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

**Petition No. 69 of 2017**
**Date of Order: 05.08.2020**

Petition for determination of Tariff for the Control Period (FY 2017-18 to 2019-20) under Section 62 and 86 of the Electricity Act, 2003 read with (a) Punjab State Electricity Regulatory Commission (Terms & Conditions for Determination of Generation, Transmission, Wheeling and Retail Supply Tariff) Regulations, 2014; and (b) Amended and Restated Power Purchase Agreement dated 26.05.2009 executed between Petitioner (Goindwal Sahib) Limited and Punjab State Power Corporation Limited (formerly known as Punjab State Electricity Board).

AND

In the matter of: GVK Power (Goindwal Sahib) Limited, Paigah House, 156-159, Sardar Patel Road, Secunderabad-540003.

.. Petitioner

Versus

Punjab State Power Corporation Limited, The Mall, Patiala (Punjab)

.. Respondent

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

**ORDER**

1.1 GVK Power (Goindwal Sahib) Limited (GVK) has developed a 2 X 270 MW Coal Based Thermal Power Project at Goindwal Sahib Village, Tarn Taran District, Punjab and entered into an Amended and Restated Power Purchase Agreement (PPA) on 26.05.2009 with Punjab State Power Corporation Limited (PSPCL) for the supply of power from the said project. The present petition has been filed for determination of Tariff for the Control Period, FY 2017-18 to 2019-20. GVK has prayed to:-

a) Condone the delay in filing of the instant petition.

b) Admit the present petition.

c) Allow the Annual Fixed Cost for the Control Period, Rs. 1053.81 Crore for FY 2017-18, Rs. 1041.75 Crore for FY 2018-19 and Rs. 1023.87 Crore for FY 2019-20.

d) Allow the annual Energy Charge for the Control Period Rs. 1298.35 Crore for FY 2017-18, Rs. 1298.87 for FY 2018-19 and Rs. 1363.55 Crore for FY 2019-20.

1.2 The delay was condoned and the petition was admitted vide order dated 25.01.2018 directing PSPCL to file its reply to the petition, GVK was directed to issue a public notice inviting suggestions/objections from the public. The public notice could not be published as per the timelines given in the order dated 25.01.2018 and GVK was directed vide order dated 12.03.2018 to publish the public notice inviting suggestions/objections from the public and the petition was fixed for hearing as well as public hearing on 25.04.2018. The public notice was published on 15.03.2018 in Daily Post (English), Ajit (Punjabi) and in Ajit Samachar (Hindi) on 16.03.2018. The petition was taken up for hearing on 25.04.2018 wherein the ld. Counsel for PSPCL stated that the petitioner has filed petition no. 54 of 2017 for determination of tariff for FY 2016-17 and the decision of the Commission in that petition will have a bearing in this petition. PSPCL was directed to file a short reply by way of an affidavit and GVK was directed to file on affidavit the details of actual expenses incurred in FY 2017-18.

1.3 PSPCL filed its reply vide memo no. 6923, dated 21.05.2018 submitting that the details inter alia regarding approved capital cost, primary and secondary fuel cost and actual financial statements of the petitioner company up till FY 2017-18, are necessary details for the purpose of adjudication of the present petition without which the process of tariff determination under the present petition cannot commence. GVK had filed petition no. 70 of 2017 for approval of Capital Investment Plan and Business Plan for MYT control period in which the Commission vide order dated 01.10.2019 ordered that GVK is required to submit the actual Capital Expenditure alongwith audited accounts of FY 2017-18 and 2018-19 and accordingly ordered that GVK is required to submit a revised petition for determination of AFC etc.

1.4 The Commission, vide order dated 07.02.2020, directed GVK to provide details as per annexures enclosed with the order on monthly basis for the Control Period FY 2017-18, 2018-19, and 2019-20 for working fuel cost/energy charges . PSPCL was directed to provide details of the payments made to GVK on monthly basis with regard to energy charges including details of fuel cost of three years of the control period FY 2017-18,2018-19 and 2019-20 clearly segregating the payments made to GVK on the basis of weighted average cost of the coal to PSPCL's generating stations and payments on the basis of Shakti Coal. In reference to the order dated 07.02.2020, GVK submitted information vide affidavit dated 11.03.2020 and PSPCL submitted information vide memo no. 5291 dated 11.03.2020. Vide order dated 13.03.2020 GVK and PSPCL were directed to file their respective reply to the said information by 16.03.2020. PSPCL has submitted vide memo no. 5321, dated 16.03.2020 that the details submitted by GVK have been tallied and are in order.

1.5 The petitioner prayed that pending final adjudication of petition No. 69 of 2017, the tariff determined by the Commission vide order dated 17.01.2020 in petition No. 54 of 2017 be continued. The Commission vide Order dated 20.03.2020 decided that the tariff determined for FY 2016-17 in petition No. 54 of 2017 shall be applicable provisionally for MYT Control Period FY 2017-18 to FY 2019-20 subject to the final Order of the Commission in petition No. 69 of 2017. During the hearing on 24.06.2020 the Ld. Counsel for the parties requested to submit their comprehensive written submissions and the Commission as a last opportunity allowed the same to be filed by 01.07.2020. After hearing the parties order was reserved vide Order dated 26.06.2020. PSPCL submitted additional affidavit vide memo No. 5523 dated 26.06.2020 and GVK submitted its additional submissions dated 01.07.2020.

## 2.0 Capital Cost for FY 2017-18 to FY 2019-20

2.1 GVK has submitted that it has claimed completed capital cost of Rs. 4441 crore as on the Commercial Operation Date i.e. 16.04.2016 for determination of tariff for FY 2016-17 to FY 2018-19. The summary of additional capital expenditure as claimed by GVK for FY 2017-18 to FY 2019-20 is as follows:

**Table No. 1: Additional capitalisation during the 1st Control Period (Rs. Crore)**

| Sr. No. | Head | FY 2017-18 | FY 2018-19 | FY 2019-20 | Total |
|---|---|---|---|---|---|
| 1 | Buildings | 57 | 0 | 0 | 57 |
| 2 | Plant & Machinery | | | | |
| | - Initial capital spares | 66 | 0 | 0 | 66 |
| | - Balance BOP works | 53 | 0 | 0 | 53 |
| | -Balance BTG works | 4 | 0 | 0 | 4 |
| 3 | Topping of Roads | 50 | 0 | 0 | 50 |
| 4 | **Total :** | **230** | **0** | **0** | **230** |

2.2 GVK requested the Commission to consider the above amount of Rs.230 Crore towards additional capitalization under various heads and approve the

Capital Investment Plan including the spill-over of Capital expenditure after the date of Commercial Operation Date ("COD"). GVK also submitted that the above estimates are indicative only and actual expenses may vary. GVK further requested the Commission that in the event that it is unable to incur the said additional capital cost of Rs. 230 Crore in FY 2017-18, the same or the balance amount be allowed to be incurred in FY 2018-19.

**Commission's Analysis**

2.3 The Commission vide its Order dated 17.01.2020 in petition no. 54 of 2017 has approved the capital cost of the project after prudence check as Rs. 3058.37 Crore as on the date of commissioning of the GVK Power Plant i.e. 16.04.2016 (GVK's appeal against this order is pending in APTEL).

2.4 The Commission has provisionally approved Capital Investment of Rs 14.44 Crore vide its Order dated 30.7.2020 in Petition No. 70 of 2017 on the basis of actual expenditure incurred during the Control Period as reflected in their Annual Audited Accounts submitted in the said petition as under:

**Table No. 2: Capital Investment provisionally approved by the Commission during each year of the 1st Control Period**

**(Rs. Crore)**

| Sr. No. | Particulars | FY 2017-18 | FY 2018-19 | FY 2019-20 | Total |
|---|---|---|---|---|---|
| 1. | BTG Spares | 12.90 | Nil | Nil | 12.90 |
| 2. | Coal Testing Laboratory | Nil | 0.84 | 0.70 | 1.54 |
| **3.** | **Total** | **12.90** | **0.84** | **0.70** | **14.44** |

2.5 GVK has not claimed any additional capital expenditure from 17.04.2016 to 31.03.2017. Therefore, considering the capital cost of Rs. 3058.37 Crore as on 31.03.2017 and the additional capital expenditure of Rs. 12.90 Crore during FY 2017-18, the total provisional capital cost as on 31.03.2018 works out Rs. 3071.27 crore for FY 2017-18.

Similarly, considering the capital cost of the project as Rs. 3071.27 crore as on 01.04.2018 and additional capital expenditure of Rs. 0.84 crore during FY 2018-19, the total provisional capital cost as on 31.03.2019 works out Rs. 3072.11 crore for FY 2018-19.

Further, considering the capital cost of Rs. 3072.11 crore as on 01.04.2019 and additional capital expenditure of Rs. 0.70 crore during FY 2019-20, the total provisional capital cost as on 31.03.2020 works out to Rs. 3072.81 crore**.**

**Accordingly, the Commission approves the following Capital cost for FY 2017-18 to FY 2019-20:**

**Table No. 3: Capital cost provisionally approved by the Commission for FY 2017-18 to FY 2019-20**

**(Rs. Crore)**

| Sr.No. | Head | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|---|---|---|---|---|
| 1. | Capital cost as on 1st April of the year | 3058.37 | 3071.27 | 3072.11 |
| 2. | Additional capital expenditure during the year | 12.90 | 0.84 | 0.70 |
| 3. | Capital cost as on 31st March of the year | 3071.27 | 3072.11 | 3072.81 |

**The Commission provisionally allows additional capitalization of Rs. 12.90 Crore, Rs. 0.84 Crore and Rs. 0.70 Crore for FY 2017-18, FY2018-19 and FY 2019-20 respectively equal to the capital expenditure allowed provisionally for FY 2017-18, FY2018-19 and FY 2019-20.**

**3.0 OPERATION & MAINTENANCE EXPENSES:**

**GVK's Submission**

3.1 GVK submitted that Regulation 26 of the PSERC Tariff Regulations, 2014 along with its subsequent amendment vide 03.02.2016 provide for the Operation & Maintenance expenses. Further, Regulation 8.1 and 8.2 of PSERC MYT Regulations, 2014 specifies the baseline values. The baseline values for the Control Period are to be determined by this Commission based on estimates of the expected figures for the relevant year, industry bench mark / norms and other factors etc. However, since, no baseline values were approved by the Commission, GVK has adopted the baseline values for the O&M expenses as provided in the CERC Regulations.

**Employee Cost:**

3.2 GVK submitted that the employee cost includes salaries payable to employees, allowances and other terminal benefits.

3.3 GVK further submitted that the escalation Index has been computed in terms of the PSERC MYT Regulations, 2014 considering the WPI Index (available till March, 2017) and CPI Index (available till March, 2017), as under:

**Table No. 4: Computation of Escalation Index**

| Period | FY 2015-16 | FY 2016-17 | Increase / Decrease |
|---|---|---|---|
| CPI Index (April-March) | 265.00 | 275.92 | 4.119 % |
| WPI Index (April-March) | 176.675 | 183.20 | 3.693 % |
| CPI: WPI Index (50:50) | | | 3.906 % |

3.4 GVK submitted that the Inflation factor for the Control Period as per PSERC Tariff Regulations, 2014 has been computed as 3.906%. GVK further submitted that the inflation factor is on the lower side considering the average rise in salaries and other expenses. In order to retain employees with experience, GVK has to pay competitive remuneration to employees in order to match industry standards. Considering the fact that Employee Expenses is the most critical component in the overall operational expenditure, a 3.906% hike in Employee Expenses is insufficient to maintain salaries even at industry average for the Control Period.

3.5 GVK has estimated the Employee Cost for FY 2017-18 of Rs.15.58 Crore with an annual escalation of 15% in Employee Cost for the next two year of the Control Period. Accordingly, the Employee Cost for the Control Period is as under: -

**Table No 5: Employee Cost claimed by GVK for FY 2017-18 to FY 2019-20**

**(Rs. Crore)**

| Sr. No. | Particulars | Control period (Projections) | | |
|---|---|---|---|---|
| | | **FY 2017-18** | **FY 2018-19** | **FY 2019-20** |
| 1. | Salaries and Wages | 11.75 | 13.51 | 15.54 |
| 2. | Staff Welfare expenses | 1.25 | 1.44 | 1.65 |
| 3. | Apprentice & Other Training Expenses | 0.62 | 0.72 | 0.83 |
| 4. | **Sub Total (A)** | **13.62** | **15.67** | **18.02** |
| | **Contribution to Terminal Benefits** | | | |
| 1. | Contributions to Provident and other funds | 0.94 | 1.08 | 1.24 |
| 2. | Gratuity | 0.39 | 0.45 | 0.52 |
| 3. | E.L. Encashment | 0.62 | 0.72 | 0.83 |
| 4. | **Sub Total (B)** | **1.95** | **2.25** | **2.59** |
| | **Total Employee cost (A+B)** | **15.58** | **17.92** | **20.61** |

**Commission's Analysis**

3.6 The baseline values of O&M expenses are to be determined as per Regulations 8(1) of PSERC MYT Regulation-2014, which states as under:

***"8.1 Baseline values***

a) *The baseline values for the control period shall be determined by Commission and the projections for the control period shall be based on these figures.*

b) *The baseline values shall be inter-alia based on figures approved by the Commission in the past, latest audited accounts, estimates of the expected figures for the relevant year, industry benchmarks/norms and other factors considered appropriate by the Commission."*

3.7 Regulation 26 of PSERC (Terms and Conditions of Gen. Transmission, wheeling and Retail Supply Tariff) Regulations, 2014 (Amended vide No. PSERC/Reg./111 dated 03.02.2016) provides for determination of O&M expenses and note-9 thereunder provides for the method for determination of unfunded liability. The Commission determines O&M expenses as per Regulation 26 of PSERC MYT Regulations, 2014, as under:

***"26.1.*** *The O&M expenses for the $n^{th}$ year of the Control Period shall be approved based on the formula shown below:*

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

*Where,*

- $R\&M_n$ *– Repair and Maintenance Costs of the Applicant for the nth year;*
- $EMP_n$ *– Employee Cost of the Applicant for the nth year;*
- $A\&G_n$ *– Administrative and General Costs of the Applicant for the nth year;*

*The above components shall be computed in the manner specified below:*

***(i)*** $R\&M_n + A\&G_n = K*GFA*(WPI_n / WPI_n\text{-}1)$

*Where,*

- ***'K'*** *is a constant (expressed in %) governing the relationship between R&M and A&G expenses and Gross Fixed Assets (GFA) for the $_n$th year. The value of "K" will be specified by the Commission in the MYT order.*
- ***'GFA'*** *is the average value of the Gross Fixed Assets of the nth year.*
- ***'$WPI_n$'*** *means the average rate (on monthly basis) of Wholesale Price Index (all commodities) over the year for the $_n$th year.*

***(ii)*** $EMP_n = (EMP_n\text{-}1)*(INDEX_n / INDEX_{n-1})$

- ***$INDEX_n$*** *- Inflation Factor to be used for indexing the Employee Cost.*
- *This will be a combination of the Consumer Price Index (CPI) and the Wholesale Price Index (WPI) of $_n$th year and shall be calculated as under:-*

***INDEX$_n$ = 0.50*CPI$_n$ + 0.50*WPI$_n$***

***'WPI$_n$'*** *means the average rate (on monthly basis) of Wholesale Price Index (all commodities) over the year for the nth year.*

***'CPI$_n$'*** *means the average rate (on monthly basis) of Consumer Price Index (Industrial workers) over the year for the nth year.*

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***(iii) $X_n$ is an efficiency factor for $_n$th year***

*The value of $X_n$ shall be determined by the Commission in its first MYT order for the Control Period."*

**Employee Cost**

3.8 The employee cost is considered in two parts -Terminal benefits and other employee cost. In the Petition no 54 of 2017, the Commission has provisionally allowed Employee Cost as per Annual Audited Accounts for FY 2016-17 as under:

**Table No.6: Employee Cost of FY 2016-17 provisionally allowed**

**(Rs. Crore)**

| Sr. No. | Particulars | Actual Cost as per audited annual accounts | Claimed by GVK (Projections) | Approved by the Commission |
|---|---|---|---|---|
| 1. | Terminal Benefits | 0.65 | 1.80 | 0.65 |
| 2 | Other Employee cost | 8.01 | 12.58 | 8.01 |
| **3** | **Total** | **8.66** | **14.38** | **8.66** |

**Employee Cost for FY 2017-18,FY 2018-19 and FY 2019-20**

3.9 As per Annual Audited Accounts for FY 2017-18 and FY 2018-19, the actual Terminal benefits paid are Rs 0.73 Crore and Rs 0.99 Crore respectively. The Commission provisionally allows the actual Terminal benefit of Rs 0.73 Crore and Rs. 0.99 Crore for FY 2017-18 and FY 2018-19 respectively. In view of the increasing trend in the actual Terminal benefits in FY 2017-18 and FY 2018-19, over their previous years, terminal benefits for FY 2019-20 have been provisionally worked out to Rs. 1.25 Crore. **Accordingly, terminal benefits provisionally allowed by the Commission for 1$^{st}$ Control Period is as under:**

**Table No.7: Terminal Benefits provisionally allowed by the Commission for the 1st Control Period (FY 2017-18 to FY 2019-20)**

**(Rs. Crore)**

| Sr. No. | Particulars | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|---|---|---|---|---|
| **1** | **Terminal benefits** | **0.73** | **0.99** | **1.25** |

3.10 The actual 'Other Employee Cost' as per annual audited accounts for FY 2017-18 is Rs. 9.26 Crore. Accordingly, the Commission considers Rs. 9.26 Crore as base 'Other Employee Cost' for FY2017-18.

3.11 The Commission has considered the actual 'other employee cost' for FY 2017-18 as the provisional base line for determining the other employee cost. Since the plant has achieved only 4% PLF during FY 2016-17 and has run for 349 days in that year, therefore taking FY 2016-17 as the baseline year is not feasible. The Employee Cost is to be determined as per Regulation 26.1 of PSERC MYT Regulations, 2014 (as amended from time to time). Relevant sections of Regulation 26 of MYT Regulations, 2014 are given in Para 3.7.

3.12 Accordingly, the INDEXn for FY 2018-19 and FY 2019-20 has been calculated as under:

**Table No. 8: WPI and CPI Increase considered for FY 2018-19**

| Sr. No. | Particulars | FY 2017-18 | FY 2018-19 | Increase (%) |
|---|---|---|---|---|
| 1 | CPI | 284.42 | 299.92 | 5.45 |
| 2 | WPI | 114.88 | 119.79 | 4.28 |

**INDEX n/INDEX n-1 = (0.5*5.45) +(0.5*4.28) = 4.86%**

**Table No. 9: WPI and CPI Increase considered for FY 2019-20**

| Sr. No. | Particulars | FY 2018-19 | FY 2019-20 | Increase (%) |
|---|---|---|---|---|
| 1 | CPI | 299.92 | 322.50 | 7.53 |
| 2 | WPI | 119.79 | 121.78 | 1.66 |

**INDEX n/INDEX n-1** = (0.5*7.53) +(0.5*1.66) = **4.5963%**

3.13 The Commission considers escalation of 4.86% and 4.60% for determining other employee cost for FY 2018-19 and FY 2019-20 respectively. The other employee cost provisionally approved by the Commission for 1st Control Period is as follows:

**Table No.10: Employee Expenses of GVK approved provisionally by the Commission for 1st Control Period (Rs. Crore)**

| Sr. No | Particulars | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|---|---|---|---|---|
| 1. | Other Employee Cost of Previous year | 9.26 | 9.26 | 9.71 |
| 2. | Escalation Factor | --- | 4.86% | 4.60% |
| **3.** | **Other Employee Cost** | **9.26** | **9.71** | **10.16** |
| **4.** | **Terminal Benefits** | **0.73** | **0.99** | **1.25** |
| **5.** | **Total Employee Cost** | **9.99** | **10.70** | **11.41** |

**Repair and Maintenance and A&G Expenses**

**GVK's Submission**

3.14 GVK submitted that the R&M and A&G expenses are linked to the K factor and WPI Index, "K" being the constant (expressed in percentage) governing the relationship between R&M and A&G expenses and Gross Fixed Assets. For computing the K factor, GVK has estimated the R&M expenses and A&G expenses by deducting the projected Employee Cost for FY 2017-18 from the total O&M expenses as per the CERC Regulations for FY 2017-18. The details are as under: -

**Table No.11: Computation of K for the 1st Control period (Rs. Crore)**

| Sr. No. | Particulars | FY 2017-18 |
|---|---|---|
| 1. | Total O&M expenses for the FY 2017-18 as per CERC Regulations | 154.98 |
| 2. | Less : Employee Cost for the FY 2017-18 | 15.58 |
| 3. | R&M and A&G costs | 139.40 |
| 4. | Opening GFA | 4441 |
| 5. | Closing GFA | 4671 |
| 6. | Average GFA | 4556 |
| 7. | R&M and A&G Exp. as % of GFA | 3.06 % |
| 8 | **K factor** | **3.06 %** |

3.15 In view of the above, GVK prayed the Commission to approve the K Factor as mentioned above. GVK has considered the said K factor (as 3.06%) for FY 2017-18.

3.16 GVK submitted that the increase in WPI Index works out to 3.69% (available actual till March, 2017) as per the PSERC Tariff Regulations, 2014. Hence, for the purpose of R&M and A&G Expenses, GVK has considered the escalation Index of 3.69% (i.e., average of increase in WPI from FY 2015-16 to FY 2016-17 as per latest data available). Accordingly, GVK has projected combined R&M and A&G expenses as under:

**Table No. 12: O&M Expenses projected by GVK (Rs. Crore)**

| Sr. No. | Particulars | FY2017-18 | FY2018-19 | FY2019-20 |
|---|---|---|---|---|
| 1. | Opening FGA | 4441 | 4671 | 4671 |
| 2. | Additional Capitalization | 230 | 0 | 0 |
| 3. | Closing GFA | 4671 | 4671 | 4671 |
| 4. | Average GFA | 4556 | 4671 | 4671 |
| 5. | K Factor (adjusted for WPI index) | 3.06% | 3.17% | 3.29% |
| 6. | Escalation factor | 3.693% | 3.693% | 3.693% |
| **7.** | **R&M and A&G Expenses** | **139.40** | **148.19** | **153.67** |
| **8.** | **Employee Cost** | **15.58** | **17.92** | **20.61** |
| **9.** | **O&M Expenses** | **154.98** | **166.11** | **174.28** |

3.17 GVK submitted that since this is the first Control Period of operation of the Project, it has considered efficiency factor as nil while computing the O&M expenses. GVK prayed the Commission to approve the same. Accordingly, GVK prayed the Commission to determine the K factor and allow the O&M expenses as detailed above in line with the provisions of PSERC Tariff Regulations, 2014.

**Commissions' Analysis**

3.18 R&M and A&G expenses are part of O&M expenses. The Commission has provisionally approved R&M and A&G expenses as Rs. 23.14 Crore (from 17.4.2016 to 31.3.2017) for FY 2016-17 in Petition no 54 of 2017. The opening value of approved Gross Fixed Assets as on 1.04.2017 is Rs. 3058.37 Crore as determined in the para 25 of Petition no 54 of 2017.

3.19 GVK in their annual audited accounts for FY 2016-17, FY 2017-18 and FY 2018-19 have shown other expenses including R&M and A&G expenses as Rs. 23.42 Crore, Rs.232.63 Crore and Rs.130.67 Crore respectively. It has been observed that expenses relating to R&M and A&G are Rs. 23.42 Crore, Rs. 64.96 Crore and Rs 55.18 Crore for FY 2016-17, FY 2017-18 and FY 2018-19 respectively. On scrutiny, it has been found that certain A&G expenses are abnormally high for FY 2017-18 as compared to FY 2016-17 and FY 2018-19. These are:

i) Insurance: GVK has incurred expenses of Rs. 6.02 Crore in FY 2017-18 as compared to Rs. 2.68 Crore, and Rs. 2.84 Crore on Insurance in FY 2016-17 and FY 2018-19 respectively.

ii) Rates and Taxes: GVK has incurred expenses of Rs. 3.63 Crore in FY 2017-18 as compared to Rs. 0.51 Crore and Rs. 1.12 Crore on Rates and taxes in FY 2016-17 and FY 2018-19 respectively.

iii) Power and Fuel: GVK has incurred expenses of Rs. 13.33 Crore in FY 2017-18 as compared to Rs. 6.93 Crore and Rs. 4.36 Crore on power and fuel in FY 2016-17 and FY 2018-19 respectively.

iv) Provision for Diminution in value of Investment: In the order dated 17.1.2020 in Petition 54 of 2017,the Commission has noted that GVK had diverted the funds meant for capital expenditure out of the loan taken from financial institutions by investment in Mutual Funds. The Commission has neither considered interest paid on loans used for such other investments nor income earned from such other business/investment as part of the capital expenditure.

v) Miscellaneous Expenses: GVK has incurred expenditure of Rs. 5.69 Crore in FY 2017-18 as compared to Rs. 1.54 Crore and Rs. 2.12 Crore on miscellaneous expenses in FY 2016-17 and FY 2018-19 respectively.

vi) Legal and Professional charges: GVK has incurred legal and professional charges of Rs 4.67 Crore and Rs.9.34 Crore during FY 2017-18 and FY 2018-19 respectively as compared to Rs 3.41 Crore in FY 2016-17.

vii) GVK has achieved PLF of approximate 4%, 32% and 52% during FY 2016-17, FY 2017-18 and Rs 2018-19 respectively. In this regard the following has been observed:

- Contract Manpower: GVK has shown expenses on contract manpower as Rs 5.15 Crore, Rs. 13.48 Crore and Rs 16.63 Crore for FY 2016-17, FY 2017-18 and FY 2018-19 respectively as against employee cost of Rs 8.66 Crore, Rs 9.99 Crore and Rs 12.67 Crore for FY 2016-17, FY 2017-18 and Rs 2018-19 respectively.
- Consumption of stores: GVK has incurred Rs 10.07 Crore on consumption of stores and spares in FY 2017-18 as against Rs. 1.19 Crore in FY 2016-17 which is abnormally high considering the fact that the plant is new and has only been operational since 16.4.2016.

- Ash Handling Charges: GVK has claimed ash handling charges of Rs 0.77 Crore, Rs.3.12 Crore and Rs.3.10 Crore for FY 2016-17, FY 2017-18 and FY 2018-19 respectively, but has not shown any income from sale of ash. These charges cannot be allowed considering labour, power and water charges are already being allowed separately.

3.20 The Commission observes that, the A&G and R&M expenses of GHTP and GGSSTP (Thermal Plants) of PSPCL are lower than GVK inspite of being older and of higher capacity as shown in the table below:

**Table No. 13: Comparison of A&G and R&M expenses of PSPCL owned Thermal Plants and GVK for FY 2017-18 and FY 2018-19**

**(Rs. Crore)**

| Sr. No. | Particulars | FY 2017-18 | | | FY 2018-19 | | |
|---|---|---|---|---|---|---|---|
| | | GHTP | GGSSTP | GVK | GHTP | GGSSTP | GVK |
| 1 | Capacity (MW) | 920 | 840 | 540 | 920 | 840 | 540 |
| 2 | A&G and R&M expenses | 48.59 | 61.06 | 64.96 | 49.80 | 62.58 | 55.18 |

3.21 The Commission has considered the R&M and A&G expenses based on audited accounts of GVK for FY 2016-17,FY 2017-18 & FY 2018-19 and the industry benchmark for determining the baseline values of R&M and A&G expenses FY 2017-18 as under:

**Table No. 14: Determination of Baseline value of the R&M and A&G expenses based on the Annual Audited Accounts for FY 2016-17, 2017-18 and FY 2018-19**

**(Rs. Crore)**

| Sr. No | Particulars | FY 2016-17 | FY 2017-18 | FY 2018-19 | Provisional Base line value for FY 2017-18 |
|---|---|---|---|---|---|
| **I** | **A&G Expenses** | | | | |
| 1. | Insurance | 2.68 | 6.02 | 2.84 | 2.76 |
| 2. | Rent | 0.03 | 0.03 | 0.06 | 0.05 |
| 3. | Rates & Taxes | 0.51 | 3.63 | 1.12 | 0.82 |
| 4. | Legal & Professional Charges | 3.41 | 4.67 | 9.34 | 3.00 |
| 5. | Auditor's Remunerations: Statutory Audit | 0.02 | 0.03 | 0.07 | 0.03 |
| | Tax Audit | 0 | 0.02 | 0 | 0.02 |
| | Other Services | 0 | 0.01 | 0.01 | 0.01 |
| 6. | Provision for Diminution in value of Investment | 0.28 | 0.12 | 0.00 | 0.00 |
| 7. | Communication cost | 0.22 | 0.21 | 0.08 | 0.08 |
| 8. | Travelling expenses | 0.28 | 0.75 | 0.98 | 0.63 |
| 9. | Miscellaneous expenses | 1.54 | 5.69 | 2.12 | 2.12 |
| 10. | Inventory Written off | 0 | 0.53 | 0.00 | 0.00 |
| 11. | Contract Manpower | 5.15 | 13.48 | 16.63 | 8.00 |
| 12 | Ash Handling Charges | 0.77 | 3.12 | 3.10 | 0.00 |
| 13. | Water drawl charges | 0 | 1.21 | 0.00 | 0.00 |
| 14. | Power & Fuel | 6.93 | 13.33 | 4.36 | 4.36 |
| **15.** | **Total** | **21.82** | **52.85** | **40.71** | **21.88** |
| **II** | **R & M Expenses** | | | | |
| 1. | Consumption of Stores & Spares | 1.19 | 10.07 | 11.64 | 4.00 |
| 2. | Repair: Buildings | 0 | 0.27 | 0.29 | 0.27 |
| 3. | Repair: Plant & Machinery | 0.12 | 1.17 | 1.48 | 1.17 |
| 4. | Repair: Other Assets | 0.29 | 0.6 | 1.06 | 0.60 |
| **5.** | **Total** | **1.60** | **12.11** | **14.47** | **6.04** |
| | **R&M and A&G Expenses** | **23.42** | **64.96** | **55.18** | **27.92** |

3.22 The Commission has provisionally approved investment/expenditure of Rs. 12.90 Crore, Rs. 0.84 Crore and Rs. 0.70 Crore for FY 2017-18, FY 2018-19 and FY 2019-20 respectively as per the Capital Investment Plan. Capitalization of assets is considered as an addition to Gross Fixed Assets based on the nature of the capital expenditure. The addition of capitalization/GFA during FY 2017-18, FY 2018-19 and FY 2019-20 is being considered provisionally at Rs. 12.90 Crore, Rs. 0.84 Crore and Rs. 0.70 Crore respectively.

3.23 The Commission considers base R&M and A&G expenses as Rs 27.92 Crore for FY 2017-18 and determines the K factor for the 1st Control Period by as under:

**Table No.15: R&M and A&G expenses based on K factor and indexation for FY 2017-18 to FY 2019-20 determined by the Commission**

**(Rs. Crore)**

| Sr. No. | Particulars | Amount |
|---|---|---|
| 1. | Opening GFA as on 1.4.2017 | 3058.37 |
| 2 | Addition during the year | 12.90 |
| 3. | Closing GFA as on 31.3.2018 | 3071.27 |
| 4. | Average GFA | 3064.82 |
| 5. | R&M and A&G expenses | 27.92 |
| 6 | Less: Audit Fee | 0.06 |
| 7 | **Base R&M and A& G expenses** | **27.86** |
| **8.** | **K factor** | **0.909%** |

3.24 Taking the K factor determined above, the Commission determines the R&M and A&G expenses for FY 2017-18 to FY 2019-20

**Table No. 16: R&M and A&G determined by the Commission for the 1st Control Period (FY 2017-18 to FY 2019-20)**

**(Rs. Crore)**

| Sr. No | Particulars | FY 2017-18 | FY 2018-19 | FY2019-20 |
|---|---|---|---|---|
| 1 | Opening GFA | 3058.37 | 3071.27 | 3072.11 |
| 2 | Addition during the year | 12.90 | 0.84 | 0.70 |
| 3 | Closing GFA | 3071.27 | 3072.11 | 3072.81 |
| 4 | Average GFA | 3064.82 | 3071.69 | 3072.46 |
| 5 | **K factor** | **0.909%** | **0.909%** | **0.909%** |
| 6 | WPI Index (as per para 3.12) | | 4.28% | 1.66% |
| 7 | K factor inflation adjusted (5x6) | | 0.00948 | 0.00924 |
| 8 | R&M and A&G expenses after WPI increase (4x7) | 27.86 | 29.12 | 28.39 |
| 9 | Audit Fee | 0.06 | 0.08 | 0.08 |
| 10 | **Total R&M and A&G expenses** | **27.92** | **29.20** | **28.47** |

3.25 **The O&M expenses consisting of employee cost and R&M and A&G expenses as determined in para 3.13 and 3.24 above are approved as under:**

**Table No.17: O&M expenses for FY 2017-18 to FY 2019-20**

**(Rs. Crore)**

| Sr. No | Particulars | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|---|---|---|---|---|

| Sr. No | Particulars | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|---|---|---|---|---|
| 1 | Employee Cost | 9.99 | 10.70 | 11.41 |
| 2 | R&M and A&G Expenses | 27.92 | 29.20 | 28.47 |
| **3** | **O&M Expenses** | **37.91** | **39.90** | **39.88** |

**4.0 Depreciation**

**GVK's Submission:**

4.1 GVK submitted that Regulation 21 of the PSERC Tariff Regulations, 2014, as amended by Notification dated 03.02.2016, provides for calculation of Depreciation in respect of Coal Based Thermal Generating Plants'.

4.2 Depreciation for Generation Assets has been calculated annually as per the straight line method over the useful life of the Asset at the rate of depreciation specified by the Central Electricity Regulatory Commission (**"CERC"**) from time to time. Accordingly, GVK has computed the depreciation on the Gross Fixed Assets excluding land. The depreciation charges for the Control Period are given in the following table:

**Table No. 18: Depreciation Charges projected by GVK for the 1st Control Period**

**(Rs. Crore)**

| Sr.No | Particulars | FY 2017-18 | FY 2018-19 | FY2019-20 |
|---|---|---|---|---|
| 1. | Opening Gross Fixed Assets (Excluding Land Cost) | 4259 | 4489 | 4489 |
| 2. | Additional Capitalization (Excluding Land Cost) | 230 | 0 | 0 |
| 3. | Closing Gross Fixed Assets | 4489 | 4489 | 4489 |
| 4. | Average Gross Fixed Assets | 4374 | 4489 | 4489 |
| 5. | Rate of Depreciation | 4.95% | 4.93% | 4.93% |
| **6.** | **Depreciation Charges** | **216.31** | **221.31** | **221.31** |

4.3 Accordingly, GVK prayed to the Commission to allow Depreciation as detailed above in line with the provisions of the PSERC Tariff Regulations, 2014.

**Commission's Analysis**

4.4 As regards the Depreciation, Regulation 21 of PSERC MYT Regulations, 2014 has been amended vide notification dated 03.02.2016 as under:

> ***"21.1.*** *The value base for the purpose of depreciation shall be the capital cost of the assets admitted by the Commission:*
>
> *Provided that land other than the land held under lease and the land for reservoir in case of hydro generating station shall not be a depreciable*

*asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset;*

*Provided further that depreciation shall be calculated after deduction of consumer contributions, capital subsidies/ Government grants.*

***21.2.** The cost of the asset shall include additional capitalization.*

***21.3.** The cost shall include foreign currency funding converted to equivalent rupees at the exchange rate prevalent on the date when foreign currency shall actually be availed but not later than the date of commercial operation.*

***21.4.** Depreciation for 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.*

***21.5.** Depreciation for distribution assets and other assets not specified by CERC shall be at the rates notified by the Commission:*

*Provided that the total depreciation during the life of the asset shall not exceed 90% of the original cost;*

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

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

***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."*

4.5 GVK in Petition no 34 of 2019 has claimed rate of depreciation as 4.80% for true up of FY 2017-18 and FY 2018-19 on the basis of Annual Audited Accounts. The Commission determines Gross Fixed Assets (net of land and land rights) and considers rate of depreciation as 4.80% for depreciation as under: -

**Table No. 19: Gross Fixed Assets (net of Land and land Rights) determined by the Commission for FY 2017-18 to FY 2019-20**

**(Rs. Crore)**

| Sr. No. | Particulars | FY 2017-18 | FY 2018-19 | FY2019-20 |
|---|---|---|---|---|
| 1. | Opening GFA | 3058.37 | 3071.27 | 3072.11 |
| 2. | Addition during the year | 12.90 | 0.84 | 0.70 |
| 3. | Closing GFA | 3071.27 | 3072.11 | 3072.81 |
| 4. | Average GFA | 3064.82 | 3071.69 | 3072.46 |
| 5. | Land & Land rights | 96.75 | 96.75 | 96.75 |
| 6. | Average GFA(Net of Land & Land rights) | 2968.07 | 2974.94 | 2975.71 |
| 7. | Rate of depreciation | **4.80%** | **4.80%** | **4.80%** |
| 8. | **Depreciation** | **142.47** | **142.80** | **142.83** |

**Accordingly, the Commission approves depreciation charges of Rs.142.47 Crore , Rs.142.80 Crore and Rs. 142.83 Crore for FY 2017-18, FY 2018-19 and FY 2019-20 respectively.**

**5.0 Return on Equity**

**GVK's Submission**

5.1 GVK submitted that Regulations 19 & 20 of PSERC Tariff Regulations, 2014 provides for Debt Equity Ratio and Return on Equity.

5.2 GVK further submitted that it has infused an amount of Rs. 1,251 Crore as Equity. Accordingly, the Return on Equity has been calculated on the said amount for the present Control Period. In terms of the PSERC Tariff Regulations, 2014, the total equity to be considered for the determination of tariff and Return on Equity at the rate of 15.50% for each of the year during the Control Period as under:

**Table No. 20: Return on Equity projected by GVK**

**(Rs. Crore)**

| Sr. No | Particulars | FY2017-18 | FY 2018-19 | FY2019-20 |
|---|---|---|---|---|
| 1. | Opening Capital Cost | 4441 | 4773 | 4773 |
| 2. | Add: Margin money for working capital | 102 | 0 | 0 |
| 3. | Additional Capitalization | 230 | 0 | 0 |
| 4. | Closing Capital Cost | 4773 | 4773 | 4773 |
| 5. | Equity (26.20%) | 1251 | 1251 | 1251 |
| 6. | Rate of Return on Equity | 15.50% | 15.50% | 15.50% |
| **7.** | **Return on Equity** | **193.91** | **193.91** | **193.91** |

5.3 In view of the above, GVK prayed to allow the Return on Equity at the rate of 15.50% in accordance with the PSERC MYT Regulations, 2014.

**Commission's Analysis:**

5.4 Regulation 20 of PSERC MYT Regulations, 2014 provides for recovery of Return on Equity which is reproduced hereunder:

*“20. RETURN ON EQUITY*

*Return on Equity shall be computed at the rate of 15.5% on the paid up equity capital determined in accordance with regulation* 19:

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

5.5 Regulation 19 of PSERC MYT Regulations, 2014 provides for Debt-Equity Ratio which is reproduced hereunder:

***“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. 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."*

5.6 The equity approved by the Commission in its Order dated 17.01.2020 in Petition no 54 of 2017 is Rs. 917.51 Crore as on 31.03.2017 which is considered as opening balance for FY 2017-18. As per Regulation 20 of PSERC MYT Regulations, 2014, Debt Equity ratio of 70:30 has to be considered. The Commission is provisionally considering this debt equity ratio for working out the equity in the control period. Equity of Rs. 3.87 (30% of Rs.12.90 Crore of assets addition of FY 2017-18) Crore, Rs 0.25 ( 30% of Rs.0.84 Crore of asset addition of FY 2018-19) Crore and Rs 0.21 ( 30% of Rs.0.70 Crore of asset addition of FY 2019-20) Crore have been considered for determining return on equity for FY 2017-18,FY 2018-19 and FY 2019 -20 respectively. However, this shall be reviewed based on actual equity infusion in the Capital investment.

5.7 Thus, Return on Equity @ 15.50% on the average paid up equity capital is worked out as under:

**Table No. 21: Return on Equity for FY 2017-18 to FY 2019-20 determined by the Commission**

**(Rs. Crore)**

| Sr. No | Particulars | FY 2017-18 | FY 2018-19 | FY2019-20 |
|---|---|---|---|---|
| 1. | Opening Equity for the year | 917.51 | 921.38 | 921.63 |
| 2. | Addition of Equity during the year | 3.87 | 0.25 | 0.21 |
| 3. | Closing Equity for the year | 921.38 | 921.63 | 921.84 |
| 4. | Average Equity for the year | 919.45 | 921.51 | 921.74 |
| 5. | Rate of Return on Equity (%) | 15.50% | 15.50% | 15.50% |
| **6.** | **Return on Equity** | **142.51** | **142.83** | **142.87** |

**Accordingly, the Commission approves Return on Equity of Rs. 142.51 Crore , Rs. 142.83 Crore and Rs. 142.87 Crore for FY 2017-18, FY 2018-19 and FY 2019-20 respectively.**

**6.0 INTEREST AND FINANCE CHARGES ON LONG TERM LOAN CAPITAL:**

**GVK's Submissions**

6.1 GVK submitted that Regulation 24 of the PSERC Tariff Regulations, 2014 provides for Interest and Finance Charges on Loan Capital.

6.2 GVK further submitted that the interest payable by it towards Long Term Loans has been calculated on the outstanding loan amounts and prevailing interest rates on the said amounts on the basis of the Completed Capital Cost of the Project as determined by this Commission. In furtherance of the same, GVK has considered the outstanding loan amounts as on 31.03.2017 for the opening balance for FY 2017-18. The loans to be availed during the Control Period, if any, have also been considered in the present Petition. The interest expenses have been computed taking into account repayment towards outstanding loan amounts and applicable interest rates in line with the PSERC Tariff Regulations, 2014.

6.3 GVK further submitted that in terms of the PSERC Tariff Regulations, 2014, the computation of interest on term loans is based on the following:

(a) The opening gross normative loan on the Completed Capital Cost as approved by the Commission.

(b) The weighted average rate of interest has been worked on the basis of the actual payment made which works out to 12.84 % p.a. for FY 2017-18, 12.84 % p.a. for FY 2018-19 and 12.84 % p.a. for FY 2019-20. The State Bank of India advance rate as on 01.04.2016 was 14.05% p.a.

(c) The repayment for the Control Period i.e., FY 2017-18 to FY 2019-20 has been considered equal to the depreciation allowed for that year.

6.4 The calculation of interest on long term loan is as given below:

**Table No. 22: Interest on Long Term Loans projected by GVK for the 1st Control Period (FY 2017-18 to FY 2019-20)**

**(Rs. Crore)**

| Sr. No | Particulars | FY 2017-18 | FY2018-19 | FY2019-20 |
|---|---|---|---|---|
| 1. | Opening Capital Cost | 4543 | 4773 | 4773 |
| 2. | Additional Capitalization | 230 | 0 | 0 |
| 3. | Closing Capital Cost | 4773 | 4773 | 4773 |
| 4. | Gross Normative Loan on Opening Capital Cost (73.80%) **(A)** | 3522 | 3522 | 3522 |
| 5. | Less: Cumulative Repayment **(B)** | 202.59 | 418.90 | 640.25 |

| Sr. No | Particulars | FY 2017-18 | FY2018-19 | FY2019-20 |
|---|---|---|---|---|
| 6. | Net Loan Opening**(A-B)=C** | 3319.41 | 3103.10 | 2881.75 |
| 7. | Less: Repayment during the year **(D)** | 216.31 | 221.34 | 221.34 |
| 8. | Addition due to additional Capitalization during the year **(E)** | 0 | 0 | 0 |
| 9. | Closing Loan Balance of Year **(C-D+E)** | 3103.10 | 2881.75 | 2660.41 |
| 10. | Average Loan | 3211.25 | 2992.42 | 2771.08 |
| 11. | Weighted Average Rate of Interest on Loan (p.a.) | 12.84% | 12.84% | 12.84% |
| **12.** | **Interest on Loan** | 412.26 | 384.16 | 355.75 |

6.5 Accordingly, GVK has prayed to allow the interest on Loan Capital as detailed above in accordance with the provisions of the PSERC Tariff Regulations, 2014.

**Commission's Analysis**

6.6 Regulation 24 of PSERC MYT Regulations, 2014 provides for Interest on Loan Capital, which is reproduced hereunder:

***"24. INTEREST ON LOAN CAPITAL***

*24.1. For existing loan capital, interest and finance charges on loan capital shall be computed on the outstanding loans, duly taking into account the actual rate of interest and the schedule of repayment as per the terms and conditions of relevant agreements. The rate of interest shall be the actual rate of interest paid/payable (other than working capital loans) on loans by the licensee or the State Bank of India Advance Rate as on April 1 of the relevant year, whichever is less.*

*24.2. Interest and finance charges on the actual loan capital for new investments shall be computed on the 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 or the State Bank of India Advance Rate as on April 1 of the relevant year, whichever is less.*

*24.3. 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 taking into account cumulative depreciation made to the extent of de-capitalisation.*

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

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

6.7 The Closing loan balance of Rs.1999.59 Crore as on 31.3.2017 was provisionally determined by the Commission in FY 2016-17 in Petition no 54 of 2017, which is considered as the opening loan balance for FY 2017-18. Asset addition of Rs.12.90 Crore for FY 2017-18, Rs.0.84 Crore for FY 2018-19 and 0.70 Crore for FY 2019-20 has been approved in Petition no 70 of 2017. 70% of asset addition has been considered to be sourced from debt i.e. Rs.9.03 (12.90*70%) Crore for FY 2017-18, Rs.0.59 (0.84*70%) Crore for FY 2018-19 and Rs.0.49 (0.70*70%) Crore as normative loan. Repayment of loan has been considered equal to depreciation allowed as per Regulation 24.3 of PSERC MYT Regulations, 2014. GVK has claimed the weighted average rate of interest 12.84% for 1st Control period which has been considered by the Commission for calculating interest on long term loan. The State Bank of India advance rate as on 1.04.2017 and 1.04.2018 was 13.85% and 13.45% respectively and since rates at which loan has been taken by GVK are less than SBI advance rate, the same have been considered to calculate the interest. The interest on long term loans is calculated as under:

**Table No 23: Interest & Finance charges on Long Term Loans determined by the Commission for FY 2017-18 to FY 2019-20**

**(Rs. Crore)**

| Sr. No. | Particulars | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|---|---|---|---|---|
| 1. | Opening balance of loan | 1999.59 | 1866.15 | 1723.94 |
| 2. | Add: Receipt of loan during the year | 9.03 | 0.59 | 0.49 |
| 3. | Less: Repayment of loan during the year equivalent to the depreciation determined in Table no.19 | 142.47 | 142.80 | 142.83 |
| 4. | Closing balance of loan | 1866.15 | 1723.94 | 1581.60 |
| 5. | Average Loan | 1932.87 | 1795.05 | 1652.77 |
| 6. | Rate of interest | 12.84% | 12.84% | 12.84% |
| **7.** | **Interest Charges** | **248.18** | **230.48** | **212.22** |

6.8 As per the Annual Audited Accounts of GVK for FY 2017-18 and FY 2018-19 interest has been worked out to Rs. 573.57 Crore and Rs.636.29 Crore respectively on average Loans of Rs. 3567.86 Crore and Rs 3758.93 Crore for FY 2017-18 and FY 2018-19 respectively.

6.9 GVK has a interest liability of Rs. 313.91 Crore and Rs. 852.24 Crore towards interest accrued for FY 2017-18 and FY 2018-19 respectively. The interest actually paid on long term loans is worked out as under:

**Table No.24: Interest actually paid by GVK for FY 2017-18 and FY 2018-19**

**(Rs. Crore)**

| Sr. No | Particulars | FY 2016-17 | FY 2017-18 | FY 2018-19 |
|---|---|---|---|---|
| 1. | Interest charges as per annual audited accounts | 448.37* | 573.57 | 636.29 |
| 2. | Interest paid | 221.95 | 259.66 | 97.96 |
| 3. | Closing balance of interest due but not paid as per annual audited accounts | 226.42 | 313.91 | 852.24 |

* In the Annual Audited Accounts of GVK for FY 2016-17 interest charges were shown as Rs 451.91 Crore. But in the Annual Audited Accounts of FY 2017-18, the previous year figures of interest charges for FY 2016-17 has been rearranged/regrouped as Rs. 448.37 Crore and Rs 3.54 (451.91 - 448.37) Crore has been shown as Other Finance Charges. The necessary adjustments of Interest charges and Finance charges will be considered during the True up of FY 2016-17.

6.10 The Commission determined interest charges for FY 2017-18, FY 2018-19 and FY 2019-20 as under:

**Table No. 25: Interest charges allowed by the Commission for FY 2017-18 to FY 2019-20**

**(Rs. Crore)**

| Sr. No | Particulars | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|---|---|---|---|---|
| 1 | Interest determined as per table 23 | 248.18 | 230.48 | 212.22 |
| 2 | Interest actually paid by GVK as per table 24 | 259.66 | 97.96 | 0.00 |
| **3** | **Interest Allowed** | **248.18** | **97.96** | **0.00** |

The balance amount of interest i.e. Rs.132.52 (230.48- 97.96) Crore and Rs. 212.22 Crore of FY 2017-18 and FY 2018-19 respectively will be considered in the year in which they will actually be paid by GVK.

6.11 As per the Annual Audited Accounts for FY 2017-18 and FY 2018-19, finance charges amount to Rs. 3.44 Crore and 0.28 Crore on the average loan amount of Rs. 3567.86 Crore and Rs.3758.93 Crore respectively has been shown. Finance charges proportionately works out as Rs. 1.86 Crore and Rs 0.13 Crore on average loan of Rs 1930.65 Crore and Rs.1788.66 Crore for FY 2017-18 and FY 2018-19 respectively and the same are allowed. The Commission considers Finance charges for FY 2019-20 equivalent to the Finance Charges allowed for FY 2018-19 i.e. Rs. 0.13 Crore. This shall be reviewed when the annual audited accounts for FY 2019-20 are available. Thus, total interest and finance charges for FY 2017-18, FY 2018-19 and FY 2019-20 work out to Rs. 250.04 (248.18+1.86) Crore, Rs. 98.09 (97.96+ 0.13) Crore and Rs. 0.13 (0.00+0.13) Crore respectively.

**Accordingly, the Commission allows interest and finance charges of Rs. 250.04 Crore, Rs. 98.09 Crore and Rs. 0.13 Crore for FY 2017-18, FY 2018-19 and FY 2019-20 respectively.**

**7.0 INTEREST ON WORKING CAPITAL:**

**GVK's Submissions**

7.1 GVK submitted that Regulation 34 of the PSERC Tariff Regulations, 2014 provides for components of Interest on Working Capital in respect of Coal Based Thermal Generating Plants.

7.2 GVK further submitted that the weighted average rate of interest is computed at 12.25% p.a., for FY 2017-18, 12.25% p.a., for FY 2018-19 and 12.25% p.a., for FY 2019-20. The State Bank of India advance rate as on 01.04.2016 was 14.05% p.a.

7.3 GVK has calculated the interest on working capital for MYT Control Period (i.e. FY 2017-18 to FY 2019-20) as per PSERC Tariff Regulations, 2014. Interest on working capital is projected for the Control Period by applying the rates as mentioned above on the components of Working Capital as given in the table below:

**Table No. 26: Interest on Working Capital projected by GVK for FY2017-18 to FY 2019-20**

**(Rs. Crore)**

| Sr. No. | Particulars | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|---|---|---|---|---|
| 1. | Fuel Cost – Primary Fuel & Secondary Fuel (for 2 months) | 216.39 | 216.48 | 227.26 |
| 2. | O&M expenses for one month | 12.92 | 13.84 | 14.52 |
| 3. | Maintenance spares (15% of O&M expenses) | 1.94 | 2.08 | 2.18 |
| 4. | Receivables (2 months of Fixed and Variable Cost based on Normative Annual Plant Availability Factor) | 392.03 | 390.10 | 397.90 |
| **5.** | **Total working capital** | **623.27** | **622.50** | **641.86** |
| 6. | Rate of interest (p.a.) | 12.25% | 12.25% | 12.25% |
| 7. | Interest on working capital | 76.35 | 76.26 | 78.63 |

7.4 Accordingly, GVK prayed the Commission to allow the interest on Working Capital as detailed above in line with the provisions of the PSERC Tariff Regulations, 2014.

**Commission's Analysis:**

7.5 Regulation 34 of PSERC MYT Regulations, 2014 provides for Interest on working Capital which is reproduced hereunder:

***"34.1. Components of Working Capital***

*a. Coal-based Thermal Generating Plants: The Working Capital shall cover the following:*

*i. Fuel Cost 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.*

*b. …….*

*c. ……."*

7.6 Rate of Interest on Working Capital shall be as per Regulation 25.1(Amended vide No. PSERC/Reg./111 dated 03.02.2016). which is reproduced hereunder:

> ***25.1*** *The rate of interest on working capital shall be equal to the weighted average rate of interest paid/ payable on loans by the licensee/generating company/SLDC or the State Bank of India Advance Rate as on April 1 of the relevant year, whichever is less. The interest on working capital shall be payable on normative basis notwithstanding that the licensee/generating company/SLDC has not taken working capital loan from any outside agency or has exceeded the working capital loan amount worked out on the normative figures.*

7.7 As per PSERC Regulations, the rate of interest on working capital shall be equal to the weighted average rate of interest paid/ payable on loans by the generating company or the State Bank of India Advance rate as on April 1 of the relevant year, whichever is less. The interest on working capital is payable on normative basis notwithstanding that the generating company has not taken working capital loan from any outside agency or has exceeded the working capital loan amount worked out on normative basis.

7.8 The Weighted Average Rate of Interest has been considered for FY 2017-18 to FY 2019-20 @12.25% as claimed by GVK in this petition. The State Bank of India advance rate as on 1.04.2017 and 1.04.2018 was 13.85% and 13.45% respectively.

7.9 Interest on working capital for MYT Control Period has been calculated as per PSERC MYT Regulations 2014. Interest on Working capital is projected for control period from FY 2017-18 to FY 2019-20 by applying the rate of interest of 12.25 % p.a. on components of Working capital i.e. (maintenance spares @ 15% of O&M expenses, O&M expenses for one month and Receivables @ 2 month Annual Fixed Cost) as given in table below.

**Table No.27: Interest on Working Capital approved by the Commission for the 1st Control Period (FY 2017-18 to FY 2019-20) (Rs. Crore)**

| Sr. No. | Particulars | FY 2017-18 | FY 2018-19 | FY2019-20 |
|---|---|---|---|---|
| 1. | Fuel Cost for two months | 79.18 | 140.68 | 73.74 |
| 2. | Maintenance spares @15% of | 5.69 | 5.98 | 5.98 |

**Table No.27: Interest on Working Capital approved by the Commission for the 1st Control Period (FY 2017-18 to FY 2019-20) (Rs. Crore)**

| Sr. No. | Particulars | FY 2017-18 | FY 2018-19 | FY2019-20 |
|---|---|---|---|---|
| | O&M | | | |
| 3. | O&M Expenses for one month | 3.16 | 3.32 | 3.32 |
| 4. | Receivables for two months | 180.12 | 242.19 | 132.42 |
| 5. | **Total Working Capital** | **268.15** | **392.17** | **215.46** |
| 6. | Rate of Interest (%) | 12.25% | 12.25% | 12.25% |
| **7.** | **Interest on Working Capital** | **32.85** | **48.04** | **26.39** |

**Thus, the Commission approves working capital requirement of Rs. 268.15 Crore for FY 2017-18, Rs. 392.17 Crore for FY 2018-19 and Rs. 215.46 Crore for FY 2019-20 and interest thereon of Rs. 32.85 Crore, Rs. 48.04 Crore and Rs. 26.39 Crore for FY 2017-18, FY 2018-19 and FY 2019-20 respectively.**

## 8.0 STATUTORY LEVIES AND TAXES

8.1 GVK submitted that Regulation 23 of the PSERC Tariff Regulations, 2014 provides for Income Tax which is reproduced hereunder:

***"23.1** Obligatory taxes, if any, on the income of the generating company or the licensee or the SLDC from its core/licensed business shall be computed as an expense and shall be recovered from the customers/consumers:*

*Provided that tax on any income other than the core/licensed business shall not constitute a pass through component in tariff and tax on such other income shall be payable by the generating company or the licensee or the SLDC.*

***23.2** Tax on income, if actually liable to be paid, shall be limited to tax on return on equity allowed, excluding incentives.*

***23.3** Tax on income shall be considered at income tax rate including surcharge, cess etc. as applicable during the relevant year in accordance with the provisions of Income Tax Act, 1961 duly amended from time to time.*

***23.4** The benefits of tax holiday and the credit for carrying forward losses applicable as per the provisions of the Income Tax Act, 1961 shall be fully passed on to the customers/consumers.*

***23.5** The penalty, if any, arising on account of delay in deposit of tax or short deposit of tax amount shall not be claimed by the generating company or the licensee or the SLDC, as the case may be."*

8.2 GVK submitted that it is entitled at actuals, as pass through, any cess, duty, tax, government levy and royalty etc., payable by the Petitioner for generation and supply of power to the Respondent from time to time.

**Commission's Analysis**

8.3 The benefits of any tax Holiday has to be passed on to the consumer/customer as per PSERC MYT Regulations. GVK has not submitted the details of tax holiday availed. Actual tax liability, after taking into account tax holidays etc., will be considered during the True up of respective years.

**The Commission directs that statutory levies including income tax with requisite documents may be claimed as per Regulations 23 of PSERC MYT Regulations, 2014 during the true-up of the respective years.**

**9.0 Non-Tariff Income**

9.1 GVK has not claimed any non tariff income for FY 2017-19 to 2019-20.

**Commission's Analysis**

9.2 The Non-Tariff Income has to be determined as per Regulation-28 of PSERC MYT Regulations-2014(amended from time to time).

9.3 The Commission notes that Audited Annual Accounts of GVK for FY 2017-18 and FY 2018-19 has shown "Other income" as Rs.0.61 Crore and Rs 0.27 Crore respectively which includes income from bank deposits Rs 0.47 Crore and Rs 0.22 Crore respectively. As per para 20.3.4 of the Commission order dated 17.1.2020 in Petition no 54 of 2017, GVK had diverted the funds meant for capital expenditure out of the loan taken from financial institutions by investment in Mutual Funds. The Commission has neither considered interest paid on loans used for such other investments nor income earned from such other business/investment as part of the capital expenditure. Other income includes non operating income of Rs. 0.14 Crore and Rs 0.05 Crore for FY 2017-18 and FY 2018-19 respectively on account of credit balance written off and sale of scrap. The Commission notes that Rs.3.12 Crore and Rs 3.10 Crore have been booked under Ash Handling charges during FY 2017-18 and FY 2018-19 respectively but no income from Ash has been booked during FY 2017-18 and FY 2019-20 which will be considered during True up of FY 2017-18 and FY 2018-19. Accordingly, the Commissions determines Non-Tariff Income as Rs. 0.14 Crore and Rs 0.05 Crore as per Audited Annual Accounts of FY2017-18 and FY 2018-19 respectively and Rs 0.05 Crore has been considered for FY 2019-20 on the basis of FY 2018-19.

**Accordingly, the Commission approves Non-Tariff Income as Rs. 0.14 Crore, Rs. 0.05 Crore and Rs. 0.05 Crore for FY 2017-18, FY 2018-19 and FY 2019-20 respectively.**

## 10.0 Annual Fixed Charges (AFC) for FY 2017-18 to FY 2019-20

10.1 The Annual Fixed Charges from FY 2017-18 to FY 2019-20, as projected by GVK and approved by the Commission is summarized in the following table:-

**Table No.28**: **AFC provisionally approved by the Commission for FY 2017-18 to 2019-20**

**(Rs. Crore)**

| Sr. No. | Particulars | Submitted by GVK | | | Approved by the Commission | | |
|---|---|---|---|---|---|---|---|
| | | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2017-18 | FY 2018-19 | FY 2019-20 |
| 1. | O&M Expenses | 154.98 | 166.11 | 174.28 | 37.91 | 39.90 | 39.88 |
| 2. | Depreciation | 216.31 | 221.31 | 221.31 | 142.47 | 142.80 | 142.83 |
| 3. | Interest charges | 412.26 | 384.16 | 355.75 | 250.04 | 98.09 | 0.13 |
| 4. | Return on Equity | 193.91 | 193.91 | 193.91 | 142.51 | 142.83 | 142.87 |
| 5. | Interest on Working Capital | 76.35 | 76.26 | 78.63 | 32.85 | 48.04 | 26.39 |
| 6. | Income tax | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 7. | **Total Expenses** | **1,053.81** | **1,041.75** | **1,023.88** | **605.78** | **471.66** | **352.10** |
| 8. | Less: Non-Tariff Income | 0.00 | 0.00 | 0.00 | 0.14 | 0.05 | 0.05 |
| 9. | **Annual Fixed Charges** | **1,053.81** | **1,041.75** | **1,023.88** | **605.64** | **471.61** | **352.05** |

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

## 11.0 Energy charges for FY 2017-18 to FY 2019-20

**GVK's Submission**

11.1 GVK has submitted the monthly Declared Capacity and Scheduled Generation data for FY 2017-18, FY 2018-19 and FY 2019-20 (upto December, 2019) including the details of fuel cost vide submissions received on 12.03.2020, in response to Commission's interim Order dated 07.02.2020.

The Declared Capacity and Scheduled Generation data as submitted by GVK is as under:

**Table No. 29: Declared Capacity and Scheduled Generation data as submitted by GVK for FY 2017-18 to FY 2019-20 (upto Dec,2019)**

| Sr. No. | Description | FY 2017-18 | FY 2018-19 | FY 2019-20 (Upto Dec. 2019) |
|---|---|---|---|---|
| 1. | Declared Capacity (MU) | 1814.34 | 2850.62 | 3201.95 |
| 2. | Scheduled Generation (MU) | 1387.12 | 2203.24 | 1129.19 |

PSPCL has not submitted any comments/reply on the same.

11.2 GVK in the present petition has submitted the details of components of the Energy Charge as hereunder:

i) Landed Cost of Primary Fuel:

In terms of the Coal Judgment and the Cancellation Order, the allocation of the Captive Coal Blocks to the Petitioner was cancelled. On 11.05.2015, the Petitioner filed the Petition No. 33 of 2015 seeking relief on account of Change in Law and Force Majeure events being the cancellation of the Petitioner's Captive Coal Blocks pursuant to the Coal Judgment and the Cancellation Order. On 12.08.2015, the Commission passed an Order and directed that the disputes raised in the Petition No. 33 of 2015 and Petition No. 65 of 2013 shall be referred to Arbitration. On 02.09.2015, the Commission passed an Order constituting the Arbitral Tribunal for the adjudication of disputes raised in Petition No. 33 of 2015 and Petition No. 65 of 2013. During the pendency of the arbitration proceedings, the Commission passed Order dated 01.02.2016 in Petition 33 of 2015 and Petition 65 of 2013 wherein GVK was permitted to procure coal from alternate sources.

In compliance of the Commission's Order dated 01.02.2016 in Petition 33 of 2015 and Petition 65 of 2013, GVK was successful in securing long term coal linkage under the SHAKTI Scheme for the Project to the extent of 1.706 MTPA from February 2018 onwards. However, the quantity of coal allocated was sufficient to achieve only 63% PLF. The balance coal was being sourced from other sources, including through e-auction and imported coal, to achieve target availability. GVK submitted that road transportation charges, handling charges related to loading the coal in to the trucks, unloading of the same at the railway siding and loading the same to the railway wagons, coal sampling cost for an analysis to obtain the GCV of coal received and the railway freight, all form part of the Landed Cost of Coal. The coal washery charges are not considered in the present landed cost of coal as given in this petition. However, the coal washery charges, if any, paid by GVK at a future date as charged by the Coal mining company or to abide by the Environmental Norms, the same shall form part of the landed cost of the Fuel. For computation of the Variable Charge, the Petitioner has considered an escalation of 5% p.a. on the price of the Primary Fuel for the Control Period.

ii) Landed cost of secondary fuel:

The Secondary fuel for the Plant is LDO / HFO. This Secondary Fuel is being procured from PSU Oil Marketing companies. This Secondary Fuel is delivered at site and the weighted average cost incurred on the same may be allowed by the Commission. The energy charge in Rupees per kWh is determined to three decimal places as per the following formulae prescribed in Regulation 39.4 of the PSERC Tariff Regulations, 2014.

iii) Normative Auxiliary energy consumption:

As per Regulation 36 of the PSERC Tariff Regulations, 2014, the norms for performance parameters, which includes normative auxiliary energy consumption for Coal-based generating stations, shall be as per the CERC norms. Accordingly, as per Regulation 36(E)(a) of the CERC Tariff Regulations, 2014, auxiliary consumption is 8.5% for a unit of 200 MW series. Further, for thermal generating stations with induced draft cooling towers, additional 0.5% is allowed. Thus, normative auxiliary consumption has been considered at 9% for the computation of energy charge.

iv) Fuel Transit & Handling Losses:

In accordance with Regulation 40 of the PSERC Tariff Regulations 2014, the normative transit and handling loss to be taken @ 1% or actual whichever is lower and the same are considered @ 1% while computing the energy charge.

v) Station Heat Rate:

As per Regulation 36 of the PSERC Tariff Regulations, 2014, the norms for performance parameters, which includes Station Heat Rate for Coal-based generating stations, the same shall be as per the CERC norms. Regulation 36(C)(b) of the CERC Tariff Regulations 2014, specifies that for tariff calculation, the design station heat rate is to be multiplied by a factor of 1.045 for a new coal based thermal power plant. The Guaranteed Heat Rate for the power plant under the EPC contract is 2221 kcal/kWh. Accordingly, the Station Heat Rate of the Petitioner’s plant for tariff calculations comes out to be 2321 kcal/kWh, which has been considered for Energy Charge calculation.

Accordingly, GVK has computed the projected Energy Charges for the Control Period in the petition as under:

**Table No. 30: Projected Energy Charges submitted by GVK for FY 2017-18 to FY 2019-20**

| Sr.No. | Particulars | FY 2017-18 | FY2018-19 | FY2019-20 |
|---|---|---|---|---|
| 1. | Variable Charge per Unit (Rs./ kWh) | 3.63 | 3.64 | 3.82 |
| 2. | Energy sold (MU) | 3573 | 3573 | 3573 |
| 3. | Annual Energy Charge (Rs. Crore) | 1298.35 | 1298.87 | 1363.55 |

11.3 GVK vide affidavit dated 11.03.2020, in compliance to the Commission’s Interim Order dated 07.02.2020 submitted the details of fuel cost/energy charges and further reiterated its submissions regarding consideration of normative auxiliary consumption @9% for the computation of energy charges. With reference to fuel transit and handling losses, GVK submitted that normative transit and handling loss are considered in accordance with Regulation 40 of the PSERC Tariff Regulations 2014 and Regulation 30(8) of the CERC Tariff Regulations. Further, GVK submitted that SHR as per the Regulations works out to be 2321 kcal/kWh for FY 2017-18 and FY 2018-19 and 2332 kcal/kWh for FY 2019-20. The fuel cost details furnished by GVK are as under:

**Table No.31: Fuel cost data furnished by GVK in affidavit dated 11.03.2020**

| Sr. No. | Item | Unit | Actual FY 2017-18 | Actual FY 2018-19 | (FY 2019-20) | | |
|---|---|---|---|---|---|---|---|
| | | | | | Actual till Dec 2019 | Projection Jan. 2020 to March 2020 | Total |
| 1 | Gross Generation | MU | 1536 | 2436 | 1244.68 | 117.936 | 1362.62 |
| 2. | Auxiliary Consumption | % | 9.72% | 9.55% | 9.28% | 9.28% | 9.28% |
| 3. | Net Generation | MU | 1387 | 2203 | 1129 | 107 | 1236 |
| 4. | Station Heat Rate | kcal/kWh | 2392 | 2348 | 2350 | 2350 | 2350 |
| 5. | Calorific Value of Coal | kcal/Kg | 3730 | 3396 | 3349 | 3349 | 3349 |
| 6. | Coal Transit Loss | % | 4.20 | 2.43 | 1.60 | 1.60 | 1.6 |
| 7. | Total Coal Consumption | Tonne | 1019703 | 1660491 | 851208 | 82758 | 933966 |
| 8. | Total Oil Consumption | KL | 2055 | 1596 | 1018.39 | 96.49 | 114.88 |
| 9. | Specific Oil Consumption | ml/kWh | 1.34 | 0.66 | 0.82 | 0.82 | 0.82 |
| 10. | Calorific Value of Oil | kcal/Litre | 10368 | 10396 | 10387 | 10387 | 10387 |
| 11. | Price of Coal | Rs./Tonne | 6120 | 6304 | 5743 | 5743 | 5743 |
| 12. | Price of Oil | Rs/ KL | 34936 | 45658 | 45078 | 45078 | 45078 |
| 13. | Total Coal Cost | Rs. crore | 651.44 | 1072.85 | 496.79 | 48.30 | 545.09 |
| 14. | Total Cost of Oil | Rs. crore | 7.18 | 7.29 | 4.59 | 0.43 | 5.02 |
| 15. | Total Fuel Cost | Rs. crore | 658.62 | 1080.14 | 501.38 | 48.73 | 550.11 |

11.4 Further, GVK vide its submissions dated 01.07.2020 stated that PSPCL is currently paying surface transportation costs to GVK at rate of Rs. 8 per ton per km irrespective of the source, quantum and distance transported, on the basis of BCCL Circular dated 29.03.2018. However, in case of NPL, PSPCL is paying surface transportation charges on actual, based on the rates charged by agencies appointed by NPL for surface transportation of coal and there is no benchmarking to CCL or BCCL surface transportation cost.

**PSPCL's Submission**

11.5 PSPCL vide its Memo No. 6923/TR-5/886 dated 21.05.2018 submitted that as per Regulation 38 and 39 of the PSERC Tariff Regulations 2014, energy charge for generating plants of the generating companies is to be determined on the basis of landed cost of primary as well as secondary fuel which is to be utilized for running the plant up-to its entire contracted capacity. In this regard, GVK has submitted that it has been successful in securing long term linkage of coal for the project, capable of operating the plant at 63% PLF; however, no material details of the same have been given. Further, GVK has stated that the balance coal for achieving the target availability is to be sourced from other sources, details of which have also not been provided in the present Petition. The fuel availability for GVK has been mired in uncertainty as placed before the Commission in earlier proceedings between the parties. Therefore, GVK without furnishing the particulars of required material but based on mere assumption that it would get full coal linkage before the end of March 2018, has prayed that the Commission may consider the price of coal arrived for the FY- 2018-19 and FY-2019-20 and that too, by factoring in a 5% escalation per annum.

11.6 As per clause 6.1.1 of the Amended and Restated PPA dated 26.5.2009, the tariff payable shall be a two-part tariff being capacity charges and energy charges and shall be payable based on the contracted capacity at normative availability. Without there being any firm coal linkage for the entire contracted capacity and there also being no material particularly available for the fuel actually being used for power generation, the landed fuel cost of primary fuel cannot be computed and thus tariff determination cannot take place. Even though GVK admits that the available fuel with them is sufficient only to run the plant at 63% PLF, the tariff proposal has been prepared on the basis of the plant achieving 83% PLF which is not only contradictory to GVK's own stand, but also factually incorrect.

11.7 PSPCL vide Memo No. 5291/TR-5/886 dated 11.03.2020 has submitted the details of Energy Charges for FY 2017-18, FY 2018-19 and FY 2019-20 (till December 2019) as directed by the Commission vide Interim Order dated 07.02.2020.

11.8 PSPCL vide Memo No. 5321/TR-5/886 dated 16.03.2020 submitted that details of energy charges given by GVK to the Commission vide affidavit dated 11.03.2020 have been tallied and are found in order.

11.9 PSPCL vide letter 5533/TR-5/886 dated 26.06.2020, submitted the details of Energy charges paid to GVK for the whole of FY 2019-20.

**Commission's Analysis**

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

**12.0 Interest on under–recovered or over-recovered fixed charges:**

12.1 The Commission notes that the applicability of Regulation 9 of PSERC

Regulations, 2005 would be on the distribution companies or generating cum distribution companies and cannot be applied, as it is, to standalone generating companies.

12.2 The Regulation 8 (13) of CERC (Terms and Conditions of Tariff) Regulation, 2014 is re-produced below for reference: -

> *"The amount under-recovered or over-recovered, along with simple interest at the rate equal to the bank rate on 1st April of the respective year, shall be recovered or refunded by the generating company or the transmission licensee, as the case may be, in six equal monthly instalments starting within three months from the date of the tariff order issued by the Commission".*

The Commission observes that Regulation 8 (13) of CERC (Terms and Conditions of Tariff) Regulation, 2014 is squarely applicable to under recovery or over recovery of fixed charges in case of generating companies.

12.3 The Commission decides to adopt the CERC Regulations for determining interest equivalent to bank rate on under recovery or over recovery of fixed charges.

**Commission's Analysis**

**Accordingly, interest shall be allowable or recoverable as per Regulation 8 (13) of CERC (Terms and Conditions of Tariff) Regulation, 2014 on under-recovered or over-recovered Annual Fixed Charges (AFC) determined by the Commission**.

**The Petition is disposed of accordingly.**

| Sd/- | Sd/- | Sd/- |
|---|---|---|
| **(Anjuli Chandra)** | **(S.S. Sarna)** | **(Kusumjit Sidhu)** |
| **Member** | **Member** | **Chairperson** |

**Chandigarh**
**Dated: 05.08.2020**