

PUNJAB STATE ELECTRICITY REGULATORY COMMISSION
SITE NO. 3, BLOCK B, SECTOR 18-A MADHYA MARG, CHANDIGARH

Petition No. 14 of 2020

Date of Order: 26.10.2021

Petition for approval of Aggregate Revenue Requirement and determination of tariff for sale of energy generated by 2X270 MW Goindwal Sahib Thermal Power Plant at Goindwal Sahib, Punjab for the control period FY 2020-21 to 2022-23 in terms of Section 62, Section 86 and Section 94 of the Electricity Act 2003 along with "Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Generation, Transmission, Wheeling and Retail Supply Tariff) Regulations, 2019" (PSERC MYT Regulations 2019).

AND

In the matter of: GVK Power (Goindwal Sahib) Limited, Plot No. 10, Paigah House, 156-159, Sardar Patel Road, Secunderabad – 500003

Petitioner

Versus

Punjab State Power Corporation Limited, The Mall, Patiala.

Respondent

Present: Sh. Viswajeet Khanna, Chairperson
Ms. Anjali Chandra, Member
Sh. Paramjeet Singh, Member

ORDER

GVK Power Goindwal Sahib Limited (GVK) filed the present petition for Approval of Capital Investment Plan, Aggregate Revenue Requirement and Determination of Tariff for sale of energy generated by its 2X270 MW Goindwal Sahib Thermal Power Plant at Goindwal Sahib, Punjab for the control period FY 2020-21 to 2022-23. GVK prayed to:-

- a. Condone the delay in filing the current petition;
 - b. Admit the petition and grant approval for the Capital Investment Plan, Aggregate Revenue Requirement and Tariff for MYT Control Period FY 2020-21 to FY 2022-23 by considering the Annual Fixed Charges, Energy Charges, Incentives, etc., as per the applicable Regulations;
 - c. Grant an interim tariff on the basis of AFC of Rs 602.89 Cr till the present petition is finally disposed of
 - d. To pass any order as the Commission may deem fit.
- 1.2 The discrepancies observed by the Commission were conveyed to GVK vide letter dated 21.05.2020. GVK responded to the deficiencies and filed its reply dated 16.06.2020. The petition was admitted vide Order dated 24.08.2020 directing GVK to file a separate petition for Capital Investment Plan and petition for APR for FY 2019-20. GVK was directed to issue a public notice inviting objections from general public/stakeholders. PSPCL filed its reply to the petition vide memo No. 5714 dated 04.09.2020. The public notice was published in various newspapers on 09.09.2020. The petition was taken up for hearing as well as public hearing on 23.09.2020. However, no one appeared from public in the hearing. GVK was directed to file a separate petition for Capital Investment Plan for MYT Control Period FY 2020-21 to FY 2022-23 and Annual Performance Review for FY 2019-20 by 28.09.2020 failing which the Commission may pass Suo-Motu Order in this regard. GVK filed petition No. 33 of 2020 for Annual Performance Review for FY 2019-20 and petition No. 34 of 2020 for Capital Investment Plan and Business Plan for the Control Period FY 2020-21 to FY 2022-23. GVK filed rejoinder dated 28.09.2020 to the reply filed by PSPCL. GVK filed submissions dated 01.10.2020 on interim relief

for FY 2020-21 and further filed additional submissions dated 05.10.2020 in furtherance of the submissions dated 01.10.2020. The petition was taken up for hearing on 23.12.2020 wherein the learned counsel for the parties addressed their respective arguments. In the meantime GVK filed Review Petition no. 04 of 2020, 05 of 2020 and 06 of 2020 and during hearing on 10.03.2021 the counsel for GVK requested to fix the hearing in petition No. 14 of 2020 after the decision of the Review Petitions. The petition was taken up for hearing on 26.05.2021 wherein the Counsel for GVK submitted that revised AFC could not be filed and requested for time to file the same. GVK was granted the last opportunity to file the revised AFC within two weeks further directing PSPCL to file its reply to the revised AFC within one week thereafter. GVK filed the revised figures vide affidavit dated 09.06.2021 for FY 2020-21 to FY 2022-23 and PSPCL filed its additional reply vide memo No. 6486 dated 17.06.2021. The petition was taken up for hearing on 23.06.2021 and vide order dated 28.06.2021 GVK was directed to provide year wise details of interest paid amounting to Rs. 340.72 Crore indicating separately the penal interest included in the amount and the detailed working of Revised Annual Fixed Cost as submitted in para-4 of the affidavit dated 09.06.2021. GVK filed the information vide affidavit dated 12.07.2021 and PSPCL filed reply thereto vide memo No. 6803 dated 27.07.2021. Vide order dated 05.08.2021 GVK was directed to submit detailed working of revised O & M expenses. GVK submitted affidavit dated 19.08.2021 in this regard and after hearing the parties on 01.09.2021, Order was reserved.

Observations and Decision of the Commission.

2.0 Capital Expenditure

GVK proposed the installation of FGD during the MYT Control Period for FY 2020-21 to FY 2022-23 and projected the year-wise capital expenditure is as under:

Table No. 1 : Year wise Capital expenditure projected by GVK
(Rs. Crore)

Sr. No	Particulars	FY 2020-21	FY 2021-22	FY 2022-23
1.	Plant and Equipment	0	0	540

The Commission directed GVK to file a separate petition for approval of its Business Plan (BP) and Capital Investment Plan (CIP) as mandated under the MYT Regulations. Accordingly, GVK filed the Petition No. 34 of 2020 for approval of BP and CIP for the MYT control period FY2020-21 to FY 2022-23. After prudence check of the same, the Commission vide Order dated 04.01.2021 has provisionally allowed the capital investment of Rs. 243 Crore, considering the rate of Rs. 0.45 Crore per MW as recommended by CEA (for installation of FGD at GVK plant).

Thus, the Commission considers the capital expenditure for the MYT control period FY 2020-21 to FY 2022-23 as under:

Table No. 2: Capital expenditure allowed by the Commission
(Rs. Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22	FY 2022-23
1.	Plant and Equipment (FGD)	0	0	243
Total		0	0	243

The Commission has considered capitalization of the entire amount of Rs 243 crores for installation of FGD in FY 2022-23 which shall be reviewed at the time of true up.

3.0 Operation and Maintenance Expenses

GVK's Submission

- 3.1 GVK submitted that O&M expenses have been calculated as per the Regulation 26 of the PSERC MYT Regulations 2019.
- 3.2 GVK further submitted that in the above Regulations the K factor and Efficiency factor X_n have to be determined by this Commission in the MYT order for the Control Period.
- 3.3 GVK submitted that while calculating the various components of O&M expenses it has considered an estimated R&M Expenses to the tune of Rs.99.00 Crore for FY 2020-21. K factor has also been calculated based on GFA and R&M of FY 2020-21 and the same K factor has been considered for entire Control Period. WPI and CPI data has been considered for FY 2017-18 and FY 2018-19 as under:

Table No.3: Calculation of K Factor submitted by GVK
(Rs. Crore)

Sr.No	Particulars	Amount
1	R&M expenses for FY 2020-21	99.00
2	Average GFA for FY 2020-21	3072.97
3	K factor (1/2)	3.22%

Table No. 4: Calculation of Index for A&G and Employee Expenses by GVK

Sr. No.	Particulars	FY 2017-18	FY 2018-19	INDEX _n	INDEX _{n-1}
1.	CPI	284.42	299.92	0.5(119.79) +0.5(299.92)	0.5(114.88)+ 0.5(284.42)
2.	WPI	114.88	119.79	=209.85	=199.65

Accordingly, GVK has worked out various components of O&M as follows:

Table No. 5: O&M Expenses for MYT Control Period (Rs Crore)

S. No.	Particulars	FY 2020-21	FY 2021-22	FY 2022-23
1	Employee Expenses	15.70	16.50	17.34
2	R&M Expenses	99.00	103.24	112.31
3	A&G Expenses	45.28	47.59	50.03
4	O&M Expenses capitalized	-	-	-
5	Total Operation & Maintenance Expenses (net of capitalisation)	159.98	167.33	179.68

- 3.4 GVK pleaded to approve the above O&M expenses for the Control Period of MYT FY 2020-21 to FY 2022-23.
- 3.5 GVK in its rejoinder dated 28.09.2020 submitted that the contention of PSPCL, that computation of O&M Expenses submitted is baseless and contrary to the PSERC Tariff Regulations 2019 is denied. GVK submitted that it has calculated the Baseline values for determining the O&M Expenses and Interest on Working Capital in accordance with Regulation 26 and Regulation 33 of the PSERC Tariff Regulations 2019 respectively.
- 3.6 GVK in its submission dated 09.06.2021 submitted that if O&M expenses is computed in accordance with the methodology being followed by the Commission in its order dated 07.04.2021 in Review Petition no.4 of 2020, Petition no.5 of 2020 and Petition no. 6 of 2020 ,the same would work as Rs.40.06 Crore,Rs.58.00 Crore and Rs.59.28 Crores for FY 2020-21,FY2021-22 and FY 2022-23 respectively. GVK in its affidavit dated 13.07.2021 submitted that for computation of O&M Expenses for the Second Control Period, the baseline for O&M Expenses ought to be considered as FY 2019-20 instead of FY 2017-18. GVK further

submitted that using FY 2017-18 as baseline does not reflect the increase in number of employees in FY 2018-19 due to increase in plant operations. The same is evident from the fact that the PLF of the plant increased from 32% in FY 2017-18 to 52% in FY 2018-19. GVK has prayed that the expenses for FY 2019-20 be considered as baseline.

PSPCL's submission

- 3.7 PSPCL vide memo no. 5714 dated 04.09.2020 submitted that this Commission considers the approval of the O&M expenses of the petitioner based on the projected figures provided by the Petitioner. The above said baseline figures may be determined by this Commission so that the components of O&M expenses may be accordingly calculated. In the absence of such baseline values, the computations submitted by GVK may not be considered by this Commission.

Commission's Analysis

3.8 O&M Expenses

The O&M expenses for the 2nd Control Period are to be projected as per the Regulation 26 of the PSERC MYT Regulations, 2019. The Regulation has been reproduced as under:

"26.1. The O&M expenses for the nth year of the Control Period shall be approved based on the formula shown below:

$$O\&M_n = (R\&M_n + EMP_n + A\&G_n) \times (1 - X_n)$$

Where,

R&M_n – Repair and Maintenance Costs of the Applicant for the nth year;

EMP_n – Employee Cost of the Applicant for the nth year;

A&G_n – Administrative and General Costs of the Applicant for the n th year;

X_n – Is an efficiency factor for the n th year.

It should be ensured that all such expenses capitalized should not form a part of the O&M expenses being specified here.”

3.8.1 Employee Expenses

As per Regulation 26.1 of PSERC MYT Regulations 2019, the Employee Cost and A&G cost for n th year is determined as follows:

$$(ii) EMP_n + A\&G_n = (EMP_{(n-1)} + A\&G_{(n-1)}) * (INDEX_n / INDEX_{n-1})$$

INDEX_n – Inflation factor to be used for indexing the employee cost and Administrative and General Cost for n th year. This will be the Combination of Consumer Price Index(CPI) and the Whole Sale Price Index (WPI) of n th year and shall be calculated as under:

$$INDEX_n = 0.50 * CPI_n + 0.50 * WPI_n$$

WPI_n means the average rate (on monthly basis) of Wholesale Price Index (all commodities) over the year for the n th year.”

CPI_n means the average rate (on monthly basis) of Consumer Price Index (industrial workers) over the year for the n th year.”

3.8.2 GVK has claimed employee cost of Rs.15.70 Crore, Rs.16.50 Crore and Rs.17.34 Crore for FY 2020-21, FY 2021-22 and FY 2022-23 respectively as given below:

**Table No.6: Employee Cost claimed by GVK for 2nd Control Period
(Rs. Crore)**

Sr.No.	Particulars	FY 2020-21	FY 2021-22	FY 2022-23
1	Other employee Cost	14.59	15.34	16.12
2	Terminal benefits	1.11	1.16	1.22
3	Total Employee Cost	15.70	16.50	17.34

3.8.3 The employee cost has been considered in two parts -Terminal benefits and other employee cost.

3.8.4 The Terminal benefits are to be determined as per Regulation 26 of PSERC MYT Regulations, 2019 (as amended from time to time). Relevant note of Regulation 26 of MYT Regulations, 2019 is reproduced below for reference:

“Note 4: Terminal Liabilities such as death-cum-retirement gratuity, Ex-Gratia, pension including family pension, commuted pension, leave encashment, LTC, medical reimbursement including fixed medical allowance in respect of the State PSU / Government pensioners will be approved as per the actuals paid by the Applicant.”

GVK has claimed terminal benefits of Rs.1.11. Crore, Rs. 1.16 Crore and Rs. 1.22 Crore for FY 2020-21, FY 2021-22 and FY 2022-23 respectively. The Commission considers the terminal liabilities as submitted by GVK for the 2nd Control Period. The same shall be allowed as per actuals during the True-up of the respective years. **Accordingly, terminal benefits allowed by the Commission for 2nd MYT Control Period are as under:**

Table No. 7: Terminal benefits allowed by the Commission
(Rs. Crore)

Sr.No.	Particulars	FY 2020-21	FY 2021-22	FY 2022-23
1	Terminal benefits	1.11	1.16	1.22

3.8.5 Regulation 8.1 of PSERC MYT Regulations, 2019 specifies that baseline values for the Control Period shall be determined by the Commission and the projections for the Control Period shall be based on these figures. The relevant regulations are reproduced below:

8.1. Baseline Values

“..... (b) The baseline values shall be inter-alia based on figures approved by the Commission in the past, last three years’ Audited/Provisional Accounts, estimate of the expected figures for the relevant year, industry benchmarks/norms and other factors considered appropriate by the Commission:

Provided further that the Commission may change the values for Base Year and consequently the trajectory of parameters for the Control Period, considering the actual figures from audited accounts.”

3.8.6 GVK has claimed employee cost other than terminal benefits as Rs. 14.59 Crore, Rs.15.34 Crore and Rs. 16.12 Crore for FY 2020-21, FY 2021-22 and FY 2022-23 respectively.

3.8.7 GVK has projected employee strength for the 2nd Control Period in Petition No. 14 of 2020 as under:

**Table No.8: Employee Strength as submitted by GVK
in Petition No. 14 of 2020**

Sr.No	Particulars	Working strength at the beginning of the year FY 2018-19	Working strength at the beginning of the year FY 2019-20	Working strength at the beginning of the year FY 2020-23 projected
1	Technical	101	101	101
2	Non- Technical	27	27	27
3	Total	128	128	128

GVK has indicated employee strength for the 1st Control Period in Petition No.29 of 2021 as under:

Table No.9: Employee Strength as submitted by GVK in Petition No.29 of 2021

Sr.No	Particulars	Working strength at the beginning of the year FY 2017-18	Working strength at the beginning of the year FY 2018-19	Working strength at the beginning of the year FY 2019-20
1	Technical	90	115	115
2	Non- Technical	27	28	28
3	Total	117	143	143

It can be seen that GVK has indicated employee strength of 128 through out the period for FY 2018-19 to FY 2022-23 in petition no. 14 of 2020.

3.8.8 GVK has claimed increase of 20-25% in other employee cost every year during 1st Control Period (Rs. 9.26 Crores in FY 2017-18, Rs. 11.68 Crore in FY 2018-19 and Rs. 14.07 Crore in FY 2019-20) whereas the employee strength from FY 2018-19 to FY 2019-20 remained constant. This indicates that the increase in employee cost of 20-25% was overstated. In fact this is corroborated by GVK showing an increase of 3.7% for FY 2020-21 over FY 2019-20. The Commission considers other employee cost as Rs. 12.50 Crore for FY 2020-21 considering a reasonable increase in employee cost viz-a-viz employee strength.

3.8.9 The Commission allows employee cost for FY 2020-21 as under:

Table No.10: Employee cost allowed by the Commission for FY 2020-21

(Rs.Crore)

Sr.No	Particular	Amount
1	Other Employee Cost	12.50
2	Terminal benefits	1.11
3	Employee Cost	13.61

3.8.10 The Wholesale Price Index (WPI) and Consumer Price Index (CPI) for FY 2020-21 and FY 2019-20 have been taken for working out increase/decrease in WPI and CPI as given below:

Table No.11 : Computation of Escalation Index for FY 2020-21

Particular	FY 2019-20	FY 2020-21	Increase/decrease
CPI Index	322.50	338.69	5.0202%
WPI Index	121.80	123.38	1.2972%

$$INDEX\ n/INDEX\ n-1 = (0.5*5.0202) + (0.5*1.2972) = 3.1587\%$$

The above indices have been applied for FY 2021-22 and FY 2022-23 and shall be reviewed at the time of true up of respective years. Accordingly, employee cost for FY 2021-22 and FY 2022-23 is determined as under:

Table No.12: Employee Cost allowed by the Commission for FY 2021-22 and FY 2022-23

(Rs.Crore)

Sr.No	Particulars	FY 2021-22	FY 2022-23
1	Other Employee baseline	12.50	12.89
2	WPI & CPI escalation	3.1587%	3.1587%
3	Other Employee cost	12.89	13.30
4	Terminal benefits	1.16	1.22
5	Total Employee Cost	14.05	14.52

3.8.11 Administrative and General Expenses (A&G)

As per MYT Regulation 2019, Administrative & General expenses and Repair & Maintenance expenses are to be determined separately for 2nd Control Period. GVK has claimed A&G expenses for 2nd Control Period as under:

Table No. 13 : A&G expenses claimed by GVK for 2nd Control Period

(Rs.Crore)

Sr.No	Particulars	FY 2020-21	FY2021-22	FY 2022-23
1	A&G Expenses	45.28	47.59	50.03

3.8.12 A&G expenses claimed by GVK for FY 2020-21 in this Petition no 14 and in Petition no. 29 of 2021 for Annual Performance Review for FY 2020-21 are as under:

Table No. 14: A&G expenses claimed by GVK in Petition no.14 of 2020 and Petition no.29 of 2021 for FY 2020-21

(Rs. Crore)

Sr. No	Particulars	As per Petition No.14 of 2020 FY 2020-21	As per Petition No. 29 of 2021 for FY 2020-21		
			H1	H2	Total
1	Insurance	7.62	3.00	4.62	7.62
2	Rent	0.08	0.04	0.04	0.08
3	Rates & taxes	1.14	0.38	0.76	1.14
4	Legal & Professional Charges	11.08	3.89	7.19	11.08
5	Audit & ARR Fees	0.11	0.03	0.07	0.10
6	Communication Cost	0.14	0.02	0.12	0.14
7	Travelling expenses	1.08	0.08	1.00	1.08
8	Coal Testing Charges	1.93	0.07	1.85	1.92
9	Ash Handling charges	3.19	2.98	0.21	3.19
10	Water Charges	1.54	2.98	0.00	2.98
11	Fuel & Power	10.72	3.83	6.89	10.72
12	Contract Manpower-Security	3.98	1.90	2.08	3.98
13	Miscellaneous expenses	2.67	1.42	1.38	2.80
14	Total A&G expenses	45.28	20.62	26.21	46.83

3.8.13 GVK has prayed that the expenses for FY 2019-20 be considered as baseline. GVK's claim of A&G expenses are discussed below for the purpose of formulating baseline values for the 2nd Control Period.

(i) Insurance & Rent

GVK has claimed Rs.7.62 Crores and Rs.0.08 Crore for Insurance and rent for FY 2020-21 and the same are being considered with a reasonable increase over FY- 2019-20 by the Commission.

(ii) Rates & Taxes

GVK has claimed Rs.1.14 Crore for Rates & Taxes in this petition. However, it has incurred only Rs.0.38 Crore during 1st Half of FY

2020-2021 and estimated Rs.0.76 Crore for 2nd half of FY 2020-21 as per submission in Petition No.29 of 2020. The estimation for H2 appears to be on the higher side. The Commission considers Rs.0.76(0.38*2) Crore as Rates & Taxes for FY 2020-21.

(iii) **Legal & Professional charges**

GVK has claimed Rs.11.08 Crore as Legal & Professional charges in FY 2020-21 but as per Petition No.29 of 2021 for Annual Performance Review of FY 2020-21, GVK has actually incurred Rs.3.89 Crore during H1 of FY 2020-21 and estimated Rs. 7.19 Crore for 2nd half of FY 2020-21. In the 1st Control Period GVK has paid consultancy charges to its sister/related concern GVK Technical & Consultancy of Rs.1.60 Crore, Rs 2.32 Crore and Rs.2.05 Crore during FY 2017-18, FY 2018-19 and FY2019-20 respectively. It is felt that any consultancy given by it to its sister concern ought to have been at arm's length. Therefore, legal & professional charges have been considered for FY 2020-21 at the same level as incurred in H1 which works out to be Rs. 5.73 ((3.89x2) -2.05) Crore for FY 2020-21.

(iv) **Audit & ARR Fee**

In this Petition GVK has claimed Rs.0.11 Crore as Audit fee for FY 2020-21 to FY 2022-23. Rs.0.11 Crore are being considered over & above the norms for A&G .

(v) **Coal testing charges**

GVK has claimed Rs.1.93 Crore on Coal testing charges. However, it has incurred only Rs.0.07 Crore during 1st Half of FY 2020-21 and estimated Rs.1.85 Crore for 2nd half of FY 2020-21 as per submission in Petition No.29 of 2020-21. The estimation for second half appears to be on the higher side. The Commission considers Rs.0.14(0.07 X 2) Crore as Coal testing charges for FY

2020-21.

(vi) **Ash Handling charges**

GVK has claimed Ash Handling charges of Rs.3.19 Crore but has not shown any income from sale of Ash. Ash handling charges are to be set off against the income from sale of Ash, hence these charges have not been considered as part of A&G expenses.

(vii) **Water charges**

GVK has claimed Rs.1.54 Crore as water charges for FY 2020-21 in this petition. As per annual audited accounts for FY 2019-20, the water charges have been indicated as Rs.3.90 Crore . However, GVK has not claimed this amount in Petition No.29 of 2021 submitted for true up of FY 2019-20 and APR of FY 2020-21. Further, as per letter no. 1035-37/35-W(T.P) dated 19.06.2020 of Executive Engineer, Bari Doab Drainage Division, Amritsar addressed to GVK actual water charges for FY 2018-19 and FY 2019-20 were Rs.0.60 Crores and Rs.0.39 Crore respectively. The Plant Load factor of GVK plant was 32%,52% and 27% during FY 2017-18.FY 2018-19 and FY 2019-20 respectively, Considering that the plant operations are likely to remain more or less at the average PLF of 1st Control Period the Commission considers Rs.0.49 Crore for FY 2020-21.

(viii) **Fuel & Power expenses**

GVK has claimed Fuel & Power expenses of Rs.10.72 Crore for FY 2020-21. Fuel & Power expenses are mainly for start-up power which is billed by PSPCL. It has been observed that these charges are dependent on number of shut downs and start up as per the schedules given by PSPCL. Therefore, the Commission considers it prudent not to include it in the norms but to allow it as per actuals

during true up of respective years after prudence check. The Commission, however considers Rs. 9.26 $\{(13.33+4.36+10.10)/3\}$ Crore based on the average of power & fuel charges as reflected in the annual audited accounts of FY 2017-18, FY 2018-19 and FY 2019-20 each for the period FY 2020-21 to FY 2022-23 over & above A&G expenses.

(ix) **Contract Manpower & Security**

GVK has claimed Rs.3.98 Crores for FY 2020-21 for contract manpower and security. The charges as claimed are being considered by the Commission at the same level as in FY 2019-20.

(x) **Miscellaneous expenses**

GVK has claimed Rs.2.67 Crores for FY 2020-21 towards miscellaneous expenses. The charges as claimed are being considered by the Commission as they are almost at the same level as in 1st Control Period.

3.8.14 In view of the above A&G expenses considered for FY 2020-21 are as given below:

Table No. 15: A&G expenses considered for FY 2020-21 are as under:-

(Rs.Crore)		
Sr.No	Particulars	Amount
1	A&G expenses as claimed in Petition no.14 for FY 2020-21	45.28
2	Less: Rates & Taxes (1.14-0.76)	0.38
3	Less: Legal & Profession charges (11.08-5.73)	5.35
4	Less Audit & ARR Fee allowable separately	0.11
5	Less: Coal testing charges (1.93-0.14)	1.79
6	Less: Ash Handling Charges	3.19
7	Less: Water Charges (1.54-0.49)	1.05
8	Less: Fuel & Power allowable separately	10.72
9	A&G Expenses	22.69

3.8.15 The Commission allows A&G expenses for FY 2020-21 as under:

Table No.16: A&G expenses allowed by the Commission for FY 2020-21

		(Rs.Crore)
Sr.No	Particular	Amount
1	A&G expenses	22.69
2	Add: Fuel & Power	9.26
3	Add: Audit Fee	0.11
4	Total A&G Expenses	32.06

3.8.16 The escalation factor has been considered as per para 3.8.10 i.e. 3.1587% for FY 2021-22 and FY 2022-23 and the same shall be reviewed during the true up of respective years. The Commission allows A&G expenses for FY 2021-22 and FY 2022-23 as under:

Table No.17: A&G expenses allowed by the Commission for FY 2021-22 and FY 2022-23

		(Rs. Crore)	
Sr. No.	Particulars	FY 2021-22	FY 2022-23
1.	A&G Expenses (Baseline for FY 2021-22)	22.69	23.41
2.	Escalation Factor	3.1587%	3.1587%
3.	Escalated A&G Expenses	23.41	24.15
4	Fuel & Power	9.26	9.26
5	Audit & ARR fee	0.11	0.11
6	A&G expenses	32.78	33.52

3.8.17 Repair & Maintenance Expenses(R&M)

As per Regulation 26.1 of PSERC MYT Regulations 2019, the R&M expenses are to be determined as follows:

$$(i) R\&M_n = K * GFA * WPI_n / WPI_{n-1}$$

Where,

‘K’ is a constant (expressed in %) governing the relationship between R&M costs and Gross Fixed Assets (GFA) for the nth

year. The value of 'K' will be specified by the Commission in the MYT order.

'GFA' is the average value of the gross fixed assets of the *n*th year.

WPI_n means the average rate (on monthly basis) of Wholesale Price Index (all commodities) over the year for the *n*th year."

3.8.18 GVK has claimed Repair & Maintenance of Rs.99.00 Crore, Rs.103.24 Crore and Rs.112.31 Crore for FY 2020-21, FY 2021-22 and FY 2022-23 respectively.

3.8.19 GVK in its petition no. 29 of 2021 for Annual Performance Review (APR) of FY 2020-21 has claimed R&M expenses as per detail given below:

Table No.18: R&M expenses as projected by GVK for APR of FY 2020-21 in Petition no.29 of 2021

(Rs. Crore)

Sr. No.	Particulars	Petition No.14 of 2020 for Projection of FY 2020-21	APR of FY 2020-21		
			Actual H1 FY2020-21	Estimated H2 FY 2020-21	Total FY 2020-21
1	Plant & Machinery	35.00	6.77	8.23	15.00
2	Others Assets	5.00	0.61	1.12	1.73
3	Building	2.00	0.26	0.31	0.57
4	Civil Works	10.00	0.00	0.00	0.00
5	Contract Labour	21.00	3.00	1.21	4.21
6	Consumable, stores & spares	26.00	3.70	4.23	7.93
7	R&M Expenses	99.00	14.34	15.10	29.44

3.8.20 The Commission observes as under:

- GVK has projected Repair & Maintenance of Plant & Machinery, other assets and buildings of Rs 42.00 (35.00+5.00+2.00) Crore for FY 2020-21 in this petition whereas it has indicated an

expenditure of Rs. 7.64(6.77+0.61+0.26) Crore during 1st half of FY 2020-21 and an estimated expenditure of Rs.9.66(8.23+1.12+0.31) Crore for 2nd half i.e a total of Rs.17.30 Crore which is around 240% less than the projections. The expenses of GVK on this account were Rs 2.04 Crore, Rs.2.83 Crore and Rs 4.29 Crore during FY 2017-18, FY 2018-19 and FY 2019-20 respectively as per their annual audited accounts. GVK has claimed Rs.42.00 Crore during FY 2020-21 which is 979% more than FY 2019-20. The Commission considers Rs.8.00 Crore as Repair & Maintenance of Plant & Machinery, other assets and buildings for FY 2020-21 after giving a reasonable increase since the Commission felt that GVK's Plant is only in its 5th year of operation.

- ii. GVK has claimed Rs.10.00 Crore for Repair of civil works in this petition for FY 2020-21. However GVK has not incurred any expenses during 1st half of FY 2020-21 and has estimated no expense during 2nd half as per information submitted in Petition No.29 of 2021. Further, it has not incurred any expenses on this account in FY 2017-18, FY 2018-19 and FY 2019-20 as per their audited accounts of these years. The Commission is, therefore, not considering any expenditure on this account.
- iii. GVK has projected expenditure of Rs.21.00 Crore on Contract Manpower for FY 2020-21 but in the Petition No.29 of 2021 of Annual Performance Review for FY 2020-21, it has actually incurred Rs.3.00 Crore during 1st half of FY 2020-21 and estimated Rs.1.21 Crore for 2nd half of FY 2020-21. GVK has claimed abnormally high expenses of Rs.21.00 Crore vis-à-vis its claim of Rs.4.21 Crore on Contract Manpower in APR of FY

2020-21. The Commission therefore considers contract manpower for R&M activities as Rs. 4.21 Crore for FY 2020-21 as claimed in Petition No.29 of 2021 in annual performance review of FY 2020-21.

- iv. GVK has claimed consumables stores & spares of Rs 26.00 Crores for FY 2020-21 in this Petition. In Petition No.29 of 2021, GVK has claimed an expenditure of Rs.7.93 Crores (Rs.3.70 Crore actually incurred in H1 and Rs 4.23 Crore estimated in H2) for FY 2020-21. As GVK has outsourced some R&M activities of plant along with material, its projections of consumable stores & spares Rs.26.00 Crore for FY 2020-21 appears to be overstated. The Commission allows consumables stores & spares for R&M activities as Rs. 7.93 Crore for FY 2020-21 as submitted by GVK in Petition No.29 of 2021

The Commission therefore considers Rs. 20.14 (8.00+4.21+7.93) Crore as R&M expenses for FY 2020-21.

3.8.21 It needs to be noted that K factor establishes the relationship between gross fixed assets and the Repair and maintenance expenses. The Commission has determined the K factor as under:

Table No. 19: Calculation of 'K' factor for FY 2021-22 and FY 2022-23 (Rs. Crore)

Sr. No	Particulars	Amount
1	Opening GFA as on 01.04.2020	3,072.81
2	Closing GFA as on 31.03.2021	3,072.81
3	Average GFA	3,072.81
4	R&M Expenses FY 2020-21(para no 3.8.20)	20.14
5	'K'=R&M Expenses/Average GFA	0.6554%

The Commission considers K factor of 0.6554% for determination of R&M expenses for FY 2021-22 and FY 2022-23.

3.8.22 The escalation factor (WPI) of 1.2972% (Table No.11) for FY 2020-21 is allowed for 2nd Control Period subject to the True-Up of respective years. Accordingly, the R&M Expenses for FY 2021-22 and FY 2022-23 are determined as follows:

Table No. 20: R&M Expenses allowed by the Commission for FY 2021-22 and FY 2022-23.

(Rs. Crore)

Sr. No.	Particulars	FY 2021-22	FY 2022-23
1	Opening GFA	3,072.81	3,072.81
2	Closing GFA	3,072.81	3,315.81
3	Average GFA	3,072.81	3,194.31
4	K factor	0.6554%	0.6554%
5	Escalation factor (WPI)	(1.2972%) ²	(1.2972%) ³
6	R&M Expenses	20.66	21.77

3.8.23 Thus, the Commission approves O&M expenses for the 2nd MYT Control Period as under:

Table No.21: O&M Expenses for 2nd MYT Control Period allowed by the Commission.

(Rs. Crore)

Sr. No	Particulars	FY 2020-21	FY 2021-22	FY 2022-23
1	Employee Expenses	13.61	14.05	14.52
2	A&G Expenses	32.06	32.78	33.52
3	R&M Expenses	20.14	20.66	21.77
4	Total	65.81	67.49	69.81

4.0 Depreciation

GVK's Submissions:

4.1 GVK submitted that for arriving at depreciable value, the value of Land has been reduced from the GFA and 90% of value thus arrived has been considered as depreciable value except for the IT

assets. Depreciable value of IT assets has been considered as 100%, which is in line with the directions under the PSERC MYT Regulations.

- 4.2 GVK further submitted that the depreciation rates for individual block of asset has been taken as per the CERC (Terms and Conditions of Determination of Tariff) Regulations 2019 and overall depreciation has been calculated at the weighted average rate arrived by using these rates. Rates for individual asset class are tabulated below:

Table No.22: Rates of Depreciation for Individual Asset Class submitted by GVK

S.No.	Asset Class	Rate of Depreciation (as per CERC 2019 Tariff Regulations)
1	Freehold land	0.00%
2	Plant and equipment	5.28%
3	Capital Spares	5.28%
4	Buildings	3.34%
5	Computers	15.00%
6	Office equipment	6.33%
7	Furniture and fixtures	6.33%
8	Vehicles	9.50%
9	Computer software	15.00%
10	Right to Use Railway Line	0.00%
	Weighted Average Rate of Depreciation	4.77%

- 4.3 Based on the above rates ,the depreciation being claimed for the control period is as follows:

**Table No. 23: Depreciation for the 2nd Control Period
claimed by GVK**

(Rs. Crore)

Sr.No	Particulars	FY 2020-21	FY 2021-22	FY 2022-23
1	Opening Gross Fixed Assets	3072.97	3072.97	3072.97
2	Additions during the year	0.00	0.00	540.00
3	Closing Gross Fixed Assets	3072.97	3072.97	3612.97
4	Average Gross Fixed Assets	3072.97	3072.97	3342.97
5	Rate of Depreciation	4.77%	4.77%	4.85%
6	Depreciation	146.57	146.57	162.00

- 4.4 GVK in its rejoinder dated 28.09.2020 submitted that the depreciation for the Control period has been calculated as per Regulation 21 of the PSERC Tariff Regulations 2019 and the same may be allowed by this Commission.

PSPCL's Submission

- 4.5 PSPCL vide memo no. 5714 dated 04.09.2020 submitted that the Petitioner has considered a weighted average rate of 4.77% as depreciation for its gross fixed assets and has calculated the same at Rs 146.57 Crore for FY 2020-21 and FY 2021-22 and Rs.162 Crore for FY 2022-23. PSPCL further submitted that since the determined deprecation amount of the gross fixed assets forms the basis of calculation of Interest on Loan Capital as per Regulation 24.3 of the PSERC MYT Regulations, this Commission may kindly subject the same to strict scrutiny and prudence check before allowing the same.

Commission's Analysis

- 4.6 Regulation 21 of the PSERC MYT Regulations, 2019 specifies as under:

“21.1. The value base for the purpose of depreciation shall be the capital cost of the assets admitted by the Commission:

Provided that the depreciation shall be allowed after reducing the approved original cost of the retired or replaced or decapitalized assets:

Provided that the land, other than the land held under lease and land for reservoir in case of hydro generating station, shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the assets:

Provided further that Government. grants and consumer contribution shall also be recognized as defined under Indian Accounting Standard 20 (IND AS 20) notified by the Ministry of Corporate Affairs.

21.2. The residual/salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of historical capital cost of the asset:

Provided that I.T. Equipment and Software shall be depreciated 100% with zero salvage value.

21.3. The Cost of the asset shall include additional capitalization.

21.4. The Generating Company, Transmission and Distribution Licensee shall provide the list of assets added during each Year of the Control Period and the list of assets completing 90% of depreciation in the Year along with Petition for Annual Performance Review, true-up and tariff determination for ensuing Year.

21.5. Depreciation for Distribution, generation and transmission assets shall be calculated annually as per

straight line method over the useful life of the asset at the rate of depreciation specified by the Central Electricity Regulatory Commission from time to time:

Provided that the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation/ put in use of the asset shall be spread over the balance useful life of the assets:

Provided further that in case of hydro generating stations, the salvage value shall be as provided in the agreement signed by the developers with the State Government for creation of the asset.

21.6. Depreciation shall be chargeable from the first year of commercial operation/asset is put in use. In case of commercial operation of the asset/put in use of asset for part of the year, depreciation shall be charged on pro rata basis.”

- 4.7 GVK has considered rate of depreciation as 4.77% for FY 2020-21 & FY 2021-22 and 4.85% for FY 2022-23. GVK has also claimed depreciation on Land. GVK in this petition has considered opening gross fixed assets as Rs. 3072.97 Crore for FY 2020-21 whereas it has claimed closing gross fixed assets of Rs.3072.81 Crore as on 31.03.2020 in Petition no.29 of 2021 for true up of FY 2019-20.
- 4.8 The Commission has determined the depreciation for the 2nd Control period as per the Regulation 21 stated above. The Opening GFA is considered as per the Closing GFA of Rs. 3072.81 Crores provisionally as approved by the Commission in the APR of FY 2019-20 in Petition no.33 of 2020.
- 4.9 The Commission has considered the addition of GFA as approved by the Commission in Para 2.0 (Table No.2) for the 2nd Control

Period. The rate of depreciation has been considered as 4.77% as determined during True-Up of FY 2018-19 for the 2nd Control Period which shall be reviewed during the true up of respective years. The depreciation for 2nd Control Period is as under:

**Table No.24 : Depreciation allowed by the Commission for the 2nd Control period
(Rs. Crore)**

Particulars		FY 2020-21	FY 2021-22	FY 2022-23
A	Old GFA (Assets added during 1st Control Period)			
1.	Opening Gross fixed Assets	3072.81	3072.81	3072.81
2	Less: Land	96.75	96.75	96.75
3	Opening Gross fixed Assets(Net of Land)	2976.06	2976.06	2976.06
4.	Add: Additions to GFA during the year	0.00	0.00	0.00
5.	Less: sale/disposal of assets	0.00	0.00	0.00
6.	Closing GFA	2976.06	2976.06	2976.06
7.	Average GFA	2976.06	2976.06	2976.06
8	Rate of Depreciation	4.77%	4.77%	4.77%
9	Depreciation	141.96	141.96	141.96
B	New Additions (Assets added during 2st Control Period)			
1	Opening GFA (excluding land and land rights)	0.00	0.00	0.00
2.	Add: Additions to GFA during the year (Table no.1)	0.00	0.00	243.00
3.	Closing GFA	0.00	0.00	243.00
4.	Average GFA	0.00	0.00	121.50
5	Rate of Depreciation	4.77%	4.77%	4.77%
6.	Depreciation	0.00	0.00	5.79
C	Total Depreciation (A+B)	141.96	141.96	147.75

5.0 Interest and Finance Charges

GVK's Submissions:

- 5.1 GVK submitted that it has estimated the Opening Loan for the Control Period as follows:-

Table No. 25: Calculation of Opening Loan for the Control Period by GVK

(Rs. Crore)

S.No.	Particulars	Amount
1	Capital Cost	3058.37
2	Additional Capitalization in 1 st Control Period	14.60
3	Opening GFA for 2 nd Control Period	3072.97
4	Opening loan for Current Control Period - @ 70 % of (3)	2151.08

5.2 GVK submitted that for calculation of the interest on the above loan the rate of interest has been taken as the weighted average rate of its actual loan. The interest rate such arrived is 13.22% p.a. and the same rate of interest has been considered for the MYT control period.

5.3 GVK further submitted the calculation of Interest on loan capital for MYT Control Period FY 2020-21 to FY 2022-23 has been tabulated as under:-

Table No.26: Calculation of Interest on Loan During the 2nd Control Period submitted by GVK

(Rs Crore)

S.No	Particulars	FY 2020-21	FY 2021-22	FY 2022-23
1	Gross Normative Loan -Opening	2151.08	2151.08	2151.08
2	Cumulative Repayment up to Previous Year (Cumulative Depreciation up to previous year)	585.03	731.60	878.18
3	Net Normative Loan – Opening	1566.05	1419.48	1272.90
4	Less: Repayment During the Year(Considering Depreciation as Principal Repayment)	146.57	146.57	162.00
5	Loan Addition due to Additional Capitalization during the year (= Additional Capitalization - Normative Equity Addition considered for ROE computation)	-	-	378.00
6	Net Loan Closing	1419.48	1272.90	1488.90
7	Average Loan	1492.76	1346.19	1380.90
8	Weighted Average Rate of Interest on Loan	13.22%	13.22%	13.22%
9	Interest on Loan	197.38	178.00	182.59

- 5.4 GVK pleaded this Commission to approve the above expenses as interest on loan for the MYT Control Period.
- 5.5 GVK in its submission dated 01.10.2020 submitted that a sum of Rs 186.00 Crore and Rs. 1.36 Crores towards the interest and finance charges respectively were paid by it during FY 2020-21 till 24.09.2020. GVK in its submission dated 06.10.2020 has stated that it had paid additionally Rs. 8.00 Crores towards interest till 03.10.2020. GVK further in its submission dated 09.06.2021 stated that it had paid Rs.340.72 Crore towards interest on long term loans and Rs.3.27 Crore towards financing charges in FY 2020-21. A copy of the certificate issued by Chartered Accountant supporting the same was also submitted. Accordingly, GVK requested that this Commission consider Rs. 343.99 (340.72 +3.27) Crore for the computation of Annual Fixed Charges (“**AFC**”) for 2020-21.
- 5.6 GVK in its affidavit dated 13.07.2021 submitted that without prejudice to the above submission, the interest paid during the financial year may be considered, taking into account the methodology adopted by this Commission in previous orders as apportioned in the following manner:-

Table No.27: Detail of Interest paid during FY 2020-21 as apportioned by GVK

(Rs. Crore)

Sr.No	Particulars	Amount
1	Against interest for the FY 2018-19 (Deferred)	117.39
2	Against interest for the FY 2019-20 (Deferred)	120.47
3	Against interest paid for the FY 2020-21	102.86
4	Total interest paid during FY 2020-21 :	340.72

- 5.7 GVK has further submitted that no penal interest has been included /paid in FY 2020-21 and the entire amount of Rs 340.72

Crores is towards interest on loans only.

PSPCL's Submission

- 5.8 PSPCL vide memo no. 5714 dated 04.09.2020 submitted that this Commission while passing Order dated 05.08.2020 in Petition No.69 of 2017, has clarified that the closing balance of loans for FY 2019-20 is Rs. 1652.77 Crore after factoring in the additional loan incurred by the Petitioner for financing the additional capitalisation during FYs 2017-2020. PSPCL further submitted that for calculation of Interest on Loan for the subject Control Period, the opening balance of Average Loan is to be the closing balance of the Average Loan for FY 2019-20 i.e. Rs.1652.77 Crore as opposed to Rs.2151.08 Crore as has been claimed by the Petitioner. PSPCL stated that since the present Petition has been filed by the Petitioner prior to issuance of the above said Order dated 05.08.2020, the calculation of interest on loan Capital is liable to be revised by the Petitioner in accordance with the said order.

Commission's Analysis:

- 5.9 The Commission determines the Interest on loan capital for the 2nd Control Period as per Regulation 24 of the PSERC MYT Regulations, 2019. It is reproduced as under:

"24.1. For existing loan capital, interest and finance charges on loan capital shall be computed on the outstanding loans, duly taking into account the actual rate of interest and the schedule of repayment as per the terms and conditions of relevant agreements. The rate of interest shall be the actual rate of interest paid/payable (other than working capital loans) on loans by the Licensee.

24.2. Interest and finance charges on the future loan capital for new investments shall be computed on the

loans, based on one (1) year State Bank of India (SBI) MCLR/ any replacement thereof as notified by RBI as may be applicable as on 1st April of the relevant year, plus a margin determined on the basis of current actual rate of interest of the capital expenditure loan taken by the Generating Company, Licensee or SLDC and prevailing SBI MCLR.

24.3. The payment for each year of the tariff period shall be deemed to be equal to the depreciation allowed for the corresponding year. In case of de-capitalisation of assets, the repayment shall be adjusted by taking into account cumulative depreciation made to the extent of de-capitalisation.

24.4. The Commission shall allow obligatory taxes on interest, finance charges (including guarantee fee payable to the Government) and any exchange rate difference arising from foreign currency borrowings, as finance cost.

24.5. The interest on excess equity treated as loan shall be serviced at the weighted average interest rate of actual loan taken from the lenders.

Provided also that if there is no actual loan for a particular Year but normative loan is still outstanding, the last available weighted average rate of interest for the actual loan shall be considered.”

- 5.10 The Opening loan for FY 2020-21 which includes normative loan has been considered at Rs. 1584.28 Crore as per the Closing loan approved by the Commission in Petition no.33 of 2020 for Annual Performance Review of FY 2019-20. As per regulation 24.3 of PSERC MYT Regulation 2019, the repayment of loan has been considered equal to depreciation allowed for the corresponding year. For the assets of GVK for the 1st Control Period, the rate of interest on loan capital has been taken as per Regulation 24.1 and is considered as 13.22% as approved during the True-up of

FY2018-19 in Petition no.34 of 2019 and shall be reviewed during the true up of respective years.

5.12 The rate of interest on capital expenditure during 2nd Control Period is as per Regulation 24.2 is calculated as under:

Table No.28: Calculation for rate of interest on loan for new investments FY2020-21

Sr. No.	Particulars	Rate
1	SBI 1 yr MCLR (as on 1 st April 2020)	7.75%
2	Actual Interest rate (True up of FY 2018-19)	13.22%
3	SBI 1 yr MCLR (as on 1st April 2018)	8.15%
4	Margin (4=2-3)	5.07%
5	Interest on loan Capital (1+4)	12.82%

Table No.29: Calculation for rate of interest on loan for new investments FY2021-22

Sr. No.	Particulars	Rate
1	SBI 1 yr MCLR (as on 1 st April 2021)	7.00%
2	Actual Interest rate (True up of FY 2018-19)	13.22%
3	SBI 1 yr MCLR (as on 1st April 2018)	8.15%
4	Margin (4=2-3)	5.07%
5	Interest on loan Capital (1+4)	12.07%

GVK has indicated that there has been no loan addition during FY 2020-21 and FY 2021-22, the interest rate calculated above in table no 29 will be applicable for new loan addition during FY 2022-23 which shall be reviewed during the true up of respective years.

5.13 The Commission determines Interest on long term loans as under:

Table No.30: Interest on Existing and New loans for the 2nd Control period (Rs. Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22	FY 2022-23
A	Existing Loans			
1.	Opening balance of Long Term loan	1584.28	1442.32	1300.36
2	Add: Receipt of loan during the year	0.00	0.00	0.00
3	Less: Repayment of Long term loan during the year	141.96	141.96	141.96
4	Closing balance of Long term loan	1442.32	1300.36	1158.40
5	Average Long Term Loan	1513.30	1371.35	1229.38
6	Interest rate	13.22%	13.22%	13.22%
7	Interest charges	200.05	181.30	162.52
B	New Loans			
1.	Opening balance of loan	0.00	0.00	0.00
2.	Add: Receipt of loan during the year	0.00	0.00	170.10
3.	Less: Repayment of loan during the year	0.00	0.00	5.79
4.	Closing balance of loan	0.00	0.00	164.31
5.	Average Loan	0.00	0.00	82.15
6	Rate of Interest	12.82%	12.07%	12.07%
7.	Interest Charges	0.00	0.00	9.92
C	Total Interest Charges(A+B)	200.05	181.30	172.44

5.14 The Commission in its orders in GVK's Petition No.69 of 2017, Petition No.34 of 2019 and Petition no.33 of 2020 while allowing projections for 1st Control Period from 2017-18 to 2019-20, true up of FY 2017-18 & FY 2018-19 and annual performance review for

FY 2019-20 respectively deferred the amount of interest charges not actually paid by GVK as per its annual audited accounts for FY 2017-18 to FY 2019-20. GVK had filed review Petitions no.4 of 2020 and 6 of 2020 against the orders of this Commission in Petition No.69 of 2017 and 34 of 2019. The Commission while disposing of these Review petitions allowed some part of interest charges pertaining to normative loan in lieu of equity which had been deferred during 1st Control period. The year wise details of balance deferred interest therefore was computed as under:

Table No. 31: Year wise details of balance deferred interest.

		(Rs. Crore)
Sr. No.	Particulars	Amount
1	FY 2018-19	117.39
2	FY 2019-20	100.71
3	TOTAL Interest deferred	218.10

5.15 GVK has submitted a certificate from M/s Saranga Pani & Co, Chartered Accountants Hyderabad dated 27.05.2021 certifying that GVK **had paid Rs. 340.72 Crores** towards the interest on long term borrowings and Rs. 3.27 Crores towards the finance charges during FY 2020-21. During hearing on 04.08.2021, the Commission asked counsel for GVK whether Interest paid of Rs.340.72 Crore includes penal interest also, GVK's counsel submitted that no penal interest has been included in Rs.340.72 Crore.

5.16 As per table no.27, GVK vide its certificate has indicated that they have paid Rs.117.39 Crore for FY 2018-19, Rs.120.47 Crore for FY 2019-20 and Rs. 102.86 Crore for FY 2020-21. GVK while paying interest has considered the additional interest allowed in

Review petitions as given in the following table for FY 2018-19, however, in FY 2019-20 it has not considered the additional interest of Rs. 19.76 Crores allowed in Review Petition.

Table No. 32: Year wise deferred interest allowed in Petitions.

		(Rs. Crore)
Sr.No	Particulars	Amount
1	FY 2017-18	0.00
2	FY 2018-19	22.13
3	FY 2019-20	19.76
4	TOTAL Interest deferred	41.89

This interest was allowed in lieu of the equity deployed by GVK in excess of 30% of the project cost. GVK had already deployed this excess equity and was not required to pay interest on this normative loan to any lender as it was to be retained by GVK. Therefore, the Commission allows interest of Rs. 100.71 Crore (Rs.120.47 – 19.76) as interest for FY 2019-20 and Rs.117.39 Crore for FY 2018-19.

5.17 GVK has claimed actual payment of interest of Rs.102.86 Crore for FY 2020-21 as per Table No. 27. The Commission as per Table no. 30 has determined interest of Rs.200.05 Crore including normative interest of Rs. 18.61 Crores for FY 2020-21. Therefore, the Commission allows total interest of Rs. 121.47 Crores (Rs. 102.86 Crores + Rs. 18.61 Crores). The interest being allowed during the 2nd Control Period shall be reviewed at the time of true up of respective years.

5.18 The Commission allows finance charges of Rs.3.27 Crore each for FY 2020-21 to FY 2022-23 subject to the true up of respective years.

Accordingly, the Commission allows Rs. 342.84 (117.39+100.71+121.47 +3.27) Crore for FY 2020-21, Rs. 184.57

(181.30+3.27) Crore for FY 2021-22 and Rs.175.71 (172.44+3.27) Crore for FY 2022-23 as interest & finance charges.

6.0 Interest on Working Capital

GVK's Submissions:

6.1 GVK determined interest on working capital as prescribed by the Regulation 33.1

(a) Coal-based Thermal Generating Plants. Considering the above guiding principles and Normative Availability Factor as 85%, GVK has worked out the Working Capital for each year of the Control Period as follows:

Table No.33: Calculation of Working Capital for Control Period submitted by GVK

(Rs Crore)

S. No	Particulars	FY 2020-21	FY 2021-22	FY 2022-23
1	Cost of Fuel for 2 months corresponding to Normative Annual Plant Availability Factor.	281.64	292.58	303.95
2	O&M expenses for 1 month	13.33	13.94	14.97
3	Receivables equivalent to 2 months of fixed & variable charges corresponding to Normative Annual Plant Availability Factor	403.96	413.34	432.88
4	Maintenance Spares (@15% of O&M Expenses)	24	25.10	26.95
5	Total	722.92	744.96	778.76

6.2 GVK further submitted that Regulation 25 of the PSERC MYT Regulations 2019 deals with the Rate of Interest on Working Capital. Complying with the above referred Regulation, the SBI MCLR rate on 01.04.2019 has been taken as the base. The rate as on 01.04.2019 was 8.55%. Adding 350 basis points to the

same, the rate of interest on working capital comes out to be 12.05% and the same has been considered for calculation on interest in working capital for every year of control period.

Table No.34: Interest Calculation on Working Capital by GVK

(Rs Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22	FY 2022-23
1	Working Capital	722.92	744.96	778.76
2	Rate of Interest on Working Capital	12.05%	12.05%	12.05%
3	Interest on Working Capital	87.11	89.77	93.84

- 6.3 GVK pleaded to consider the above working and approve the Interest on Working Capital as calculated for the MYT Control Period from FY 2020- 21 to FY 2022-23

PSPCL's Submission

- 6.4 PSPCL vide memo no. 5714 dated 04.09.2020 submitted that approval of O&M expenses by this Commission for the subject Control Period is a minimum requirement for further calculation of working capital as two out of four components of working capital are based upon the approved O&M expenses. Since the calculation of O&M expenses itself is dependent upon determination of baseline figures .by this Commission, it is respectfully prayed that this Commission may kindly determine the baseline figures as per Regulation 8 based on which the figures submitted by GVK are liable to be revised and recalculated. For the other two components of working capital, the issue as regards plant availability factor as agitated herein is to be decided by this Commission.

Commission's Analysis:

6.5 The Commission has computed the interest on working capital as per Regulation 33.1 of the PSERC MYT Regulations, 2019 specifies as under:

- i. Fuel Cost including cost of limestone / other reagent for 2 months corresponding to the normative annual plant availability factor;*
- ii. Operation and maintenance (O&M) Expenses for 1 month;*
- iii. Maintenance spares @ 15% of the O&M expenses;*
- iv. Receivables equivalent to two (2) months of fixed and variable charges for sale of electricity calculated on the normative annual plant availability factor.*

33.2. Rate of Interest

The rate of interest on working capital shall be as per Regulation 25.1."

6.6 The Commission has computed the rate of interest on working capital as per Regulation 25.1 of the PSERC MYT Regulations, 2019 specifies as under:

"25.1 The rate of interest on working capital shall be equal to the actual rate of interest paid on working capital loans by the Licensee/Generating Company/SLDC or the one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI as may be applicable as on 1st April of the relevant year plus 350 basis points, whichever is lower. The interest on working capital shall be payable on normative basis notwithstanding that the Licensee/Generating Company/SLDC has not taken working capital loan from any outside agency or has exceeded the working capital loan amount worked out on the normative figures."

6.7 The Commission has determined the rate of interest as per above Regulation as under:

Table No.35: Rate of interest on Working Capital allowed by the Commission for FY 2020-21

Sr.No.	Particular	FY 2020-21
1	Rate of Interest for Working Capital Loans claimed by GVK for FY 2020-2023	12.05%
2	SBI 1 yr MCLR (as on 01 April 2020)	7.75%
3	Add 350 basis points as per Regulation 25.1	3.50%
4	Rate of interest as per Regulation 25.1 (3+4)	11.25%
5	Allowable Rate of Interest for Working capital	11.25%

Table No.36: Rate of interest on Working Capital allowed by the Commission for FY 2021-22 and FY 2022-23

Sr.No.	Particular	FY 2021-22
1	Rate of Interest for Working Capital Loans claimed by GVK for FY 2020-2023	12.05%
2	SBI 1 yr MCLR (as on 01 April 2021)	7.00%
3	Add 350 basis points as per Regulation 25.1	3.50%
4	Rate of interest as per Regulation 25.1 (3+4)	10.50%
5	Allowable Rate of Interest for Working capital	10.50%

The interest rate as worked out for FY 2021-22 will also be applicable for FY 2022-23 and shall be reviewed during the true up of respective years.

- 6.8 GVK in its submission has projected fuel cost of Rs.1102.00 Crore, Rs.1145.00 Crore and Rs. 1189.00 Crore for FY 2020-21, FY 2021-22 and FY 2022-23 respectively and the same has been provisionally considered by the Commission. The Commission determines interest on working capital as under:

Table No. 37 : Interest on working capital allowed by the Commission for the 2nd Control Period

(Rs. Crore)

Sr. No.	Particular	FY 2020-21	FY 2021-22	FY 2022-23
1.	Fuel Cost for 2 months	183.67	190.83	198.17
2.	Maintenance spares @15% of O&M	9.87	10.12	10.47
3.	O&M Expenses for one month	5.48	5.62	5.82
4.	Receivables for two months	308.77	289.00	297.43
5.	Total Working Capital	507.79	495.57	511.89
6.	Rate of Interest (%)	11.25%	10.50%	10.50%
7.	Interest on Working Capital	57.13	52.04	53.75

Thus, the Commission allows interest on working capital of Rs. 57.13 Crore, Rs. 52.04 Crore and Rs. 53.75 Crore for FY 2020-21, FY 2021-22 and FY 2022-23 respectively. This will be revisited at the time of true-up of the respective year based on actual inventory and cost.

7.0 Return on Equity (RoE)

GVK's Submission

- 7.1 GVK has submitted that the Commission in its order dated 17.01.2020 in Petition No.54 of 2017 has approved a Capital Cost of Rs.3,058.37 Crores for the project. During the control period FY 2017-18 to 2019-20 the Petitioner has incurred an additional capital expense of Rs.12.90 Crore in 2017-18, Rs.0.84 Crore in 2018-19 and Rs.0.86 Crores in 2019-20. The Petitioner has filed Petition No. 70 of 2017 before this Commission for the approval of the same which is pending. Thus, the opening GFA for the Control Period has been taken as Rs. 3,072.97 Crore.
- 7.2 The Petitioner has as per the PSERC MYT Regulations 2019 estimated the equity at a normative level (30 % of GFA) and has correspondingly considered an opening equity @ 30 % of Rs. 3072.97 Crore as Rs.921.89 Crore for the Control Period.

Table No. 38: Calculation of Opening Equity for Control Period

(Rs. Crore)

S.No.	Particulars	Amount
1	Capital Cost	3058.37
2	Additional Capitalization in Previous Control Period	14.60
3	Opening GFA for Control Period	3072.97
4	Opening Equity for Current Control Period - @ 30 % of (3)	921.89

RoE has been calculated at the normative rate of 15.5%

**Tale No.39: Calculation of Return on Equity for 2nd Control Period
by GVK**

(Rs Crore)

Sr. No	Particulars	FY 2020-21	FY 2021-22	FY 2022-23
1	Opening Balance of Equity	921.89	921.89	921.89
2	Normative Equity addition @ 30% due to additional Capitalization	-	-	162.00
3	Closing Balance of Equity	921.89	921.89	1083.89
4	Average Equity	921.89	921.89	1002.89
5	Rate of Return (%)	15.50%	15.50%	15.50%
6	RoE (5*4)	142.89	142.89	155.45

7.3 Based on the above calculations the GVK has pleaded the Commission to approve RoE for the Control Period as tabulated above.

7.4 GVK in its rejoinder dated 28.09.2020 submitted that the debt-equity ratio and return on equity claimed by it is in line with this Commission's Order dated 17.01.2020 in Petition No. 54 of 2017 and this Commission's Order dated 30.07.2020 in Petition No. 70 of 2017. Accordingly, this Commission may approve the debt-equity ratio and return on equity as claimed by it. GVK further submitted that it has challenged Order dated 17.01.2020 by way of Appeal No. 41 of 2020, pending adjudication before the Hon'ble Tribunal and reserves its rights in this regard.

PSPCL's Submission

7.5 PSPCL vide memo no. 5714 dated 04.09.2020 submitted that this Commission vide Order dated 17.01.2020 passed in Petition No.54 of 2017, had approved the completed capital cost of Rs.3058.37 Crore for the Project. Also, vide further Order dated 30.7.2020

passed in Petition No.70 of 2017, this Commission had allowed additional capital expenditure of Rs.12.90 Crore in FY 2017-18, Rs.0.84 Crore in FY 2018-19 and Rs.0.6986 Crore in FY 2019-20. As such, the Return on Equity for the subject Control Period is liable to be calculated at 30% of the opening Gross Fixed Assets of the Petitioner being 30% of (Rs.3058.37 Crore + Rs.12.90 Crore. + Rs.0.84 Crore + Rs.0.6986 Crore =Rs.3072.81 Crore) subject to prudence check by this Commission.

Commission's Analysis:

- 7.6 The Commission determines the Return on Equity for the Control Period in accordance with Regulation 20 of PSERC MYT Regulations, 2019 which is reproduced as under:

“20. Return on equity

Return on equity shall be computed at the base rate of 15.5% for thermal generating stations, Transmission Licensee, SLDC and run of the river hydro generating stations and at the base rate of 16.5% for the storage type hydro generating stations and run of river generating stations with pondage and 16% for Distribution Licensee on the paid up equity capital determined in accordance with Regulation 19:

Provided that Equity invested in foreign currency shall be converted to rupee currency based on the exchange rate prevailing on the date(s) it is subscribed:

Provided further that assets funded by consumer contributions, capital subsidies/Government. grants shall not form part of the capital base for the purpose of calculation of Return on Equity.”

- 7.7 GVK has contended that it had incurred expenditure of Rs. 12.90

Crore, Rs. 0.84Crore and Rs.0.70 Crore during FY 2017-18,FY 2018-19 and FY 2019-20 respectively and has filed Petition No.70 of 2017 before Commission. It needs to be noted the Commission has already decided the Petition vide order dated 30.07.2020. In Petition no.69 of 2017, the Commission has already taken cognizance of capital expenditure of Rs.12.90 Crore, Rs.0.84 Crore and Rs. 0.70 Crore in FY 2017-18, FY 2018-19 and FY 2019-20 respectively to arrive at the capital cost and capitalization.

- 7.8 The Commission has considered the opening of equity for FY 2020-21 as Rs.921.84 Crore as approved closing equity in the APR of FY 2019-20 in Petition no.33 of 2020. The Commission determines Return on Equity @15.50% on the average equity for the year and is calculated as under:-

Table No. 40: Return on Equity allowed by the Commission
(Rs. Crore)

Sr. No	Particulars	FY 2020-21	FY 2021-22	FY 2022-23
1.	Opening Equity	921.84	921.84	921.84
2.	Add: Addition to equity during the year	0.00	0.00	72.90
3.	Closing Equity	921.84	921.84	994.74
4.	Average Equity	921.84	921.84	958.29
5.	Rate of RoE	15.50%	15.50%	15.50%
6.	Return on Equity	142.89	142.89	148.53

The Commission, thus, approves Return on Equity of Rs.142.89 Crore, Rs.142.89 Crore and Rs.148.53 Crore for FY 2020-21, FY 2021-22 and FY 2022-23 respectively.

8.0 Non-Tariff Income

- 8.1 GVK has not claimed any non tariff income for FY 2020-21

Commission's Analysis:

8.2 Non-Tariff Income is to be determined as per Regulation 28 of PSERC MYT Regulations 2019.

8.3 **The Commission allows Nil Non-Tariff income for 2nd Control Period. However, it will be revisited during the True-up of respective years.**

9.0 Capacity charges for FY 2020-21 to 2022-23

9.1 GVK in its rejoinder dated 28.09.2020 submitted that the contention of PSPCL that interim tariff to be allowed to GVK pending adjudication of the present petition is to be granted in accordance with the approved AFC of FY 2019-20 is misplaced and denied. It is submitted that this Commission vide Order dated 20.03.2020 in Petition No. 69 of 2017 has directed that tariff determined for FY 2016-17 in Petition No. 54 of 2017 shall be applicable provisionally for FY 2017-18 to FY 2019-20 subject to Hon'ble APTEL's directions in I.A No. 136 of 2020 in Appeal No. 41 of 2020 so as to maintain continuity of payments against bills raised by GVK. This Commission also noted at that time, GVK had not filed Petition seeking determination of tariff for the Control Period. Subsequently, GVK has filed the present Petition and the same is listed for final hearing on 29.09.2020 before this Commission. Accordingly, this Commission may be pleased allow the continuation of the interim order dated 20.03.2020 till the disposal of the present Petition.

9.2 GVK in its submission dated 06.10.2020 stated that in furtherance of the submissions filed by it on 01.10.2020, it is prayed that this Commission in accordance with the methodology adopted by in

Orders dated 07.09.2020 and 17.09.2020 in Petition No. 32 of 2019 and Petition No. 34 of 2019 approve the AFC for FY 2020-21 as Rs. 564.39 Crores for the determination of interim/provisional tariff payable during for the Control Period of FY 2020-21 to FY 2022-23, till such time this Commission determines the tariff for the Control period 2020-23, as under:-

**Table No. 41: Annual fixed cost projected by GVK
for Control Period FY 2020-23**

(Rs.Crore)

Sr.No	Particulars	Amount	Remarks
1	Return on Equity	142.89	Based on approved capital cost and methodology followed by this Commission
2	Depreciation	141.94	
3	Interest on Loan	197.38	Payment basis. In this financial year, GVK has paid Rs 194.59 Crore interest on long term borrowings, till date. A copy of the Chartered Accountant's certificate dated 05.09.2020 is enclosed with the Petition .
4	O & M Expenses	40.48	Figure arrived at based on inflation factor of 4.19%
5	Interest on working capital	41.67	Based on the existing rate of interest and methodology followed by this Commission.
6	Total	564.39	

9.3 GVK in its submission dated 09.06.2021 submitted that if O&M expenses is computed in accordance with the methodology being followed by the Commission in its order dated 07.04.2021 in Review Petition no.4 of 2020,5 of 2020 and 6 of 2020 ,the same would work as under:

Table No. 42: Revised AFC submitted by GVK**(Rs. Crore)**

Particular	As claimed by GVK in Petition No. 14 of 2020 (31.03.2020)			As per this Commission's Methodology in Orders dated 05.08.2020, 17.09.2020 and 07.04.2021		
	FY 2020- 21	FY 2021-22	FY 2022-23	FY 2020-21	FY 2021- 22	FY 2022- 23
ROE	142.89	142.89	155.45	142.89	142.89	155.45
Depreciation	146.57	146.57	162.00	141.96	141.96	150.12
Interest on Loan	197.38	178.00	182.59	343.99	179.52	185.20
O&M Expenses	159.98	167.33	179.68	40.06	58.00	59.28
IOWC	87.11	89.77	93.84	81.28	81.47	84.76
Total	733.93	724.56	773.56	750.18	603.84	634.81

9.4 The Capacity charges from FY 2020-21 to FY 2022-23, as projected by GVK and allowed by the Commission is summarized in the following table:-

Table No. 43: Annual Fixed charges approved by the Commission for FY 2020-21 to 2022-23**(Rs. Crore)**

Sr. No.	Particulars	Submitted by GVK in original Petition			Approved by the Commission		
		FY 2020-21	FY 2021-22	FY 2022-23	FY 2020-21	FY 2021-22	FY 2022-23
1	O&M Expenses	159.98	167.33	179.68	65.81	67.49	69.81
2	Depreciation	146.57	146.57	162.00	141.96	141.96	147.75
3	Interest charges	197.38	178.00	182.59	*342.84	184.57	175.71
4	Interest on Working Capital	87.11	89.77	93.84	57.13	52.04	53.75
5	Return on Equity	142.89	142.89	155.45	142.89	142.89	148.53
6	Total Expenses	733.93	724.56	773.56	750.63	588.94	595.56
7	Less: Non-Tariff Income	0.00	0.00	0.00	0.00	0.00	0.00
8	Capacity Charges	733.93	724.56	773.56	750.63	588.94	595.56

***Note:** The amount of the interest charges of Rs 342.84 Crore allowed by the Commission are more for FY2020-21 due to deferred interest for earlier years (Rs. 117.39 Crores for FY 2018-19 and Rs. 100.71 Crores for FY 2019-20 totalling 218.10 Crores) being allowed in this year.

9.5 GVK shall be entitled for payment of capacity charges and shall be entitled for payment of capacity charges and energy charges in accordance with Regulation 30 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (as amended) where the same is not specified in the PSERC Tariff Regulations.

10.0 Energy Charges

GVK's Submission

10.1 GVK has submitted as under:

a) Regulation 36 of PSERC MYT Regulations 2019 deals with the computation of Energy Charges. Regulation 36.1 reads as under:

“Energy charges shall be derived on the basis of landed fuel cost (LFC) of a generating station (excluding hydro) and shall consist of following cost:

(a) Landed cost of primary fuel;

(b) Landed cost of secondary fuel; and

(c) Cost of limestone or any other reagent, as applicable.

Provided that taxes, duties and amount received on account of penalties received from fuel supplier shall have to be adjusted in landed fuel cost.”

b) GVK is having a long-term coal linkage under the Shakti Scheme and the actual landed cost of coal for the FY 2019-20 has been considered as the base for calculating the landed fuel cost for the Control Period. The actual landed cost of coal for the FY 2019-20 has been escalated at the average escalation rate notified by CERC for domestic coal of past 5 years.

- c) The PLF considered for the Control Period is based on the fact that entire power generated from the Project is to be sold to the PSPCL and as such the generation is to be based upon the dispatch instruction. The calculation of Energy Charges has been summarized as below:

Table No.44: Energy Charges for Control Period

No.	Particulars	Unit	Control Period Projections		
			2020-21	2021-22	2022-23
1	Plant Capacity	MW	540	540	540
2	Plant Load Factor	%	55	55	55
3	Gross Generation	MU	2602	2602	2602
4	Auxiliary Consumption	%	9	9	9
5	Net Generation	MU	2368	2368	2368
6	Availability Factor	%	99	99	99
7	Station Heat Rate	Kcal/kWh	2332	2332	2332
8	Weighted Average 'GCV of received Coal'	Kcal/kg	3388	3388	3388
9	Specific Consumption of Coal	Kg/kWh	0.69	0.69	0.69
10	Quantity of Coal received	MT			
a)	Indigenous		1786930	1786930	1786930
11	Transit Loss of Coal (where ever applicable)	%			
a)	Indigenous		0.8	0.8	0.8
11	Transit Loss of Coal (where ever applicable)	MT			
a)	Indigenous		14411	14411	14411
12	Total Quantity of Coal	MT	1801341	1801341	1801341
13	Quantity of Coal	KL	1300.86	1300.86	1300.86
14	Specific Oil Consumption	ml/kWh	0.5	0.5	0.5
15	Weighted Average Calorific values of oil	kCal/litre	10410	10410	10410
16	Weighted Average Coal Cost	Rs./MT	6080	6318	6565
17	Total Coal Cost	Rs. Crore	1095.19	1138.02	1182.53
18	Weighted Average Oil Cost	Rs./KL	53644.75	53644.75	53644.75
19	Total Oil Cost	Rs. Crore	6.98	6.98	6.98
20	Total Fuel Cost	Rs. Crore	1102.17	1145.00	1189.51
21	Per Unit Energy Charges	Paisa/kWh	465.53	483.62	502.42

- d) In terms of Regulation 39 of PSERC Tariff Regulations, 2019, the landed cost of fuel for the purpose of computation of energy charges shall be as specified in the CERC (Terms and Conditions of Tariff) Regulations, 2019. Accordingly, the landed price of coal is computed as the weighted average landed price

of coal, blending ratio and calorific value for the purposes of computation of energy charges. The landed price of coal also includes the price incurred by GVK towards surface transportation from mining point/extraction point till point of delivery with the mine (internal surface transport) and price of surface transportation from delivery point in the mine till the railway siding (external surface transportation) and freight charges paid to Railways for onwards transportation to the Project.

- e) The proviso to Regulation 39 of PSERC Regulations provides that landed cost of fuel will be capped in case there is a specific provision in the PPA or as per Orders passed by the Commission. However, in the present case, the Commission vide Order dated 06.03.2019 in Petition No. 68 of 2017 and Order dated 27.05.2019 in Petition No. 1 of 2018 had laid down parameters for the cost payable to GVK for coal procured from alternate sources and under the SHAKTI Scheme. GVK and PSPCL have filed cross Appeals being No. 189 and 192 of 2019, challenging Order dated 06.03.2019 and cross appeals being Appeal No. 349 of 2019 and Appeal bearing DFR No. 2391 of 2019 challenging Order dated 27.05.2019 respectively. It is submitted that the final outcome of the said appeals would determine the amounts payable to GVK towards fuel/coal costs.
- f) GVK project is a cost plus project, in terms of Section 62 of Electricity Act, hence the issue of capping transportation charges does not arise. The cancellation of the Captive Coal Blocks is an event of force majeure and change in law event and therefore, GVK is entitled to compensation for the consequential impact for the same.

- g) Further, it may be noted that during the present Control Period, GVK intends to procure coal from e-auction sources/imported coal and under SHAKTI Scheme. GVK does not intend to source any coal from BCCL mines. Therefore, comparison of GVK's surface transportation costs with that of BCCL is not tenable. The rates paid by GVK for surface transportation have be discovered by way of a competitive bidding process and ought to be allowed.

PSPCL's Submission

10.2 PSPCL's submissions are summarized as under:

- a) Order dated 1.2.2016 common to Petition No. 65/2013 and Petition No. 33/2015, Order dated 6.3.2019 passed in Petition NO. 68 of 2017 and Order dated 27.05.2019 passed in Petition No. 01 of 2018 are applicable for determination of energy charges for the Petitioner's Project as claimed in the present Petition, subject to the outcome in pending Appeals arising there from.
- b) Recently, vide Order dated 5.8.2020 passed in Petition No. 69 of 2017 filed by the Petitioner seeking determination of tariff for the Control Period of FY 2017-18 to FY 2019-20, the Commission has held as under:

"11.10 The energy charges for FY 2017-18 to FY 2019-20 are payable by PSPCL to GVK in terms of the PPA, Order dated 01.02.2016 common to petition no. 65 of 2013 & 33 of 2015, Order dated 06.03.2019 in petition no. 68 of 2017 and Order dated 27.05.2019 in Petition No. 01 of 2018 as applicable."

In this manner, the Commission has settled the issue as regards payment of energy charges to the Petition for the

power supplied to PSPCL from its Project. The methodology prescribed by the Commission, as stated above, is that the payment of fuel cost to the Petitioner is to be based on the actual invoices of fuel procurement to be supplied by the Petitioner to the Respondent along with its tariff bills. The energy charges payable to the Petitioner are thus to be in accordance with the methodologies and calculations prescribed by the Commission in the above Orders.

- c) In the above mentioned Orders passed by Commission, it has been held that payment of energy charges to GVK is to be as per the actual weighted average cost of coal received as per the invoices from the coal company. As such, there is no occasion to apply any normative escalation rate to the coal cost when the payments have to be made based on the coal invoices.

Commission Analysis

The energy charges shall be payable by PSPCL to GVK in terms of the PPA, the Commission's Order dated 01.02.2016 common to Petition No. 65 of 2013 and Petition No. 33 of 2015, Order dated 06.03.2019 in Petition No. 68 of 2017 and Order dated 27.05.2019 in Petition No. 01 of 2018 as applicable.

11.0 Interest on under-recovered or over-recovered fixed charges:

- 11.1** The Commission notes that the applicability of Regulation 9 of PSERC Regulations (Terms and Conditions for determination of Tariff), 2005 would be on the distribution companies or generating cum distribution companies and cannot be applied as it is, to the

standalone generating companies. The Commission observes that Regulation 13(4) of CERC (Terms and Conditions of Tariff) Regulation, 2019 are squarely applicable to under recovery or over recovery of fixed charges in case of generating companies.

11.2 The Regulation 13(4) of CERC (Terms and Conditions of Tariff) Regulation, 2019 is re-produced below for reference: -

“After truing up, if the tariff already recovered exceeds or falls short of the tariff approved by the Commission under these regulations, the generating company or the transmission licensee, shall refund to or recover from, the beneficiaries or the long term customers, as the case may be, the excess or the shortfall amount along with simple interest at the rate equal to the bank rate as on 1st April of the respective years of the tariff period in six equal monthly installments.”

11.3 The Commission decides to adopt the CERC Regulations for determining interest under recovery or over recovery of fixed charges.

Accordingly, interest shall be allowable or recoverable as per Regulation 13(4) of CERC (Terms and Conditions of Tariff) Regulation, 2019 on under-recovered or over-recovered Annual Fixed Charges (AFC) determined by the Commission. However, the Commission notes that as mentioned in para 1.2, GVK during hearing on 10.03.2021 had requested to fix the next hearing in petition no 14 of 2020 after decision of the Review petitions no. 04 of 2020, 05 of 2020 and 06 of 2020 which it had filed in the meantime. The Review petitions were decided vide orders dated 07.04.2021 after which, as per request of GVK, the next date of hearing for Petition no. 14 of 2020 was fixed on

26.05.2021. Thus interest is allowable/recoverable only from 26.05.2021.

This Petition stands disposed off accordingly.

Sd/-

(Paramjeet Singh)
Member

Sd/-

(Anjuli Chandra)
Member

Sd/-

(Viswajeet Khanna)
Chairperson

Chandigarh
Dated: 26.10.2021

