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

Petition No. 17 of 2023
Date of Order: 01.11.2023

Application 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 2023-24 to 2025-26 in terms of Section 62, Section 86 and Section 94 of the Electricity Act 2003 alongwith "Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Generation, Transmission, Wheeling and Retail Supply Tariff) Regulations, 2022.

AND

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

….Petitioner

Versus

Punjab State Power Corporation Limited, The Mall, PSEB Head Office, Patiala (Punjab)-147001.

…Respondent

Commission: Sh. Viswajeet Khanna, Chairperson
Sh. Paramjeet Singh, Member

GVK: Sh. Janmali Manikala, Advocate

PSPCL: Ms. Suparana Srivastava, Advocate

ORDER

1.0 GVK Power (Goindwal Sahib) Limited (GVK) has filed the present petition for approval of 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 2023-24 to 2025-26. GVK has prayed as under:-

a) Condone the delay in filing the Petition;

b) Admit the Petition and grant approval for the Capital Investment Plan, Aggregate Revenue Requirement and Tariff for MYT Control Period FY 2023-24 to FY 2025-26 by considering the Annual Fixed Charges, Energy Charges, Incentives, etc., as per the applicable Regulations;

c) Grant an interim tariff on the basis of Annual Fixed Charges of Rs 595.56 Crore till the Petition is finally disposed of;

d) Pass any such further order as the Commission may deem necessary in the interest of justice.

1.1 The Petition was admitted vide order dated 13.04.2023 and the Petitioner was directed to publish a public notice inviting objections/comments/suggestions in the petition. The Petition was fixed for hearing as well as public hearing on 07.06.2023. The Public Notice was published on 13.05.2023 in Times of India (English), Ajit (Punjabi) & Ajit Samachar (Hindi). Notice was issued to PSPCL. PSPCL filed its reply to the petition vide memo No. 6241 dated 07.06.2023 and the petitioner filed rejoinder dated 11.07.2023 to the reply filed by PSPCL. The hearing as well as public hearing could not be held on 07.06.2023 and was rescheduled for 12.07.2023. Public notice in this regard was issued in various newspapers. The Petition was taken up for hearing as well as public hearing on 12.07.2023 however, nobody from the public appeared in the public hearing. The Petitioner filed

IA No. 13 of 2023 seeking directions to PSPCL to pay interim tariff for FY 2023-24 which was disposed of by the Commission vide order dated 28.09.2023. The Petition was taken up for hearing on 27.09.2023 and after hearing the parties, order was reserved allowing the parties to file written submissions.

Observations and Decision of the Commission.

The Commission has examined the petition, reply filed by PSPCL, rejoinder filed by the Petitioner, the other documents adduced on the record and after hearing the parties decides as under:-

2.0 Business Plan including Capital Investment Plan for 3rd MYT Control Period of FY 2023-24 to FY 2025-26

2.1 The Commission has already considered the Business Plan including Capital Investment Plan for the 3rd MYT Control Period of FY 2023-24 to FY 2025-26 for GVK's 540 MW Thermal Power Plant in Petition No. 16 of 2023 filed by the Petitioner. The summary of the capital expenditure provisioned/allowed by the Commission in order dated 20.09.2023 is as under:

Table No 1: Capital expenditure provisioned/allowed by the Commission for FY 2023-24 to FY 2025-26

(Rs.in Crore)

Sr. No.	Scheme/work	Provisioned/Allowed by the Commission			
		FY 2023-24	FY 2024-25	FY 2025-26	Total (Rs.)
1.	Installation of FGD	0.00	0.00	243.00	243.00

The Commission provisionally approves capitalization of Nil for both FY 2023-24 and FY 2024-25 and Rs.243.00 Crore for FY 2025-26 which shall be reviewed at the time of true up of the respective years.

3.0 **Operation and Maintenance Expenses**

GVK's Submission

3.1 GVK submitted that O&M expenses have been calculated as per the Regulation 25 of the PSERC MYT Regulations 2022.

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 the while calculating the various components of O&M expenses it has considered an estimate R&M Expenses to a tune of Rs. 11.64 Crore for FY 2023-24. K factor has also been calculated based on GFA and R&M of FY 2023-24 and the same K factor has been considered for entire Control Period. WPI and CPI data has been considered for FY 2021-22 and FY 2022-23. Accordingly, the various components of O&M are as follows:

Table No.2: O&M Expenses for 3rd MYT Control Period as submitted by GVK

(Amount in Crore)

S. No.	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Employee Expenses	11.64	12.70	13.85
2	R&M Expenses	32.63	35.59	38.82
3	A&G Expenses	43.36	47.29	51.58
4	O&M Expense capitalised	0.00	0.00	0.00
5	**Total Operation & Maintenance Expenses (net of capitalisation)**	87.63	95.58	104.25

3.4 GVK further submitted that the calculation of K factor as under:

R&M Expenses of 2023-24 (Estimated)(A) = Rs. 11.64 Crore

Average GFA for 2023-24(B) = Rs. 3072.11 Crore.

K Factor = B/A, which comes out to be 0.38%

3.5 GVK further submitted that the calculation of Index for A&G and Employee Expenses is as under

Average WPI (For all commodities) FY 2020-21 = 123.38
Average WPI (For all commodities) FY 2021-22 = 338.69
Average CPI (Industrial Workers) FY 2020-21 =139.41
Average CPI (Industrial Workers) FY 2022-23 =356.06

3.6 The Petitioner prays to the Commission to approve the above O&M expenses for the Control Period of MYT FY 2023-24 to FY 2025-26.

PSPCL's submission

3.7 PSPCL vide its reply dated 07.06.2023 and written submissions dated 19.10.2023 has stated that before the Commission considers the approval of the O&M expenses of the Petitioner based on the projected figures provided by the Petitioner, the baseline figures may be determined by the Commission so that the components of O&M expenses may be accordingly calculated. In the absence of such baseline values, the computations submitted by the Petitioner based on the Petitioner's own computations may not be considered by the Commission.

GVK's rejoinder

3.8 GVK vide its rejoinder dated 11.07.2023 submitted that PSPCL's contention that the Commission ought to determine the baseline values in terms of Regulation 8 of PSERC MYT Regulations 2022 so that the components of Operation and Maintenance Expenses ("**O&M Expenses**") may be accordingly calculated, is misplaced and ought to be rejected.

3.9 GVK further submitted that Regulation 25 of the PSERC MYT Regulations 2022 provides the formula for computation of O&M Expenses. In terms of the said formula, the K factor (is a constant (expressed in %) governing the relationship between R&M costs and Gross Fixed Assets (GFA) for the nth year of the control period) and Efficiency factor X_n are to be determined by the Commission in the MYT Order for the Control Period.

3.10 GVK stated that as per Regulation 8.1(b) of the PSERC MYT Regulations 2022, the baseline values are *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 benchmark/ norms and other factors as may be considered appropriate by the Commission. It has calculated the K factor based on GFA and R&M of FY 2023-24 and the same K factor has been considered for entire control period. Further, the Wholesale Price Index and Consumer Price Index has been considered for FY 2021-22 and FY 2022-23. Accordingly, the Commission may approve the O&M expenses as claimed by it for the Control Period of MYT FY 2023-24 to FY 2025-26.

Commission's Analysis

O&M Expenses

3.11 The O&M expenses for the 2nd Control Period are to be projected as per the Regulation 25 of the PSERC MYT Regulations, 2022. The Regulation has been reproduced as under:

"25.1. The O&M expenses for the nth year of the Control Period

shall be approved based on the formula shown below:
O&Mn = (R&Mn + EMPn + A&Gn) x (1-Xn)Where,

R&Mn –Repair and Maintenance Costs of the Applicant for the nthyear;

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

A&Gn –Administrative and General Costs of the Applicant for *thenth year;*

Xn-Is an efficiency factor for the nth year.

It should be ensured that all such expenses capitalized should notform a part of the O&M expenses being specified here."

3.12 Regulation 8.1 of PSERC MYT Regulations, 2022 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."

Employee Expenses

3.13 The employee cost is considered in two parts -Terminal benefits and other employee cost.

Terminal liabilities

3.14 The Terminal benefits expenses are to be determined as per Regulation 25 of PSERC MYT Regulations, 2022(as amended from time to time). Relevant note of Regulation 25 of MYT

Regulations, 2022 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."*

3.15 GVK has claimed terminal benefits of Rs. 0.80 Crore, Rs.0.87 Crore and Rs. 0.95 Crores for FY 2023-24, FY 2024-25 and FY 2025-26 respectively. The Commission observes that above note 4 is applicable only for state PSU/government pensioners and there are no separate regulations for determination of terminal benefits for private generating companies. **Therefore, terminal benefits are not allowable**.

3.16 GVK has claimed employee cost of Rs.32.63 Crore, Rs.35.59 Crore and Rs.38.82 Crore for FY 2023-24, FY 2024-25 and FY 2025-26 respectively .

3.17 The Commission in Petition no 68 of 2022 for True up of FY 2020-21 and FY 2021-22 has observed that:

> "*4.17 Other employee cost of GVK as per annual audited accounts for FY 2020-21 and FY 2021-22 was Rs.13.40 Crore and Rs.11.56 Crore respectively. The Commission observes that the other employee cost in FY 2019-20 was Rs.14.07 Crore as per annual audited accounts, therefore other employee cost indicates a down ward trend in-spite of the fact that there is escalation in WPI and CPI indices during these years and the employee strength had not decreased but remained the same i.e 128 employees (101+27) . Moreover, this is in contrast to what GVK had projected in Petition no.14 of 2020.*

4.18 GVK has not given any justification/explanation for this downward trend in other employee cost, therefore, the Commission, does not consider it prudent to allow the said other employee cost of Rs.12.50 Crore for FY 2020-21 as allowed in Petition 14 of 2020.

In view of the above facts and Regulation 8.1 quoted in para 4.13, the Commission changes the value for base year considering the decreasing figures in the annual audited accounts and allows Rs 10.50 Crore as other employee cost for FY 2020-21."

The Commission determined other employee cost as Rs.11.45 Crore during true up for FY 2021-22 after giving escalation.

3.18 Whole Sale Price Index (WPI) and Consumer Price Index (CPI) for full year of FY 2022-23 are available, the Commission has considered the WPI & CPI of 12 months of FY 2021-22 and FY 2022-23 for working out increase/decrease in WPI and CPI as per table given below:

Table No. 3 : Computation of Escalation Index for FY 2022-23

Sr.no	Period	FY 2021-22	FY 2022-23	Increase/Decrease
1	CPI Index (April- March)	356.064	377.616	6.05284%
2	WPI Index(April- March)	139.408	152.525	9.40881%

INDEX n/INDEX n-1 = **(0.5*6.05284) +(0.5*9.40881) = 7.73082774%**

3.19 The Commission considers escalation of 7.73082774% for FY 2022- 23 for determination of other employee cost for the 3rd Control Period which shall be reviewed at the time of true up of the respective years. Accordingly, other employee cost determined by the Commission provisionally for FY 2022-23 is as under

Table No. 4: Other Employee cost allowed by the Commission for FY 2022-23 (provisional)

(Rs. Crore)

Sr.No	Particular	Amount (Rs.)
1	Other Employee Cost	11.45
2	Escalation	**7.730828%**
3	**Other Employee Cost**	**12.34**

3.20 The normative total employee expenses for the 3rd MYT control period is thus calculated as follows:

Table No.5: Employee cost allowed by the Commission for FY 2023-24 to FY 2025-26

(Amount in Crore)

Sr.No	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Other Employee cost (baseline Value)	12.34	13.29	14.32
2	Escalation during the year	7.730827%	7.730827%	7.730827%
3	**Other Employee cost**	**13.29**	**14.32**	**15.42**
4	Terminal benefits	0.00	0.00	0.00
5	**Total Employee Cost**	**13.29**	**14.32**	**15.42**

Administrative and General Expenses (A&G)

3.21 GVK has prayed to allow Rs. 32.63 Crore ,Rs. 35.59 Crore and Rs. 38.82 Crore as Administrative & General Expenses for FY 2023-24,FY 2024-25 and FY 2025-26 respectively. The Commission in its order dated 26.10.2021 in Petition no 14 of 2020 (2nd Control Period) had determined baseline values of Administrative & General expenses for FY 2020-21 as under:

Table no. 6: A&G expenses allowed by the Commission for FY 2020-21

(Rs. Crore)

Sr.No	Particulars	Amount(Rs.)
1	A&G expenses(Baseline value)	22.69
2	Add:Power & fuel (Provisional) (startup power drawn from PSPCL)	9.26
3	Add: Audit & ARR fee(Provisional)	0.11
4	**A&G Expenses**	**32.06**

3.22 The Commission in its order dated 12.07.2023 in Petition no 68 of 2022 allowed escalation of 9.06206 % for true up of FY 2021-22, thereby determining Rs.24.75 Crore as baseline value for A&G expenses FY 2022-23.

Table No. 7: A&G expenses allowed by the Commission for FY 2021-22 in Petition No. 68 of 2022

(Rs. Crore)

Sr. No.	Particulars	Amount(Rs.)
1.	A&G Expenses (Baseline for FY 2021-22)	22.69
2.	Escalation Factor	9.062772%
3.	Escalated A&G Expenses	24.75

Therefore, the Commission decides to consider Rs.24.75 Crore for further determination of A&G expenses for FY 2022-23.The escalation factor has been considered as per Table no 3 i.e 7.730827% for determining the provisional A&G expenses for FY 2022-23 and further for the 3rd MYT Period .The Commission provisionally allows fuel & power and Audit & ARR expenses of Rs 3.57 Crore and Rs.0.12 Crore respectively as claimed by GVK in this petition for FY 2022-23 which shall be reviewed during the true up of respective years. 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. The Commission provisionally allows A&G expenses for FY 2022-23 as under:

Table No.8: A&G expenses considered for FY 2022-23 (Rs. Crore)

Sr.No	Particulars	Amount(Rs.)
1	A&G expenses as trued up in 68 of 2020 for FY 2021-22	24.75
2	Escalation factor	7.73082774%
3	Escalated A&G expenses	26.66
4	Add: Fuel and Power(start up power drawn from PSPCL)	3.57
5	Add: Audit and ARR fee	0.12
6	**Total**	**30.35**

3.23 GVK has claimed Power & fuel as Rs.3.90 Crore, Rs.4.25 Crore and Rs 4.64 Crore for FY 2023-24, FY 2024-25 and FY 2025-26 respectively and Audit & ARR fee as Rs 0.13 Crore, Rs.0.14 Crore and Rs. 0.16 Crore for FY 2023-24, FY 2024-25 and FY 2025-26 respectively . The Commission provisionally allows power & fuel and Audit & ARR fee as claimed by GVK which shall be reviewed during the true up of respective years. Thus, A&G expenses approved by the Commission for the 3rd Control Period are as under:

Table No.9: A&G expenses allowed by the Commission for 3rd Control Period

(Amount in Crore)

Sr. No.	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1.	A&G Expenses (Baseline for FY 2021-22) (Table no.9)	26.66	28.72	30.94
2.	Escalation Factor (Table No.4)	7.730827%	7.730827%	7.730827%
3.	Escalated A&G Expenses	28.72	30.94	33.33
4	Fuel & Power(for start-up power)	3.90	4.25	4.64
5	Audit & ARR fee	0.13	0.14	0.16
6	**A&G expenses**	**32.75**	**35.33**	**38.13**

Repair & Maintenance Expenses(R&M)

3.24 As per Regulation 25.1 of PSERC MYT Regulations 2022, the R&M expenses are to be determined as follows:

"(i) ***R&Mn= K*GFA*WPIn/WPIn-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 theMYT order.*

'GFA' *is the average value of the gross fixed assets of the nthyear.*

WPIn *means the average rate (on monthly basis) of Wholesale*

Price Index (all commodities) over the year for the nth year."

3.25 GVK has claimed Repair & Maintenance of Rs.32.63 Crores, Rs 35.59 Crore and Rs 38.82 Crores for FY 2023-24, FY 2024-25 and FY 2025-26 respectively.

3.26 The Commission decides to provisionally determine R&M expenses of FY 2022-23 in order to determine k factor for the 3rd Control Period. The opening GFA is considered as per the closing GFA approved in the True-up of FY 2021-22 in Petition no.68 of 2022.The Commission in its order dated 26.10.2021 in Petition no 14 of 2020 had provisionally approved capital expenditure and capitalization of Rs.243.00 Crore for FY 2022-23 for installation of FGD. GVK has not installed FGD during FY 2022-23 and the Commission in Petition no 16 of 2023 provisionally allowed installation of FGD in FY 2025-26.Therefore,addition/deletion to GFA for FY 2022-23 has been considered as nil. K factor has been considered at 0.65544% as approved in Petition no.14 of 2020 for 2nd MYT period. The inflation factor (WPI) used for escalating the R&M expenses is considered as per table no.3 above i.e. 9.40881% for FY 2022-23. R&M expenses for FY 2022-23 is calculated as follows which shall be reviewed at the time of true up of FY 2022-23:

Table 10: Determination of R&M expenses for FY 2022-23(provisionally)

(Rs. Crore)

Sr. No.	Particulars	Amount (Rs.)
1	Opening GFA (as on 01.04.2022)	3072.81
2	Addition/deletion of Assets	0.00
3	Closing GFA (as on 31.03.2023)	3072.81
4	Average GFA	3072.81
5	K factor	0.6554%
6	R&M Expenses with k factor	20.14
7	Escalation factor(WPI)(Table no.13)	9.40881%
8	**R&M expenses for FY 2022-23**	**22.03**

3.27 The Commission in its order dated 12.07.2023 in Petition no. 68 of 2022 has determined R&M expenses for the true up of FY 2020-21 and FY 2021-22 at Rs.20.14 Crore and Rs 22.76 Crore respectively. Further, the Commission has provisionally determined R&M expenses for FY 2022-23 at Rs. 22.03 Crore as per table no.10 above. Average GFA of FY 2020-21 and FY 2021-22 as approved in Petition no.68 of 2022 was Rs. 3072.81 Crore and Rs 3072.81 Crore respectively. Therefore on the basis of the above the K factor for the 3rd Control Period is determined as under:

Table No.11: Calculation of K factor for 3rd Control Period (Amount in Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22	FY 2022-23	Average
1.	Average GFA	3072.81	3072.81	3072.81	3072.81
2.	R&M Expenses	20.14	22.76	22.03	21.64
3.	**K factor(2/1)**	0.6554%	0.740573%	0.717065%	0.704346%

As per MYT Regulations, K factor @ 0.704346% determined above shall be applicable for the 3rd control Period. However, this shall be revisited at the time of true up of FY 2022-23.

3.28 The Commission has considered capitalization of nil for both FY 2023-24 and FY 2024-25 and Rs.243.00 Crore for FY 2025-26 as per para 2.1 above ,which shall be reviewed during true up of the respective years. Accordingly, the R&M Expenses for the 3rd Control period is determined as follows by considering inflation factor (WPI) of 9.40881% (Table no.3) which shall be reviewed during true up of the respective years:

Table No. 12: R&M Expenses approved by the Commission for the 3rd Control Period

(Amount in Crore)

Sr. No	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Opening GFA	3072.81	3072.81	3072.81
2	Addition during the year	0.00	0.00	243.00
3	De-capitalization during the year	0.00	0.00	0.00
4	Closing GFA	3072.81	3072.81	3315.81
5	Average GFA	3072.81	3072.81	3194.31
6	k factor	0.704346%	0.704346%	0.704346%
7	R&M Expenses with k factor	21.64	21.64	22.50
8	Escalation factor (WPI)	9.40881%	9.40881%	9.40881%
9	**Total R&M Expenses**	**23.68**	**23.68**	**24.62**

Thus, the Commission approves O&M expenses for the 3rd MYT Control Period as under:

Table No. 13: O&M Expenses for 3rd MYT Control Period allowed by the Commission

(Amount in Crore)

Sr.No	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Employee Expenses	13.29	14.32	15.42
2	A&G Expenses	32.75	35.33	38.13
3	R&M Expenses	23.68	23.68	24.62
4	**Total**	**69.72**	**73.33**	**78.17**

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 rate of depreciation for individual block of assets 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. The Rates for individual asset class are tabulated below:

Table No:14: Rates of Depreciation for Individual Asset Class

Sr.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%
11	**Weighted Average Rate of Depreciation**	**4.77%**

4.3 GVK stated that based on the above rates, the depreciation claimed for the Control Period is tabulated below:

Table No.15 :Depreciation for the Control Period (Amount in Crore)

Sr.No	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Depreciation	146.53	146.53	152.94

4.4 GVK has prayed to the Commission to approve the depreciation arrived at by it as above for the Control Period.

PSPCL's Submission

4.5 PSPCL vide its reply dated 07.06.2023 and written submissions dated 19.10.2023 has stated 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.146.53 Crore for FY

2020-21 and 2021-22 and Rs.152.94 Crore for FY 2022-23. However, for the purpose of calculation of GFA, the Petitioner has not deducted the values of land i.e., Rs.96.75 Crore. PSPCL further submitted that the Commission in its Order dated 26.10.2021 has clarified that while calculating depreciation, the GFA to be considered ought to be net of cost of land. As such, the calculation of depreciation of the Petitioner ought to be based on a GFA of Rs. 2975.36 Crore for FY 2023-24 and FY 2024-25 and Rs. 3218.36 Crore for FY 2025-26. Accordingly, the depreciation allowable to the Petitioner, considering a weighted average rate of 4.77% ought to be Rs.141.92 Crore for FY 2023-24 and 2024-25 and Rs.153.51 Crore for FY 2025-26 as opposed to the figures submitted by the Petitioner subject to prudence check by the Commission.

GVK's Rejoinder

4.6 GVK vide its rejoinder dated11.07.2023 submitted that it has computed the depreciable value by reducing the value of land from the Gross Fixed Asset and considering 90% of such value as depreciable value. GVK stated that in terms of Regulation 21 of the PSERC Tariff Regulations 2022, depreciation is allowed up to maximum of 90% of the historical capital cost of the asset and further added that the weighted average rate of depreciation of the total assets has been considered as 4.77% and the same is in consonance with the Regulation 21 of the PSERC Tariff Regulations 2022. Accordingly, the Commission may allow the depreciation as claimed by GVK.

Commission's Analysis

4.7 Regulation 21 of the PSERC MYT Regulations, 2022 specifies as under:

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

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 depreciablevalue of the assets:

Provided further that Government. grants and consumer contribution shall also be recognized as defined under IndianAccounting Standard 20 (IND AS 20) notified by the Ministryof 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 assetscompleting 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 signedby the developers with the State Government for creation ofthe 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."

4.8 The Commission determines the depreciation for the 3rd Control period as per Regulation 21 stated above. The Opening GFA is considered as per the Closing GFA approved by the Commission in the true up of FY 2021-22. The Commission has considered nil additions to GFA for FY 2022-23 which shall be reviewed during true up of FY 2022-23. Rate of depreciation for FY 2022-23 has been considered as 4.77% as approved in the true up of FY 2021-22 in Petition no.68 of 2022, which shall be reviewed during true up of FY 2022-23.The depreciation for FY 2022-23 is thus calculated as under:

Table No 16: Determination of Depreciation for FY 2022-23 (provisionally)

(Rs. Crore)

Sr.No	Particulars	Amount(Rs.)
1.	Opening Gross fixed Assets	3072.81
2	Less: Land	96.75
3	Opening Gross fixed Assets (Net of Land)	2976.06
4.	Add: Additions to GFA during the year	0.00
5.	Less: sale/disposal of assets	0.00
6.	Closing GFA	2976.06
7.	Average GFA	2976.06
8	Rate of Depreciation	4.77%
9	**Depreciation**	**141.96**

4.9 The Commission has considered addition of GFA for FY 2023-24

& FY 2024-25 as nil and Rs 243.00 Crore for FY 2025-26 as per para 2.1 above. GVK was commissioned on 17.04.2016 and the Commission has provisionally allowed depreciation of 47.49% upto 31.3.2026. The rate of depreciation of 4.77% as approved during True-Up Petition No. 68 of 2022 for spill over schemes as well as new schemes has been considered which shall be reviewed during true up of the respective years.

Table No. 17: Depreciation approved by the Commission for the 3rd Control period

(Amount in Crore)

Particulars		FY 2023-24	FY 2024-25	FY 2025-26
(I)	**Spillover Schemes**			
1.	Opening GFA (Table No.17)	3072.81	3072.81	3072.81
2.	Add: Additions to GFA during the year	0.00	0.00	0.00
3.	Less: Sale/disposal of assets	0.00	0.00	0.00
4.	Closing GFA	3072.81	3072.81	3072.81
5	Average GFA	3072.81	3072.81	3072.81
6	Less: Land	96.75	96.75	96.75
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
(II)	**New Schemes**			
1	Opening GFA	0.00	0.00	0.00
2.	Add: Additions to GFA during the year	0.00	0.00	243.00
3.	Less: Sale/disposal of assets	0.00	0.00	0.00
4	Closing GFA	0.00	0.00	243.00
5	Average GFA	0.00	0.00	121.50
6	Rate of Depreciation	4.77%	4.77%	4.77%
7	**Depreciation**	0.00	0.00	5.79
(III)	**TOTAL DEPRECIATION**			
1.	Opening GFA	3072.81	3072.81	3072.81
2.	Add: Additions to GFA during the year	0.00	0.00	243.00
3.	Less: Sale/disposal of assets	0.00	0.00	0.00
4.	Closing GFA	3072.81	3072.81	3315.81
5	Average GFA	3072.81	3072.81	3194.31
6	Less: Land	96.75	96.75	96.75
7	Average GFA	2976.06	2976.06	3097.56
8	**Depreciation**	**141.96**	**141.96**	**147.75**

5.0 Interest and Finance Charges

GVK's Submissions:

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

Table No.18 : Calculation of Opening Loan for the Control Period (Rs. Crore)

Sr.no	Particulars	Amount(Rs.)
1	Capital Cost as on 1.4.2022	3072.11
2	Additional Capitalization in 2022-23	0.00
3	Opening GFA for Control Period	3072.11
4	**Opening loan for Current Control Period - @ 70 % of (3)**	**2151.08**

5.2 GVK further submitted that for computing above rate of interest, the rate of interest has been taken as the weighted average rate of interest of the loans availed by it. Detailed working for the same has been provided in the financial formats as filed along with the present Petition. Accordingly, the interest rate of 13.22% p.a. has been computed and the same has been considered for the MYT Control Period in accordance with Regulation 23 of the PSERC MYT Regulations, 2022, as under:

"24.1. For existing loan capital, interest and finance charges on loan capital shall be computed on the outstanding loans, duly considering 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.

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.

The repayment 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 considering cumulative depreciation made to the extent of de-capitalisation."

5.3 The interest on loan capital for MYT Control Period FY 2023-24 to FY 2025-26 has been tabulated as under:

Table No. 19: Calculation of Interest on Loan During the Control Period submitted by GVK

(Amount in Crore)

Sr.No	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Gross Normative Loan – Opening	2151.08	2151.08	2151.08
2	Cumulative Repayment up to Previous Year (Cumulative Depreciation up to previous year)	1006.52	1153.04	1299.57
3	Net Normative Loan – Opening	1144.56	998.04	851.51
4	Less: Repayment During the Year (Considering Depreciation as Principal Repayment)	146.53	146.53	152.94
5	Loan Addition due to Additional Capitalization during the year (=Additional Capitalization - Normative Equity Addition considered for ROE computation)	0.00	0.00	170.10
6	Net Loan Closing	998.04	851.51	868.67
7	Average Loan	1071.30	924.77	860.09
8	Weighted Average Rate of Interest on Loan	13.22%	13.22%	13.22%
9	**Interest on Loan**	**141.63**	**122.26**	**113.70**

5.4 GVK prayed the Commission to approve the above expenses as interest on loan capital for the 3rd MYT Control Period.

PSPCL's Submission

5.5 PSPCL vide its reply dated 07.06.2023 and written submissions dated 19.10.2023 has stated that under table no.2 of the present Petition, the Petition has sought to claim interest on loan capital on the basis of Regulation 24 of the PSERC MYT Regulation, 2022 of Rs.141.63 Crore in FY 2023-24, Rs. 122.26 Crore in FY 2024-25 and Rs. 113.70 Crore in FY 2025-26. While arriving at the said figure, the Petitioner has considered the depreciation claimed by it for the control period as the repayment of loan for each of the corresponding FY in terms of Regulation 24.3. PSPCL submitted that figures of interest on loan capital claimed by the Petitioner are liable to be modified in view of the submission made that regard.

GVK's Rejoinder

5.6 GVK vide rejoinder dated 11.07.2023 submitted that PSPCL's contention that while arriving at Interest on loan for FY 2023-2026, the depreciation claimed by it ought to be limited to Rs. 141.96 Crores for FY 2023-24 and FY 2024-25 and Rs. 153.51 Crore for FY 2025-26 is incorrect and denied. PSPCL has relied on the Commission's Order dated 26.10.2021 in Petition No. 14 of 2020 to restrict the amount of depreciation to Rs. 141.96 Crores. The Commission may allow the Interest on Loan Capital.

Commission's Analysis:

5.7 The Commission determines the Interest on loan capital for the 3rd Control Period as per Regulation 23 of the PSERC MYT Regulations, 2022. It is reproduced as under:

> *"23.1. 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.*
>
> *23.2 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 on1st April of there levant 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.*

> *23.3 There 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.*
>
> *23.4 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.*
>
> *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."*

5.8 The Opening loan for FY 2022-23 which includes normative loan has been considered at Rs. 1300.36 Crore as per the Closing loan approved by the Commission in Petition no 68 of 2022 for true up of FY 2021-22. As per regulation 23.3 of PSERC MYT Regulation 2022, the repayment of loan has been considered equal to depreciation allowed for the corresponding year. There is no addition to assets during FY 2022-23. The rate of interest on loan capital has been taken as per Regulation 23.1 and is considered as 13.22% as approved during the True-up of FY2021-22 in Petition no.68 of 2022 which shall be reviewed during the true up of respective years. The Commission calculates closing balance of loans for FY 2022-23 as under:

Table No. 20: Calculation of Balance of Long Term Loans for FY 2022-23 (provisionally)

(Amount in Crore)

Sr.no	Particulars	Long Term Loans	Normative Loans	Total Long Term Loans
1	Opening Balance	1179.50	120.86	1300.36
2	Add: Addition of Loans	0.00	0.00	0.00
3	Less: Repayment of Loans	128.66	13.30	141.96
4	Closing Balance(1+2-3)	1050.84	107.56	1158.40
5	Average Long Term Loans	1115.17	114.21	1229.38
6	Rate of Interest	13.22%	13.22%	13.22%
7	Interest Expenses	147.43	15.10	162.53

5.9 The Commission in para no.2.1 above has provisionally allowed Capital expenditure of nil for both FY 2023-24 & FY 2024-25 and Rs.243.00 Crore for FY 2025-26. Accordingly, addition of loans for FY 2025-26 is Rs.170.10 (70% of 243.00) Crore and Nil for FY 2023-24 and FY 2024-25 for new schemes. Repayment of Loans has been considered equal to depreciation as per table no. 17 above.

5.10 The rate of interest on capital expenditure during 3rd Control Period as per Regulation 23.2 is calculated as under:

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

Sr.No.	Particulars	Rate
1	SBI 1 yr MCLR (as on 1st April 2023)	8.50%
2	Actual Interest rate (True up of FY 2021-22)	13.22%
3	SBI 1 yr MCLR (as on 15th October,2023)	8.55%
4	Margin (4=2-3)	4.67%
5	**Interest on loan Capital (1+4)**	**13.17%**

5.11 The above rate of interest for new investments will be applicable for the entire 3rd Control period and shall be reviewed during true up of respective years as per prevalent regulations. The

Commission determines Interest on long term loans for 3rd Control Period as under:

Table No.22: Interest charges determined by the Commission for FY 2023-24

(Amount in Crore)

Sr.no	Particulars	Long Term Loans	Normative Loans	Total Long Term Loans
1	Opening Balance	1050.84	107.56	1158.40
2	Add: Addition of Loans	0.00	0.00	0.00
3	Less: Repayment of Loans	128.66	13.30	141.96
4	Closing Balance(1+2-3)	922.18	94.26	1016.44
5	Average Long Term Loans	986.52	100.91	1087.42
6	Rate of Interest	13.22%	13.22%	13.22%
7	**Interest Charges**	**130.42**	**13.34**	**143.76**

Table No.23: Interest charges determined by the Commission for FY 2024-25

(Amount in Crore)

Sr.no	Particulars	Long Term Loans	Normative Loans	Total Long Term Loans
1	Opening Balance	922.18	94.26	1016.44
2	Add: Addition of Loans	0.00	0.00	0.00
3	Less: Repayment of Loans	128.66	13.30	141.96
4	Closing Balance(1+2-3)	793.53	80.96	874.49
5	Average Long Term Loans	857.86	87.61	945.47
6	Rate of Interest	13.22%	13.22%	13.22%
7	**Interest Charges**	**113.41**	**11.58**	**124.99**

Table No.24: Interest charges determined by the Commission for FY 2025-26

(Amount in Crore)

Sr.no	Particulars	Long Term Loans	Normative Loans	Total Long Term Loans
(i)	**Spillover Schemes**			
1	Opening Balance	793.53	80.96	874.49
2	Add: Addition of Loans	0.00	0.00	0.00
3	Less: Repayment of Loans	128.66	13.30	141.96
4	Closing Balance(1+2-3)	664.87	67.66	732.53
5	Average Long Term Loans	729.20	74.31	803.51
6	Rate of Interest	13.22%	13.22%	13.22%
7	Interest Charges	**96.40**	**9.82**	**106.22**
(ii)	**New Schemes**			
1	Opening Balance	0.00	0.00	0.00
2	Add: Addition of Loans	0.00	0.00	170.10
3	Less: Repayment of	0.00	0.00	5.79

Sr.no	Particulars	Long Term Loans	Normative Loans	Total Long Term Loans
	Loans			
4	Closing Balance(1+2-3)	0.00	0.00	164.31
5	Average Long Term Loans	0.00	0.00	82.15
6	Rate of Interest	13.22%	13.22%	13.17%
7	Interest Charges	**0.00**	**0.00**	**10.82**
(iii)	**Total Interest Charges**			
1	Opening Balance	793.53	80.96	874.49
2	Add: Addition of Loans	170.10	0.00	170.10
3	Less: Repayment of Loans	134.45	13.30	147.75
4	Closing Balance(1+2-3)	829.18	67.66	896.84
5	Average Long Term Loans	811.35	74.31	885.66
7	**Interest Charges**	**107.22**	**9.82**	**117.04**

5.12 The Commission allows finance charges of Rs. Nil each for 3rd control period which shall be reviewed at the time of true up of respective years.

Accordingly, the Commission allows Rs.143.76 Crore for FY 2023-24, Rs.124.99 Crore for FY 2024-25 and Rs.117.04 Crore FY 2025-26 as interest & finance charges.

6.0 Return on Equity (RoE)

GVK's Submissions

6.1 GVK has submitted that the Commission vide Order dated 17.01.2020 in Petition No.54 of 2017 has approved a Capital Cost of Rs. 3058.37 Crores for the Project. During the Control Period FY 2020-21 to FY 2022-23, it has not incurred any additional capital expense. Thus, the opening Gross Fixed Asset ("**GFA**") for the Control Period has been taken as Rs. 3072.11 Crore.

6.2 The Petitioner, in terms of the PSERC MYT Regulations, 2022, computed the equity at a normative level (30 % of GFA) and has correspondingly considered an opening equity @ 30% % of Rs.

3072.11 Crore as Rs.921.89 Crore for the Control Period.

Table No. 25: Calculation of Opening Equity for 3rd Control Period

(Rs. Crore)

Sr.No	Particulars	Amount (Rs.)
1	Capital Cost	3072.11
2	Additional Capitalization in Previous Control Period	0.00
3	Opening GFA for Control Period	3072.11
4	Opening Equity for Current Control Period @ 30% of(3)	921.89

6.3 GVK further submitted that the RoE has been calculated at the normative rate of 15.5%.

Table No. 26: Calculation of Return on Equity for Control Period

(Amount in Crore)

Sr.no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Opening Balance of Equity	921.89	921.89	921.89
2	Closing Balance of Equity	921.89	921.89	994.79
3	Average Equity	921.89	921.89	958.34
4	Rate of Return (%)	15.50	15.50	15.50
5	**RoE (5*4)**	**142.89**	**142.89**	**148.54**

GVK requested the Commission to approve RoE for the Control Period as tabulated above.

PSPCL's Submission

6.4 PSPCL vide its reply dated 07.06.2023 and written submissions dated 19.10.2023 has stated that the Commission vide its Order dated 17.01.2020 passed in Petition No.54/2017, has approved the completed capital cost of Rs.3058.37 Crore for the Project. PSPCL further submitted that vide Order dated 30.07.2020 passed in Petition No.70/2017, the Commission has 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. The Return on Equity for the subject Control Period is liable to be calculated at 30% of the opening Gross Fixed Assets (GFA) of the Petitioner for FY 2023-24. Since the Petitioner has not incurred any expenditure in FY 2022-23, the closing GFA of Rs.3315.11 (3072.11 + 243) Crore cannot be considered as the opening GFA of FY 2023-24, opening GFA of the Petitioner is liable to be considered as Rs.3072.11Crore. Since the figures submitted by the Petitioner are in line with the approved capital cost of the Project, the same may be accepted by the Commission subject to prudence check.

Commission's Analysis:

6.5 The Commission determines the Return on Equity for the Control Period in accordance with Regulation 19 and 20 of PSERC MYT Regulations, 2022 which is reproduced as under:

"19. DEBT EQUITY RATIO

19.1. Existing Projects – In case of the capital expenditure projects having Commercial Operation Date prior to the effective date, the debt-equity ratio shall be as allowed by the Commission for determination of tariff for the period prior to the effective date:

Provided that the Commission shall not consider the increase in equity as a result of revaluation of assets (including land) for the purpose of computing return on equity.

19.2. New Projects – For capital expenditure projects declared under commercial operation on or after the effective date:

a. Normative debt-equity ratio of 70:30 shall be considered for the purpose of determination of Tariff;

b. In case the actual equity employed is in excess of 30%, the amount of equity for the purpose of tariff determination shall be limited to 30%, and the balance amount shall be considered as normative loan;

c. In case, the actual equity employed is less than 30%, the actual debt-equity ratio shall be considered;

d. The premium, if any raised by the Applicant while issuing share capital and investment of internal accruals created out of free reserve, shall also be reckoned as paid up capital for the purpose of computing return on equity subject to the normative debt-equity ratio of 70:30, provided such premium amount and internal accruals are actually utilized for meeting capital expenditure of the Applicant's business.

19.3. Renovation and Modernization: Any approved capital expenditure incurred on Renovation and Modernization including the approval in the Capital Investment plan shall be considered to be financed at normative debt-equity ratio of 70:30. If the actual equity employed is less than 30%

then the actual debt equity ratio shall be considered.”

“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 accordancewith 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 asset 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.”

6.6 The Commission has approved closing equity of Rs 921.84 Crore for FY 2021-22 in Petition no.68 of 2022.The Commission has not considered any addition to the loan during FY 2022-23, therefore the closing equity for FY 2023-24 is also considered to be Rs. 921.84 Crore which shall be reviewed during true up of FY 2022-23.

6.7 The Commission, in para no.2.1 above, has allowed nil capital expenditure for both FY 2023-24 and FY 2024-25 and Rs.243.00 Crore for FY 2025-26. Accordingly, addition of equity for FY 2023-24 and FY 2024-25 is Nil and Rs.72.90 (30% of 243.00) Crore for FY 2025-26.

6.8 The Commission determines Return on Equity @15.50% on the average equity for the year which is calculated as under:

Table No.27: Return on Equity approved by the Commission for the 3rd Control Period (FY 2023-24 to FY 2025-26)

(Amount in Crore)

Sr.no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Opening Balance of Equity	921.84	921.84	921.84
2	Closing Balance of Equity	921.84	921.84	994.74
3	Average Equity	921.84	921.84	958.29
4	Rate of Return (%)	15.50	15.50	15.50
5	**RoE (5*4)**	**142.89**	**142.89**	**148.54**

The Commission, thus, approves Return on Equity of Rs.142.89 Crore, Rs.142.89 Crore and Rs.148.54 Crore for FY 2023-24, FY 2024-25 and FY 2025-26 respectively to be trued-up in the respective year.

7.0 Non-Tariff Income

7.1 GVK has not claimed any non-tariff income for 3rd MYT period.

Commission's Analysis:

7.2 Non-Tariff Income is to be determined as per Regulation 28 of PSERC MYT Regulations 2022.

The Commission allows Nil Non-Tariff income for 3rd Control Period. However, it will be revisited during the True-up of respective years.

8.0 Interest on Working Capital

GVK's Submissions:

8.1 GVK submitted that Regulation 32.1 of PSERC MYT Regulations, 2022 provides for components of Interest on Working Capital Loan. Further, Regulation 24.1 determines the rate of interest on working capital & security deposit.

8.2 GVK further submitted that considering the above guiding principles and Normative Availability Factor as 85%, it has worked out the Working Capital for each year of the Control Period as follows:

Table No.28: Calculation of Working Capital for Control Period

(Amount in Crore)

Sr. No.	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Cost of Fuel for 2 months corresponding to Normative Annual Plant Availability Factor.	318.51	334.44	351.16
2	O&M expenses for 1 month	7.30	7.96	8.69

Sr. No.	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
3	Receivables equivalent to 2 months of fixed & variable charges corresponding to Normative Annual Plant Availability Factor	416.93	431.46	450.82
4	Maintenance Spares (@15% of O&M Expenses)	13.15	14.34	15.64
5	**Total**	**755.89**	**788.20**	**826.30**

8.3 GVK submitted that SBI MCLR rate on 01.04.2022 has been taken as the base. The rate as on 01.04.2022 was 7.00% and adding 250 basis points to the same, the rate of interest on working capital comes out to be 9.50% and the same has been considered for calculation of interest on working capital for every year of control period.

Table 29: Interest Calculation on Working Capital

(Amount in Crore)

Sr. No.	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Working Capital	755.89	788.20	826.30
2	Rate of Interest on Working Capital	9.50%	9.50%	9.50%
3	**Interest on Working Capital**	71.81	74.88	78.50

8.4 GVK prays to the Commission to approve the Interest on Working Capital as calculated table for the Control Period 2023-24 to 2025-26.

PSPCL's Submission

8.5 PSPCL in its reply dated 07.06.2023 and written submissions dated 19.10.2023 has stated that in view of Regulation 32.1 of the PSERC MYT Regulations,2022,it is manifested that approval of O&M expenses by the 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 the Commission, it is prayed that the Commission may kindly determine the baseline figures as per Regulation-8 based on which the figures submitted by the Petitioner are liable to be revised and recalculated. For the other two components of working capital i.e., fuel cost for two months and the receivable of two months, the Respondent submits that tabulated details of actual fuel cost paid by the Respondent to the Petitioner and the tariff payments made to the Petitioner in FY 2022-23 & FY 2023-24 (till April-2023), based on its availability (as maintained by the SLDC) is annexed hereto.

GVK's Rejoinder

8.6 GVK in its rejoinder dated 11.07.2023 submitted that PSPCL, with respect to computation of Interest on Working Capital by it in the present petition, has raised the following contentions:

(a) Approval of O&M expenses by this Hon'ble Commission for the control period is a minimum requirement for further calculation of working capital.

(b) Since calculation of O&M expenses itself is dependent upon determination of baseline figures by this Hon'ble Commission, it may determine the baselines figures as per Regulation 8 based on which the figures submitted by GVK are liable to be revised and recalculated.

(c) For the other two components of working capital i.e., fuel cost for two months and the receivables for two months, PSPCL has submitted tabulated details of actual fuel cost paid by PSPCL to GVK and the tariff payments made to GVK in FY 2022-23 and FY 2023-24 (till April 2023), based on its availability (as maintained by SLDC).

8.7 GVK further submitted that the contentions raised above by PSPCL are incorrect and denied. GVK stated that PSERC Tariff Regulations 2022 specifically provide that the interest on working capital is to be determined based on normative working capital. Once normative approach has been used to arrive at complete capital cost of the Project, the same ought to continue. However, PSPCL while computing Fuel Cost component under the Working Capital head, has considered the same on the actual Energy Charges paid by PSPCL to it for FY 2022-23 and FY 2023-24. Such a calculation is erroneous and contrary to the PSERC Tariff Regulations 2022. GVK submitted that Hon'ble APTEL in the following judgments has held that when the applicable Tariff Regulations provide that working capital is to be assessed on normative basis then the interest on working capital also has to be determined on normative working capital calculated in accordance with the Regulations, as under:

(a) ***Reliance Infrastructure Ltd. v. Maharashtra Electricity Regulatory Commission***: Appeal 111 of 2008 (Judgment dated 28.05.2009)

"7. The Commission observed that in actual fact no amount has been paid towards interest. Therefore, the entire interest on Working Capital granted as pass through in tariff has been treated as efficiency gain. It is true that internal funds also deserve interest in as much as the internal fund when employed as Working Capital loses the interest it could have earned by investment elsewhere. Further the licensee can never have any funds which has no cost. The internal accruals are not like some reserve which does not carry any cost. Internal accruals could have been inter corporate deposits, as suggested on behalf of the appellant.

In that case the same would also carry the cost of interest. When the Commission observed that the REL had actually not incurred any expenditure towards interest on Working Capital it should have also considered if the internal accruals had to bear some costs themselves. The Commission could have looked into the source of such internal accruals or funds could be less or more than the normative interest. In arriving at whether there was a gain or loss the Commission was required to take the total picture into consideration which the Commission has not done. It cannot be said that simply because internal accruals were used and there was no outflow of funds by way of interest on Working Capital and hence the entire interest on working capital was gain which could be shared as per Regulation No. 19. Accordingly, the claim of the appellant that it has wrongly been made to share the interest on Working Capital as per Regulation 19 has merit.”

(b) ***DPSC Limited v. West Bengal Electricity Regulatory Commission***, Appeal No. 67 of 2009 (Judgment dated 06.09.2011) (Para 9.10 – 9.11):

“*9.10. The learned counsel for the State Commission has argued that in terms of Regulation 5.4 of the Tariff Regulations, nothing in the Tariff Regulation is to be deemed to limit or otherwise affect the inherent power of the State Commission to make such orders as may be necessary for meeting the ends of justice. We do not find force in this submission.* ***In our opinion, if the Regulations have specifically provided for treatment of interest on working capital, it has to be carried out as per the Regulations, and in no other way.***

9.11. In view of above, we direct the State Commission to determine the interest on working capital based on the normative working capital and actual interest rate, being less than the SBI PLR, as per the Regulations.”

(c) ***Gujarat Urja Vikas Nigam Ltd. v. Gujarat Electricity Regulatory Commission & Anr.,*** Appeal No. 37 of 2014 (Judgment dated 03.03.2015) (Para No. 20, 31):

“20. According to the Appellant, the interest on working capital for one month fuel cost is not payable to the Respondent no.2. Learned Counsel for the Appellant furnished calculations showing that average inventory carrying days are less than 10 days and for Cairn gas it is nil. It is further argued that there is no storing gas. Interest on working capital is required to be paid only when generator is required to part with cash for meeting operational expenditure of the plant. When the Respondent no.2 has no exposure to deploying the working capital on gas as fuel, then they could not claim interest on working capital for the same.

[…]

31. ***This Tribunal in Appeal no.1 of 2011 judgment dated 05.01.2012 in the matter between DPSC Ltd. Vs. WBERC after considering the findings of the Tribunal in various other cases has held that when***

> ***the Regulations provide for interest on working capital on normative basis then the interest on working capital has to be allowed on normative basis and not on actual amount incurred. The findings of the Tribunal will apply to the present case also where the PPA entered into between the parties provided for interest on working capital on normative basis****. Accordingly, this issue is also decided against the Appellant.”*

8.8 GVK submitted that :

(a) *Fuel Cost for two months:* Regulation 33.1 (a) (i) provides that fuel cost for 2 months shall correspond to the **normative annual plant availability factor**. However, PSPCL is seeking to limit it's claim to the Energy Charges paid by PSPCL. Such capping would not only impact Fuel Cost but also the component of 'Receivables for 2 months' as provided under Regulation 33.1 (a) (iv).

(b) *O&M Expenses for one month and Maintenance Spares:* The O&M expenses have been computed in line with Regulation 25 of the PSERC MYT Regulations 2022 and therefore, the same may be approved by the Commission.

Commission's Analysis:

8.9 The Commission has computed the interest on working capital as per Regulation 32.1 of the PSERC MYT Regulations, 2022 which mandates 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 24.1.”*

8.10 The Commission has computed the rate of interest on working capital as per Regulation 24.1 of the PSERC MYT Regulations, 2022 which specifies as under:

> ***"24.1** The rate of interest on working capital shall be equal to the actual rate of interest paid on working capital loans by the Licensee/eGenerating 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 250 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 orhas exceeded the working capital loan amount worked out on the normative figures."*

8.11 The Commission has determined the rate of interest based on the above regulations as under:

Table No. 30: Rate of interest on Working Capital allowed by the Commission for FY 2023-24

Sr.No.	Particular	Rate
1	Rate of Interest for Working Capital Loans claimed by GVK	9.50%
2	SBI 1 yr MCLR (as on 01 April 2023)	8.50%
3	Add 250 basis points as per Regulation 24.1	2.50%
4	Rate of interest as per Regulation 24.1 (3+4)	11.00%

GVK has claimed interest @ 9.50% based on MCLR of 01.04. 2022, whereas, the Commission has worked out the rate of interest based on MCLR as on 1st April,2023 which is as per the regulation and allows interest @11.00% for 3rd Control Period which shall be reviewed during the true-up of respective years as per regulation 24.1 above.

8.12 GVK in its submission has projected fuel cost of Rs.1911.06 Crore, Rs. 2006.64 Crore and Rs.2106.96 Crore for FY 2023-24, FY 2024-25 and FY 2025-26 respectively. The Commission has considered fuel cost of Rs.1337.24 Crore, Rs. 1467.69 Crore and Rs.1521.03 Crore for FY 2023-24, FY 2024-25 and FY 2025-26 respectively based on PSPCL's projections for power purchase from GVK in Petition no.74 of 2022 for the determination of receivables for 3rd Control Period which shall be reviewed at the time of true up of respective years. The receivable for 3rd Control Period has been calculated as under:-

Table No. 31: Calculation of the total receivables for 3rd Control Period

(Amount in Crore)

Sr No	Particulars	FY2023-24	FY 2024-25	FY2025-26
1	Fuel Cost	1337.24	1467.69	1521.03
2	O&M Expenses (Table no 13)	69.72	73.33	78.17
3	Depreciation (Table no.17)	141.96	141.96	147.75
4	Interest charges (Table no.22,23,24)	143.76	124.99	117.04
5	Return on Equity(Table no.27)	142.89	142.89	148.54
6	Interest on Working Capital	61.08	65.76	68.04
7	**Gross Expenses**	**1896.65**	**2016.62**	**2080.57**
8	Less: Non-Tariff Income	0.00	0.00	0.00
9	**Net Total Expenses**	**1896.65**	**2016.62**	**2080.57**
10	**Receivable for 2 months (Sr.No9/6)**	**316.11**	**336.10**	**346.76**

The interest on working capital is determined as under:

Table No. 32 : Interest on working capital allowed by the Commission for the 3rd Control Period

(Amount in Crore)

Sr. No.	Particular	FY 2023-24	FY 2024-25	FY 2025-26
1.	Fuel Cost for 2 months	222.87	244.62	253.51
2.	Maintenance spares @15% of O&M	10.46	11.00	11.73
3.	O&M Expenses for one month	5.81	6.11	6.51
4.	Receivables for two months	316.11	336.10	346.76
5.	Total Working Capital Requirement	555.25	597.83	618.51
6.	Rate of Interest (%)	**11.00%**	**11.00%**	**11.00%**
7.	**Interest on Working Capital**	**61.08**	**65.76**	**68.04**

Thus, the Commission approves working capital requirement of Rs 555.25 Crore for FY 2023-24, Rs. 597.83 Crore for FY 2024-25 and Rs.618.51 Crore for FY 2025-26 and interest thereon of Rs. 61.08 Crore, Rs. 65.76 Crore and Rs. 68.04 Crore for FY 2023-24, FY 2024-25 and FY 2025-26 respectively.

9.0 Annual Fixed Charges for FY 2023-24 to FY 2025-26

9.1 The Annual fixed charges from FY 2023-24 to FY 2025-26, as projected by GVK and approved by the Commission is summarized in the following table:-

Table No. 33: Annual Fixed charges approved by the Commission

(Amount in Crore)

Sr. No.	Particulars	Submitted by GVK			Approved by the Commission		
		FY 2023-24	**FY 2024-25**	**FY 2025-26**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**
1	O&M Expenses(Table No.13)	87.63	95.58	104.25	69.72	73.33	78.17
2	Depreciation(Table No.17)	146.53	146.53	152.94	141.96	141.96	147.75
3	Interest charges(Table No.22,23,24)	141.63	122.26	113.70	143.76	124.99	117.04
4	Return on Equity(Table No.27)	142.89	142.89	148.54	142.89	142.89	148.54
5	Interest on Working Capital(Table No.32)	71.81	74.88	78.50	61.08	65.76	68.04
6	**Total Expenses**	**590.49**	**582.14**	**597.93**	**559.41**	**548.93**	**559.54**
7	*Less*: Non-Tariff Income	0.00	0.00	0.00	0.00	0.00	0.00
8	**Annual Fixed Charges**	**590.49**	**582.14**	**597.93**	**559.41**	**548.93**	**559.54**

10.0 Energy Charges

GVK's Submissions:

10.1 GVK has a long-term coal linkage under the Shakti Scheme and the actual landed cost of coal for the FY 2022-23 has been considered as the base for calculating the landed fuel cost for the Control Period. The same has been escalated at the rate of 5% as per the average escalation notified by the CERC for domestic coal for past 5 years. Further, 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 instructions. The calculation of Energy Charges has been summarized as below:

Table No. 34: Energy Charges for Control Period projected by GVK

Sr. No.	Particulars	Unit	FY 2023-24	FY 2024-25	FY 2025-26
1	Plant Capacity	MW	540	540	540
2	Plant Load Factor	%	62%	62%	62%
3	Gross Generation	MU	2932.848	2932.848	2932.848
4	Auxiliary Consumption	%	9%	9%	9%
5	Net Generation	MU	2668.892	2668.892	2668.892
6	Availability Factor	%	85%	85%	85%
7	Station Heat Rate	kcal/kWh	2332	2332	2332
8	Weighted Average 'GCV of received Coal'	kcal/kg	3205	3205	3205
9	Coal consumption	kg/kWh	0.73	0.73	0.73
10	Quantity of Coal	MT	2133978.64	2133978.64	2133978.64
	a) Indigenous		2133978.64	2133978.64	2133978.64
	b) Other (specify)		-	-	-
11	Transit Loss of Coal	%	0.80%	0.80%	0.80%
12	Total Quantity of Coal	MT	2151188.144	2151188.144	2151188.144
13	Quantity of Oil	KL	1466.424	1466.424	1466.424
14	Specific Oil Consumption	ml/kWh	0.5	0.5	0.5
15	Weighted Avg Calorific value of Oil	kCal/litre	10700	10700	10700
16	Weighted Avg Coal Cost	Rs./MT	6470.53	6794.056	7133.75
17	Total Coal Cost	Rs.Crore	1391.93	1461.53	1534.61
18	Weighted Average Oil Cost	Rs./ kL	111437.96	117009.86	122860.35
19	Total Oil Cost	Rs. Crore	16.34	17.16	18.02
20	**Total Fuel Cost**	**Rs. Crore**	**1408.27**	**1478.69**	**1552.62**
21	**Per Unit Energy Charges**	**Paisa/ kWh**	**5.28**	**5.54**	**5.82**

GVK in its written submissions dated 12.10.2023 has further submitted that the Article 14.1(iv) of its PPA requires the Petitioner to achieve minimum Average Availability of 65% for a period of 12 consecutive months or for a non-consecutive period of 12 months within any continuous aggregate period of 36 months. This obligation was premised on 100% supply of coal from the Tokisud Captive Coal Block allocated to the Petitioner before entering into the PPA. However, the said coal allocation to GVK has been cancelled by the Hon'ble Supreme Court vide Judgment dated 24.08.2014 reported as (2014) 9 SCC 516 and the subsequent Order dated 24.09.2014 reported as (2014) 9 SCC 614 (collectively referred to as "Coal Judgments"). Since the cancellation of the Tokisud Captive Coal Block has been held as an event of Force Majeure and Change in Law by the Ld. Arbitral Tribunal (constituted by the Commission vide Order dated 12.08.2015) and also by Hon'ble APTEL in Judgment dated 21.12.2017 passed in Appeal No. 193 of 2017, GVK is excused from its obligation of achieving average availability of 65% under Article 14.1(iv) of the PPA.

After cancellation of the Tokisud Captive Coal Block, the Government of India notified the SHAKTI Scheme to introduce a new coal allocation policy to address the shortage of coal issue. It bears mention that the coal procured by GVK, with PSPCL’s concurrence, under SHAKTI Scheme in auction round- 1, is adequate only for achieving plant availability of 62% on normative basis. GVK has made several attempts to procure coal from alternate sources, including imported coal and/or under SHAKTI Scheme. However, PSPCL has consistently refused to grant its concurrence for such procurement and has prevented GVK from procurement of requisite quantity of coal to meet its obligations under the PPA. Even as on date, PSPCL is not allowing GVK to participate in subsequent rounds of bidding under SHAKTI Scheme for procurement of coal and there is no other scheme available in the country which allows procurement of coal on long-term basis. Accordingly, GVK ought to be excused from performance for the difference between 65% availability and the actual availability based on coal supplied under the SHAKTI Scheme allocation.

PSPCL's Comments:

10.2 PSPCL vide its reply dated 07.06.2023 and written submissions dated 19.10.2023 has stated that the payment of energy charges to a thermal power station is to be based on actuals. It was further submitted that, under Order dated 1.2.2016 common to Petition Nos. 65/2013 & 33/2015; Order dated 6.3.2019 passed in Petition No.68/2017 and Order dated 27.5.2019 passed in Petition No.1/2018, the Commission has provided for a methodology for payment of energy charges to the Petitioner and as such, the calculation of energy charge rate for the Project should be in accordance with the aforesaid Orders passed by the Commission.

Commission's Analysis

10.3 The Commission refers to the relevant provisions of PSERC MYT Regulations, 2022, which reads as under:

"34. NORMS FOR PERFORMANCE PARAMETERS

The norms for performance parameters for a Generating Company i.e. availability, load factor, station heat rate, specific oil consumption, auxiliary consumption etc. shall be as per the CERC norms or as determined by the Commission:

35. Energy Charges

35.1. Energy charges shall be derived on the basis of the landed fuel cost (LFC) of a generating station (excluding hydro) and shall consist of the 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."

As is evident, the Energy Charges for a thermal power station are determinable based on normative performance parameters as per the CERC norms and the actual landed cost of fuel, which are payable to the generator on the basis of the energy scheduled by it during a month. Further, the issue of landed cost for the coal stands dealt by the Commission in its Order dated 1.2.2016 (common to Petition Nos. 65/2013 & 33/2015) and Order dated 27.05.2019 (in Petition No. 01/2018), read with Order dated 6.3.2019 in Petition No.68/2017. The relevant extracts of the Orders are reproduced below:

(i) Order dated 1.2.2016 common to Petition Nos. 65/2013 and 33/2015;

"24.1(i) As per the PPA dated 26.05.2009 signed between the then PSEB (now PSPCL) and GVK, the coal for the Project was to be sourced from captive coal block at Tokisud North and any other block allocated to the Project. The fuel charges linked to the coal cost based on the quantity and quality of coal delivered at the Project were not to exceed the cost as prevailing in the Pachhawara captive coal mine of PSEB (now PSPCL)

…….

25. ………the Commission notes that both the identified sources of coal for the Project stands cancelled by the judgment of Hon'ble Supreme Court of India…………..

………….the petitioner is directed to make sincere and concerted efforts to arrange long term source of coal for the

entire term of the PPA and keep PSPCL informed of the developments in this regard at reasonable intervals. As regards the cost to be allowed for the interim coal arranged by the petitioner, the Commission is of the view that in the PPA the same was not to exceed the cost of coal sourced by PSPCL from its captive Pachhawara Coal Block. ………. the same is yet to become operational. Accordingly, the Commission holds that the petitioner shall be paid, the weighted average cost of coal received by the thermal power plants of PSPCL from Coal India Ltd. and its subsidiaries in the particular month, along with the actual transportation charges paid by the petitioner to the Indian railways for transporting the coal to the Project from the port / mine in case of imported / domestic coal as the case may be or the actual cost of coal procured by the petitioner, whichever is less. PSPCL may, if it so desires, participate in their interim coal procurement process undertaken by the petitioner who shall extend full cooperation in this regard to PSPCL.

The Commission holds that this arrangement is purely temporary and the petitioner will arrange the long term linkage of coal at the earliest or successfully bid for a mine in the bidding to be conducted by Govt. of India in near future and keep PSPCL abreast of the latest developments in this regard from time to time. The Commission further holds that the above decision will not in any way affect or prejudice the arbitration proceedings and / or decision in the arbitration proceedings."

(ii) Order dated 6.3.2019 in Petition No.68/2017:

Thereafter, the Commission also settled the following issues w.r.t. to the Coal cost/Energy Charges raised by the Petitioner:

- Surface Transport at mine end & Handling charges;
- Gross Calorific Value (GCV);
- Coal Testing charges;

- Transit & handling losses;
- IEGC compensation
- Difference in Scheduled Energy;

(iii) Order dated 27.05.2019 in Petition No. 01of 2018*:*

Subsequently, on the issue of procurement of coal by GVK under the SHAKTI Scheme, the Commission clarified as under:

"18……...the Commission is of the opinion that the basic price of the coal and other charges/costs included in the coal bills of the coal company have to be compulsorily paid in full by the procurer of coal who incidentally has no control over it, be it PSPCL or GVK. Therefore, the Commission holds that in respect of the coal received under the SHAKTI Scheme, the coal cost for the purpose of calculating the monthly energy charges shall be the cost of coal as per the bill raised by the coal company including all the statutory charges/taxes/duties/cess, surface transportation (upto the delivery point located within the mine) etc. billed in the coal bills issued by the coal company to GVK. Further, the actual transportation charges paid to Indian Railways shall be considered for calculating the monthly energy charges. As regards the surface transportation charges (external), in case the railway siding is away from the delivery point of coal located within the mine [upto which the surface transportation charges (internal) are included in the bill of the coal company], the Commission has already decided the same in its Order dated 06.03.2019 in petition no. 68 of 2017…………

……Consequently, the Commission's Order dated 01.02.2016 shall stand modified for the coal supplied under SHAKTI 2017 scheme for the GVK project.

However, as regards the coal received by GVK from sources other than the coal received under SHAKTI scheme, the payment of energy charges shall continue to be made by PSPCL to GVK in terms of the Amended and Restated PPA and relevant Orders of the Commission in this regard i.e. Order dated 01.02.2016 *common to petition no. 65 of 2013 & 33 of 2015 and Order dated 06.03.2019 in petition no. 68 of 2017."*

The methodology prescribed by the Commission, as stated above, is that the payment of monthly Energy Charges/Fuel Cost to the Petitioner is to be based on submission of actual invoices of fuel procurement by the Petitioner.

Further, the provisions also exists in the PPA for Quarterly and Annual Reconciliation of same to take in to account Energy Accounts, Adjustment Payments, Tariff Rebate Payments, Late Payment Surcharge, or any other reasonable circumstance provided under the Agreement.

Thus, 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 Nos. 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.

Further, on the issue raised by GVK regarding its dispute with PSPCL on the issue of coal procurement and obligation of achieving average availability of 65% under Article 14.1(iv) of the PPA, the Commission vide Order dated 20.09.2023 in Petition No. 16 of 2023 filed by the GVK for approval of its Business Plan for the 3rd Control Period has observed as under:

"2.1.3 (d) The Petitioner has also tried to raise the issue of its dispute with PSPCL regarding the procurement of coal, which is already a subject matter in various petitions/ appeals filed by the parties before the Commission/Hon'ble APTEL. Moreover, approval of the 'Business Plan' and subsequent tariff

determination is a time bound exercise, the dispute, if any, between the parties is required to be raised separately under the specific provision specified for adjudication of the dispute(s) under Section 86 (1) (f) of the Electricity Act, 2003."

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

11.1 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 refundto 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."

11.2 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.

This Petition stands disposed of accordingly.

Sd/-	Sd/-
(Paramjeet Singh)	(Viswajeet Khanna)
Member	Chairperson

Chandigarh
Dated: 01.11.2023