



COMMISSION'S ORDER

ON

**TRUE-UP FOR FY 2014-15, MID-YEAR PERFORMANCE
REVIEW FOR FY 2015-16 AND DETERMINATION OF
GENERATION TARIFF FOR THE FY 2016-17**

Case No. HERC/PRO-30 of 2015

31st March, 2016

HARYANA ELECTRICITY REGULATORY COMMISSION

BAYS NO. 33-36, SECTOR-4, PANCHKULA-134112

<http://herc.gov.in>

BEFORE THE HARYANA ELECTRICITY REGULATORY COMMISSION
BAY NO. 33-36, SECTOR-4, PANCHKULA-134 112

CASE NO: HERC / PRO-30 OF 2015

DATE OF HEARING : 15.02.2016

DATE OF ORDER : 31.03.2016

Quorum

**Shri Jagjeet Singh
Shri M.S. Puri**

**Chairman
Member**

INTHE MATTER OF

Petition filed by HPGCL for approval of True-up for the FY 2014-15, Mid-Year Performance Review for the FY 2015-16 and Determination of Generation Tariff for the FY 2016-17.

AND

IN THE MATTER OF

HPGCL, Panchkula

..... Petitioner

Present

1. Shri M.K.V Rama Rao, MD, HPGCL.
2. Smt. Poonam Chaudhary, Director/Finance, HPGCL
3. Shri B.B. Gupta, Controller Finance, HPGCL
4. Ms. Deepti, Sr. A.O., HPGCL
5. Shri Vijay Jindal, XEN

ORDER

1 The Haryana Electricity Regulatory Commission (hereinafter referred to as HERC or the Commission), had notified the Multi Year Tariff Regulations i.e. the Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Generation, Transmission, Wheeling and Distribution & Retail Supply under Multi Year Tariff Framework) Regulations, 2012 (hereinafter referred to as MYT Regulations, 2012) vide Notification dated 5.12.2012.

2 Regulation 71.9 read with Regulation 75 of the MYT Regulations, 2012, requires

that the Generation Company i.e. HPGCL shall file ARR/Generation Tariff for the FY 2016-17, mid-year performance review for the FY 2015-16 and true-up for the FY 2014-15, by 30th November, 2015.

3 Accordingly, HPGCL vide its Memo No. HPGC/FIN/Reg-459/938 dated 19.11.2015, had submitted the present petition for approval of true-up for the FY 2014-15, mid- year performance review for the FY 2015-16, and determination of Generation Tariff for the FY 2016-17 under Section 61 and 62 of Electricity Act 2003.

4 The petition filed by HPGCL was made available on the website(s) of the Commission as well as that of the petitioner company for inviting objections / comments from the stakeholders. A Public Notice, including gist of the Generation Tariff proposal, was also published by the Petitioner Company i.e. HPGCL in the newspapers for inviting objections/suggestions from the stakeholders / General Public or any interested person as per the procedure laid down in the MYT Regulations, 2012 read with the Haryana Electricity Regulatory Commission (Conduct of Business) Regulations, 2004 as amended from time to time. The said public notice was inserted by HPGCL in the following Newspapers and the last date for filing objections was 19th December, 2015.

Name	Language	Date
Indian Express	English	25.11.2015
Dainik Tribune	Hindi	25.11.2015

5 Salient features of the Petition filed by HPGCL

5.1 HPGCL's Basis of Tariff Proposal

HPGCL has submitted that they have filed the present petition in compliance with HERC MYT Regulations, 2012 and that the relaxations approved by this Commission in its subsequent Order dated 27.03.2015 for the FY 2015-16 have also been proposed for FY 2014-15 and FY 2016-17, wherever the similar ground and circumstances persists. It has been submitted that HPGCL is seeking a few relaxations in the norms in view of the provisions of clause 5.3 (f) of the National Tariff Policy, 2006 with regard to certain performance parameters of the generating units, considering the past performance and achievability. Additionally, it has been submitted that HPGCL has approached the Hon'ble High Court for certain relief in the technical and financial parameters as

provided in MYT Regulations, 2012. Further, it has been stated that an appeal has also been filed in the Hon'ble Supreme Court against Hon'ble APTEL's Order dated 19.09.2015. Pending decisions in these two cases HPGCL has restricted itself, while proposing the technical and commercial parameters as per the MYT Regulations and relaxation considered by the Commission in its subsequent Orders subject to any relief in the ibid cases.

HPGCL has submitted that as per Regulation 3.9 of the MYT Regulations, 'Base Year' is the financial year immediately preceding the first year of the control period. The first year being from 01.04.2014, the base year to be considered is FY 2013-14 only for all practical purposes whereas the Commission has considered FY 2011-12 as the base year. Further, it has been stated that from perusal of clause 8.1 of MYT Regulations, 2012, it is evident that even if the Commission has approved certain parameters in the past, actual average figures of last 3 years, audited accounts, estimates of figures of the relevant year, industry benchmarks and norms and other factors considered appropriate by the Commission will be taken into consideration during determination of baseline values for various financial and operational parameters of ARR for the control period.

5.2 In view of the above, HPGCL has prayed that as the audited figures of the FY 2011-12, FY 2012-13, FY 2013-14, and FY 2014-15 are now available, Commission may kindly consider them and re-determine various operational and financial parameters for the MYT Control Period in the interest of justice to HPGCL.

5.3 Additional data/details provided by HPGCL

After initial scrutiny of the petition, a few additional data / information was sought from the Petitioner vide memo no. HERC/Tariff-2996 dated 29.12.2015. The queries raised by the Commission and HPGCL's response thereto are as under:-

- i) Total coal cost recovered by HPGCL during the FY 2014-15 was Rs. 4285.91 crore (Rs. 3692.90 + 593.01 crore). However, the fuel consumption, excluding oil, as per Audited Balance Sheet for the FY 2014-15 remains 4507.37 crore which is Rs. 221.46 crore (Rs. 4507.37 crore – Rs. 4285.91 crore) higher than the allowed norms.

- ii) Similarly, in case of Fuel Price Adjustment (FPA), the recovered FPA has been shown as Rs. 593.01 crore. However, income from fuel surcharge adjustment as per Audited Balance Sheet for the FY 14-15 remains Rs. 652.30 crore, resulting a difference is Rs. 59.29 crore. (Rs. 652.30 crore – Rs. 593.01 crore).
- iii) The terminal liabilities of employees has been abnormally increased from Rs. 152.36 crore in the FY 13-14 to Rs. 250.76 crore in the FY 14-15 (an increase of 64%).
- iv) There has been abnormal variation in depreciation for PTPS units 5-6 (allowed: Rs. 63.55 crore, actual: Rs. 4.94 crore) and RGTPP 1-2 (allowed: Rs. 178.77 crore, actual: Rs. 204.22 crore).
- v) There has been additions to fixed assets amounting to Rs. 241.79 crore which is not linked with the approved capex plan and certificate of commissioning.
- vi) Unit-wise detail of advance against depreciation of Rs. 473.89 crore may be provided.
- vii) HPGCL has claimed RoE on additional equity of Rs. 10 crore in respect of capex of Rs. 37.09 crore on PTPS unit 6-8. The certificate of completion of work may be provided by HPGCL. Further, as per MYT Regulations, the RoE on additional equity of Rs. 10 crore for half of the year comes to Rs. 0.50 lacs only. Therefore, justification for claiming of Rs. 1.88 crore on account of RoE needs to be explained by HPGCL.
- viii) HPGCL has calculated revised normative interest on working capital, on the basis of actual rate of coal, oil, revising the norms for maintenance spares of DCRTTP and RGTPP from 10% to 15% and 30 days receivables. Accordingly, the revised normative level of interest on working capital has been calculated at Rs. 265.70 crore against the originally approved interest on working capital of Rs. 313.77 crore, thereby HPGCL is proposing to surrender the excess interest on working capital of Rs. 48.07 crore as true-up. However, the actual interest on working capital, as per Audited Balance Sheet is Rs. 152.52 crore. Therefore, HPGCL should clarify the reason for not surrendering the excess amount of interest on working capital of Rs. 161.25 crore.

5.4 HPGCL's Reply

1. That the fuel consumption, as per audited balance sheet, is higher than the coal cost recovered due to following reasons:-

- (i) The recovery of the fuel cost is restricted to various operational parameters as per the HERC Regulations considering them as controllable factor. The expenditure/ consumption beyond norms are not recoverable.
- (ii) As per HERC Regulation, the recovery of the coal cost is allowed to the extent of the HERC norms of Station Heat Rate and Auxiliary Consumption (%). During the FY 2014-15 in some cases HPGCL could not achieve the norms which lead to under recovery to some extent.
- (iii) The amount booked in the fuel consumption includes an amount of Rs. 100.88 crore on account of coal incentive payable to the coal companies as per Fuel Supply Agreement but has not paid in the FY 2014-15 as such the same has not recovered from the beneficiaries in FY 2014-15.
- (iv) There is certain other Fuel related cost which has also not been recovered as a part of the fuel cost.

2. That the amount of Rs. 652.30 crore booked in the accounts of HPGCL under the head Fuel Price Adjustment not only include the amount recoverable from the beneficiaries on account of differential fuel cost but also include other differential claim such as true-up claim for the FY 2012-13 as per approval of the HERC and the amount of coal incentive. FPA bill amounting to Rs. 593.01 crore raised on the beneficiaries as observed by the Commission is only on account of differential fuel cost only. The difference of Rs. 59.29 crore as observed by the HERC is on account of followings:-

- (i) During the FY 2014-15, the HERC, vide its order dt.29.05.2014, has approved an amount of Rs. 52.46 crore to be recovered as FPA. The same has been included in the amount shown in the Balance Sheet.
- (ii) An amount of Rs. 6.83 crore paid on account of coal incentive is also included in the FPA cost shown in the Balance Sheet.

3. The terminal liability is being determined by the actuary under AS-15 considering the number of employees, retirements and other factors on year to year basis. Required Corpus at the end of the year is computed and the differential amount to be contributed in the year is worked out by subtracting the opening corpus from the required corpus. The increase in the terminal liability is due to low opening corpus. Further, the Opening Corpus is low due to less contribution in the previous years and also due to incremental retirements the closing corpus requirement is higher. The independent third party

actuarial valuation report from the approved actuary has been already submitted along with the tariff petition of the HPGCL.

4. That the HPGCL has filed its tariff petition in the FY 2013-14 for the FY 2014-15 by applying average rate of Depreciation on the Gross Block of HPGCL without considering the plant wise and asset wise rate of depreciation on the gross block. Due to applying average rate of depreciation, variation arises in the actual amount of plant wise and asset wise depreciation. The differential amount of depreciation has already submitted to the Commission for truing-up.

5. The addition in the fixed assets is mainly on account of discharging of unpaid liabilities of the RGTPS & DCRTPS paid during the FY 2014-15 on account of the Capital Expenditure incurred and the initial spares procured. Certificate of Commissioning for the RGTPS & DCRTPS has stands submitted to the HERC.

6. Advance against Depreciation (AAD) was allowed by the Commission as per the HERC Regulations in vogue during the FY 2007-08 to the FY 2010-11 keeping in view the higher repayment liabilities of the HPGCL vis-à-vis the normal allowable depreciation. Thereafter no AAD was allowed by this Commission. A copy of the relevant part of the HERC Order for the respective financial years providing the details of unit wise Advance against Depreciation has been attached with the present reply. It has been submitted that till the FY 2014-15 there was no occasion when the repayment of HPGCL was lower than the allowed depreciation to HPGCL. Year wise annual repayment made and depreciation allowed to HPGCL since the FY 2011-12 to the 2014-15 is also attached with the present reply for consideration of the Commission.

7. That the amount of Equity in the beginning of the FY 2014-15, as per the Balance Sheet of HPGCL, was Rs 2880.24 Crore. After deducting equity employed in the plants not regulated by this Commission, the equity amount of HPGCL was Rs.2126.81Crore. However, in the HERC Order the same was inadvertently taken as Rs.2110.64 Crore. The detail of equity capital at the beginning of the FY 2014-15 was as under:-

Equity Opening FY 2014-15 (Rs. Crore)	
Plants	Equity Capital
PTPS - 1	24.70

PTPS - 2	24.70
PTPS - 3	16.41
PTPS - 4	16.41
PTPS - 5	5.62
PTPS - 6	151.02
PTPS - 7	209.20
PTPS - 8	209.20
DCRTPP-1	243.78
DCRTPP-2	243.78
RGTPP-1	483.65
RGTPP-2	483.65
Hydel	14.69
Total	2126.81

That the above reveals that the difference in the return on equity is due to the difference in the value of actual equity deployed in HPGCL and the amount considered by this Commission in its tariff Order. It has been further stated that HPGCL has considered ROE on the additional equity of Rs. 10 crore for six months only. As such the claim of the HPGCL is justified.

8. That HERC is allowing interest on working capital (IWC) at specified rate of interest on the normative working capital requirement determined by it based upon the various operational and financial parameters as per the MYT Regulation, 2012. This is irrespective of the actual working capital requirement of the HPGCL. During the FY 2014-15 the normative and actual working capital requirement of HPGCL was as under:-

Particular (Rs Crore)	Opening FY 2014-15	Closing FY 2014-15	Average Working Capital
Fuel Cost	852.08	666.48	759.28
O&M Expense	One Month		62.67
Receivables	1468.79	1590.25	1529.52
Inventory	580.17	474.94	527.56
Total Working Capital			2879.02
As per Order dated 29.05.2014			2413.60
Revised Normative WC as per 1 Month Receivable			2043.84

That a perusal of the table above, reveals that the actual working capital, as per the audited accounts, is higher than the level determined by this Commission in its Order dated 29.05.2014 as well as the revised working capital requirement considering one month of receivable and actual cost of fuel and O&M expense. Additionally, it has been submitted that the working capital requirement can be met out of the internal accruals or with the borrowing from banks and financial institutions. In the FY 2014-15, HPGCL has

used its internal accrual to the maximum extent to reduce its interest burden even by deferring its certain liabilities. Had HPGCL discharged its unpaid obligation at the time the actual working capital borrowings would be more than the norms. The credit rating of HPGCL has also continuously improved and resultantly it is able to negotiate cheaper financing from the banks. Cumulative result of all the above efforts of HPGCL has led to reduction of its interest and financing charges.

From the above it also reveals that the savings in the interest on working capital to HPGCL is due to its efficient financial management and deployment of its resources prudently and not due to reduced working capital requirement. It is also pertinent to mention here that IWC is an opportunity cost allowed to the generator by the HERC and no separate provision is there in the HERC regulation for considering and allowing cost of capital for the funds utilized by the generator to manage its working capital requirement from the internal accrual. No additional interest on working capital is allowed by the HERC for the enhanced working capital requirement also. As per HERC MYT Regulations, 2012 also IWC is not a controllable or uncontrollable element whereas all other ARR elements are either declared as controllable or un-controllable. As such the saving on account of IWC is not an element to be considered for truing - up. In the FY 2014-15, HPGCL in its tariff petition has sought true-up of IWC for the FY 2013-14 but the same was not allowed by this Commission.

That the Hon'ble CERC in its Statement of Reasons for CERC (Determination of Tariff) Regulations 2014 had observed as under:-

“28.20 Some of the stakeholders suggested that the truing up of working capital shall be carried out considering the actual fuel prices, interest rate, etc. In this regard, the Commission is of the view that the interest on working capital is allowed on normative basis, irrespective of whether the loan has been availed for working capital or not. In case truing up of interest on working capital or adjustment to interest on working capital is to be carried out based on actual fuel prices, fuel price escalation, movement in interest rates, liquid fuel stock, the objective of providing interest on working capital on normative basis will be defeated and the further the entire exercise of adjustments to interest on working capital will be complicated exercise resulting in frequent revision in tariff. Further, there are several sources of obtaining working capital finance and the

rate of interest on such working capital depends on the operational performance and profitability of operations, hence, the regulated entities shall be able to source funds at cheaper rate of interest, depending on their performance.”

That the CERC Tariff Regulations are the guiding principles for other State Regulators including HERC.

In view of the above submissions HPGCL has prayed that actual Interest paid on Short-Term Loan should not be Trued-up for IWC.

That the status of overhauling of WYC Hydel Plant and its physical and financial progress as well as the Performance of Unit-wise performance of HPGCL Plants till December 2015 has been attached with the present reply.

6. True-up Petition for the FY 2014-15

6.0 HPGCL has submitted that they had filed the petition before the Commission for determination of generation tariff for the FY 2014-15 vide Memo No. HPGCL/FIN/Reg.429/636 dated 29.11.2013 (Case No. HERC/PRO-39 of 2013) as per the MYT Regulations, 2012. The said ARR/ Generation Tariff as proposed by the HPGCL and as approved by the Commission was based on the audited accounts of the FY 2012-13 and the estimated revenue and expenses for the FY 2014-15 available at the time of issuance of the said Order. The Audited accounts for the FY 2013-14 were also submitted along with the petition for truing-up of the FY 2013-14 on 28th November, 2014. HPGCL is now submitting the petition for truing-up for the FY 2014-15 based on the audited accounts for the FY 2014-15 in accordance with the regulation 13.1 of the MYT Regulations, 2012. A copy of the FY 2014-15 audited accounts was provided as an annexure to the present petition.

That the Commission had appreciated the submission of HPGCL regarding relaxation of certain technical and commercial parameters on the basis of the conditions prevalent in the FY 2014-15 and had allowed the same to certain extent for the FY 2015-16 vide Tariff Order dated 27.03.2015. It was clarified by this Commission in the ibid Order that at this stage the Commission is limiting its Order to true-up for the FY 2013-14 as well as generation tariff for the FY 2015-16 and the issues pertaining to the FY

2014-15 shall be considered by it while undertaking similar exercise in the FY 2015-16. Accordingly, the present true-up petition for the FY 2014-15 is based on and limited to the relaxations approved by the Commission on merit in the FY 2015-16.

6.1 True-up of O&M expenses PTPS (1-4)

6.2 HPGCL has submitted that the Commission, in its Order dated 29.05.2014 had approved Rs. 234.14 crore towards employees cost for the FY 2014-15. As against the approved amount the actual employees cost including terminal liability, as per the audited accounts and independent actuarial valuation, was Rs. 482.56 crore. Thus the shortfall amounting to Rs. 248.42 crore along with carrying cost may be allowed to be recovered from the beneficiaries as the true-up amount

6.3 The Petitioner has submitted that in the FY 2014-15, the Commission did not allow any R&M expenses and further restricted A&G expenses to 50% in the case of PTPS (units 1-4) on the plea that these Units are likely to be dispatched only intermittently. Regarding this, HPGCL has submitted that R&M and A&G expenses will not get reduced due to lesser generation. Further, R&M expenses cannot be eliminated unless these Units are permanently closed down. The actual R&M and A&G expenses in the FY 2014-15 was Rs. 28.53 crore i.e. even less than 50% of the actual amount in the FY 2011-12. Hence, it has been prayed that actual amount incurred in the FY 2014-15 may be allowed. In view of the fact that the Commission allowed Rs. 3.97 crore towards R&M and A&G expenses of PTPS (Units 1-4) as against Rs. 28.53 crore actually incurred, the Commission may now allow Rs.24.56 crore as part of true-up.

Thus, the total true-up amount for the FY 2014-15 claimed by HPGCL towards O&M expenses of PTPS (units 1-4) is Rs. 272.98 crore.

6.4 True-up of Depreciation

It has been submitted that the Commission vide its Order dated 29th May, 2014 for the FY 2014-15, had approved Rs. 470.63 crore towards depreciation. As against the approved amount, the actual depreciation, as per the audited accounts, is Rs. 434.40 crore i.e. lower by Rs. 36.23 crore. It has been further submitted that in the FY 2013-14 and the FY 2014-15 HPGCL has inadvertently depreciated assets under the head of vehicle @

9.5% instead of the prescribed rate, as per MYT Regulations, of 18%. Accordingly, the difference amounting to Rs. 4.17 crore may be included in the true-up of the FY 2014-15.

In view of the above, HPGCL has sought true-up of the excess depreciation amounting to Rs. 32.06 crore.

The Petitioner has additionally submitted that depreciation amounting to Rs.141.11 crore remains un-recovered for PTPS (units 1-4) as on 31.03.2015 as per the audited accounts of HPGCL. As the useful life of these Units shall be over in the FY 2016-17, the balance depreciation amount shall become recoverable in the FY 2016-17. In order to cushion the impact of the residuary depreciation, HPGCL has proposed that the excess depreciation for the FY 2014-15 amounting to Rs. 32.06 crore may be allowed to be retained by HPGCL for setting off the likely shortfall in the approved depreciation in the FY 2015-16.

6.5 True-up of Interest Expenses

HPGCL has submitted that as against the interest and finance charges on loan of Rs. 502 crore approved by the Commission for the FY 2014-15, the actual amount incurred, as per the audited accounts, was Rs. 497.28 crore. Accordingly, HPGCL has proposed for sharing of the gains amounting to Rs. 4.72 crore with the beneficiaries in line with regulation 12.4 of the MYT Regulations i.e. in 50:50 ratio.

6.6 True-up of Return on Equity

HPGCL has submitted that the Commission vide its Order dated 29.05.2014, for the FY 2014-15, had approved RoE of 10% Pre-tax amounting to Rs.211.30 crore. As against this the actual RoE computed @ 10% is Rs. 213.18 crore. It has been further submitted that the Commission had also approved Capital Expenditure of Rs.48.96 crore in the FY 2014-15 for increase in height of ash dyke for PTPS vide Order dated 27.03.2015 regarding True-up of the FY 2013-14 and determination of Generation Tariff for the FY 2015-16. As per the audited accounts of HPGCL for the FY 2014-15, capital expenditure of Rs. 37.09 crore was incurred for the capital works approved by the Commission. The Government of Haryana has also provided additional Equity of Rs.10 crore in the FY 2014-15 for the aforesaid capital works. Hence, it has been prayed that

the same amounting to Rs. 1.88 crore may also be considered for true-up the RoE for the FY 2014-15.

6.7 True-up of Interest on Working Capital

The Petitioner has submitted that the Commission vide its Order dated 29.05.2014 for the FY 2014-15 had considered 'receivable' equivalent to two months of the fixed and variable cost. Further, vide Order dated 27.03.2015 it was clarified by the Commission, in the true-up for the FY 2013-14, that receivable equivalent to two months was inadvertently considered while computing the working capital requirement. As in the FY 2014-15 also the receivables have been considered for two months, HPGCL has proposed for true-up of the interest on working capital amounting to Rs. (-) 48.07 crore for the FY 2014-15 by considering receivable equivalent to one month of the fixed and variable cost in the computation of the working capital requirement.

6.8 True-up of recovery of Fixed Cost

In addition to the true-up of various expenses as mentioned above, HPGCL has further prayed that the Commission may relax normative PLF of RGTPS and WYC to the actual achieved in the FY 2014-15 and allow recovery of full fixed cost accordingly.

6.9 Total True-up for the FY 2014-15

A summary of the True-up claims as proposed by the HPGCL is presented in the table below:-

(Rs. Crore)

Variable Cost	Employee Cost	R&M & A&G	Interest Cost	Interest Cost on Working Capital	ROE	Fixed Cost	Total
6.69	248.42	24.57	- 2.36	-48.07	1.88	48.33	279.46

In addition to the above claim, the Petitioner has prayed that the Commission may also allow carrying cost on the true-up amount for six months for the year in which the same accrued and for twelve months of the current year. Additionally, it has been prayed that the carrying cost may further be allowed if recovery of the True-up amount is delayed beyond 1st April, 2016.

7 REVIEW OF CAPITAL EXPENDITURE PLAN

7.1 HPGCL has submitted that the Commission, vide its Order dated 27.03.2015 had

approved Rs. 257.3 crore towards Capital Expenditure for the control period from the FY 2014-15 to the FY 2016-17. However, due to changes in the initial cost and time estimates the total capital expenditure on the approved plans is likely to remain at Rs. 251.89 crore. Out of this the actual expenditure likely to be incurred in the control period 2014-15 to 2016-17 is expected to be Rs. 182.29 crore and the balance amount is expected to be incurred in the FY 2017-18.

The submissions of HPGCL in respect of various works already included or proposed to be included in the revised capital investment plan for the control period are as under:-

- **Increase in the height of Ash Dyke of DCRTPS:** HPGCL has submitted that the Commission had approved Rs.50 crore for the same to be incurred in the FY 2015-16. However, after detailed study the total cost has been increased to Rs.64 crore out of which Rs. 32 crore will be incurred in the FY 2016-17 and the balance Rs.32 crore in the FY 2017-18. As no expenses, on this account, is expected to be incurred in the FY 2015-16, HPGCL has prayed that the Commission may consider and approve the changes in the capex schedule and amount.
- **Increase in the height of Ash Dyke of RGTPS** was proposed by HPGCL and approved by the Commission at Rs. 25.92 crore to be incurred in the FY 2014-15. However, the actual project cost has escalated to Rs.28.12 crore due to price variations. It has been further submitted that the actual expenditure on this account incurred in the FY 2014-15 was Rs.13.14 crore and Rs.11.98 crore is likely to be incurred in the FY 2015-16 and the balance i.e. Rs.2.0 crore in the FY 2016-17. HPGCL has prayed that the capex schedule and amount may accordingly be changed.
- **Capital Overhauling at WYC-** It has been submitted that Schedule of repair and rectification work of Machine A-II and B-II has been delayed due to long delivery period of new OGR and delay in repair of runner hub by M/s Voith Hydro. Further, overhauling of four machines i.e. A-I, B-I, C-I & C-II has been tentatively scheduled in the FY 2015-16 (A2&B2) at a cost of Rs.4.16 crore, B1& C1 in the FY 2016-17 at a cost of Rs.23.85 crore and A1&C2 in the FY 2017-18 at a cost of Rs.18 crore.
- **Increase of Ash Dyke height at PTPS-** The cost for this work was earlier projected at Rs. 86.96 Crore in the previous petition. Out of which, Rs. 48.96 crore was proposed to be incurred in FY 2014-15 and Rs. 20 crore and Rs.18

crore in FY 2015-16 and FY 2016-17 respectively. However, HPGCL, based on the report of the technical consultant, the plan for raising the height of Ash Dyke of PTPS (1-6) from EL 116.25 to 120.25 M and ETC Booster pumping station for PTPS (7&8) had to be shelved. Hence, capex to be incurred on the same got reduced to Rs. 58.45 crore out of which Rs.37.09 crore has been actually incurred in the FY 2014-15 and Rs.7.76 crore and Rs.6.60 crore are likely to be incurred in the FY 2015-16 and the FY 2016-17, respectively. The balance amount of Rs. 7 crore is expected to be incurred beyond the FY 2017-18. HPGCL has prayed that the Commission may consider and approve the capex schedule and amount accordingly.

The details of capital expenditure as stated to have been approved by the Commission in the order dated 27.03.2015, from FY 2014-15 to FY 2016-17 and revised schedule now provided by HPGCL is as under:-

Capital Expenditure Work	As Per order dated 27.03.2015 (in Rs Crore)				Proposed in This Petition (in Rs Crore)			
Year	2014-15	2015-16	2016-17	Total	2014-15	2015-16	2016-17	Total
Increase in the height of Ash Dyke of DCRTTP		50		50			32	32
Increase in the height of Ash Dyke of RGTPP	25.92			25.92	13.14	11.98	2	27.12
Capital Overhauling at WYC	8.48	22.1	14.1	44.68	1.35	4.16	23.85	29.36
Increase of Ash Dyke height at PTPS	48.96	20	18	86.96	37.09	7.76	6.6	51.45
ERP System and allied works	14.6	6	9	29.6	0	9.23	13	22.23
Additional Capital Expenditure at RGTPP – Setting up Zero Discharge system	20.14			20.14	17.04	1.59	1.5	20.13
Total	118.1	98.1	41.1	257.3	68.62	34.72	78.95	182.29

7.2 In addition to the proposed capital expenditure, the Petitioner has also proposed additional capitalization in RGTPS, DCRTPS and PTPS (6-8) in line with regulation 18.5 of the MYT Regulations, 2012. A summary of the same is provided as under:-

(Rs. Crore)

Plant	Details	2015-16	2016-17	2017-18	Total
RGTPS	Deferred liability to R-Infra (EPC contractor).	56.31	-	-	56.31
	Procurement of Initial Spares	-	14.75	1.50	16.25
	Works deferred for execution CISF Barracks	1.00	6.00	2.00	9.00
	Monitoring of Flue gas	-	0.20	0.20	0.40
	Sky Climber	-	-	0.75	0.75
	Up gradation of Ash Dyke	-	1.50	1.50	3.00
	Revival of 2 no. of ESP fields	-	10.00	10.00	20.00
	Replacement of APH Sector plates	-	3.00	-	3.00
	CO Monitoring Probes	-	1.25	-	1.25
DCRTPS	Construction of Township	6.00	3.00	-	9.00
PTPS Unit-6	Fire Fighting System	0.20	0.40	-	0.60
	Up gradation of C&I System/DCS System	3.81	-	-	3.81
	Replacement of protection system in switchyard	0.15	2.30	0.45	2.90
	Strengthening of Ash Handling System	-	2.20	-	2.20
PTPS Units 7&8	Erection of ESP internal	5.00	6.00	-	11.00
	Up gradation of C&I System/DCS System	-	22.00	-	22.00
	Deferred Works Ash handling and DM Plant	14.64	-	-	14.64
	Installation of online stator end winding vibration monitoring system	0.75	1.10	-	1.85
	Installation of 100mt weigh bridge	0.19	-	-	0.19
	Purchase of loader and fire tender	-	0.75	0.40	1.15
	Installation of surveillance system	-	1.00	1.00	2.00
	Energy Management System	-	1.05	-	1.05
	Replacement of Lifts	-	0.72	0.50	1.22
	Replacement of fill packs	8.00	8.00	-	16.00
	TOTAL	96.05	85.22	18.30	199.57

8 HPGCL's Proposed Technical Parameters

8.1 HPGCL has submitted that they have carried out mid-year performance review for the FY 2015-16 and generation tariff for the FY 2016-17 in line with regulation 11 of the HERC MYT Regulations, 2012. Accordingly, the Petitioner has proposed the trajectory for the FY 2015-16 and the FY 2016-17 based on actual performance in the FY 2014-15 including rationale for deviations from the Regulations and / or previous tariff Orders of the Commission.

8.2 Plant Load Factor (PLF)

The Petitioner has proposed the PLF of its various power plants for the FY 2015-

16 to FY 2016-17 as under:-

PLF (%)	HERC Approved		HPGCL Proposed	
	FY 2015-16	FY 2016-17	FY 2015-16	FY 2016-17
PTPS 1- 4	15	35	15	15
PTPS 5-6	60	82.5	60	82.5
PTPS –7-8	85	85	85	85
DCRTPS-1-2	85	85	85	85
RGTPS-1-2	85	85	85	85
WYC and Karkoi	37	50	37	37

The Petitioner has submitted that they are able to achieve the normative PLF if the generating stations are not backed down on the instructions of the Discoms or SLDC and due to some force majeure conditions (problem in turbine) in the case of RGTPS Unit-2 in the FY 2013-14 and the FY 2014-15. The Petitioner has submitted that the PLF for WYC has been proposed keeping in view the capital overhauling of the machines. Accordingly, in the FY 2015-16 and the FY 2016-17 only 46.4 MW of machine capacity would be available. Hence, the Commission may allow normative 50% PLF on available capacity which translates to a PLF of 37% on the total capacity of 62.7 MW. It has been submitted that the Commission, on its own initiative keeping in view intermittent operation of PTPS (1-6), in its previous Order had reduced the PLF of PTPS (units 1-6). The normative PLF was reduced from 35% to 15% (PTPS units 1-4) and from 85% to 60% (PTPS 5-6). It has been submitted that a decision has been taken to de-commission PTPS (1-4), hence PTPS (5-6) is expected to be utilized more. Consequently, HPGCL has proposed normative availability of 82.5% in the case of PTPS (units 5-6). Further, in view of the fact that RGTPS Unit-1 suffered generation loss due to blast in the furnace on 01.07.2015 while ramping down for boxing up due to no demand as per instruction of SLDC and was under shutdown from 01.07.2015 to 23.08.2015, the Petitioner has prayed that the PLF of RGTPS may be relaxed to the level of actual PLF achieved at the time of true-up of the FY 2015-16. The work of rectification was done by M/s. Shanghai Electric Co. The HPGCL has requested that, additionally, R&M expenses of Rs.10.85 Crore on the same may also be allowed in addition to the approved R&M expenses for the FY 2015-16.

8.3 Auxiliary Energy Consumption

HPGCL has reiterated that due to high backing down, frequent start-stop conditions, poor quality of coal and the vintage of the plants, auxiliary energy consumption increases. This was agreed to by the Commission while passing the Order dated 27.03.2015. However, the Commission in the said Order considered relaxation in auxiliary energy consumption for PTPS (units 1-6) only based on the vintage of these power plants. The Petitioner has again prayed that given the fact that the same situation is expected to prevail the Commission may consider relaxing auxiliary energy consumption in PTPS (units 5-6) and DCRTPS. The auxiliary energy consumption approved by the Commission and proposed by HPGCL for the FY 2015-16 and the FY 2016-17 are as under:-

Auxiliary Energy Consumption (%)	HERC Approved		HPGCL Proposed	
	FY 2015-16	FY 2016-17	FY 2015-16	FY 2016-17
PTPS 1- 4	12	11	12	12
PTPS 5-6	10	9	10	10
PTPS -7-8	8.5	8.5	8.5	8.5
DCRTPS-1-2	8.5	8.5	9.0	9.0
RGTPS-1-2	6.0	6.0	6.0	6.0
WYC and Karkoi	1.0	1.0	1.0	1.0

8.4 Station Heat Rate (SHR)

The Petitioner has submitted that due to the factors including vintage, high backing down, frequent start-stop conditions, poor quality of coal the SHR increases. Hence, they had prayed to the Commission to relax the SHR norms for PTPS (units 1-6). In the present petition, HPGCL has proposed SHR as per the norms. However, the Petitioner has attempted to correlate the GCV of coal on Boiler Efficiency, PLF and Design Turbine Heat Rate on the one hand and SHR on the other hand. The details, for the sake of brevity, are not being reproduced here.

It has been submitted that there is no specific provision in the MYT Regulations, 2012 governing the variations in the SHR due to poor quality of coal and operating the power plants at partial load. However, CERC has issued draft notification dated 2nd July, 2015 which provides for relaxation in SHR corresponding to the running of the power

plant. Accordingly, the Petitioner has prayed that the Commission may also make appropriate provision for compensating for the higher SHR if deviation in PLF increases from the normative levels on the instructions of the beneficiaries. The SHR approved by the Commission and those proposed by HPGCL is as under:-

SHR (kCal/kWh)	HERC Approved		HPGCL Proposed	
	FY 2015-16	FY 2016-17	FY 2015-16	FY 2016-17
PTPS 1- 4	3150	3150	3150	3150
PTPS 5-6	2550	2550	2550	2550
PTPS –7-8	2500	2500	2500	2500
DCRTPS-1-2	2344	2344	2344	2344
RGTPS-1-2	2387	2387	2387	2387

8.5 Secondary Fuel Oil Consumption (SFC)

HPGCL has submitted that in its tariff petition for the FY 2015-16, the Commission was requested to relax the secondary fuel oil consumption norms for its power plants on account of high backing down, frequent start-stop and also ageing of the PTPS (units 1-6). The Commission, in its Order dated 27.03.2015 while agreeing to the submissions of HPGCL considered relaxing secondary fuel oil consumption norms for PTPS (1-4) only on the grounds of vintage. HPGCL, in the present petition, has proposed relaxed SFC norms for PTPS (units 1-4) and for rest of the power plants SFC is as approved by the Commission for the FY 2015-16 and the FY 2016-17. Additionally, HPGCL has prayed that in case due to factors beyond their control, the SFC increases beyond the normative level, the Commission may allow relaxing the same at the time of True-up. It has been submitted that the HERC MYT Regulations, 2012 has no specific provision governing the relationship between massive backing down / frequent start – stop operation of the generating plants and its impact on the SFC. Regarding the same the CERC has issued draft notification dated 2nd July, 2015 providing as under:-

“provided further where the scheduled generation falls below the technical minimum schedule, the generating station shall have the option to go for reserve shutdown and in such cases start up fuel cost over and above 7 start / stop in a year shall be considered as additional compensation”.

It has been further submitted that, as per the plant wise analysis done by HPGCL, the cost of oil consumed during the start and stop cycle, on an average, ranges from Rs. 36 lakhs PTPS (units 5-8) to Rs. 70 lakhs (RGTPS & DCRTPS) per start and stop cycle.

The SFC as approved by the Commission for the FY 2015-16 and the FY 2016-17 and those proposed by HPGCL is as under:-

Secondary Fuel Oil Consumption (ml/kWh)	HERC Approved		HPGCL Proposed	
	FY 2015-16	FY 2016-17	FY 2015-16	FY 2016-17
PTPS 1- 4	3.0	2.0	3.0	3.0
PTPS 5-6	1.0	1.0	1.0	1.0
PTPS –7-8	1.0	1.0	1.0	1.0
DCRTPS-1-2	1.0	1.0	1.0	1.0
RGTPS-1-2	1.0	1.0	1.0	1.0

8.6 Calorific Value and Price of Coal

HPGCL has proposed GCV of Coal for the FY 2015-16 and the FY 2016-17 as per the weighted average calorific value of coal for PTPS, DCRTPS and RGTPS during 2015-16 (till September, 2015) as under:-

Particulars	PTPS	DCRTPS	RGTPS
Gross Calorific Value of Coal (kcal/Kg)	3662.75	3671.64	3741.73

The Petitioner has further proposed the cost of coal for the FY 2016-17, on the basis of present weighted average cost of coal of the respective power plant, which includes the impact of blending of imported coal as well, during the same period i.e. April, 2015 to September, 2015. Accordingly, the average weighted landed cost of coal (Rs/MT) for the FY 2015-16 and the FY 2016-17 proposed by HPGCL is as under:-

Coal Cost (Rs/MT)	PTPS	DCRTPS	RGTPS
2015-16	4868.89	4647.26	5038.25
2016-17	4868.89	4647.26	5038.25

HPGCL subsequently informed that the increase in coal price during FY 2015-16 is due to increase in clean energy cess from Rs. 50/- (as on 10.07.2014) to Rs. 200/- per MT (as on 28.02.2015), increase in railway freight by 6.94%, increase in royalty by 0.28% on basic coal price per MT, levy of Busy Season Charge @ 15% on freight during the period from 01.10.2014 to 30.06.2015 and 01.10.2015 to 30.06.2016. The impact of these changes has been taken into account by HPGCL while proposing the plant-wise coal cost, as above.

The GCV and average landed cost of secondary fuel oil has been proposed by HPGCL for the FY 2015-16 and the FY 2016-17 as per the weighted average calorific

value and cost of oil for PTPS, DCRTPS and RGTPS during the FY 2015-16 (till September, 2015) as under:-

Oil Cost (Rs/KL)	PTPS	DCRTPS	RGTPS
2015-16	39255.58	43934.28	44560.26
2016-17	39255.58	43934.28	44560.26

HPGCL has prayed that the Commission may consider the actual coal and oil prices otherwise they may not be able to recover the cost of increased working capital requirement due to increase in coal prices while raising the bills of fuel price adjustments to the beneficiaries.

8.7 Variable Cost for the Control Period

In view of the above, the Petitioner has proposed the fuel cost in the FY 2015-16 and the FY 2016-17 as under:-

	2015-16		2016-17	
Fuel Cost	Generation (Ex-bus)	Per Unit Fuel Cost	Generation (Ex-bus)	Per Unit Fuel Cost
	in MU	Rs/ Unit	in MU	Rs/ Unit
PTPS - 1	136	4.71	136	4.71
PTPS - 2	127	4.71	127	4.71
PTPS - 3	127	4.71	127	4.71
PTPS - 4	127	4.71	127	4.71
PTPS - 5	993	3.75	1366	3.75
PTPS - 6	993	3.75	1366	3.75
PTPS - 7	1703	2.62	1703	3.62
PTPS - 8	1703	3.62	1703	3.62
DCRTPS-1	2033	3.25	2033	3.25
DCRTPS-2	2033	3.25	2300	3.25
RGTPS-1	4200	3.40	4200	3.40
RGTPS-2	4200	3.40	4200	3.40
Hydel				
Total	18376	3.48	19121	3.49

8.8 Annual Fixed Cost

The Petitioner has submitted that the annual fixed cost for the control period 2014-17 has been determined by the Commission vide its Orders dated 29.05.2014 and 27.03.2015. However, in view of the audited accounts of the FY 2014-15 and the subsequent developments, HPGCL has proposed certain revision in the fixed cost for the FY 2015-16 and the FY 2016-17. The fixed cost component wise details are as under as

per the paragraph that follows.

8.9 Operation and Maintenance Expenses (O&M)

8.10 HPGCL has submitted that the Commission vide its Order dated 27.03.2015 had considered the FY 2013-14 as the base year for determining O&M expense for RGTPS, DCRTPS and WYC Hydel and retained the annual escalation of 4%. Further, it has been submitted that to arrive at a more accurate figure of O&M expenses for FY 2015-16 and 2016-17 and to minimize true-up amount, true-up of employee cost of FY 2014-15 should also be considered additionally while determining O&M expenses as per methodology of the Commission. In the present petition, HPGCL has proposed the O&M expense of these units for the FY 2015-16 and the FY 2016-17 accordingly. Further, additional R&M expense of Rs 10.85 Crore has also been proposed for RGTPS Unit-1 in the FY 2015-16 due to the abnormal R&M expenses incurred under force-majeure conditions.

In the additional submissions dated 12.01.2016, HPGCL has submitted that Employee Cost of PTPS Units 1-4 projected for the FY 2016-17 may be apportioned in rest of the plants of HPGCL for the purpose of determining generation tariff for the FY 2016-17.

8.11 The detailed break-up of O&M expenses for the FY 2016-17 as submitted by the HPGCL is are under:-

(Rs. Crore)				
O&M Exp.	Allowed O&M Expenses	Revised Base as per order dated 27.03.2015	True-up of Employee cost FY 14-15	Total O&M Expenses for FY 2016-17
PTPS1-4	91.20	104.90	52.02	156.92
PTPS – 5	47.86	47.86	22.67	70.53
PTPS – 6	47.86	47.86	22.68	70.54
PTPS – 7	42.21	42.21	23.66	65.87
PTPS – 8	42.21	42.21	23.66	65.87
DCRTPP-1	40.65	44.38	23.76	68.14
DCRTPP-2	40.65	44.38	23.76	68.14
RGTPP-1	54.66	50.12	23.69	73.81
RGTPP-2	54.66	50.12	23.70	73.82
WYC Hydel	15.37	27.58	8.81	36.39
Total	477.33	501.62	248.41	750.03

8.12 The revised O&M Expense of HPGCL plants for the FY 2016-17, after apportionment of Employee cost of PTPS units 1-4, as provided by HPGCL in the additional submission, are as under:-

(Rs. Crore)

O&M	Proposed O&M Expense	Apportionment of Employee Cost of PTPS Unit 1-4	Revised O&M Expenses for the FY 2016-17
PTPS1-4	156.92	-	-
PTPS - 5	72.00	24.33	96.32
PTPS - 6	69.07	22.67	91.74
PTPS - 7	67.58	23.62	91.19
PTPS - 8	64.15	21.67	85.83
DCRTPP-1	68.14	9.77	77.91
DCRTPP-2	68.14	9.77	77.91
RGTPP-1	73.82	9.86	83.68
RGTPP-2	73.82	9.86	83.68
WYC Hydel	36.39	7.39	43.77
Total	750.03	138.93	732.05

8.13 Depreciation

HPGCL, for its various power plants, has revised its Gross Fixed Assets based on certain changes in the actual capital expenditure in the FY 2014-15 and the capital expenditure likely to be incurred during the FY 2015-16 and the FY 2016-17. Accordingly, the opening GFA in the FY 2015-16 has been estimated as Rs. 10563.12 Crore and closing GFA, after considering an addition of Rs. 131.37 Core has been estimated as Rs. 10694.49 Crore. The details of Gross Fixed Assets, as provided by HPGCL, for the FY 2016-17 are as under:-

(Rs. in Crore)

FY 2016-17	Opening GFA	Additions	Deletions	Closing GFA
PTPS - 1	208.66	0.00	0.00	208.66
PTPS – 2	249.78	0.00	0.00	249.78
PTPS – 3	64.17	0.00	0.00	64.17
PTPS – 4	74.28	0.00	0.00	74.28
PTPS - 5	299.73	3.80	0.00	303.54
PTPS - 6	1024.12	6.12	0.00	1030.24
PTPS - 7	966.97	31.65	0.00	998.62
PTPS - 8	960.35	31.65	0.00	992.00
DCRTPP-1	1125.91	5.27	0.00	1131.17
DCRTPP-2	1125.95	5.27	0.00	1131.21
RGTPP-1	2195.57	20.48	0.00	2216.06
RGTPP-2	2195.57	20.48	0.00	2216.06
WYC Hydel	203.43	27.92	0.00	231.35

Total	10694.49	152.64	0.00	10847.13
--------------	-----------------	---------------	-------------	-----------------

8.14 It has been submitted that PTPS (units 1-4) have outlived their useful life as per the HERC MYT Regulations, however, a large amount of depreciation relating to these units, as on 31.03.2015, remains un-claimed. Hence, HPGCL has proposed to claim the said amount in the FY 2015-16 and the FY 2016-17 in equal proportion.

8.15 In view of the above the depreciation proposed by HPGCL for the FY 2015-16 & 2016-17 is as under:-

	(Rs. in crore)			
	HERC (Approved)		HPGCL (Proposed)	
	FY 2015-16	FY 2016-17	FY 2015-16	FY 2016-17
PTPS – 1-4	31.95	28.91	71.61	69.50
PTPS – 5-6	13.08	7.84	28.93	27.62
PTPS –7-8	93.33	92.86	92.04	94.73
DCRTPP-1-2	107.02	103.66	106.40	106.19
RGTPP-1-2	207.98	178.77	209.71	214.68
WYC Hydel	9.88	3.89	8.98	9.82
Sub Total	463.24	415.93	517.67	522.55
Adj. of true-up of FY 2014-15			(32.06)	
Total	463.24	415.93	485.61	522.55

8.16 Interest & Finance Charges

HPGCL has submitted that capitalization proposed in the Control Period FY 2014-17 has been funded primarily by loans. Equity is to be received partly only for raising height of ash-dyke of PTPS and establishment of ERP system. Further, new loan of Rs. 190 Crore has been sanctioned/availed in the FY 2015-16 for discharging the outstanding capex Liabilities of the EPC contractor and to fund the additional capex requirement of RGTPS.

It has been submitted that during the FY 2015-16, HPGCL has reviewed its loan portfolio and refinanced its higher cost PFC loan pertaining to DCRTPS amounting to Rs. 1085.84 Crore from cheaper source i.e. Indian Overseas Bank (IOB) by exercising financial prudence with the approval of the State Government. The rate of interest of IOB loan is@ 10.05% p.a. as compared to PFC interest rate of 12.75% p.a. This loan swapping would entail recurring saving of annual interest and finance charges which would be Rs. 13.44 Crore in the FY 2015-16 and about Rs. 25.22 Crore in the FY 2016-17. However, for loan swapping HPGCL had to incur pre-payment charges to PFC as

well as guarantee fees to the Government of Haryana amounting to Rs 47.57 Crore. This amount will be completely offset with the savings in the subsequent years including the FY 2015-16. In the overall scenario by offsetting all the prepayment charges and guarantee fee etc. there will be a net saving of Rs. 40.06 Crore over the repayment schedule of the existing loan, which shall be dealt with at the time of midyear performance review or true-up.

8.17 Interest and finance charges as proposed by HPGCL for the FY 2015-16 & FY 2016-17 is as under:-

(Rs. in crore)				
	Approved		Proposed	
	FY 2015-16	FY 2016-17	FY 2015-16	FY 2016-17
PTPS – 1-4	6.19	3.01	3.08	3.12
PTPS – 5-6	10.30	7.26	9.10	8.56
PTPS –7-8	26.72	15.29	32.68	36.42
DCRTPP-1-2	139.80	122.10	169.28	95.14
RGTPP-1-2	271.92	235.95	275.57	258.64
WYC Hydel	2.76	0.43	0.76	2.56
Total	457.69	384.04	490.48	404.44

8.18 Return on Equity

The details of the equity capital in the FY 2015-16 and the FY 2016-17, based on the capitalization schedule as provided by HPGCL, is as under:-

(Rs. Crore)				
	Opening	Additions	Closing	RoE @ 10%
PTPS - 1	24.70	0.05	24.75	2.47
PTPS – 2	24.70	0.05	24.75	2.47
PTPS – 3	16.41	0.03	16.44	1.64
PTPS – 4	16.41	0.03	16.44	1.64
PTPS - 5	5.62	0.01	5.63	0.56
PTPS - 6	151.23	0.32	151.55	15.14
PTPS - 7	214.12	0.45	214.57	21.43
PTPS - 8	214.12	0.45	214.57	21.43
DCRTPP-1	243.77	0.51	244.29	24.40
DCRTPP-2	243.77	0.51	244.29	24.40
RGTPP-1	483.63	1.02	484.65	48.41
RGTPP-2	483.63	1.02	484.65	48.41
WYC Hydel	14.69	0.03	14.72	1.47
Total	2136.81	4.50	2141.31	213.91

8.19 Interest on Working Capital

8.20 HPGCL has submitted that it has re-assessed the normative working capital requirement considering receivables equivalent to one month. Maintenance spares have also been considered as per the Commission's Order dated 27.03.2015 i.e. 15% of O&M Expenses for RGTPS and DCRTPS. It has been further submitted that the actual weighted average rate of coal and oil in the FY 2015-16 (till September) has been considered for calculation of fuel cost for the FY 2015-16 and the FY 2016-17 without considering any escalation in the same. Accordingly, the proposed interest on working capital for the FY 2015-16 is Rs. 254.46 Crore as against Rs.239.88 crore approved by the HERC) and Rs.263.07 Crore for the FY 2016-17 as against Rs. 304.51 Crore approved by the Commission.

In the additional submission dated 12.01.2016 filed by HPGCL , the calculations of the interest on working capital have been revised for the FY 2016-17 is as under:-

	Coal Stock	Oil Stock	O&M Expenses	Maint. Spares	Receivables	Total W/C Requirement	Int. on W/C
	2 Months	2 Months	1 Months	10/15/7.5 %	1Month		13%
PTPS - 5	85.40	0.99	8.03	9.63	55.41	159.46	20.73
PTPS - 6	85.40	0.99	7.64	9.17	54.42	157.63	20.49
PTPS - 7	102.69	1.22	7.60	9.12	69.47	190.09	24.71
PTPS - 8	102.69	1.22	7.15	8.58	67.78	187.42	24.36
DCRTPP-1	109.98	1.64	6.49	11.69	74.94	204.73	26.62
DCRTPP-2	109.98	1.64	6.49	11.69	74.94	204.74	26.62
RGTPP-1	238.29	3.32	6.97	12.55	156.05	417.19	54.23
RGTPP-2	238.29	3.32	6.97	12.55	156.05	417.19	54.23
WYC Hydel	0.00	0.00	3.65	3.28	4.93	11.86	1.54
Total	1072.71	14.33	61.00	88.27	713.99	1950.31	253.54

8.21 It has been submitted that the Commission vide its Order dated 27.03.2015 had allowed recovery of all expenditure relating to petition filing fees including publication of notices etc. and any other statutory fees/ regulatory fees, taxes and levies and also SLDC charges from the beneficiaries as per actual for FY 2015-16 and prays for the similar allowance in the FY 2016-17 as well. Additionally, it has been prayed that the Commission may also allow watch & ward expenses of Kakroi Micro Hydel @50000 per month i.e Rs 6 Lacs/p.a for the FY 2015-16 onwards till disposal of the plant.

In accordance with the above submissions, HPGCL has proposed total fixed cost of Rs. 2277.39 Crore in the FY 2015-16 and Rs. 2246.90 Crore in the FY 2016-17.

9.1 HPGCL's Prayer

- a) Admit this Petition.
- b) Allow relaxed Technical Parameters for the FY 2014-15 and the FY 2016-17 based upon relaxation provided by the Commission in the Generation Tariff for FY 2015-16.
- c) Consider the impact of Terminal Liability for determining O&M expenses of FY 2015-16 and FY 2016-17 with suitable escalation.
- d) Allow recovery of full fixed cost for RGTPP and WYC Kakroi at actual PLF for FY 2014-15 as has been allowed in FY 2013-14 and FY 2015-16 respectively considering uncontrollable factors.
- e) Approve True-up of FY 2014-15 at Rs.279.46 Crore with appropriate holding cost.
- f) Approve revised schedule of capital expenditure plan for FY 2015-16 and FY 2016-17.
- g) Consider and provide suitably for relaxation/compensation for deterioration in the technical factors viz auxiliary consumption, SHR and SFC due to massive and frequent backing down and poor quality of coal in view of the CERC draft amendment notification dt. 2nd July, 2015.
- h) Allow HPGCL for submitting supplementary petition for revision in generation tariff of other HPGCL's plants for the FY 2016-17 in case decision of phasing out of PTPS unit 1 to 4 comes earlier.
- i) Allow watch and ward expenses of Micro Hydel Kakroi project as a pass through expenses.
- j) Consider and approve the revised Mid-year performance review for 2015-16 and provide appropriate provision to claim the differential amount of revised tariff.
- k) Determine Generation Tariff for 2016-17 as proposed by the petitioner.
- l) Impart appropriate clarification/direction on the matter of recovery of fixed cost, computation of loss of generation at the installed capacity during the backing down and rate of delayed payment surcharge on the FPA bill of HPGCL as submitted in Chapter A-9.
- m) Issue appropriate orders for ensuring the running of HPGCL plant and also for clear mandate to HPGCL in advance for scheduling of HPGCL unit to make the third party sale mechanism attractive.
- n) Provide appropriate provision for considering the relaxation or relief granted by any appellate authority on the appeals of the petitioner.
- o) Condone any inadvertent omissions / errors / delays / short comings and permit

the applicant to add/ change/modify/ alter this filing and make further submissions as may be required at later stage as the filing is being done based on the best available information.

- p) Treat the filing as complete in view of substantial compliance as also the specific requests for waivers with justification placed on record.

10 Procedural Aspects, Analysis & Order of the Commission

10.1 Public Hearing

In compliance of Section 64 of the Electricity Act, 2003 and Haryana Electricity Regulatory Commission (Conduct of Business) Regulations, 2004, the Commission scheduled a hearing on 15.02.2016 in order to afford an opportunity to the stakeholders to present their objections / suggestions on the Generation Tariff proposal of HPGCL. The Commission heard the oral submissions of HPGCL in the said hearing as no other Objector had either filed objections or was present in the public hearing held on 15.02.2016. In the hearing, the Petitioner mostly reiterated their written submissions and hence the same, for the sake of brevity, are not being reproduced here. However, the Commission raised a few issues and sought certain information/details from the Petitioner. The Petitioner, vide Memo No. HPGC/FIN/Reg-459/ dated 23.02.2016 provided the requisite information/details. The same has been considered by the Commission at the relevant paragraphs of the present Order.

10.2 State Advisory Committee (SAC)

In order to take forward the consultation process, a meeting of the State Advisory Committee constituted under Section 87 of the Act, was convened on 10.03.2016 to discuss the petition filed by HPGCL and to seek suggestions /comments of the Committee. However, no suggestions /comments specific to determination of HPGCL's Generation Tariff were offered by the SAC Members.

11 Commission's Analysis and Order

The Commission has taken into account the petition filed by HPGCL , additional information provided by them in response to the Commission's deficiency letters, oral submissions made in the public hearing held on 15.02.2016 and the information/details

provided by HPGCL vide Memo No. HPGC/FIN/Reg-459/ dated 23.02.2016.

At the outset, the Commission observes that HPGCL has raised a large number of issues in the Petition filed by them as well as in response to the additional information sought by the Commission. This includes reference to CERC norms, relaxation sought on the basis of past performance etc. The Commission would like to make it clear that, at this stage, the Commission shall limit the present Order to True-up for the FY 2014-15 as well as determination of generation tariff for the FY 2016-17 in accordance with the HERC MYT Regulations, 2012 except for a few relaxations considered on merit. The issues pertaining to the FY 2015-16 shall be considered by the Commission while undertaking similar exercise in the FY 2016-17.

12 FY 2014-15 True-Up

While undertaking true-up for the FY 2014-15, the Commission has analyzed the actual expenditure as per the audited accounts of the FY 2014-15 vis-à-vis the Commission Order for the relevant financial year and has allowed/disallowed, as the case may be, the recovery of the trued-up amount in accordance with the MYT Regulations, 2012.

13 True-up of O&M Expenses for the FY 2014-15

In line with the relevant provisions of the HERC MYT Regulations, 2012, governing the Truing-up process, the Commission has examined the audited accounts of HPGCL for the FY 2014-15, true-up petition of HPGCL submitted vide memo no. HPGCL/FIN/Reg-459/938 dated 19.11.2015 and additional information submitted by HPGCL vide its letter no. HPGCL/FIN/Reg-459/964 dated 12.01.2016. It is observed that HPGCL has sought true-up of O&M expenses of PTPS (units 1-4) amounting to Rs. 24.56 Crore and Employee Cost, including Terminal Benefits, amounting to Rs. 248.42 Crore.

The Commission in its MYT Order dated 29.05.2014, had reduced the PLF for PTPS (units 1-4) from the normative 68% to 35% and accordingly while allowing O&M expenses, allowed full employee cost, restricted the A&G expenses to 50% and no R&M cost was allowed. However, the same was subject to True- up at the end of the financial

year, in line with actual dispatches. A comparison of normative Ex-bus generation at 35% PLF and actual units generated in the FY 2014-15, in respect of PTPS 1-4, is given below:-

	PTPS-1	PTPS-2	PTPS-3	PTPS-4	Total
Normative ex-bus generation (MU) at 35% PLF	321.45	300.16	300.16	300.16	1221.93
Actual generation ex-bus generation(MU)	112.29	99.28	80.94	114.04	406.55

It is evident from the above comparative table that the actual generation was significantly below the normative level. It has been submitted by HPGCL that this was primarily on account of the backing down instructions of the Discoms. Hence, the PLF of PTPS (units 1-4) after accounting for deemed generation was 59% in the FY 2014-15. It has been further submitted that HPGCL power plants were kept in ready condition due to which it was able to supply power immediately on the demand of the Discoms when there was a critical situation of the power in the State on backing out by M/s Adani to supply the power as per the Power Purchase Agreement. It has been further stated that HPGCL is incurring expenses on these power plants prudently and has considered only need base R&M expenses. The actual R&M and A&G expenses on these power plants was Rs. 28.53 Crore as against the approved amount of Rs. 3.97 Crore. It has further been stated that actual R&M and A&G expenses for FY 2014-15 are less than 50% of the actual R&M and A&G expenses for FY 2011-12, which were Rs. 56.15 crore. Accordingly, the differential amount of actual R&M and A&G expenses of these units amounting to Rs. 24.56 Crore has been sought as true-up.

The Commission has considered the submissions of HPGCL and allows the differential amount of Rs. 24.56 Crore of R&M and A&G expenses for the FY 2014-15, keeping in view that actual R&M and A&G expenses for FY 2014-15 were less than 50% of the actual R&M and A&G expenses for FY 2011-12.

The Commission has examined the contention of the Petitioner that the actual Employees cost in the FY 2014-15 including terminal liability of Rs. 250.76 Crore was Rs. 482.56 Crore as against Rs. 234.14 crore allowed by the Commission in the MYT Order dated 29.05.2014 leading to a shortfall in the allowed employees cost of Rs.248.42

Crore (Rs. 482.56 crore – Rs. 234.14 crore). Further, the Commission had asked HPGCL to explain the reasons behind 64% increase in the terminal liabilities to which HPGCL replied that the increase is due to less contribution in the previous years and incremental retirement trend.

The Commission has considered the above claims and observes that the terminal liability as well as the increase in the pay-scales of the employees is beyond the control of HPGCL and the same are also classified as uncontrollable as per Regulation 8.3 (b) of the MYT Regulations, 2012. Hence, the Commission allows Rs. 248.42 Crore as true-up amount pertaining to the Employee Cost and terminal liabilities.

14 True-up of Depreciation

The Commission has carefully examined the submissions of HPGCL i.e. the actual depreciation in the FY 2014-15 was Rs. 434.40 Crore as against the approved depreciation of Rs. 470.63 Crore. Thus, actual depreciation is lower than the approved depreciation by Rs. 36.23 crore. HPGCL was asked to explain the abnormal variation in depreciation for the PTPS Units 5-6 (allowed Rs. 63.55 Crore, actual Rs. 4.94 Crore) and RGTPS 1-2 (allowed Rs. 178.77 crore, actual: Rs. 204.22 crore). HPGCL has submitted that variation is due to the fact that while submitting tariff petition, it had applied average rate of depreciation on Gross Block of HPGCL without considering the plant wise and asset wise rate of depreciation. It was further submitted that in the FY 2013-14 and the FY 2014-15 it has inadvertently depreciated assets under head of vehicle @ 9.5% instead of the prescribed rate of 18% in HERC MYT Regulations, 2012. The above mistake on the part of HPGCL was observed by the statutory auditor during the course of its audit for the FY 2014-15. It has been averred that the Audited Accounts of the FY 2013-14 and FY 2014-15 have already been finalized, hence, the differential amount of depreciation cannot be reflected in the audited accounts of those years and the same shall be adjusted in the Audited Accounts of the FY 2015-16. However, HPGCL has requested the Commission to adjust the deficient depreciation amounting to Rs. 4.17 Crore in the True-up of the FY 2014-15 only as not recovering the same will lead to delay in recovery of justified cost by HPGCL.

HPGCL has further sought to offset the excess depreciation as per the audited accounts for the FY 2014-15 (Rs. 36.23 Crore) against the deficient depreciation to be booked in the FY 2015-16 (Rs. 4.17 Crore) and the balance amount of excess depreciation of Rs. 32.06 Crore (Rs. 36.23 Crore minus Rs. 4.17 crore) has been proposed to be retained for offsetting against the unclaimed depreciation (Rs. 141.11 Crore) of PTPS units 1-4.

The Commission has examined the above submissions and observes that there has been addition to the fixed assets amounting to Rs. 241.79 crore, which is not linked with the approved capex plan and certificate of commissioning. HPGCL replied to the observation that the addition to fixed assets is mainly on account of discharging of unpaid liabilities of the RGTPS and DCRTS paid during the FY 2014-15 on account of the capex work done and the initial spares procured.

The Commission has perused the Fixed Assets Register for the FY 2014-15 filed by HPGCL. It is observed that HPGCL has capitalized spares amounting to Rs. 154.60 crore (Rs. 75.52 crore in case of RGTS, Rs. 27.29 crore in the case of DCRTS and Rs. 51.79 crore in case of PTPS). This is also apparent from the auditor's observation at para 4 (vii) of Note 1, forming part of the financial statement for the FY 2014-15, wherein it has been stated that HPGCL has capitalized machinery spares which were included in the inventories of the previous year and the same has resulted in the increase in fixed assets by Rs. 154.60 Crore and increase in the depreciation charged for the year by Rs. 8.17 Crore.

In order to examine the above issue the Commission has relied on the Regulation 18.5.2 of the HERC MYT Regulations, 2012 as under:-

“The Commission may consider admitting, after prudence check, the capital expenditure of the following nature actually incurred after the cut-off date:

- a) Deferred liabilities relating to works/services within the original scope of work without any escalation;*
- b) Liabilities to meet award of arbitration provided that it is not on account of any fault of the generation company or the licensee as the case may be;*

- c) *Liabilities on account of compliance of the order or decree of a court;*
- d) *Liabilities on account of change in law;*
- e) *Any additional work/services which have become necessary for efficient and successful operation of the project, but not included in the original project cost.”*

Further, regulation 3.18 of MYT Regulations 2012 provides as under:-

“Cut off date means 31st March of the year closing after two years of the year of commercial operation of the project and in case the project is declared under commercial operation in the last quarter of the year, the cut off date shall be 31st March of the year closing after three years of the year of commercial operations”

In light of the above, the Commission observes that the shortfall in depreciation amounting to Rs. 4.17 Crore is proposed to be adjusted by HPGCL in the Audited Accounts of FY 2015-16, therefore the same can be claimed by HPGCL in the True-up petition for the FY 2015-16 along with submission of calculations/relevant details for the shortfall of Rs. 4.17 Crore. Therefore, the Commission shall consider only the excess depreciation charged amounting to Rs. 36.23 Crore for the True-up. Further, the Commission observes that the spares capitalized by HPGCL amounting to Rs. 154.60 crore is not in conformity with the regulation 18.5.2 of MYT Regulation, 2012, hence the same cannot be allowed and accordingly, the depreciation charged on the same during the FY 2014-15, amounting to Rs. 8.08 crore (RGTPP – Rs. 3.99 crore, DCRTTPP – Rs. 1.43 crore and PTPS 2.66 crore) is disallowed.

Additionally, the Petitioner has also raised the issue of unclaimed depreciation of PTPS (units 1-4) as on 31.03.2015, since these units, as informed, have now been de-commissioned. The Commission is of the view that as per the submissions of the Petitioner in the present petition PTPS (units 1-4) is capable of operating at the normative levels but for the backing down instructions of the Discoms. Hence, all the plants, machinery and equipments of PTPS (units 1-4) are in running condition. Resultantly, the residual values of these Units are expected to be more than the normative salvage value of 10%. Thus, HPGCL may get valuation of the same done at the earliest along with valuation of the land of PTPS (units 1-4) and submit a report to the Commission so that a

view may be taken regarding the adjustments of the balance depreciation amount and unpaid loans, if any. Accordingly, Commission approves True-up of the depreciation for FY 2014-15 at Rs. (-) 36.23 crore. Besides, the excess charged depreciation of Rs. 8.08 Crore, as already stated, is also disallowed.

15 True-up for the Interest and Finance Charges

The Commission has examined the submissions of HPGCL that the actual interest and finance charges of HPGCL in the FY 2014-15 were Rs. 497.28 Crore as per the audited accounts for the year, as against the approved interest and finance charges on loan of Rs 502.00 Crore. HPGCL has further submitted that the saving in the interest cost is mainly due to efficient & prudent financial management and better credit rating of HPGCL. Accordingly, HPGCL has proposed for sharing of the saving of Rs. 4.72 Crore (502-497.28) in the interest and finance charges for the FY 2014-15 with the beneficiaries as per Regulation 12.4 per MYT Regulation in the 50:50 ratio. Therefore, HPGCL has proposed that the Commission may consider adjustment of the aforesaid net saving after sharing amounting to Rs. 2.36 Crore from the true-up amount of FY 2014-15.

The Commission observes that the above proposal is in line with the HERC MYT Regulations, 2012. Hence, the Commission allows Rs. 2.36 Crore for true-up of the interest expense.

16 True-up of Return on Equity (ROE)

HPGCL has submitted that as per their audited accounts for the FY 2014-15, it has incurred capital expenditure of Rs. 37.09 Crore for the works approved by the Commission. The Government of Haryana has also provided an additional Equity Capital of Rs. 10 Crore to HPGCL in the FY 2014-15 for the aforesaid capital work and hence the same needs to be considered for computing RoE as well. The Commission has considered the submissions of HPGCL as well as the fact that in the FY 2014-15 (Order dated 29th May, 2014) the opening Equity Capital was considered Rs. 2110.64 Crore, instead of Rs. 2126.81 Crore. Therefore, the true-up amount of return on equity works out to Rs. 1.88 Crore. Hence, the Commission allows the same.

17 True-up for the Interest on Working Capital

HPGCL has proposed that the difference in the interest on working capital of Rs. 313.77 Crore and the revised normative interest on working capital of Rs. 265.70 Crore amounting to Rs. 48.07 may be considered for truing-up in the FY 2014-15.

The Commission has considered the above submissions and observes that the actual interest on working capital, as per the audited accounts is Rs. 152.52 Crore. Thus, there is substantial difference in between the interest on working capital allowed by the Commission and actual interest on working capital incurred by HPGCL. The Commission further observes that several generating units of HPGCL remained backed down for considerable time, hence, HPGCL's revenue decreased from the normative level of Rs. 8151.17 Crore to Rs. 6404.20 Crore. Further, the actual generation was also lower in the FY 2014-15 at 12515 MU as against the normative level of 21900 MU. HPGCL was asked to clarify the reason for not surrendering the excess amount of interest on working capital of Rs 161.25 crore (i.e. Rs. 313.77 Crore minus Rs. 152.52 Crore).

To the above, HPGCL replied that HERC is allowing interest on working capital at the specified rate of interest only on the normative working capital requirement determined by it based on various operational and financial parameters as per HERC MYT Regulation, 2012 irrespective of the actual working capital requirement of HPGCL. The working capital requirement can be met out of the internal accruals or with the borrowing from banks and financial institutions. In the FY 2014-15, HPGCL has used its internal accrual to the maximum extent to reduce its interest burden even by deferring its certain liabilities.

The Commission has considered the submissions of HPGCL and observes that there is substantial reduction in PLF of all the generating units which is primarily attributable to backing down by the Discomss. This is one of the reasons of lower working capital requirement. Further, the Commission has been allowing advance against depreciation (AAD) from the FY 2007-08 to 2010-11 in the relevant Tariff Orders keeping in view the fact that repayment of long term loans had been higher than the normative depreciation. Therefore, the submission of HPGCL that the lower interest cost

on working capital is on account of meeting the working capital requirements from internal accruals has no merit.

The Commission, in its Order dated 27.03.2015, had clarified that receivable equivalent to two months has been inadvertently considered (except for PTPS units 1-4), while computing working capital requirement. Further, the Commission has allowed rate of interest on working capital @ 13% p.a. As per Regulation 22.2 of MYT Regulation 2012, the rate of interest on working capital shall be equal to the base rate of SBI as applicable on 1st April of relevant financial year plus an appropriate margin that realistically reflects the rate at which the generating company can raise debt from the market.

In view of the above, the interest on Working Capital has been re-calculated for the FY 2014-15 considering receivable period of one month and reducing the rate of interest on working capital to 11.25% p.a. (Base rate of SBI as on 01.04.2014 = 10% + margin of 1.25%), as under:-

	Coal & Oil Stock (Normative)	O&M Expenses (Normative)	Maintenance Spare (Normative)	Receivables	Total W/C Reqd.	Int. on W/C
	2/1 Months	1 Months	10/7.5 %	1 Month		11.25%
PTPS - 1-4	42.13	7.34	8.81	54.04	112.32	12.64
PTPS – 5	77.06	3.69	4.42	46.03	131.20	14.76
PTPS – 6	77.06	3.69	4.42	49.80	134.97	15.18
PTPS – 7	89.97	3.25	3.90	57.67	154.80	17.41
PTPS – 8	89.97	3.25	3.90	57.67	154.80	17.41
DCRTP-1 & 2	185.05	6.27	7.52	129.59	328.42	36.95
RGTP-1 & 2	414.34	8.42	10.11	274.30	707.17	79.56
Hydel		1.18	1.42	1.73	4.33	0.49
Total	975.58	37.09	44.51	670.83	1,728.01	194.40

Accordingly, true-up of interest on working capital for the FY 2014-15, has been done at Rs. -119.37 Crore, as under:-

	Approved IWC (Rs. Crore)	Corrected revised IWC (Rs. Crore)	True-up of IWC (Rs. Crore)
PTPS 1-4	14.60	12.64	-1.96
PTPS 5-6	47.79	29.94	-17.85
PTPS 7-8	56.97	34.83	-22.14
DCRTPS 1-2	61.62	36.95	-24.67

RGTPS 1-2	132.00	79.56	-52.44
WYC Hydel	0.79	0.49	-0.30
Total	313.77	194.40	-119.37

18 True-up of variable cost for FY 2014-15

HPGCL has prayed that the Commission may re-determine Energy Charge Rate (ECR)/ variable cost for FY 2014-15 along with its impact on FPA cost, considering the limited relaxation on the Auxiliary Consumption and SFC, in respect of PTPS units 1-6 at par with the relaxation granted for the FY 2015-16.

The Commission, in its tariff Order dated 29th May, 2014, had approved Auxiliary Energy Consumption and Specific Oil Consumption for the various Power Plants of HPGCL as per the norms. The Commission had not accepted the contention of the petitioner stating on the ground that the HERC norms were already relaxed as compared to the National norms. Although, the Commission had relaxed the norms for Auxiliary Energy Consumption by 1% for PTPS 1-6 and Specific Oil Consumption by one ml/kwh for PTPS units 1-4, in its Order dated 27th March 2015 for the FY 2015-16. However, the same relaxation cannot be considered for true-up of the earlier Order i.e. the FY 2014-15.

19 True-up for Recovery of Fixed Cost

HPGCL has submitted the following details regarding the HERC approved and actual PLF (Deemed) billed in respect of RGTPS and WYC for the FY 2014-15:-

PLF (in %)	Approved	Actual
RGTPS 1-2	85.00%	76.34%
WYC and Kakroi	50.00%	32.85%

HPGCL has submitted that the Unit-2 of RGTPS was not available from October, 2013 till June, 2014 due to rotor damage and was brought back on bar in July, 2014. The Unit-1 turbine also continued to face problem of high vibrations and eccentricity. HPGCL submitted that the relaxation in the PLF in respect of WYC was considered by the Commission in view of the availability of the generating machine due to on-going capital overhauling works.

Hence, HPGCL has requested the Commission to relax normative PLF of RGTPS and WYC Hydel to the actual achieved in the FY 2014-15 and allow recovery of full fixed cost accordingly at actual deemed PLF achieved by these plants in the FY 2014-15.

A summary of fixed cost approved by the Commission in the FY 2014-15 for RGTPS and WYC Hydel in the Order dated 29.05.2014 and Fixed Cost actually recovered and resultant true-up amount, as submitted by HPGCL, is as under:-

	Approved Fixed Cost (Rs. Crore)	Recovered Fixed Cost (Rs. Crore)	True-up of Fixed Cost (Rs. Crore)
RGTPP 1-2	846.35	805.34	41.01
WYC Hydel	20.76	13.44	7.32
Total	867.11	818.78	48.33

HPGCL has submitted that the deemed PLF (%) for RGTPS 1-2 and WYC and Kakroi was 76.34% and 32.85% respectively against the approved norms of 85% and 50%, respectively. Accordingly, HPGCL cannot be allowed to recover full fixed cost. Further, the deemed PLF of DCRTPS for FY 2014-15 is 78% and is less than the normative PLF of 85%. Accordingly, in the case of DCRTPS also the HPGCL cannot be allowed to recover the full normative fixed cost. The allowed recovery of fixed cost is tabulated below:-

Plant	Approved Annual Fixed Cost (Rs. Crore)	Approved PLF (%)	Actual Deemed PLF (%)	Allowed recovery of Fixed Cost (Rs. Crore)	Recovered Fixed Cost (Rs. Crore)	Excess recovery (Rs. Crore)
	(1)	(2)	(3)	(4)=1*3/2, subject to max. of 1	(5)	(6=5-4)
DCRTP	464.05	85.00%	78.00%	425.83	445.27	19.44
RGTPS 1&2	846.36	85.00%	76.34%	760.13	805.34	45.21
WYC Hydel	20.76	50.00%	32.85%	13.64	13.44	-0.20
Total	1331.17			1199.60	1264.05	64.45

The Commission observes that HPGCL has incurred fixed cost of Rs. 1806.74 Crore only during the FY 2014-15 as against the normative fixed cost of Rs. 2044.53 Crore determined by the Commission. Against this, HPGCL has recovered fixed cost amounting to Rs. 2125.31 crore. Thus, the fixed cost actually incurred by HPGCL is less than the approved fixed cost. Further, it is observed that RGTPS Unit-2 was not available during the period from April to June 2014, however, HPGCL has recovered full fixed

cost of this boxed-up unit as well. Even on the basis of annualised PLF, on deemed generation basis, HPGCL was allowed to recover Rs. 760.13 Crore only in respect of RGTPS (even after allowing fixed cost recovery for the period in which that unit was not available), whereas, HPGCL has actually recovered Rs. 805.34 Crore. Thus, there is over recovery of fixed cost amounting to Rs. 45.21 Crore in respect of RGTPS. Similarly, there is over recovery of fixed cost amounting to Rs. 19.44 Crore, in respect of DCRTPS also. Consequently, HPGCL's claims for true-up of Fixed Cost of RGTPS and WYC are without any merit and accordingly rejected. **Hence, HPGCL is directed to reverse the excess amount of fixed cost of Rs. 64.45 crore in respect of above three generating units recovered in the FY 2014-15 to the Discoms.**

20 True-up of Non-tariff Income

The Commission observes that HPGCL has earned non operating income of Rs. 39.30 Crore in the FY 2014-15. HPGCL has been allowed Annual fixed charges and variable charges (Fuel Cost) and there is no specific provision in the MYT Regulation, 2012 regarding adjustment of Non-tariff income. Generally, the generating companies should not have any non-tariff income. The non operating income of generating company can be on account of sale of scrap, ash etc. The same should be reduced from the coal cost/O&M expenses. Since, HPGCL has already recovered excess fixed cost and offered the excess part of fixed cost recovered for write off, non operating income needs to be reduced from true-up amount approved by the Commission.

In view of the foregoing paragraphs, the Commission allows true-up expenses for the FY 2014-15 as under:-

	(Rs. Crore)	
	HPGCL (Proposed)	HERC (Allowed)
Variable Cost	6.69	-
Employee Cost	248.42	248.52
R&M and A&G Expense	24.57	24.56
Depreciation cost	-	-36.23
Disallowed Depreciation	-	-8.08
Interest Cost	-2.36	-2.36
ROE	1.88	1.88
IWC	-48.07	-119.37
Fixed Charges	48.33	-
Non Tariff Income	-	-39.30
Total True-up	279.46	69.62

HPGCL shall recover the aforesaid amount of Rs. 69.62 Crore from the Discoms i.e. UHBVNL and DHBVNL as additional claim without any holding cost.

21 Review of Capital Expenditure Plan

HPGCL submitted that it was allowed the capital expenditure of Rs. 257.3 Crore for the control period 2014-15 to 2016-17. However due to changes in initial cost and time estimates the total capital expenditure on the approved plans is likely to remain at Rs. 251.89 Crore only. Out of the above, the actual expenditure likely to be incurred in the control period 2014-15 to 2016-17 is expected to be Rs. 182.29 Crore only and the balance capital expenditure is expected to be incurred in FY 2017-18. Accordingly HPGCL has submitted the revised Capex schedule of Rs.182.29 Crore for the control period FY 2014-15 to FY 2016-17.

Additionally, HPGCL has proposed additional capitalisation in respect of RGTPS, DCRTPS and PTPS units 6-8. HPGCL submitted that the proposed additional capitalisation in respect of the RGTPS and DCRTPS is mainly the part of the original scope of work and the project cost and for payment of un-discharged liabilities and works deferred for execution and in respect of PTPS additional capitalisation is necessary in view of the vintage of the plants and for efficient and successful operation of the project. The various works that have been proposed as additional capitalization by HPGCL as per regulation 18.5 of MYT Regulations, 2012 have been detailed in the table given in para 7.2 of this order.

R&M of PTPS Unit-5

HPGCL submitted that PTPS Unit -5 has outlived life of 25 years and in view of old and obsolete system due to aging, Residual life assessment (RLA) of BTG is required to be carried out. Administrative approval for RLA study has been accorded by BOD of HPGCL. RLA study of BTG is proposed to be carried out in October'2016 during capital overhauling of the Unit. Tentative Renovation & Modernization Cost as per present norms is likely to be one crore per MW. As such the R&M Cost for the main plant and BOP System has been taken as 250 crore. However, the works required to be done and exact cost will be worked out on the basis of RLA study report and condition assessment.

Further, 14 No. HT Breakers needs to be replaced in view of being obsolete and non-availability of spares from OEM. The Capex expenditure on RLA study and replacement of HT Breakers, as proposed by HPGCL is given below:-

(Rs. Crore)

Details	2015-16	2016-17	Total
RLA Study and replacement of LP Pipeline and HT breakers	-	3.25	3.25

Summary of the Capex works proposed by HPGCL, is as under:-

(Rs. Crore)

Capital Expenditure	As Per order dated 27.03.2015			Proposed in This Petition		
Year	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
Change in approved Capital expenditure	118.10	98.10	41.10	68.62	34.72	78.95
Additional capitalization expenditure	-	-	-	-	96.05	85.22
RLA study of PTPS unit-5	-	-	-	-	-	3.25
Total	118.1	98.10	41.10	68.62	130.77	167.42

The Commission has considered the proposal of HPGCL and approves the revised capital expenditure for FY 2014-15, FY 2015-16 and FY 2016-17 as proposed by HPGCL. Regarding the additional proposed capital expenditure of Rs. 3.25 Crore on RLA of PTPS Unit 5, it is observed that PTPS Unit 5, like PTPS (Units 1-4), is also being scheduled sparingly and the achieved PLF in the FY 2015-16 (up to Sept, 2015) is less than 2%. Further, Ministry of Environment, Government of India has notified revised emission standards vide Notification dated 07.12.2015 and it is felt that such old unit as PTPS Unit-5 will need substantial amount of capital expenditure to meet these emission standards. As such, there appears no justification to go for Renovation and Modernization of PTPS Unit-5. Accordingly, it is felt that RLA study is not required. HPGCL may therefore review their proposal and submit the same separately, if required. So, at this stage proposed capital expenditure of Rs. 3.25 Crore for RLA of PTPS Unit-5 is not being allowed.

Regarding, proposed additional capital expenditure of Rs. 199.57 Crore during the control period, Commission observes that before approving the same, it would be required to examine justification of each work viz-a-viz whether the same was part of original scope of work or whether the proposed capital expenditure in case of PTPS Units

5-6 & Units 7-8 would be justified considering that these are old units, even in spite of the proposed additional capital expenditure, may not be able to comply with the revised emission standards.

The Commission, therefore, at this stage is not approving additional capitalization expenditure proposed by HPGCL and it may submit a separate proposal regarding the same with complete details and justifications. The Commission, therefore, approves the revised capital expenditure for the control period as under:-

Capital Expenditure Work	Approved Capital Expenditure (in Rs Crore)			
	2014-15	2015-16	2016-17	Total
Increase in the height of Ash Dyke of DCRTTP			32	32
Increase in the height of Ash Dyke of RGTPP	13.14	11.98	2	27.12
Capital Overhauling at WYC	1.35	4.16	23.85	29.36
Increase of Ash Dyke height at PTPS	37.09	7.76	6.6	51.45
ERP System and allied works	0	9.23	13	22.23
Additional Capital Expenditure at RGTPP- Setting up Zero Discharge system	17.04	1.59	1.5	20.13
Total	68.62	34.72	78.95	182.29

Further, Commission directs that all the Capex work relating to handling/utilization of Fly Ash should be met out of Fly Ash Fund maintained by HPGCL and no further depreciation & interest etc. in respect of the same shall be allowed by the Commission. HPGCL is further directed that all the expenditure on replacement of old assets shall be capitalized after excluding the entire depreciated value or value of scrap, whichever is higher, of the original assets from the original capital cost of the assets replaced.

22 Phasing out of PTPS Unit 1-4 & Micro Hydel Kakroi

HPGCL has in its petition filed on 23rd November, 2015 submitted that decision is pending from the State Government in respect of phasing out of PTPS units 1-4 and it will approach the Commission as soon as the phasing out decision comes through supplementary petition. Accordingly, HPGCL filed additional submissions vide memo no. HPGCL/FIN/Reg-458/965 dated 12.01.2016, consequent to the decision taken by Government of Haryana in the meeting held on 09.12.2015. HPGCL has provided the date of commission of PTPS units 1-4 and their respective age in the below table:-

Particulars	Installed Capacity as on 31.03.2015	Date of Commissioning/ COD	Age as on 31.12.2015
Panipat Thermal Power Station-I	Unit No-1: 117.8 MW	01/11/1979	36
	Unit No-2: 110 MW	27/03/1980	35
	Unit No-3: 110 MW	01/11/1985	31
	Unit No-4: 110 MW	11/01/1987	29
Total: MW	447.80		

HPGCL has submitted that all the four Units have exceeded their commercial life of 25 years. PTPS Units 1-2 have undergone R&M also and have also outlived their extended life. There was also proposal for R&M of PTPS Units 3-4 but due to their ageing the same was not found commercially viable and Hon'ble Commission has rejected the proposal of the HPGCL regarding capital expenditure on account of the same.

HPGCL has further submitted that due to vintage of the plant the cost of generation of these plants is very high and the allowable variable cost (excluding FPA impact) of these units is as high as Rs. 4.65 per Kwh for FY 2015-16. Thus, these units have become uneconomical for Distribution licences and resultantly remain mostly unscheduled. In the FY 2015-16 till September, 2015 actual PLF of PTPS Units 1-4 was 0.32% only, despite having remained fully available, because of high backing down.

HPGCL submitted that presently beneficiaries are bearing the total fixed cost of these units without getting any power or minimal power. Now with the decision of the retiring of PTPS units 1 to 4, Discoms can save a part of Annual Fixed Cost of these units such as R&M, A&G, Oil Cost, Interest and Finance Charges and RoE in case of phasing out of these units. However, employees cost of these units will continue to be incurred irrespective of the phasing out of PTPS unit 1 to 4 as such is required to be allowed as uncontrollable and unavoidable pass through expenses. Unclaimed Depreciation, inventory and un discharge liability of these units needs to be liquidated as proposed in the succeeding paras.

HPGCL submitted that as on 31.03.2014, there is a total unclaimed depreciation of Rs. 141.11 Crore excluding land and 10% salvage value for PTPS Units 1-4.

HPGCL has further submitted that consequent upon the decision of the GoH for retiring of the PTPS unit 1 to 4 in FY 2015-16, there will be no tariff determination for these units in FY 2016-17. Accordingly, HPGCL is proposing to claim the balance unclaimed depreciation amounting to Rs 109.05 Crore (After adjusting the retained amount of excess depreciation of FY 2014-15 amounting to Rs.32.06 crore) in FY 2015-16. Further, an amount of Rs. 56.03 crore was allowed by the Commission as Advance Against Depreciation (AAD) for these units during FY 2007-08 to 2010-11. The ADD was allowed in view of the fact that the repayment of the HPGCL was more than the normal allowable depreciation. Since, till FY 2014-15 the repayment is continuously higher than the allowed depreciation of the respective year as such adjustment of AAD has been proposed to be deferred till the position of the repayment become favourable i.e. annual repayment of HPGCL become less than the allowable depreciation.

The Commission has considered the above submissions of HPGCL and during the hearing held on 15th February, 2016, asked HPGCL to furnish details of loan outstanding against these units. HPGCL invited the attention to Form 5 of the petition, containing plant-wise loans, wherein it has been shown that Rs. 33.94 Crore loan is outstanding towards PTPS units 1-4. On examination of the same, it is observed that most of these loans are in the nature of shared loans, which are not attracting any annual repayment and can be divided amongst PTPS units 5-8. Further, Advance Against Depreciation (AAD) allowed to HPGCL during FY 2007-08 to 2010-11 needs to be adjusted plant-wise. Accordingly, AAD allowed in the earlier years for PTPS units 1-4 (Rs. 56.03 Crore), FTPS (Rs. 7.05 Crore) and WYC & Kakroi (Rs. 13.83 Crore), needs to be adjusted in the fixed assets, upon the closure of the plants. Since, FTPS is not having any depreciable fixed assets, AAD allowed in respect of the same, is also required to be adjusted against the fixed asset of PTPS 1-4. Normal depreciation allowed, in respect of PTPS units 1-4, for the FY 2015-16 is Rs. 31.95 Crore. After all these adjustment, the balance left out for fixed assets of PTPS units 1-4 shall be Rs. 46.08 Crore (Rs. 141.11 Crore – Rs. 56.03 Crore – Rs. 7.05 Crore – Rs. 31.95 Crore). HPGCL should make sincere effort to dispose off the fixed assets of PTPS units 1-4 at the earliest, to avoid further deterioration of the same and get the maximum value for the same. The excess realized proceeds of Plant and

Land, over the 10% value of Gross Fixed Asset should be adjusted against the left out amount of Rs. 46.08 Crore and no additional burden on account of closed units should be claimed in the generation tariff ultimately recovered from the electricity consumers of Haryana.

HPGCL has submitted that as on date 706 employees are working in the PTPS Units 1 to 4 and the actual employees cost as allowed by the HERC and terminal liability thereof against these plants for the FY 2014-15 is Rs. 136.54 Crore. This cost will continue to be incurred irrespective of the phasing out of PTPS unit 1 to 4. It has further been submitted that the Commission has also expressed its views against lay-off of employees of PTPS Units 1-4 in MYT Order dated 29.05.2014 and accordingly no employees would be laid off and instead would be absorbed in other plants of HPGCL.

HPGCL has further submitted that for the purpose of ARR, HPGCL has proposed to apportion the employees cost of class-III & IV of PTPS Units 1-4 to PTPS Units 5-8 and of the officers (Class-I & II) to all other units of HPGCL including PTPS Units 5-8 against the vacancies. As the exact numbers of employees shifted to other plant would depend on exact needs of the particular unit, however for the purpose of ARR to recover the employees cost as a pass through expenses the employees cost of PTPS Units 1-4 has apportioned to the other plants of HPGCL.

The Commission has considered the above submissions of HPGCL and allows apportionment of employee cost of PTPS Units 1-4, as submitted by HPGCL. However, HPGCL shall furnish complete detail of employees, both technical and non technical as well as contractual etc. retained at PTPS Units 1-4 and transferred to other Thermal Plants of HPGCL (Plant-wise) with corresponding employee cost. Further, the employees adjusted at other plants against vacancies shall also be separately given with salaries and other expenses of such employees. All the details shall be furnished by HPGCL in the ARR/Tariff petition for FY 2017-18.

Unpaid Liability of PTPS Units 1-4

HPGCL submitted that it has un-discharged liabilities on account of arbitration/ court award and to liquidate the outstanding short term and working capital loan availed for PTPS Units 1 to 4 total amounting to Rs. 486 crore approximately.

HPGCL further submitted that GoH while deciding for retiring these units has directed that the modalities for discharging the outstanding liabilities of Rs. 486 crore pertaining to Units 1-4 would be worked out by the committee of all the MD's of Haryana Power Utilities. HPGCL has not proposed anything on this account, however it has submitted to the Hon'ble Commission to issue appropriate order for recovering such liabilities at the appropriate time on actual payment basis as a pass through expenses.

The Commission considered the above submissions of HPGCL and observed that outstanding short term and working capital loan are required to be met out by HPGCL by liquidating the assets against which the same were obtained. HPGCL may come to the Commission regarding other unpaid liabilities which will be discussed and decided on merit.

Inventory

HPGCL submitted that PTPS Units 1-4 have unused inventory of Rs 75 Crore in its store which after retirement of the plant would have to be scrapped. The inventory would not be used in operations and hence they would have to be capitalised and accordingly HPGCL is eligible to get depreciation on the same. Since the inventory would be capitalized in the FY 2015-16 and the year is last year of commercial operation of the plant HPGCL would depreciate 90% of the value of the inventory in the FY 2015-16 only as per Regulation 23 (c) of HERC MYT Regulations, 2012.

HPGCL has requested to allow 90% of inventory cost i.e. Rs 67.5 Crore as additional depreciation cost in the FY 2015-16.

The Commission observes that capitalisation of assets is governed by Regulation 18 of HERC MYT Regulations, 2012 and under the relevant regulations there is no provision for capitalisation of unused inventory. Accordingly, HPGCL is directed to

make the sincere effort to find out alternative use in other plants/dispose of the same at the earliest, to avoid further obsolescence of the same and get the maximum value for the same.

Short Closure of O&M contract and other expense

HPGCL has submitted that it has entered in many contracts with the contractors in respect of PTPS Units 1-4 and if the plants are to be closed those contracts needs to be short-closed and it may have to pay them compensation for closing the contract prematurely before agreed term of the contract.

HPGCL has further submitted that even after closure of the plant, it would have to continue to operate certain contracts to preserve the plant and to incur expenditure on watch and ward of the plant, keeping certain machinery charged and preservation of equipment till actual disposal of the plant.

In view of the above HPGCL has proposed that such expenditure incurred on PTPS 1-4 units should be allowed on actual basis along-with true-up of the respective year as a separate pass through expenses.

The Commission has considered the above submissions of HPGCL and observes that at this stage there is nothing to approve. However, HPGCL may come to the Commission at the time of Short Closure of such contracts, which will be considered and decided on merit.

De-Commissioning of Micro Hydel Kakroi (01x 3 MW)

HPGCL has de-commissioned its (0.1X3) MW Hydel Karkoi Plant w.e.f. 01.09.2014 and is exploring for its alternate utilisation by calling of expressions of interest from the prospective investors. The staff deployed at the Micro Hydel project has been shifted to the WYC, Hydel, Project, Yamunangar. There is no other cost associated with this project since its decommissioning. HPGCL has to keep the security and watch and ward of the public property round the clock. for this purpose it has outsourced the work at lumpsum charge of Rs. 50,000/- P.M. only and has requested the Commission to

consider and approve the same as a separate pass through expenses on actual basis for the FY 2015-16 onward till the final disposal of the plant.

The Commission considered the above submissions of HPGCL and observes that expenses in respect of de-commissioned units cannot be approved under any enabling provision of the MYT Regulations, 2012. Hence, the same is without any merit and hence rejected. Such expenses need to be met out of proceeds from liquidation of assets.

23 Mid-Year Performance Review for FY 2015-16 and Generation Tariff for FY 2016-17

HPGCL has submitted mid-year performance review for the FY 2015-16 and Generation Tariff for the FY 2016-17 in-line with Regulation 11 of the HERC MYT Regulations, 2012, in the main petition filed on 19.11.2015 and additional submission dated 12.01.2016, as under:-

Technical Parameters

Plant Load Factor (PLF)

HPGCL submitted that actual PLF of its plants have recently shown a downfall primarily due to high backing down faced on instruction of Discoms or SLDC. However, the units remained available for generation as may be seen from unit-wise deemed PLF tabulated below:-

Deemed PLF after considering loss of generation due to backing down (%)

	2010-11	2011-12	2012-13	2013-14	2014-15
PTPS – 1	49.25	79.64	78.29	97.12	56.84
PTPS – 2	39.44	58.13	50.76	79.06	59.62
PTPS – 3	73.03	68.09	69.36	98.13	58.03
PTPS – 4	64.93	57.72	68.49	97.53	60.51
PTPS – 5	89.49	87.78	76.32	72.68	97.86
PTPS – 6	92.10	81.32	101.65	98.13	98.02
PTPS – 7	92.94	96.26	93.96	93.99	94.98
PTPS – 8	95.10	97.20	94.79	100.32	92.44
DCRTPS-1	86.46	93.36	14.11	95.49	85.53
DCRTPS-2	65.54	32.18	30.13	59.57	70.51
RGTPS-1	-	56.32	40.33	78.23	90.55
RGTPS-2	-	51.49	63.99	43.10	62.13
HPGCL	49.26	68.14	60.10	77.48	84.70

HPGCL has submitted that WYC Hydel plant having achieved its commercial life and have been put under planned renovation of the machines. Therefore, similar to FY 2015-16, only 46.4 MW of machine capacity would be available in FY 2016-17 also. Hence, HPGCL has requested the Commission to allow normative 50% PLF on available capacity (46.4 MW) only which translates to 37% PLF on total capacity (62.7 MW). It has been submitted that the Commission in its previous Order considering intermittent operation of PTPS Units 1-6 resulting demand scenario of the state has also reduced normative PLF of PTPS Units 1-6. Normative PLF of PTPS Units 1-4 has been reduced from 35% to 15% and in case of PTPS Units 5-6 reduced from 85% to 60%. HPGCL clarified that the relaxation has been provided by Hon'ble Commission at its own initiative considering demand scenario in the state and has not been pleaded for by HPGCL. However since now HPGCL is expecting to de-commission PTPS Units 1-4 it is expected that PTPS Units 5-6 will be utilized more, hence HPGCL is proposing normative availability of 82.5% of PTPS Units 5-6.

HPGCL has submitted that RGTPS Unit-I had suffered loss of generation due to force majeure condition i.e. blast in the furnace on 01.07.2015. After carrying out required testing i.e. Hydraulic Test and Air Leak test, Unit was lighted up at 2345 Hrs on 23.08.2015 and successfully synchronized with the grid at 1533 Hrs on 24.08.2015. In view of above force majeure event HPGCL requests Hon'ble Commission to relax normative PLF of RGTPS to level of actual PLF achieved by it at time of True-up of FY 2015-16. Additionally HPGCL have submitted that additional R&M Expense of Rs 10.85 Crore on the same also needs to be allowed in extra to approved component of R&M Expense for FY 2015-16.

As already stated at para 11 of this Order, the issues pertaining to the FY 2015-16 will be considered by the Commission while undertaking true-up exercise of FY 2015-16. However, **HPGCL is directed to furnish the report of the enquiry/investigation held in respect of this accident and also inform the Commission whether the accident was on account of any lapse on the part of operating officers/officials or on account of any deficiency in the O&M of the unit and in the event of any lapse on the part of operating staff or deficiency in the O&M of this unit having been found, whether**

responsibility of the delinquent officers/officials have been fixed. Further, it may also be intimated whether HPGCL have lodged/received any insurance claim in respect of the loss.

HPGCL has proposed technical / financial parameters for the FY 2015-16 and the FY 2016-17 as reproduced at Paragraph 8 of the present Order. Hence, the same are not being reproduced here.

HPGCL, subsequently, in the additional submission filed on 12.01.2016, has conveyed the decision to retire PTPS (Units 1-4) in the FY 2015-16.

In the public hearing held on 15.02.2016 on HPGCL's petition, the Commission observed that the PLF for PTPS (Units 5-6) is very low and the Units remain backed down for considerable period of time. Hence, HPGCL was directed to examine the possibility of running these Units on seasonal basis i.e. during those months only when demand for power in Haryana is maximum and dispatching of such power plants can be justified.

In response to the above, HPGCL has submitted that due to vintage and high cost of generation, PTPS (Units 5 & 6) runs only intermittently. All out efforts are being made to sell the un requisitioned power in the open market on day ahead basis but power generated from these plants is not saleable on short term due to its high cost. HPGCL submits its bid in the open market in such a way that fixed cost of about 5 paisa per kWh is recovered in addition to the recovery of full variable cost.

HPGCL has submitted the following proposal for effective materialization of selling of surplus power generated from PTPS (Units 5 & 6) in the open market on medium term and long term basis:-

- a) HPGCL should be given free hand in deciding the selling of surplus power in the open market and in case the un-requisitioned power could not be sold then the beneficiaries will continue to be liable for paying the fixed cost as per the HERC MYT Regulations, however, HPGCL shall offer the selling price in the open market by ensuring the recovery of fixed cost to the extent of at least 5 paisa per kWh.

- b) Discoms will remain liable to pay the annual fixed charges determined by the Hon'ble Commission for the un-requisitioned power, however, revenue realised over and above the variable cost plus 5 paise by selling the power in the open market shall be shared by HPGCL and beneficiaries in the 50:50 ratio as per the provision in the New Tariff Policy, 2016.
- c) HPPC is in a position to offer competitive rates in the open market as compared to HPGCL by way of bundling HPGCL power with cheaper power available with them and sell the same in the open market at bundled rate.

HPGCL has further requested the Commission to direct HPPC for preparing the merit order in the interest of the State in Scheduling the HPGCL power plant, due to the followings reasons:-

- i) HPGCL generating plants are State Owned and obliged to supply its full power to the Haryana Discoms only.
- ii) HPGCL is obligated to purchase coal in line with the Fuel Supply Agreement (FSA) with the Coal Companies. As per FSA, if HPGCL does not lift the minimum stipulated quantity (65% of the Annual Contracted Quantity), a significant amount (in the range of 10% to 40% of the coal cost) becomes payable as compensation to the coal companies, considering it as the deemed delivery. The same increases the power purchase cost of DISCOMS.
- iii) Coal companies may also reduce the coal linkages of State of Haryana permanently which may lead to lesser generation in case the demand of the State increase.
- iv) The GCV of the coal lying in the stock yard for a longer period deteriorates due to smoldering and natural causes. On an average it comes down to 20% p.a.
- v) The gap in the variable cost of HPGCL generating plant and other generating plants is very low some time.

It has been submitted that considering the above factors, it was decided at the level of ACS (Power) that power from PTPS Units 5,6 & 8 should remain scheduled for consuming 10% smouldering stocks of coal and any extra cost to be incurred on purchasing the power from this shall be borne by HPGCL.

In view of the above, HPGCL has submitted the following proposal for issuing appropriate directions regarding the preferential treatment for running of HPGCL power plants without additional financial burden on the electricity consumers of Haryana:-

- a) In view of the State owned generating plants, HPGCL generating plant should be given priority treatment in the merit order for scheduling its power.
- b) While preparing the merit order due weightage should also be given to the additional cost of coal and loss of GCV which will be ultimately a pass through expenditure at a future date. Though, the cumulative effect of the both may be as high as 20 paise per kwh but to the lower side at least 5 paise may be considered on this account which means, HPGCL power plants should be given the preference even if they are costlier upto 5 paise per kwh which will reduce the burden on the consumers of Haryana by way of reduced additional coal cost (in view of reduction in payable compensation/incentive) and less loss of GCV of coal. It will also help in conserving the natural resources of India.

The Commission has considered the above submission of HPGCL and observes that, in the power sector, merit order dispatch, is a universally accepted principle and the same is also advisable for optimum utilisation of the resources. The Commission, therefore, cannot allow any deviation from the merit order dispatch principles especially keeping in view that there is no such provision in the MYT Regulations, 2012.

The Commission has taken note of HPGCL's proposal for giving preference in the merit order dispatch even if they are costlier by up to 5 paisa, on account of loss being incurred by HPGCL due to reduction in GCV of coal lying in stock for a longer period due to smoldering and other reasons. The same shall be considered at the time of

preparation/finalization of MYT Regulations for the next control period.

Regarding proposal of HPGCL that it should be given free hand in deciding the selling of surplus power of PTPS Units 5 and 6 in the open market, Commission observes that this issue was discussed with Discoms in the hearing held on 23.02.2016 on ARR/Tariff petition of Discoms. The Discoms had agreed with the proposal of HPGCL in principle. Accordingly, Commission decides that Discoms shall schedule power from PTPs (Units 5 and 6) only during the peak demand season of about four months during the year, as may be agreed upon between HPGCL and Discoms, so as to reduce the fixed cost burden on the Discoms at this stage. HPGCL shall be free to sell power from these Units in the open market, for the remaining period. The minimum rate at which HPGCL shall sell such power i.e. fuel cost per unit plus 5 Paisa or otherwise and sharing of revenue realized over and above the fuel cost may be as mutually agreed between HPGCL and the Discoms. In view of the above discussions, the Commission for working out the fuel cost and fixed cost of PTPS (Units 5-6), has considered PLF at 35%. In case the above arrangement materializes the R&M expenses of PTPS (Units 5-6) shall be considered for trueing – up on actual basis subject to prudence check and the relevant Regulations occupying the field.

Regarding the proposal of HPGCL that HPPC is in a better position to offer competitive rates in the open market by way of bundling of HPGCL power with cheaper power available with them, the Commission is of the view that such an arrangement can be evolved and implemented by HPGCL and the Discoms under intimation to the Commission.

The Commission has considered the technical and financial parameters proposed by HPGCL and the rationale thereto as also earlier re-produced in the present Order and allows as under:-

24 Determination Generation Tariff for FY 2016-17

While determining the generation tariff for the FY 2016-17, the Commission has considered the followings:-

- i) PLF for PTPS Units 5-6 has been kept at 35%. PLF of all other power stations has been kept at the levels proposed by HPGCL i.e. in line with the HERC MYT Regulations.
- ii) Auxiliary Consumption for PTPS (Units 5-6) has been relaxed from 9% to 10% in line with the previous Order of the Commission. In the case of all other power plants the auxiliary energy consumption has been considered as per the MYT Regulations, 2012.
- iii) For working out fuel cost, the Commission has considered only the indigenous coal. For GCV and Cost of coal, plant-wise weighted average values have been taken for the period from September, 2015 to January, 2016 (except for PTPS, where GCV has been taken based on values for the period from September, 2015 to November, 2015), based on data/information provided by HPGCL. The cost of coal has been worked out excluding ECL coal, in view of the proposal of HPGCL not to accept coal from ECL due to its high cost.
- iv) GCV and Cost of fuel oil has been considered as per the weighted average GCV for the period from April, 2015 to September, 2015, as proposed by HPGCL in the present petition.
- v) O&M Expenses for PTPS (Units 5-8) has been calculated by taking O&M expenses for the FY 2011-12 as the base year and further escalated by 4% per annum. O&M expenses for DCRTPS, RGTPS and for WYC Hydel has been calculated by taking the FY 2013-14 as the base year and further escalated by 4% per annum. O&M expenses of the HPGCL's power plants have been further increased by the apportioned employees cost of PTPS (1-4) as proposed by HPGCL. In the case of PTPS (Units 5&6) R&M expenses, the Commission has restricted the same to 50% of the normative expenses while employee cost and A&G expenses have been considered

as per the norms. The R&M expenses shall be considered for true-up as per Para 23 of this Order.

- vi) The proposal of HPGCL to allow unclaimed depreciation for PTPS Unit 5 in the FY 2015-16 and 2016-17 has not been considered by the Commission. Further, it has been noticed that balance unclaimed depreciations of PTPS Unit 6 is Rs. 2.48 crore as on 31.03.2015 and depreciation of Rs. 6.54 crore has been allowed in respect of PTPS Unit 6 for the FY 2015-16. Thus, unclaimed depreciation in respect of PTPS Unit 6 for the FY 2016-17 shall be nil. Therefore, depreciation for PTPS Unit 6 has not been allowed in FY 2016-17. Depreciation on account of additional capitalization in respect of PTPS Unit 6 shall be considered at the time of true-up for the FY 2016-17.
- vii) Interest on working capital has been calculated @ 10.55% p.a. (current base rate of SBI = 9.30% + margin of 1.25%). Further, relaxed norms for maintenance spares i.e. 15% of O&M expenses (against the norm of 10%) have been allowed for DCRTPS and RGTPS in line with the previous Order of the Commission.
- viii) The SLDC charges determined by the Commission for the FY 2016-17 shall be billed separately by HPGCL to the beneficiaries.
- ix) As all expenditure relating to petition filing fee including publication of notices etc. and any other statutory fees/regulatory fees etc. is recovered as part of the A&G expenses therefore no separate provision is required for recovery of the same.

ENERGY/VARIABLE CHARGES FOR PTPS AND RGTPS (FY 2016-17)

Parameters	Unit	Derivation	PTPS				RGTPS	
			Unit 5	Unit 6	Unit 7	Unit 8	Unit 1	Unit 2
Installed Capacity (MW)			210	210	250	250	600	600
Gross Generation	MU	A	643.86	643.86	1,861.50	1,861.50	4,467.60	4,467.60
PLF (%)			35	35	85	85	85	85
Auxiliary Energy Consumption	%		10.00%	10.00%	8.50%	8.50%	6.00%	6.00%
Generation (Ex-bus)	MU	A1	579.47	579.47	1703.27	1703.27	4199.54	4199.54
Station Heat Rate (SHR)	Kcal/kwh	B	2550	2550	2500	2500	2387	2387
Specific Oil Consumption	ml/kwh	C	1	1	1	1	1	1
Gross Calorific Value of Oil	Kcal/litre	D	10107	10107	10107	10107	10303	10303

Gross Calorific Value of Coal	K.cal/Kg	E	3647	3647.00	3647.00	3647.00	3526.00	3526.00
Overall Heat	G.cal	$F=(A*B)$	1641843.00	1641843.00	4653750.00	4653750.00	10664161.20	10664161.20
Heat from Oil	G.cal	$G=(A*C*D)/1000$	6507.49	6507.49	18814.18	18814.18	46029.68	46029.68
Heat from Coal	G.cal	$H=(F-G)$	1635335.51	1635335.51	4634935.82	4634935.82	10618131.52	10618131.52
Oil Consumption	KL	$I=G*1000/D=A*C$	643.86	643.86	1861.50	1861.50	4467.60	4467.60
Coal Consumption	MT	$J=(H*1000/E)$	448405.68	448405.68	1270890.00	1270890.00	3011381.60	3011381.60
Cost of Oil per KL	Rs/KL	K	39255.58	39255.58	39255.58	39255.58	44560.26	44560.26
Cost of Coal	Rs/MT	L	4795	4795	4795	4795	4680	4680
Total Cost of Oil #	Rs .Mln	$M=(K*I)/10^6$	25.28	25.28	73.07	73.07	199.08	199.08
Total Cost of Coal	Rs.Mln	$N=(J*L)/10^6$	2150.11	2150.11	6093.92	6093.92	14093.27	14093.27
Total Fuel Cost	Rs.Mln	$O=M+N$	2150.11	2150.11	6093.92	6093.92	14093.27	14093.27
Fuel Cost/Kwh	Rs.	$P= N/A1$	3.71	3.71	3.58	3.58	3.36	3.36

ENERGY/VARIABLE CHARGES FOR DCRTPS (FY 2016-17)

Parameters	Unit	Derivation	DCRTPS		WYC	Total HPGCL
			Unit 1	Unit 2		
Installed Capacity (MW)			300	300	62.40	2782.40
Gross Generation	MU	A	2,233.80	2,233.80	202.25	18615.77
PLF (%)			85	85	37	
Auxiliary Energy Consumption	%		8.50%	8.50%	1.00%	7.32%
Generation (Ex-bus)	MU	A1	2043.93	2043.93	200.23	17252.66
Station Heat Rate (SHR)	Kcal/kwh	B	2344	2344		
Specific Oil Consumption	ml/kwh	C	1	1		
Gross Calorific Value of Oil	Kcal/litre	D	10091	10091		
Gross Calorific Value of Coal	K.cal/Kg	E	3640.00	3640.00	NA	
Overall Heat	G.cal	$F=(A*B)$	5236027.20	5236027.20	NA	
Heat from Oil	G.cal	$G=(A*C*D)/1000$	22541.28	22541.28	NA	
Heat from Coal	G.cal	$H=(F-G)$	5213485.92	5213485.92	NA	
Oil Consumption	KL	$I=G*1000/D=A*C$	2233.80	2233.80	NA	
Coal Consumption	MT	$J=(H*1000/E)$	1432276.35	1432276.35	NA	
Cost of Oil per KL	Rs/KL	K	43934.28	43934.28	NA	
Cost of Coal	Rs/MT	L	4427	4427	NA	
Total Cost of Oil #	Rs .Mln	$M=(K*I)/10^6$	98.14	98.14		
Total Cost of Coal	Rs.Mln	$N=(J*L)/10^6$	6340.69	6340.69	NA	57355.95
Total Fuel Cost	Rs.Mln	$O=M+N$	6340.69	6340.69	NA	57355.95
Fuel Cost/Kwh	Rs.	$P= N/A1$	3.10	3.10	NA	3.32

Cost of Secondary Fuel Oil reduced from Energy Charges and added to the Fixed Charges of the respective Power Plants.

COMPUTATION OF WORKING CAPITAL AND INTEREST FOR FY 2016-17 (RS. MILLIONS)

ITEMS	DERIVATION	PTPS				RGTPS	DCR TPS	WYC	TOTAL
		Units 5	Unit 6	Unit 7	Unit 8	Unit 1 & 2	(Unit 1 & 2)		
Coal Stock	2 months	358.35	358.35	1015.65	1015.65	4697.76	2113.56	0	9559.33
Oil Stock	2 months	4.21	4.21	12.18	12.18	66.359	32.71	0	131.86
O&M Expenses	1 months	48.82	47.433	54.86	53.24	100.03	90.29	29.15	423.82
Maint. Spares	10%/15% of O&M	58.58	56.92	65.83	63.89	180.05	162.52	34.98	622.77
Receivables	1 month	243.71	253.01	661.88	648.00	3021.70	1404.71	41.51	6274.52
W/C Requirement		713.67	719.93	1810.40	1792.96	8065.90	3803.80	105.65	17012.30
Int (@10.55%		75.29	75.95	191.00	189.16	850.95	401.30	11.15	1794.80

FIXED COST COMPUTATION FY 2016-17 (RS. MILLIONS)

EXPENSES	PTPS-5	PTPS -6	PTPS -7	PTPS - 8	RGTPS 1	RGTPS 2	DCR TPS 1	DCR TPS 2	WYC	TOTAL
Operation & Maintenance (O&M)	342.49	342.49	422.08	422.18	501.58	501.58	444.04	444.04	275.93	3696.42

Employee Cost PTPS 1-4, as per HPGCL	243.30	226.70	236.20	216.70	98.60	98.60	97.70	97.70	73.90	1389.40
Depreciation	61.05	0.00	458.83	455.63	1034.91	1034.91	527.32	527.34	96.89	4196.90
Interest & Finance	21.40	64.20	253.20	111.00	1293.20	1293.20	475.70	475.70	25.60	4013.20
W/C Interest	75.29	75.95	191.00	189.16	425.48	425.48	200.65	200.65	11.15	1794.80
ROE @ 10%	5.60	151.40	214.30	214.30	484.10	484.10	244.00	244.00	14.70	2056.50
Fixed Cost	749.14	860.74	1775.61	1608.97	3837.87	3837.87	1989.41	1989.43	498.16	17147.21
Cost of Oil	25.28	25.28	73.07	73.07	199.08	199.08	98.14	98.14	0.00	791.13
Total Fixed Cost	774.41	886.02	1848.69	1682.05	4036.95	4036.95	2087.55	2087.57	498.16	17938.35

TARIFF	PTPS -5	PTPS -6	PTPS -7	PTPS - 8	RGTPS 1	RGTPS 2	DCR TPS 1	DCR TPS 2	WYC	TOTAL
Fuel Cost Rs/kWh	3.71	3.71	3.58	3.58	3.36	3.36	3.10	3.10	NA	3.32
Fixed Cost Rs. million)	774.41	886.02	1848.69	1682.05	4036.95	4036.95	2087.55	2087.57	498.16	17938.35

The recovery of fixed charges to the extent determined by the Commission for the FY 2016-17 shall be as per the provisions of MYT Regulations, 2012. It has, however, been observed that HPGCL in the FY 2013-14 and the FY 2014-15 had recovered fixed charges in excess of the annual fixed charges determined by the Commission and the excess amount charged was subsequently got reimbursed to the Discoms at the instance of the Commission. It is made clear that as per clause 30(a) of the MYT Regulations, 2012, a generating plant shall recover full capacity charge at the normative annual plant availability factor specified for it by the Commission and the recovery of capacity charge below the level of target availability i.e. normative PLF shall be on pro-rata basis and further that no capacity charge shall be payable at zero availability.

Accordingly, HPGCL shall ensure that fixed charges recovered for any unit, during the year, do not exceed the normative annual fixed charges determined by the Commission in the present order. Further, in case of annual PLF of any unit, including deemed generation, is lower than the normative PLF given in the order, the recoverable annual fixed charges shall get reduced on pro-rata basis. In view of above, it has been decided that HPGCL shall recover monthly fixed charges in line with the provision of MYT Regulations, 2012 but subject to the condition that total recovered fixed charges for a Unit up to the end of a month shall not be more than the admissible approved fixed charges for that Unit as worked out corresponding to the cumulative PLF (after including deemed generation) up to the end of that month. For example at the end of 3rd month, if

the deemed PLF is 80% and the normative PLF is 85%, the admissible approved fixed charges would be $AFC/4$ ($0.80/0.85$) where AFC are the approved annual fixed charges. In case cumulative PLF at the end of 3rd month is more than the normative PLF, the admissible approved fixed charges will be $AFC/4$.

All other terms and conditions not explicitly dealt with in this order shall be as per the relevant provisions of the Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Generation, Transmission, Wheeling and Distribution & Retail Supply under Multi Year Tariff Framework) Regulations, 2012.

The Generation Tariff approved for the FY 2016-17 shall be implemented w.e.f 01.04.2016.

25 Commission's Directive

In addition to the directives contained in the preceding paragraphs, the Commission further directs as under:-

That HPGCL shall abolish all non-technical posts continuously lying vacant during the last three years as on 29.05.2014 as has already been ordered by this Commission in the ARR of the FY 2014-15. Further non-technical posts may not be filled up from any source except promotions. If required, HPGCL shall obtain prior approval of the State Government and the Commission before initiating the process of filling-up of any non-technical posts. In case of any violation, the appointing authority shall be held responsible. The Commission shall not allow any extra expenditure incurred in this regard in the ARR / Tariff.

That HPGCL shall implement Aadhaar Enabled Biometric Attendance System (AEBAS) for all regular/contractual officers /officials as per State Government notification.

That HPGCL shall centralize its pay and pension cell as soon as possible. HPGCL shall submit action taken report in this regard within 45 days from the date of issue of this order.

That HPGCL shall take all necessary steps for implementation economy measures as per Haryana Government instructions issued vide letter no. 5/6/2002-IB&C dated 15.02.2016.

That HPGCL shall implement the Haryana Government instructions issued vide letter no. 28/9/2016-5B&C dated 11.02.2016 regarding payment through real time gross settlement system (RTGS). Further, the Haryana Government instructions issued vide letter no. 28/14/2011-5B&C dated 15.02.2016 regarding payment of salaries of all contractual employees be implemented in true letter and spirit.

In order to ensure transparency in procurement of material and award of works contract, HPGCL is directed to implement open e-tendering. Such invitation of tenders shall be given wide publicity i.e. by way of notice issued in two national newspapers each in Hindi & English and one in local newspaper having wide circulation and tender document be hoisted on the website. Recovery of extra expenditure in this regard shall not be allowed by the Commission through the ARR / Tariff. Further, all information relation to the tender document be hoisted on the website, otherwise the tenders shall be treated as invalid/void.

This order is signed, dated and issued by the Haryana Electricity Regulatory Commission on 31st March, 2016.

Date: 31st March, 2016
Place: Panchkula

(M.S. Puri)
Member

(Jagjeet Singh)
Chairman