Bi, the decapitalization of spares and de-capitalization of MBOA is Rs 1.98 crore and Rs 0.30 crore, respectively which was not considered. While pointing out that the Commission had overlooked the de-capitalization amounts as aforesaid, the Review Petitioner has prayed that the impugned order may be reviewed on these counts, as the legitimate claims of the Review Petitioner have been disallowed.

Analysis and Decision

9. The submissions have been examined, and we notice that certain inadvertent clerical/arithmetical errors had crept into the impugned order due to the non-consideration of the repayment adjustment and depreciation adjustment on account of their de-capitalization in the interest on loan and depreciation calculations. The inadvertent non-consideration of the adjustments due to the de-capitalization of Spares and MBOA items amounting to Rs.198.18 lakh and Rs.30.32 lakh, respectively, during the period COD of Unit-III to 31.3.2019 is, in our view, an error apparent on the face of the impugned order, which is to be rectified on review. The review on this count is, therefore, maintainable, and the impugned order is revised on these counts as stated below:

Revision of Tariff

Interest on loan

10. Based on the above discussions, the table under para 60 of the impugned order dated 24.4.2024, relating to interest on loan, is revised as under:

(Rs. in lakh)

	2017-18		2018-19	
	31.7.2017 (COD of Unit-I) to 30.12.2017	31.12.2017 (COD of Unit-II) to 31.3.2018	1.4.2018 to 14.9.2018	15.9.2018 (COD of Unit-III) to 31.3.2019
Gross normative loan (A)	418986.06	696995.38	710719.26	927639.53
Cumulative repayment of loan up to the previous year/period (B)	0.00	12433.87	24423.45	47152.62
Net normative loan – Opening (C = A-B)	418986.06	684561.51	686295.81	880486.91
Addition due to additional capitalization (D)	26239.89	13723.88	33012.63	45845.07
Repayment of loan during the year/ period (E)	12433.87	11989.58	22729.16	37223.56
Less: Repayment adjustment on account of de-capitalization	0.00	0.00	0.00	6.26

	2017-18		2018-19	
	31.7.2017 (COD of Unit-I) to 30.12.2017	31.12.2017 (COD of Unit-II) to 31.3.2018	1.4.2018 to 14.9.2018	15.9.2018 (COD of Unit-III) to 31.3.2019
Repayment of Loan during the period (Net)	12433.87	11989.58	22729.16	37217.30
Net normative loan – Closing (F = C+D-E)	432792.08	686295.81	696579.27	889114.68
Average normative loan [G = (C+F)/2]	425889.07	685428.66	691437.54	884800.80
Weighted Average Rate of Interest (H)	6.3709%	6.4148%	6.4458%	6.4906%
Interest on Loan (I = G x H) – annualized	27132.97	43968.88	44568.63	57428.55
Interest on Loan (J) - pro-rata	11373.55	10962.11	20391.67	31153.02

Depreciation

11. Also, the table under para 62 of the impugned order dated 24.4.2024 is revised as under:

(Rs. in lakh)

	2017-18		2018-19	
	31.7.2017 (COD of Unit-I) to 30.12.2017	31.12.2017 (COD of Unit-II) to 31.3.2018	1.4.2018 to 14.9.2018	15.9.2018 (COD of Unit-III) to 31.3.2019
Average capital cost (A)	603661.37	961007.41	992913.12	1357945.80
Value of freehold land included above (B)	32712.72	32712.72	32712.72	32712.72
Depreciable value [C=(A-B) x 90%]	513853.78	835465.23	864180.36	1192709.77
Remaining depreciable value at the beginning of the year/period [D= C – Previous year/ periods 'I']	513853.78	823031.35	839756.91	1145557.16
Remaining useful life from effective COD (4.2.2018) at the beginning of the period (E)	25.00	25.00	24.84	24.39
Weighted Average Rate of Depreciation (WAROD) (F)	4.9138%	5.0041%	5.0032%	5.0532%
Depreciation for the year – annualized (G = A x F)	29662.50	48090.09	49677.51	68619.19
Depreciation for the period – pro-rata (H)	12433.87	11989.58	22729.16	37223.56
Less: Cumulative depreciation reduction due to de-capitalization	0.00	0.00	0.00	6.26
Cumulative depreciation at the end of the year (I = H + Previous year/ periods 'I')	12433.87	24423.45	47152.62	84369.92

Receivables

12. Further, the receivable component of the working capital in the table under para 111 of the impugned order is revised as under:

(Rs. in lakh)

	2017-18		2018-19	
	31.7.2017 (COD of Unit-I) to 30.12.2017	31.12.2017 (COD of Unit-II) to 31.3.2018	1.4.2018 to 14.9.2018	15.9.2018 (COD of Unit-III) to 31.3.2019
Variable Charges - for two months	30363.92	64601.69	64601.69	104032.68
Fixed Charges – for two months	19162.33	31936.21	32922.27	47196.79
Total	49526.25	96537.91	97523.97	151229.47

Interest on Working Capital

13. Accordingly, the interest on working capital, as allowed in the table under paragraph 114 of the impugned order, stands revised as under:

(Rs. in lakh)

	2017-18		2018-19	
	31.7.2017 (COD of Unit-I) to 30.12.2017	31.12.2017 (COD of Unit-II) to 31.3.2018	1.4.2018 to 14.9.2018	15.9.2018 (COD of Unit-III) to 31.3.2019
Working capital for Coal towards stock - 30 days (A)	14864.85	31664.59	31664.59	50962.43
Working capital for Coal towards generation - 30 days (B)	14864.85	31664.59	31664.59	50962.43
Working capital for Secondary Fuel Oil - 2 months (C)	222.34	398.95	398.95	695.50
Working Capital for Maintenance Spares - 20% of O&M (D)	2772.86	5540.86	5884.94	8829.29
Working Capital for Receivables - 2 months (E)	49526.25	96537.91	97523.97	151229.47
Working Capital for O&M expenses - 1 month (F)	1155.36	2308.69	2452.06	3678.87
Total Working Capital (G = A+B+C+D+E+F)	83406.52	168115.59	169589.10	266357.99
Rate of interest (H)	12.60%	12.60%	12.60%	12.20%
Interest on working capital – annualized (I = G x H)	10509.22	21182.56	21368.23	32495.68
Interest on working capital – pro-rata (J)	4405.24	5281.13	9776.70	17627.79



Annual Fixed charges for the period 2017-19

14. Consequent upon the above, the annual fixed charges approved for the generating station for the period 2017-19 in the table under para 115 of the impugned order dated 24.4.2024 stand revised as under:

	2017-18		2018-19	
	31.7.2017 (COD of Unit-I) to 30.12.2017	31.12.2017 (COD of Unit-II) to 31.3.2018	1.4.2018 to 14.9.2018	15.9.2018 (COD of Unit-III) to 31.3.2019
Depreciation	29662.50	48090.09	49677.51	68619.19
Interest on Loan	27132.97	43968.88	44568.63	57428.55
Return on Equity	33804.98	50671.43	52494.55	80490.88
Interest on Working Capital	10509.22	21182.56	21368.23	32495.68
O&M Expenses	13864.31	27704.31	29424.72	44146.44
Total	114974.00	191617.27	197533.63	283180.74

Note: 1) All figures are on an annualized basis. 2) All the figures under each head have been rounded. The figure in total column in each year is also rounded. Because of the rounding of each figure, the total may not be the arithmetic sum of individual items in columns.

15. Petition No. 24/RP/2024 in Petition No. 563/GT/2020 stands disposed of in terms of the above.

Sd/-
(Harish Dudani)
Member

Sd/-
(Ramesh Babu V)
Member

Sd/-
(Jishnu Barua)
Chairperson