

**PUNJAB STATE ELECTRICITY REGULATORY COMMISSION
SITE NO. 3, BLOCK1 B, SECTOR 18-A MADHYA MARG, CHANDIGARH**

Petition No. 90 of 2016

Date of Order: 09.01.2020

Petition for ARR & Determination of Tariff
filed by PSPCL for MYT Control Period FY
2017-18 to 2019-20.

AND

In the matter of: Punjab State Power Corporation Limited,
The Mall Road, Patiala.

Present: Ms. Kusumjit Sidhu, Chairperson
Sh. S.S. Sarna, Member
Ms. Anjuli Chandra, Member

ORDER

Petition no. 90 of 2016 filed by Punjab State Power Corporation Limited (PSPCL) for ARR & Determination of Tariff for MYT Control period FY 2017-18 to 2019-20 was disposed of by the Commission vide Order dated 23.10.2017 amended/reviewed vide Order dated 09.11.2017. Mawana Sugars Limited (Mawana) filed appeal No. 74 of 2018 impugning the Order dated 23.10.2017 and Northern Textiles Mills Association (Northern Textiles) filed an Appeal No. 113 of 2018 impugning the Order dated 09.11.2017. The Hon'ble Appellate Tribunal for Electricity (APTEL) vide common judgment dated 08.03.2019 disposed of the appeals as under:

“.....In view of the submissions of the learned counsel for the Appellants and the Respondents and in the light of the statement

made in Memo dated 28.01.2019 filed on behalf of the Appellant, Mawana Sugars Ltd., and also the statement made in the Memo dated 08.03.2019 filed on behalf of the second Respondent, Punjab State Power Corporation Limited, in Appeal No. 74 of 2018 and in terms and for the reasons stated in the aforesaid memos, as stated supra, the instant two appeals, being Appeal No. 74 of 2018 and 113 of 2018, are hereby disposed of with the direction to the first Respondent/State Commission to reconsider the matter afresh and in the light of the statements made in the Memos dated 28.01.2019 filed by the Appellant and dated 08.03.2019 filed by the second Respondent in Appeal No. 74 of 2018 and for the reasons stated therein, pass an appropriate order afresh in accordance with law after affording reasonable opportunity of hearing to the Appellants, Respondents and the interested parties as expeditiously as possible.....”.

1.1 In compliance of the Order dated 08.03.2019 passed by the Hon'ble APTEL, notice was issued to PSPCL, Mawana Sugars and Northern Textiles directing them to file their respective submissions. Northern Textiles filed its submissions on 29.04.2019 and Mawana filed its submissions on 10.07.2019. PSPCL filed reply to the submissions of Northern Textiles vide memo no. 4357 dated 09.07.2019 and of Mawana vide memo no. 4494 dated 14.08.2019 respectively. Mawana Sugars Limited submitted written submissions in response to the revised public notice dated 17.09.2019 and PSPCL filed reply to these submissions vide memo no. 4758 dated 25.10.2019. Mawana Sugar Limited filed counter reply on 06.11.2019 to the reply filed by PSPCL. PSPCL, vide memo no. 4838 dated 26.11.2019, filed its rejoinder to the counter reply filed by Mawana Sugar Limited.

1.2 The petition was taken up for hearing on 21.08.2019 wherein after hearing the parties the Commission directed PSPCL to publish a public notice inviting objections/suggestions. The public notice was published in the Tribune (English), Hindustan Times (English), Jagbani (Punjabi) and Punjab Kesari (Hindi) on 23.08.2019 asking the objectors to send their comments/objections within stipulated time period. The public hearing was fixed for 10.09.2019 wherein nobody appeared from the public. Sh. Aditya Grover, Advocate appearing for Mawana Sugar Limited submitted that the complete information was not available on the website. The public hearing was therefore, deferred to 15.10.2019 at 11.00 A.M and the Commission directed PSPCL to re-issue the public notice after uploading the full information on the website. Accordingly, public notice was re-published inviting comments/objections in the local newspapers namely the Tribune (English), Hindustan Times (English), Jagbani (Punjabi) and Punjab Kesari (Hindi) on 17.09.2019. The petition was taken up for public hearing on 15.10.2019 wherein none appeared from the public except the representatives of PSPCL and Mawana. The Commission vide Order dated 16.10.2019 directed PSPCL to file a detailed reply to the submissions filed by Mawana and to submit information regarding the number of officers/officials & security staff posted at the Bhatinda Thermal Plant and its future plan regarding the plant and its manpower along with the detailed calculation of impairment loss of the plant.

2. Northern Textiles has submitted that the tariff Order dated 23.10.2017 was issued determining the revenue requirement for the true up period of 2014-15 and 2015-16, Revised estimates for 2016-17 and MYT period of 2017-18 to 2019-20 and Retail tariff

for 2017-18. Further, Northern Textiles submitted that while determining the retail tariff it was decided to adopt the two-part tariff system from 2017-18 for some categories including the category of LS industrial category to which the members of Association belonged. The tariff Order dated 23.10.2017 also provided that the two –part tariff so determined will be effective from retrospective date of 01.04.2017.

2.1 That even after the issuance of the tariff order PSPCL did not issue the requisite commercial instructions and instead sought amendment/review of the said Order dated 23.10.2017 by the Commission. Pursuant to the above the Commission reviewed the Tariff Order dated 23.10.2017 and amended it unilaterally without following due procedure and in violation of principles of natural justice. The legality and validity of the Order dated 09.11.2017 was questioned by Northern Textiles vide Appeal No. 113 of 2018.

2.2 Northern Textiles stated that the Commission did not follow the Regulation 8,9,16,30,55,64,69,70 and 72 of PSERC (Conduct of Business) Regulations, 2005 which provide for the procedure to be followed by the Commission while determining tariff and Review of the already issued orders, as well as the relevant Sections 45,61,62 and 64 of the Electricity Act, 2003 which mandate the Commission to afford an opportunity to the Consumers for filing objections before passing a Tariff Order Northern Textiles contended that any review or amendment of a tariff order has to be conducted in a similar manner.

2.3 Northern Textiles had sought for the following reliefs in the Appeal no. 113 of 2018:

- i. to set aside the order dated 09.11.2017 passed by the State Commission;
- ii. to direct the Respondents to charge tariff as per the tariff provided in Tariff order dated 23.10.2017;
- iii. to pass such other or further orders as the Hon'ble Tribunal may deem appropriate.

Since the Order dated 09.11.2017 has been set aside by the Hon'ble APTEL and the Commission has been directed to hear the matter afresh, Northern Textiles prayed the Commission to pass an appropriate order afresh in accordance with law after affording reasonable opportunity of being heard to the interested parties.

3. PSPCL in its reply to the submissions filed by Northern Textile submitted that the Commission has decided on the two-part tariff vide Order dated 23.10.2017 which has not been challenged by Northern Textile before the Hon'ble APTEL.

3.1 That the Hon'ble APTEL disposed of the appeals based on the memo filed by Mawana Sugars Ltd. and PSPCL but no memo was filed by Northern Textiles and the Hon'ble APTEL relied on the memo filed by Mawana Sugars Ltd.

3.2 No relief has been sought against the order dated 09.11.2017 for setting aside the same on the issue of public hearing but the only relief sought was to frame future guidelines which were not objected to by PSPCL.

3.3 The Commission vide its tariff order dated 23.10.2017 for FY 2017-18 for the first time made the two-part tariff applicable with effect from 01.04.2017 in place of the existing single part tariff. As held in the Order dated 23.10.2017 there was a shift in the tariff design which was being implemented in the state of

Punjab, however since the order was made applicable from 01.04.2017 as a consequence, the consumers who had arranged their affairs based on a single part tariff were prejudiced by the change in the tariff design.

3.4 PSPCL vide letter dated 06.11.2017 intimated the Commission about the feedback and complaints received from various consumers on the issue of retrospective change in tariff design from single part to two part tariff stating that the consumers with low utilization factor of consumption will have heavy monetary implication and the consumers with high utilization factor may get refunds, hence there will be no uniformity of amounts to be charged as arrears. The concerns of consumers regarding implementation of two-part tariff without giving any opportunity to the consumers to revise their contract demand/sanctioned load was taken into consideration by the Commission when it passed the Order dated 09.11.2017 and rectified the Order dated 23.10.2017 to the extent that the two-part tariff shall be made effective prospectively from 01.01.2018 and not retrospectively.

3.5 That the Commission has not changed any of the figures or tariff determination as contained in the Order dated 23.10.2017 in the order dated 09.11.2017. The only difference is that the conversion of the single part tariff to two part tariff in the order dated 23.10.2017 was only made prospective and not retrospective with the tariff remaining the same as was already determined.

4. Mawana Sugars Ltd. in its submissions filed on 10.07.2019 submitted that it had raised the following issues in the Appeal no. 74 of 2018:-

4.1 Two part Tariff - That the National tariff policy, 2006 issued by the Central Government provides for introduction of Two part tariff structure for retail supply of electricity featuring separate fixed and variable charges and time differentiated tariff on priority for large consumers. However, the National Tariff Policy, 2016 further provided that the two part tariff structure ought to be introduced for all consumers and not just large consumers. The Commission introduced the two part tariff regime in the State after various reports, discussions and deliberations from FY 2003-04 onwards. PSPCL conducted a mock/parallel run of the proposed Two part tariff System in five selected Divisions of PSPCL for 6 months subsequent to which a report was submitted by IIM Ahmadabad regarding feasibility of the Two Part Tariff. Further, PSPCL had been recording MDI of the consumers and it was indicated that PSPCL is in a position to revise the bills already issued on single part tariff. However, vide Order dated 09.11.2017 the Commission reviewed its order and implemented two part tariff w.e.f 01.01.2018 as against 01.04.2017. That neither notice was issued to the stake holders nor comments were sought from public and no public hearing was carried while issuing the Order dated 09.11.2017 as a result of which the applicant suffered financial loss due to this change of applicable date of two part tariff.

4.2 Non-Disclosure of additional information submitted by PSPCL – That as per Regulation 48(9) of the PSERC (Conduct of Business), Regulations, 2005 the distribution licensee has to make available to the public all information and documents filed with the Commission. However, in the present case numerous letters and correspondences were exchanged between PSPCL

and the Commission which were never made available in the public domain. The Commission decided the ARR components based on data supplied by PSPCL subsequently which was never made available to the consumers. Also the review order dated 09.11.2017 was issued by the Commission on the basis of the letter dated 06.11.2017 issued by PSPCL which was also not provided to the consumers of the State.

4.3 Excess revenue for shut down of GNDTP – That even though PSPCL had not projected any generation from the GNDTP station for the control period from FY 2017-18 to FY 2019-20 the Commission has proceeded to allow employee cost, A&G expenses, depreciation, working capital and interest thereon and Return on equity in full to PSPCL in respect of the said station. PSPCL has not claimed any fuel cost against GNDTP during the control period and had proposed NIL generation from GNDTP yet PSPCL has claimed the ARR components of GNDTP and the Commission has approved the same.

4.4 Excessive Burden of Stranded Capacity- That the Commission has burdened the consumers in the state with the excessive costs of stranded capacity and due to the ill planning of PSPCL the surplus power of almost 20% was surrendered and the fixed costs of idle power plant is being loaded on to the consumers. Further, new power projects are scheduled to be commissioned in the State or in Central Sector in FY 2018-19 and FY 2019-20 and despite the already surplus power the burden of idle fixed costs of such plants will be imposed upon the consumers.

4.5 The Commission proceeded to revise the two-part tariff structure and resumed the applicability of enhanced single part

tariff retrospectively w.e.f. 01.04.2017 while withdrawal of continuous power charges, increase in night rebate, withdrawal of PLEC etc. has not been made retrospective.

4.6 Delay in issuance of tariff order – That the impugned Order suffered from procedural infirmities and the Commission has acted in contravention of the provisions of Section 6 of the Electricity Act, 2003 and Regulation 41 of the PSERC (Terms and Condition for Determination of Tariff) Regulations, 2005 whereby the Commission is obligated to determine the tariff for any FY within 120 days from the moving of tariff application by the distribution licensee. PSPCL filed the ARR petition on 30.11.2016 i.e. on the due date mandated by Regulation 13 of PSERC (Terms and Condition for Determination of Tariff) Regulations, 2005 which gives the Commission a period of 120 days to finalize the tariff and notify it before 31st March of the year and make it applicable from 1st April. However, the Commission pronounced the tariff on 23.10.2017 after a delay of around 6 months from the commencement of FY 2017-18 and thereafter proceeded to further modify the said tariff order by a review order dated 09.11.2017 reversing the introduction of two part tariff structure in the state. In view of the tariff order and the review order being passed at the end of the mandatory period of 120 days and its retrospective applicability from 01.04.2017, the cumulative effect in form of arrears from Mawana since April 2017 is against the principles of natural justice and equity.

4.7 Mawana Sugars Ltd. had sought the following reliefs in the Appeal before Hon'ble APTEL:-

- a. set aside the impugned order dated 23.10.2017 as reviewed by the order dated 09.11.2017 passed by

the Commission while determining the ARR and tariff for the Multi Year Tariff Control Period from FY 2017-18 to FY 2019-20 of PSPCL, to the extent challenged in the appeal;

- b. pass such other and further order or orders as this Tribunal may deem fit and proper under the facts and circumstances of the present case and in the interest of justice.

4.8 That in view of the Order dated 08.03.2019 passed by the Hon'ble APTEL disposing of the appeals and directing the Commission to hear the matter afresh, Mawana requested the Commission to pass an appropriate order afresh in accordance with law after according an opportunity of being heard to the interested parties.

5. The petition was heard on 24.07.2019 wherein after hearing the parties, the Commission vide Order dated 30.07.2019 directed PSPCL to file its reply to the application filed by Mawana. PSPCL filed a reply to the submissions filed by Mawana vide memo No. 4494/TR-IV/4/195 dated 14.08.2019, reiterating the submissions made earlier and stated that:

5.1 The Hon'ble APTEL disposed of the appeals based on the memo filed by both Mawana Sugars Ltd. and PSPCL. In the memo filed by Mawana Sugars Ltd., it had unequivocally stated that the appeal can be disposed off upon consideration of only two grounds and the other grounds of challenge were not pressed by Mawana Sugars Ltd. Even in the present proceedings Mawana Sugars Ltd. has not pointed out any particular reason or justification on merits on the issue of two part tariff and is only raising the issue of there being no hearing and opportunity to file

its comments. The only other issue urged by Mawana before the Hon'ble APTEL was the issue of excess revenue for shutting down of GNDTP.

5.2 That the present proceedings are not for review of the tariff order dated 23.10.2017 of the Commission. In the memo filed by Mawana before the Hon'ble APTEL it was prayed that the Commission needs to decide the issue without being influenced by the order dated 23.10.2017, however the said contention was not accepted by the Hon'ble APTEL.

5.3 The contention of Mawana Sugars Ltd. proceeds on the basis that the generating station was shut down during the year in question. The generating station was available for the year 2017-18 and has in fact generated and supplied electricity for the benefit of the consumers at large. That availability was consistently declared by the generating station and was available for consumption by the consumers at large in the State of Punjab. The generating station had supplied a total of 301.301 MUs during the year 2017-18 primarily in the paddy season when the state is under shortage of electricity. During the other seasons the State is in surplus and many generators are backed down which includes GNDTP. However, the generating station was available and is entitled to fixed charges based on the availability. The backing down of generating stations including that of GNDTP is strictly on account of merit order purchases and not for any default on the part of PSPCL in the operation of the generating station. There are many other generators including private generators who are consistently backed down during the non-paddy season and are entitled to fixed charges. There is no reason why the GNDTP generating station should not be entitled

to fixed charges corresponding to the availability. Therefore, for the year 2017-18 the GNDTP generating station has been allowed the fixed cost for the availability, like other generators. The generating station has been permanently shut-down with effect from 01.01.2018 and is in the process of being dismantled and assets scrapped. PSPCL has not claimed fixed cost for the years 2018-19 and 2019-20 but only the essential costs for maintaining the security, deployment of the employees etc.

5.4 That in terms of the Indian Accounting Procedures, the assets of GNDTP amounting to Rs. 492.59 crores were impaired on 31.03.2018 which is accounted for in the depreciation as per the accounting principles for the year 2017-18. The said issues including the impairment costs are pending before the Commission in other proceedings. There is no depreciation projected for the years 2018-19 onwards as against the total fixed cost of Rs. 850.92 crores for the year 2017-18. The fixed cost for 2018-19 and 2019-20 is only Rs.74.01 crores and 74.23 crores respectively, which is less than 10% of the fixed cost for 2017-18 which is for essential maintenance and other essential expenses till the time the assets are scrapped, manpower is thereafter re-deployed etc.

5.5 Therefore, the premise of the contentions raised that GNDTP was under shut-down during the year 2017-18 is factually erroneous. The only consequence of the generating station being available is for payment of fixed charges, like any other generator, which PSPCL is entitled to.

5.6 That the Hon'ble APTEL has consistently held that old generating stations which have already operated beyond 25 years, relaxed norms should be applied as the generating stations

are in a position to supply much needed electricity in scarcity conditions.

6. Mawana Sugars Ltd. filed written submissions in response to the public notice dated 17.09.2019 and submitted as under:

6.1 That the first issue raised by Mawana in its Memo submitted before Hon'ble Aptel was issuance of guidelines to the Commission to follow the appropriate procedure for modification/amendment of tariff order so as to ensure that notice is issued to the affected party and not proceed to modify/amend a tariff order or any components thereof solely on the basis of a letter issued by the distribution licensee, in the manner that has been done in the present case. In reference to the said issue, Mawana submitted that the matter has been remanded back to the Commission to invite comments and hold public hearing through Public notice thereby upholding Mawan Sugars Ltd's contention of lack of transparency and denial of justice in the matter. However, the ARR of 2017-18 has already been tried up by PSPCL and the matter regarding ARR of GNDTP has been kept pending by the Commission for appropriate decision in terms of remand of the present appeal.

6.2 With regard to the second issue regarding permitting Mawana Sugars Ltd. to file an appropriate petition/application before the Commission whereby the Commission will undertake a cost benefit analysis of the said Guru Nanak Dev thermal power plant without being influenced by the findings as recorded in the impugned order dated 23.10.2017 and review order dated 09.11.2017 Mawana Sugars Ltd. submitted that in the Table 5.17 of Tariff Order FY 2017-18 PSPCL projected and the Commission approved 'NIL' generation from GNDTP for the MYT control

period of 2017-18 to 2019-20 and accordingly NIL fuel cost was approved though normative parameters related with fuel cost were reiterated in the table. In the ARR 2017-18 PSPCL claimed Rs 477.58 Crore as the requirement for GNDTP Bhatinda for 'NIL' generation against which the Commission approved Rs 357.27 Crore. In the ARR for 2018-19 PSPCL claimed generation of 265.73 MUs in 2017-18 with a total ARR of 590.49 Cr (Rs 22.21/unit). The Commission determined and approved the generation for 2017-18 as 268.17 MUs with ARR of Rs 457.29 Cr (Rs 17.05/unit). The actuals / True up for GNDTP for 2017-18 claimed by PSPCL in ARR of 2019-20 is Rs 947.07 cr (Rs 35.89/unit) out of which Rs 427.73 Cr have been finally approved as trued up figure (Rs 15.95/unit) leaving aside the impairment loss of Rs 492.35 Cr which has been linked to the outcome of the remand of this appeal.

6.3 Mawana Sugars Ltd. has stated in the Appeal that the Government of Punjab and PSPCL have decided to shut down all units of GNDTP and PSPCL has run GNDTP in the paddy season up to September, 2017 for exhausting the coal stock including carpet coal. There is now no coal to run the plant as per Central Electricity Act Fuel management's daily coal stock report. In view of the same, the consumers ought not to be burdened with the tariff of this plant. PSPCL thus burnt all the coal available including carpet coal at GNDTP and there was no coal stock at GNDTP Bhatinda w.e.f 01.10.2019, hence no coal has been received after that date at Bhatinda. Therefore, there should have been no expenditure on GNDTP Bhatinda after 01.10.2017 and if any such expenditure had been incurred by PSPCL then the consumers can not be burdened with such costs.

6.4 PSPCL should immediately sell the plant assets, dispose off the land and after meeting the book value, surplus sale proceeds should be used to reduce long term loans so that consumers are given the relief in tariff. PSPCL needs to carry out the cost benefit analysis of its proposal to keep the plant under reserve shut down for 2017-18 claiming zero generation initially and then running it for paddy months only to consume carpet coal. Instead of immediately scrapping the plant from 01.10.2017 PSPCL continued to claim Establishment charges, Depreciation, ROE, Interest on Loan and WC loan etc. loading the consumers with the same. Further, PSPCL has been claiming establishment costs in a wrongful manner since many officers and staff working elsewhere than GNDTP are drawing their pay from GNDTP Bhatinda. Thus, the claim of PSPCL needs to be analyzed by an independent third party.

6.5 Punjab SLDC has removed 4 units of GNDTP from the Total Generation Capacity of Punjab. The plant was not operative since 01.10.2017 and officially retired since 01.01.2018 i.e almost 2 years back. GOP or PSPCL has not decided on disposal of the plant assets so far and wants to load the consumers for their inefficiency. Therefore, the expenditure being incurred by PSPCL on retired assets should be met by PSPCL from its income from other sources like income from hiring of poles and towers, 5% collection charges for recoveries on behalf of other departments, Departmental charges from deposit works being carried out by PSPCL and Return on Equity being retained by PSPCL or not being paid to GOP since the issue of tariff orders (Year 2002-03) etc.

6.6 On the issue of claim of Impairment loss Mawana Sugars Ltd. submitted that PSPCL wants to book the balance book value as impairment loss immediately meaning thereby that the recovery of scrap value will be taken as income later on as per accrual which will immediately load the consumers whereas the relief to the consumers on account of sale of Assets will be dependent on the efficiency and promptness with which PSPCL will dispose off the assets. The action taken by PSPCL from 01.10.2017 to date shows that it will take years to sell the assets and consumers will suffer in the meanwhile.

6.7 PSPCL and GOP are yet to finalize whether to set up the 100 MW solar plant in the ash dyke area or not as PSPCL is surplus in solar RPO and has already tied up more than sufficient solar capacity through NTPC/NVVN/SECI. Moreover, the tariff of solar power in Punjab is bound to be higher than SECI/NTPC rate. Similarly, some time back PSPCL had proposed to convert one unit of GNDTP for use of Rice Straw as fuel but no progress has been reported in the matter till date. Such proposals are delaying the disposal of assets and consumers are being loaded with the costs of maintaining retired assets. That PSPCL should first determine the scrap value of saleable assets and market value of land etc. and only the difference should be booked as impairment loss, otherwise no depreciation be allowed and book value be adjusted with recovery from sale of scrap etc. on accrual basis and consumers be spared the burden of the inefficiency of PSPCL.

7. PSPCL in response to queries raised by the Commission during the hearing held on 15.10.2019 and written submissions dated 11.10.2019 filed by Mawana Sugars Limited replied that the

plant was actually operated during the year 2017-18 and supplied electricity for the benefit of the consumers. This was particularly required during the paddy season'2017 when the demand in the State was at its peak. During this paddy season of the year 2017, the generating station of TSPL was under-delivering its capacity as there was a fire incident at their plant in April'2017. There was also coal shortage for the GVK station and it was not in a position to supply power to its expected capacity. After the paddy season of 2017, the Government of Punjab ordered the permanent closure of GNDTP with effect from 01.01.2018 vide letter bearing no. 1/1512017-EB(PR)/832 dated 21/12/2017 of OSD/Power Reforms, Punjab. As stated herein above, that during 2017-18, the availability/ demand had deviated from actual basis and as such there was less availability from various other IPPs including TSPL and GVK. Due to the foregoing reasons, GNDTP had actually operated for the benefit of the consumers in the State. When the generating station was available and had in fact operated for the benefit of the consumers, there is no merit in the contention of the Objector. In the written submissions, the Objector has contended that no expenditure ought to be allowed after 01/10/2017. The Objector does not dispute the legitimate claim of PSPCL for the period up to 01/10/2017. A generating station cannot be shut down over night. In fact, the decision to shut down itself is required to be taken only after ascertaining that there is no adverse impact on the power availability in the State, amongst various other factors. The net generation of 265.73 MUs upto September'2017 has been considered for the ARR and the Hon'ble Commission has approved the generation and cost thereof as the same was on an actual basis since the plant was

run during this period. Further, when the generating station was available till December, 2017, there cannot be any reason for the fixed charges not to be paid till such time. It is also relevant to mention that the decision to shut down the generating station has been taken in a very expeditious manner. Within three months of the paddy season when there was actual generation, the generating station had been shut down, even without waiting for the end of the financial year. The contention that the plant was run only to consume the carpet coal and to claim the establishment charges, depreciation, ROE, Interest on loan and WC loan etc., is incorrect as GNDTP had received coal up to June of 2017 and the coal stocks were enough to run the plant for the electricity it has generated and supplied to the consumers.

7.1 PSPCL also submitted that the calculation of the impairment loss of GNDTP assets was carried out in accordance with proper accounting standards as the plant has been permanently closed with effect from 01.01.2018. It was submitted that disposal of Stage- I Units is being carried out through floating of global EOI and about Rs.10 cr. worth of spares, LDO, FO & Coal mill reject have already been transferred to other wings of PSPCL/PSTCL in a phased manner and about Rs.5.70 Cr. worth of scrap has been sold. This will reduce the procurement cost of other wings and will result in utilization of the assets in a cost-effective manner. Until such time, the impairment cost ought to be allowed by the Hon'ble Commission. PSPCL also maintained that Mawana Sugar Ltd.'s averment that the consumers would be burdened is entirely misplaced since the consumers are not being burdened with the tariff of GNDTP after its permanent shutdown. While the generating station was in service, it provided benefit to the

consumers over the years. After its shut down, only the bare essential works are being carried out at GNDTP. This would also cease once the assets are scrapped and proceeds are realized. Expenditure being incurred at GNDTP beyond 01/01/2018 is not due to running of the plant but due to preservation of units till an effective disposal strategy was chalked out by PSPCL. Disposal of a plant requires technical and financial expertise. Further, there are many other activities being carried out by GNDTP irrespective of the running of the units namely running of school, colony, guest houses, substation etc., and it needed systematic handing over, which is being done presently. It was submitted that the generating station becomes an entire township on its own and the same cannot cease to function and be disposed of immediately as is sought to be contended by the Mawana Sugars Ltd. Further the staff posted at GNDTP is being transferred out of GNDTP in a phased manner for the proper utilization of staff. Thus the expenditure at GNDTP cannot only be attributed to coal costs. The assets of GNDTP need to be disposed-off in a cost-effective manner and cannot be haphazardly disposed off, merely because of this vague averment of the Objector.

7.2 PSPCL rebutted Mawana Sugar's contention that PSPCL has already tied up more than sufficient solar capacity and that PSPCL is surplus in solar RPO. PSPCL stated that the proposal to set up the solar plant has been already approved by the Board of Directors and is pending with the Govt. of Punjab for final approval. The Solar project target as per the Renewable Power Obligation (RPO) is 4% in 2019-20 and it increases upto 8% in the year 2022-23. State of Punjab shall have a shortfall of about 1018.12MUs in the year 2022-23. Regarding Mawana Sugars Ltd.

contention that tariff of solar power from GNDTP in Punjab is bound to be higher, PSPCL stated it will be competitive as the land is available with GNDTP and the power evacuation arrangement is available nearby. Accordingly, it would be in the interest of PSPCL to install a solar power plant at GNDTP. Further, a case for its Biomass (paddy straw predominately) conversion has been approved by BODs of PSPCL and the same is pending with Govt. of Punjab for consideration and approval.

8. Mawana Sugars Limited filed its counter reply during the hearing on 6.11.2019 stating that PSPCL's intention not to run the plant after the paddy season of 2017 was evident from the fact that no coal rake was ordered/received at the plant site from July, 2017 onwards though paddy season was to end on 30th September, 2017. The mention of TSPL's and GVK's coal problems are evidently an afterthought. The plant was actually operated to finish the coal stock and carpet coal at site as PSPCL had made up its mind to shut down the plant permanently. Mawana Sugars Limited pointed out that it had already filed an objection on the ARR of 2017-18, on the claim of full ARR for GNDTP, Bathinda for 'NIL' generation. GNDTP, Bathinda was being scheduled in an emergency only resulting in very high power generation cost. The generation of 265.73 MUs upto Sept 2017 against the generating capability of +1500 MUs speaks for itself and the extra burden passed on to the consumers of the state. PSPCL took no timely action to transfer the surplus staff/officers when there was neither any coal at the plant site nor any coal was to be received. Thus, the plant cannot be considered as available till December 2017 when there was no coal stock at site and no order was placed on CIL for dispatch of

the coal. PSPCL has been quick to claim the impairment Loss but very inefficient in the matter of disposal of the assets for recovering the scrap value of the plant and giving relief to the consumers. It took PSPCL 22 months to chalk out a strategy and call for Expression of Interest for disposal of the assets of the State. Even now there is no time frame as to when the assets will be disposed-off finally. The support services of school, colony, guest houses etc. should have been transferred long ago to the organizations which were to use these services ultimately. M/s Mawana Sugars Limited has no objection to using of the land of GNDTP, Bathinda for solar plant and/or conversion of 1 unit of GNDTP, Bathinda to be run on rice straw fuel. Generation of solar and biomass power should not be on a pass through basis but on per unit basis and lower than the tariff as per PPAs of similar plants being signed by PSPCL with private developers since land is being provided by PSPCL for solar plant and the machinery and storage space for rice straw will be of PSPCL. If these plants are to be set up and operated by PSPCL itself, then any generation cost above such tariff should be borne by the Discom itself. If such tariff cannot be ensured then the Land may be disposed off. Consumables worth Rs.10 Crores are still being held for a closed power plant. Establishment costs are still being increased.

8.1 It was further submitted that PSPCL has worked out the cost of generation of GNDTP Bathinda for 01.04.2017 to 31.12.2017 as Rs.12.57 per unit. However, in the ARR for 2018-19, the Revised Estimates for the full year of 2017-18 was Rs.22.21 per unit and in the True UP exercise for 2017-18 in ARR of 2019-20, it was worked out as Rs.35.89 per unit with impairment loss and Rs.17.23 per unit without impairment loss. It

is not clear as to which figure should be considered/believed upon and taken on record. PSPCL is also silent about the expenditure incurred between 01.01.2018 to 31.03.2018. GNDTP, having variable cost of Rs.3.43 to 3.67/units is an efficient and cost effective project and should not have been retired since its variable cost is lower than GGSTP Ropar (Rs 3.78 to 3.95/unit) for all the months and all the 6 units of Ropar plant should have been retired. Further PSPCL has failed to submit any credible Cost Benefit Analysis as per the order passed by this Hon'ble Commission in the present proceedings initiated on the remand order passed by the Hon'ble APTEL.

8.2 Mawana Sugars Limited further submitted that PSPCL has failed to give any justification for not transferring the assets to PSTCL till date. The proposals for conversion of unit no.4 to biomass plant and setting up of 100 MW solar plant on ash dyke area of GNDTP are pending with GOP since a very long time. The status of disposal of unit 3 or 4 is also not explained since only one unit is proposed to be converted.

9. PSPCL submitted its reply to the counter reply filed by Mawana Sugar Limited and submitted that as mentioned in the counter reply of Mawana sugar, the GNDTP units were run to maintain the uninterrupted supply to the consumers, in view of the non availability of the power from TSPL and GVK. PSPCL denied running GNDTP units to exhaust the coal stock, PSPCL stated that coal stock was available to run the units and even in case of non-availability of coal, the coal could have been easily diverted to GNDTP as linkage was available.

9.1 PSPCL further stated that the variable cost of generation of the units are comparable to other generating stations and qualified in the merit order purchase of PSPCL. In fact, if the units are retired early, it would only burden the consumers further in the form of unrecovered depreciation cost without even the benefit of the electricity. The fixed charges cannot be compared on a per unit basis, as it is based on the quantum of electricity generated and the time period for which the generating station was operated. The cost claimed till 31.12.17 is on account of running/availability of the units and cost from 01.01.18 to 31.03.18 is on account of preservations of units till the effective disposal strategy was chalked out. PSPCL restated that it is in the process of cost effective disposal of GNDTP assets. The EOI for disposal of units of Stage-I has already been floated. The assets and manpower are being transferred to GHTP, GGSSTP, Store, Hydel projects, Substations & distribution wing on regular basis. PSPCL further stated that impairment cost is required to be recovered in terms of the Accounting Standards and the Regulations. PSPCL denied that coal was not available. It was stated that the variable cost of GNDTP is comparable to the other running units of PSPCL. Though the coal stock was not available after September, 2017 but the linkage of coal was still there in GNDTP's account and the coal could have been arranged easily if the need had arisen.

9.2 PSPCL further submitted that Govt. of Punjab has authorized PUDA to take further action for the early disposal of land of GNDTP. Continuous efforts are being made at highest level for the early disposal of assets and land and to shift various

activities to the other wings of PSPCL/PSTCL. The school being run in the township, has been functioning for many years. The per unit cost of the Bio mass plant is expected to be around Rs. 4.00/- which is much less to the solar PPA rates which are between Rs. 7 to 8 per unit. In case of Solar plant also, the cost per unit will definitely be less than the PPAs because there will be no extra cost for land and for power evacuation facilities and because the rates for solar panels (PV panels) are coming down. The inventory is being disposed off at a fast pace. The Units have been kept in a preserved condition to fetch a better value on disposal.

9.3 It was further submitted by PSPCL that the per unit cost cannot be worked out in the manner as is sought to be contended by the Mawana Sugars, as the fixed cost per unit is high due to lower operation of the generating unit. This would be true for any generator. The variable cost of generation is comparable to other stations. The figure of Rs.12.57 paise per unit is as per the MIR and without impairment losses upto Dec 2017. However, this cost of generation includes Variable Cost of Rs. 3.63 per unit, R&M Cost of Rs. 0.34 per unit, Depreciation Cost of Rs. 1.09 per unit, Interest of Working capital cost of Rs. 2.77 per unit and Employee Cost of Rs. 0.47 per unit. This data was submitted based on provisional figures. Subsequent to this, PSPCL filed True-up for FY 2017-18 before Hon'ble PSERC. In the said Petition, PSPCL had submitted the Generation Cost of Rs. 15.08 per unit w/o impairment loss and Rs. 31.43 per unit with impairment loss. PSPCL submitted following table:

Particulars	FY 2017-18	
	Submitted by PSPCL	Approved by PSERC
Fuel Cost	96.15	96.67
Employee Cost	172.59	172.59
R&M and A&G Expenses	16.74	16.74
Depreciation	539.72	47.37
Interest Charges	19.99	5.19
Return on Equity	77.27	76.86
Interest on Working Capital	24.61	12.32
Net ARR (Rs. Crore)	947.08	427.74
Gross Generation (MU)	301.31	301.31
Per unit Cost (Rs./kWh)	31.43	-
Per unit Cost w/o impairment loss (Rs./kWh)	15.08	14.20

9.4 PSPCL agreed that the variable cost of GGSSTP, Ropar was slightly higher as compared to GNDTP, Bhatinda during April, 2017 to Sept, 2017. However, GGSSTP, Ropar units were not shut down completely on technical grounds. The operation of GGSSTP Ropar units is mandatory to maintain voltage profile of the grid particularly during paddy season. GNDTP, Bathinda is no longer a load centre as TSPL, Talwandi Sabo has come up. Hence it was decided to shut down all the 4 Units of the GNDTP instead of Ropar.

9.5 Regarding the cost benefit analysis, it has been reiterated by PSPCL that GNDTP has been run as per the directions of PC Patiala on need basis to ensure the uninterrupted power supply to the consumers and as per merit order to avoid huge power cuts. The variable cost of GNDTP units was comparable with the other units of PSPCL during the period it was run. GNDTP units were available for generation during the said period, thus the units were run during the period April, 2017 to Sep, 2017.

9.6 PSPCL explained the process of the transfer of the assets and personnel which needs to be undertaken based on the well established procedure for government undertakings. The employees are in fact rendering service to the consumers in the State and the contentions raised are misconceived. The strength of 85 no. employees whose pay is being charged to GNDTP is not included in the employee strength of 342. PSPCL is also working for an early solution for the employees working outside GNDTP.

9.7 PSPCL has also justified the proposed use of the land stating that the proposed solar plant is to be set up in the ash dyke area. However the site for the proposed business park has not been finalized yet. The disposal of Unit 3 would be done after the decision of commissioning/conversion of Unit 4 into a bio-mass plant. The units no. 3 & 4 are part of the stage-2 of GNDTP units. The Unit no. 3 cannot be disposed of as single unit in view of the common auxiliaries and common switchgear. Moreover, Unit 3 & 4 are identical and accordingly the spares and assets of Unit 3 can be utilized in Unit 4 for cost effective conversion of

Unit 4 in Bio mass plant. The final decision on the Biomass plant was stated to be pending with the Govt. of Punjab.

9.8 The book value is in line with the expenditure (Rs.219 Cr. on stage-I and Rs.435.67 Cr. on stage-II) incurred on the R&M of the units which was carried out as under:

Unit Commissioned after R&M

#1	in 2007
#2	2006
#3	2012
#4	2014

10. The petition was taken up for hearing on 27.11.2019 wherein the counsel for Mawana Sugar Limited requested leave to file a reply to the rejoinder filed by PSPCL. The Commission allowed the request and directed that the same be filed within 3 days further directing PSPCL to file its comprehensive written submissions within 3 days. The petition was taken up for hearing on 06.11.2019 & 27.11.2019. The order was reserved on 27.11.2019.

11. Commission's Observations and Findings

In view of the Hon'ble APTEL's Order dated 08.03.2019, the Commission had invited the Mawana Sugars Ltd. and Northern Textiles Mills Association, to make their submissions and PSPCL was asked to reply to the submissions. The Commission has examined the submissions made by all the parties during the hearing/public hearing and has considered the arguments. The Hon'ble APTEL vide its judgment dated 08.03.2019 disposed of the petition with the directions to the Commission to reconsider the matter afresh and in the light of the statements made in the

Memos dated 28.01.2019 filed by the Appellant (Mawana Sugars Ltd.) and dated 08.03.2019 filed by the second Respondent (PSPCL) in Appeal No. 74 of 2018 and for the reasons stated therein, pass an appropriate order afresh in accordance with law after affording reasonable opportunity of hearing to the Appellants, Respondents and the interested parties as expeditiously as possible. The Commission observes that, prayer before the Hon'ble APTEL was confined to following two issues:

1. Consideration of issuance of Guidelines to the Commission to follow the appropriate procedure for modification/ amendment of tariff order so as to ensure that notice is issued to the affected party and not proceed to modify/amend a tariff order or any components thereof solely on the basis of a letter issued by the distribution licensee, in the manner that has been done in the present case.
2. Permission to the Appellant to file an appropriate petition/ application before the Commission whereby the Commission will undertake a cost benefit analysis of the said Guru Nanak Dev thermal power plant without being influenced by the findings in this regard as recorded in the impugned order dated 23.10.2017, and review order dated 09.11.2017.

11.1 Issuance of Guidelines to the Commission

The Commission observes that, since no guideline was issued by the Hon'ble APTEL in its aforesaid Order as sought by the appellant, the issue being res-integra needs no review by the Commission. However, as M/s Mawana Sugar and Northern

Textiles have again raised the issue in their submissions before the Commission in this review petition, the Commission would like to emphasize the following:

- a) The Commission had determined the ARR for FY 2017-18, after following due process of putting the petition in public domain, inviting objections/suggestions thereon and also holding public hearings at various places across the State. After determining the ARR and the resultant revenue gap, the Commission determined the revised Tariff (Single Part Tariff) in Table 8.1 of the impugned Tariff Order.
- b) The Commission in para 6.3 of the Tariff Order had decided to implement Two Part Tariff structure in place of the existing single part tariff. The relevant extract of Tariff Order dated 23.10.2017 is reproduced below:

“6.3.5 The Commission has gone through the Two Part Tariff proposal submitted by the PSPCL, objections/suggestions received from the consumers/ stake-holders along with the comments thereupon by PSPCL and also the recommendations of IIM Ahmedabad, contained in its report submitted to the Commission. The Commission observes and decides as under:

i) Implementation of Two Part Tariff Structure:

While shifting from one tariff structure to another tariff structure, the revenue neutrality of the utility has to be kept in mind. In case, introduction of new tariff structure results in variation in the revenue collection of the utility, the same would have to be again passed on to the

consumers. Hence, the effort of the Commission is to ensure a revenue neutral situation both for the Utility and the consumers, as far as possible. Basically the proposed Two-Part Tariff structure is a breakup of the existing single part tariff structure/including MMC into Two Part Tariff comprising of fixed (Load/Demand) charges & Energy charges in order to ensure predictable recovery of fixed costs commitment of the Utility, which are to be incurred to meet the demand of its consumers on one hand, and to reduce the marginal cost of energy charges to the consumers, on other hand. Further, the Commission also needs to be mindful of National Tariff Policy which enjoins an early introduction of the Two Part Tariff. Punjab is one of only a few states which have not yet introduced Two-Part Tariffs so far any category of consumers. The matter has been under consideration and in public domain since 2013-14, during which period, adequate opportunities have been provided to the stakeholders to express their views on the Two Part Tariff structure.

Thus, the Commission is of the view that Two Part Tariff structure should be introduced in the State without any further delay.”

- c) Accordingly, the revised Single Part Tariff rates, as shown in Table 8.1 of the said Tariff Order, were further converted into Two Part Tariff rates as shown in Table 8.2 of the Tariff order. These Two Part tariff rates were made applicable vide Order dated 23.11.2019 with effect from 01.04.2017.

- d) After the issuance of the Order, the Commission received representations from various consumer organizations with the request that the two-part tariff structure be implemented prospectively and not retrospectively. PSPCL also vide its letter dated 06.11.2017, submitted that consumers with low utilization factor of consumption would have heavy monetary implications and the consumers with high utilization factor may get refunds. Hence, there would be no uniformity of amounts to be charged as arrears. PSPCL further stated that two part tariff is being implemented without giving any opportunity to the consumers to revise their contract demand/sanctioned load.
- e) The Commission considered PSPCL's suggestions and representations received from the consumer organizations and was of the view that the application of the Two Part Tariff w.e.f. 01.04.2017 may cause implementation problems for the distribution licensee as well as consumers. The Commission also felt that there is no harm in allowing prior notice to the stakeholders to give them an opportunity to adjust their operations for facilitating the implementation of the Two Part Tariff. Accordingly, the Commission vide Order dated 09.11.2017, decided to invoke its inherent powers under Regulation 69 and 70 of the PSERC (Conduct of Business) Regulations, 2005 to order the deferment of applicability of Two Part Tariff structure, to be made prospectively from 01.01.2018. Vide said Order; the Commission had only deferred the implementation of Two Part Tariff structure with the intent to remove the difficulties in implementation of the same w.e.f 01.04.2017. The

Commission vide its Order dated 9.11.2017 has held that the Single Part Tariff structure will be continued from 01.04.2017 to 31.12.2017 and that the two part tariff structure will be implemented from 01.01.2018 to 31.03.2018. The Commission had not changed the ARR or Single Part Tariff figures as determined in the Order dated 23.10.2017. Vide the said Order the consumers at large got an opportunity to get their load/demand optimized before implementation of the Fixed Charges under Two Part Tariff structure.

11.2 Cost Benefit Analysis of GNDTP Bathinda

The Commission categorizes the issues relating to the shutdown of GNDTP as follows:

1. Fixed cost and variable cost viz-a-viz revenue earned on generation of power during FY 2017-18 (Cost- Benefit Analysis).
2. Impairment loss claimed by PSPCL.
3. Expenses incurred by PSPCL after 1.04.2018.

11.2.1. Fixed cost and variable cost viz-a-viz revenue earned on generation of power during FY 2017-18 (Cost- Benefit Analysis).

The Commission in its Tariff Order for FY 2019-20 had trued-up the expenses of FY 2017-18 based on actual generation and actual expenses of GNDTP submitted by PSPCL. The expenses approved by the Commission in the projection for FY 2017-18 and cost incurred by PSPCL during FY 2017-18 have lost their relevance at this stage. As such, cost per unit i.e. with impairment cost or without impairment cost determined by Mawana Sugars

Limited for the projections in Tariff Order of FY 2017-18 when true up has taken place are not relevant at this stage.

The relevant extract of Tariff Order of FY 2019-20 (in which true-up of expense of GNDTP for FY 2017-18 has been done) is reproduced as follows for reference and analysis purpose:

Revenue Requirement Approved by the Commission for GNDTP, Bathinda

(Rs. Crore)

S.No.	Particulars	FY 2017-18
1.	Employee cost	172.59
2.	R&M & A&G expense	16.74
3.	Depreciation	47.37
4.	Interest on Long term loan	5.19
5.	Interest on working capital loan	12.32
6.	Return on Equity	76.86
	Fixed Cost	331.07
7	Fuel Cost	96.67
	Total Cost	427.74

The Commission had worked out net generation from GNDTP as per True-up of FY 2017-18 in the Tariff Order of PSPCL for FY 2019-20 as 268.17 Mkw. For procurement of power by distribution company, merit order based on only variable cost of the plants is considered for despatch of plants from the portfolio of generation plants & distribution company as per the long term PPAs. Accordingly, GNTTP was despatched as per requirement based on merit order dispatch and generated accordingly. Total revenue of Rs. 28778.92 Crore determined in para 2.29 of tariff order of FY 2019-20 was earned by PSPCL from 47439.46 MU

during FY 2017-18 (True-up). Accordingly, revenue earned from 268.17 MU works out to Rs. 162.68 crore.

Normally, the basic objective of cost benefit analysis is to ascertain the soundness of any investment opportunity. Cost benefit analysis is required for approval of capital investment plan by the Commission. However, this is a case of decommissioning of the plant. It would be pertinent to note that there are no guidelines by any Authority for analyzing cost benefit analysis for decommissioning of a Plant.

However, the cost and the benefits have been analyzed in the following paragraph. The contribution of revenue towards variable costs works out as under:

S.No.	Particulars	Rs Crore
1.	Revenue	162.68
2.	Contribution towards variable cost	96.67
3.	Balance revenue (contribution)	66.01

Therefore, it is evident that balance revenue of Rs 66.01 crore over variable cost was not sufficient to meet the allocated fixed cost of Rs 331.07 crore.

Mawana Sugars Limited argued that Fixed charges after September,2017 are not allowable as coal was not available. PSPCL in its reply has stated the coal could have been arranged on need basis as coal linkage was available for GNDTP and coal linkage for other two thermal power stations was also available. This argument of PSPCL is ill founded. A generating station can only declare availability if it has the coal available in its stock.

Coal linkage cannot be equated with coal in hand. Therefore, the Thermal Power Station cannot be said to have been available after 30.09.2017.

The Commission notes that the full decommissioning dismantling of all equipment, demolishing of all buildings and structures, clean up entire site, including wet and dry disposal areas, coal yards, etc. as per required environmental norms is a costly and time consuming affair. It is not possible for PSPCL to immediately lock the doors and walk away from the Plant. Facilities like school, dispensary etc. cannot be stopped overnight. Therefore, some costs are allowable even after plant has been retired. Each element of fixed cost is discussed in the ensuing paragraphs:

1. Employee Cost

PSPCL is a Government owned organization. The employee cost of PSPCL on GNDTP project includes cost of terminal benefits. Staff employed at GNDTP belong to PSPCL and are transferable across the utility (both Generation & Distribution). This staff has to be considered as PSPCL staff. As per true-up of FY 2017-18, other employee cost of PSPCL for its entire generation and distribution business is Rs. 2241.80 crore and terminal benefits are Rs. 2239.16 crore. Ratio of other employee cost to terminal benefits is approximately 50:50. Terminal benefits mainly relate to pension payment. Employee cost of Rs.172.59 crore of GNDTTP includes cost of terminal benefits amounting to Rs. 86.29 crore (50:50) which have to be allowed to retired employees irrespective of whether plant is running or not. The Commission also realizes that the employees in the Government sector cannot be retrenched

due to legal and social consequences. PSPCL has to reallocate their employees within its own organization or depute them to PSTCL against vacant posts as per the Transfer Scheme of PSEB and to BBMB against PSPCL's share. The Commission recognizes that reallocation takes time and some staff is required for decommissioning, maintenance, security etc. Accordingly, the Commission is constrained to allow full employee cost in FY 2017-18 in GNDTTP which would be allocated to other units of operation in the ensuing years as the staff gets reallocated.

2. R&M and A&G expenses

The Plant was not operated from 1st Oct, 2017, therefore the Commission is of view that R&M and A&G expenses paid for GNDTTP will need to be reduced to that extent. The Commission therefore disallows Rs. 8.37 crore of the R&M and A&G expenses for six months of FY 2017-18 i.e. 50% of Rs.16.74 crore alongwith its impact on interest on working capital requirement.

The Commission notes that some expenditure on R&M and A&G for the period from 01.10.2017 to 31.03.2018 may have been incurred for services like maintenance of 220 kv Grid sub-station, school, dispensary, watch and ward services etc. However, the Commission is constrained to not allow the expenses on these services at this juncture due to non-availability of details of expenditure for these facilities separately. The Commission is of view that the expenses for these services will be considered based on data provided by PSPCL after prudence check by the Commission. Further,

PSPCL is directed to transfer the 220 kv Grid sub-station to PSTCL at the earliest.

Impact on interest on working capital on disallowance of A&G and R&M expenses is worked out as follows:-

(Rs. Crore)

S.No.	Particulars	01.10 .2017 to 31.3.2018
1.	Employee cost for one month	-
2.	R&M & A&G expense for one month	1.89
3.	Maintenance charges 15% of O&M expenses	1.70
4.	Fuel cost for two months loan	
5.	Receivable for two months	-
6	Working capital requirement for A&G and R&M expenses	3.59
7	Interest on (6) above	0.34

Thus, the Commission disallows fixed cost of Rs 8.71(8.37+0.34) crore for FY 2017-18 on account of shutdown of GNDTP. Impact of the same will be taken into considerations in the next tariff order of PSPCL.

3. Depreciation

Depreciation is to be charged in case of derecognised assets as per para 55 of Indian Accounting Standards(IAS)16 and impairment of loss is to be recognized as para 9 of Indian Accounting Standard(IAS)36. Relevant paragraph of both Accounting Standards are re-produced below for reference:

"55. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in

the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with Ind AS 105 and the date that the asset is derecognised. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.-----“.

“9.An entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.”

Reporting period of financial statement of FY 2017-18 is 1st April, 2017 to 31st March, 2018. Accordingly, depreciation is to be charged for full year even if the assets have been retired from active use on 31st Dec,2017 and have remained idle for the period from 1st Oct,2017 to 31st Dec,2017. The Commission, therefore, has to allow depreciation of Rs. 47.37 crore for the period from 1st April, 2017 to 31st March, 2018

4. Interest on loan and return on equity

Interest on loan (Rs. 5.19 Crore) and return on equity(Rs. 76.86 crore) are to allowed based on investment in Gross Fixed Assets . Since Fixed Assets are to be reduced from GFA register/account from 1st April, 2018, Interest on loan and return on equity has to be allowed for the full year.

5. Interest on working capital

Interest on working capital depends on fuel cost, receivable, O&M expenses for the year. Part of O&M expenses (six months of R&M and A&G expenses) and impact on interest on working capital has

also been discussed and disallowed in heading "R&M & AG expenses" of this order.

Therefore, the fixed cost allowable in the year 2017-18 works out to Rs. 322.36 Crore against Rs. 331.07 Crore allowed in the true-up of FY 2017-18. The impact of which would be given in the next Tariff Order of PSPCL.

11.2.2. Impairment loss claimed by PSPCL.

Mawana Sugars Limited argued that impairment loss is to be considered after determining market value of assets. PSPCL has floated a global EOI for disposal of Stage-I unit of GNDTP. The installed equipment at GNDTP unit No.I, II and III is being transferred to other PSPCL generation plants and distribution operation of PSPCL as well as to PSTCL as per requirement. The useable material, spares, scraps, mill reject coal, and oil is also being transferred to other generation plants of PSPCL. PSPCL has indicated that Unit IV of the plant is likely to be converted to a Biomass Plant (predominantly based on paddy straw). Further, setting up of a 100 MW Solar Plant on the ash dyke area of GNDTP is under active consideration of PSPCL. The possibility of developing the vacant area of GNDTP into an Industrial and Business Park in 850 acre land in the ash dyke is being explored for optimum use of land available at GNDTP. Residential buildings are being used by the employees of PSPCL. The school and hospital are available for use of the residents of the colony.

As per the financial statement of PSPCL for FY 2017-18, PSPCL had determined impairment loss of Rs. 492.59 crore, after adjusting recoverable amount of Rs. 84.50 crore (nominal salvage value @ 10%), on account of Plant and Machinery only. Hence,

the actual impairment loss is yet to be determined by PSPCL. The Commission further directs PSPCL to expedite the disposal of all assets in a time bound manner. Accordingly, the Commission has not considered impairment loss in the true-up of FY 2017-18 and will consider the impairment loss of GNDTP after the submission of final report by PSPCL regarding utilization/disposal of assets.

11.2.3 Expenses incurred by PSPCL after 1.4.2018

PSPCL has filed true-up of FY 2018-19 in MYT petition for FY 2020-23. The Commission will examine the expenses for FY 2018-19 and onwards in the next Tariff Order after holding public hearings.

The matter is disposed of accordingly.

Sd/-
(Anjuli Chandra)
Member

Sd/-
(S.S. Sarna)
Member

Sd/-
(Kusumjit Sidhu)
Chairperson

Chandigarh
Dated: **09.01.2020**