

**Before the**  
**MAHARASHTRA ELECTRICITY REGULATORY COMMISSION**  
**World Trade Centre, Centre No.1, 13th Floor, Cuffe Parade, Mumbai 400 005**  
**Tel. No. 022 22163964/65/69 – Fax 022 22163976**  
**E-mail mercindia@mercindia.com**  
**Website: www.mercindia.com**

**Case No. 71 of 2010**

**In the matter of**  
**Application under Regulation 85 of the MERC (Conduct of Business) Regulations, 2004,**  
**by Tata Power Company Ltd.- Generation Business (TPC-G) seeking review of the**  
**Order dated September 8, 2010 in Case No. 96 of 2009 in respect of TPC-G's Annual**  
**Performance Review (APR) for FY 2009-10, True up for FY 2008-09 and Tariff**  
**Determination for FY 2010-11**

**Shri V.P. Raja, Chairman**  
**Shri Vijay L. Sonavane, Member**

**ORDER**

Dated: November 30, 2010

The Tata Power Company Ltd.  
Bombay House  
24, Homi Mody Street  
Mumbai 400001

.....Applicant

The Commission in exercise of the powers vested in it under Section 61 and Section 62 of the Electricity Act, 2003 (EA 2003) and all other powers enabling it in this



behalf, had issued an order on 2<sup>nd</sup> April, 2007 for determination of Annual Revenue Requirement (ARR) of the present Applicant for the Control Period FY 2007-08 to FY 2009-10 under the MYT framework.

1.1 On September 8, 2010 the Commission issued an Order in Case No. 96 of 2009 for the Truing-up of Aggregate Revenue Requirement for FY 2008-09, approval of Annual Performance Review for FY 2009-10 and Aggregate Revenue Requirement for FY 2010-11 under the MYT framework. (“APR Order for FY 2009-10”).

1.2 The Applicant filed the present application on 18<sup>th</sup> October, 2010 seeking review of the APR Order dated September 8, 2010 with the following prayers:

“

- 1) *The Hon’ble Commission allows the benefit due to auxiliary consumption as part of expenditure and revise the resulting gap*
- 2) *The Hon’ble Commission allows the recovery of additional gap from the three distribution utilities viz. BEST, RInfra-D and Tata Power-D in the ratio of 41:36:23, respectively*
- 3) *The Hon’ble Commission allows the revised capitalisation for FY 2008-09 on account of the non-consideration of capitalisation of Coal berth of Rs.2.10 Cr in FY 2007-08*
- 4) *Give appropriate directions as it deems fit”*

1.3 The Applicant has pointed out in its application that certain errors have crept in on the face of the record of the impugned order that is the APR Order for FY 2009-10 within the meaning of Regulation 85 of the Maharashtra Electricity Regulatory Commission (Conduct of Business) Regulations, 2004 which provides as follows –

*“85. (a) Any person aggrieved by a direction, decision or order of the Commission, from which (i) no appeal has been preferred or (ii) from which no appeal is allowed, may, upon the discovery of new and important matter or evidence which, after the exercise of due diligence, was not within his knowledge or could not be produced by him at the time when the direction, decision or order was passed or on account of some mistake or error apparent from the face of the record, or for any other sufficient reasons, may apply for a review of such order, within forty-five (45) days of the date of the direction, decision or order, as the case may be, to the Commission.”*

1.4 The Applicant states that it has not filed any appeal against the impugned order on account of such errors.



- 1.5 A notice was issued to the Applicant and the four Consumer Representatives authorised under Section 94(3) of the Electricity Act 2003 (EA 03) for hearing of the present case. The Commission scheduled the hearing in the matter on November 16, 2010 and directed the Applicant to serve copies of its Petition upon the said authorised Consumer Representatives. During the hearing, the Applicant reiterated and enumerated the issues raised in the review petition.
- 1.6 Having heard the applicant and after considering the materials placed on record, the findings of the Commission are in the following sections.

### Sharing of gains and losses for FY 2008-09 on account of Auxiliary Consumption

#### Applicant's Submission

- 1.7 The Applicant submitted that under the APR Order in Case No. 96 of 2009 dated September 8, 2010, the Commission estimated the benefit due to lower Auxiliary Consumption as Rs.17.46 Cr based on additional sales due to better auxiliary consumption and rate of energy charges as approved by the Commission for FY 2008-09. The Table 1 shows the computation made by the Commission:

**Table 1: Computation of benefit due to lower Auxiliary Consumption**

Particulars	UoM (Unit of Measurement)	Thermal				Hydel	Total
		Unit 4	Unit 5	Unit 6	Unit 7		
Rate of energy charges – as approved in the Order for FY 2008-09	Rs/kWh	7.14	1.81	6.12	0.69	1.315	-
Additional sales due to better Auxiliary Consumption	MU	3.03	33.04	15.11	3.32	-1.23	<b>53.27</b>
Additional Revenue due to better Auxiliary Consumption	Rs Cr	2.16	5.99	9.24	0.23	-0.162	<b>17.46</b>

- 1.8 The Applicant submitted that as per Regulation 19.1 of the MERC (Terms and Conditions of Tariff) Regulations 2005, the approved aggregate gain to the Generating Company on account of controllable parameters should be shared as



follows:

- 1) *One-third of the amount of such gain shall be passed on as a rebate in tariffs over such period as may be specified in the Order of the Commission under Regulation 17.10;*
- 2) *In case of a Licensee, one-third of the amount of such gain shall be retained in a special reserve for the purpose of absorbing the impact of any future losses on account of controllable factors under clause (b) of Regulation 19.2; and*
- 3) *The balance amount of gain may be utilized at the discretion of the Generating Company or Licensee.*

1.9 Accordingly, the Applicant submitted that one-third of the gains i.e. Rs.5.82 ( $17.46 * 1/3$ ) Cr should be passed on to distribution licensees and the remaining two-thirds of the gains i.e. Rs.11.64 ( $17.46 * 2/3$ ) Cr i.e. should be allowed to be retained by the Applicant. The Applicant has further submitted that it is entitled to the two-thirds share of gain over and above the expenditure incurred by it and the treatment of gains due to lower Auxiliary Consumption should be at par with that of efficiency gains on account of fuel cost.

1.10 The Applicant further submitted that the share of distribution utilities needs to be added as part of revenue from distribution licensees for computation of revenue gap for FY 2008-09. However the Commission has inadvertently added Rs. 11.64 Cr instead of Rs. 5.82 Cr as revenue from the distribution utilities. As a result, revenue gap of TPC-G for FY 2008-09 has become Rs.74.64 Cr i.e. lower by Rs.5.82 Cr. Table 2 provides a summary of computation of Gap/Surplus by the Commission for FY 2008-09 as given in APR Order for FY 2009-10.

**Table 2: Summary of computation Approved Gap/ Surplus for FY 2008-09 as per APR Order 2009-10**

S.No.	Particulars	Rs Cr
A	Expenses	4844.57
B	Return on equity	150.79
C	Incentive for higher PLF, CI and Peak hour generation	36.99
D	<b>Total Expenditure Expenses + ROE + Incentive i.e., (A+B+C)</b>	<b>5032.35</b>
E	Revenue from sale of electricity	4928.20



<b>F</b>	Other Income	17.87
<b>G</b>	Additional revenue due to lower Auxiliary Consumption	11.64
<b>H</b>	<b>Total Revenue (E+F+G)</b>	<b>4957.70</b>
<b>I</b>	Revenue Gap/ (Surplus) (D-H)	74.64

- 1.11 In the review petition, the Applicant has submitted that there are two approaches. First, is to add the share of TPC-G i.e. Rs.11.64 Cr to the total expenditure allowed by the Commission for the FY 2008-09. Under this approach, the total gain on account of lower auxiliary consumption i.e. Rs.17.46 Cr should be embedded as part of the total revenue of TPC-G for FY 2008-09. Second, is to add the share of distribution utilities as part of revenue from distribution licensees for computation of revenue gap for FY 2008-09. Under both the approaches the revenue gap for FY 2008-09 will increase by Rs.5.82 Cr and become Rs.80.47 Cr.
- 1.12 Accordingly during the public hearing held on November 16, 2010, TPC-G submitted that the additional revenue with Tata Power-G is only the one-third share of the auxiliary consumption benefit which is to be passed on to Discoms. Hence, Rs.5.82 Cr needs to be added to the total revenue for computation of gap as suggested in second approach above.
- 1.13 TPC-G submitted that the revenue gap for FY 2008-09 should be adjusted based on the changes made on the above grounds resulting in a revenue gap of Rs.80.47 Cr and as summarised in Table 3 below.

**Table 3: Summary of revised Revenue Gap for FY 2008-09 as proposed by TPC-G  
(in Rs. Cr)**

No.	Particulars	Adjustment in Expenditure (as given in review petition)	Suggested Approach: Adjustment in Revenue (as presented during public hearing)
<b>A</b>	Expenses	4,844.57	4,844.57
<b>B</b>	Return on equity	150.79	150.79
<b>C</b>	Incentive for higher PLF, CI and Peak hour generation	36.99	36.99
<b>D</b>	Add: Share of TPC-G (2/3 of benefit)	11.64	-
<b>E</b>	<i>Total Expenditure Expenses +</i>	<i>5,043.99</i>	<i>5,032.35</i>



<i>ROE + Incentive i.e., (A+B+C+D)</i>			
<b>F</b>	Revenue from sale of electricity (as approved by Commission given on page 78 of the Order in Case No. 96 of 2009)	4,928.20	4,928.20
<b>G</b>	Add: additional revenue from sales due to lower aux cons	17.46	-
<b>H</b>	Other Income	17.87	17.87
<b>I</b>	Add: Share of Distribution licensees (1/3 of benefit)	-	5.82
<b>J</b>	<i>Total Revenue (F+G+H+I)</i>	<i>4,963.53</i>	<i>4,951.89</i>
<b>K</b>	<b>Revenue Gap/ (Surplus) (E-J)</b>	<b>80.47</b>	<b>80.47</b>

1.14 Thus, TPC-G has submitted that the Commission may revise the revenue gap for FY 2008-09 to Rs.80.47 Cr, based on the suggested approach, instead of Rs.74.64 Cr as approved in the APR Order 2009-10.

#### **Consumer Representative's submission**

1.15 During the course of hearing Shri. Raksh Pal Abrol, consumer representative, submitted that the submission made by the Applicant does not qualify as a matter of error apparent on the face of the record so as to be allowed under the present review petition under the Regulation 85 of the MERC (Conduct of Business) Regulations, 2004 and also no subsequent review should be allowed against the earlier orders issued by the Commission.

#### **Commission's View**

1.16 The Commission, in its Order dated September 8, 2010 in Case No. 96 of 2009 has considered the normative auxiliary consumption for thermal and hydel stations approved for FY 2008-09 for trueing up purposes, and has considered the difference between actual auxiliary consumption and normative auxiliary consumption as approved in the APR Order for computing the sharing of efficiency gain/loss for FY 2008-09. The summary of Unit-wise auxiliary consumption approved by the Commission in APR Order for FY 2008-09, actual auxiliary consumption during FY 2008-09, and auxiliary consumption considered for sharing of gains/losses during True-up for FY 2008-09 is shown in the Table 4 below:



**Table 4: Station-wise Approved Auxiliary Consumption during true-up for FY 2008-09**

Name of Station	APR Order	Actual	Approved during True up
Hydel Stations	0.50%	0.61%	0.50%
Unit 4, Trombay	8.00%	7.65%	8.00%
Unit 5, Trombay	5.50%	4.74%	5.50%
Unit 6, Trombay	3.50%	3.08%	3.50%
Unit 7, Trombay	2.75%	2.42%	2.75%

1.17 Thus, the Commission has estimated revenue from energy charge from sale of additional power on account of reduction in auxiliary consumption at Rs. 17.46 Cr, which is same as submitted by TPC-G in its review petition and has been summarised in Table 1 above.

1.18 The Commission in its Order in Case No. 96 of 2009 had also reiterated that:

*“In accordance with the MERC Tariff Regulations, one third of the gain has to pass on to Distribution Licensees and two thirds of such gain has been allowed to be retained by TPC-G”*

1.19 Thus accordingly, one-third of the gain i.e. Rs.5.82 Cr has to be passed on to the distribution licensees as the share of revenue, while two-third of the gain i.e. Rs.11.64 Cr is the share of generation company/TPC-G. However while estimating the revenue gap/surplus for FY 2008-09, the Commission has passed on the share of generation company i.e. Rs.11.64 Cr as part of revenue instead of Rs.5.82 Cr. The approved revenue gap for FY 2008-09 by the Commission in the Order in Case No. 96 of 2009 has been summarised in Table 5 below.

**Table 5: Approved Revenue Gap for FY 2008-09**

No	Particulars	Order	Actual-	Approved after Truing up Rs.Cr	Entitlement as per Order/ Regulations	Efficiency gains shared with distribution licensees	Net Entitlement
<b>A</b>	<b>Expenditure</b>						
<b>1</b>	Fuel related	3,301.00	4,223.22	4,223.22	4,291.00	22.59	4,268.41



No	Particulars	Order	Actual-	Approved after Truing up Rs.Cr	Entitlement as per Order/ Regulations	Efficiency gains shared with distribution licensees	Net Entitlement
	expenses						
2	Operation & Maintenance expenses	328.62	330.04	328.60	328.60	-	328.60
2.1	Employee expenses		139.91	139.91			
2.2	Administration & General expenses		81.07	79.63			
2.3	Repair & Maintenance expenses		107.88	107.88			
2.4	Allocation of LCC cost		1.18	1.18			
3	Depreciation incl AAD	50.63	57.52	56.34	56.34	-	56.34
4	Interest on long-term Loan capital	21.71	39.60	33.29	33.29	-	33.29
5	Interest on working capital	109.88	47.28	47.28	125.13	25.95	99.18
6	Other finance charges	(0.19)	0.57	0.57	0.57	-	0.57
7	Other expenses	-	-	-	-	-	-
8	Income tax	57.54	117.73	58.18	58.18	-	58.18
	Total Expenditure	3,869.19	4,815.96	4,747.48	4,893.11	48.54	4,844.57
B	Return on equity	152.67	150.79	150.79	150.79	-	150.79
C	Incentive for Higher PLF, CI and Peak hour generation		40.43	36.99	36.99	-	36.99
D	<b>Total incl. expenditure + ROE + Incentive</b>	<b>4,021.86</b>	<b>5,007.19</b>	<b>4,935.26</b>	<b>5,080.89</b>		<b>5,032.35</b>
F	Revenue						
1	Revenue from sale of electricity	4,021.86	4,945.65	4,928.20	4,928.20	-	4,928.20
2	Additional			17.46	17.46	5.82	11.64



No	Particulars	Order	Actual-	Approved after Truing up Rs.Cr	Entitlement as per Order/ Regulations	Efficiency gains shared with distribution licensees	Net Entitlement
	revenue due to Reduced Auxiliary Consumption						
3	Other Income	10.00	17.87	17.87	17.87	-	17.87
<b>G</b>	<b>Total Revenue</b>	<b>4,031.86</b>	<b>4,963.52</b>	<b>4,963.52</b>	<b>4,963.52</b>		<b>4,957.70</b>
<b>H</b>	<b>Revenue Gap/ (Surplus)</b>						<b>74.64</b>

- 1.20 The Commission agrees with the contention of the Applicant that the share of gain due to lower auxiliary consumption passed on as part of additional revenue should be Rs.5.82 Cr i.e. share of the beneficiaries instead of Rs.11.64 Cr as assessed by the Commission in its Order in Case No. 96 of 2009. There is a ground made out for grant of review under the provisions of Regulation 85 of the Maharashtra Electricity Regulatory Commission (Conduct of Business) Regulations, 2004. This would result in increase of revenue gap by Rs.5.82 Cr to Rs.80.46 Cr as proposed by the Applicant.
- 1.21 Thus the revised revenue gap for FY 2008-09 approved by the Commission after making above adjustment is Rs.80.46 Cr and has been summarised in **Table 6** below.



**Table 6: Revised Revenue Gap for FY 2008-09 as Approved by Commission**

S.No.	Particulars	Commission (Rs. Cr)
A	Expenses	4,844.57
B	Return on equity	150.79
C	Incentive for higher PLF, CI and Peak hour generation	36.99
D	Total Expenditure + ROE + Incentive (A+B+C)	5,032.35
E	Revenue from sale of electricity	4,928.20
F	Other Income	17.87
G	Add: Additional revenue due to lower auxiliary cons. (share of distribution licensee – 1/3rd)	5.82
H	Total Revenue (E+F+G)	4,951.89
I	Revenue Gap/ (Surplus) (D-H)	80.46

### Sharing of additional gap with Distribution licensees

#### Applicant's Submission

- 1.22 The Applicant submitted that the allocation of additional gap of Rs.5.83 (17.64 \* 1/3) Cr to the Distribution licensees should be done in the manner as stipulated on page 101 of the Tariff Order and as given in Table 7:

**Table 7: Share of additional gap between Distribution Licensees**

Distribution Licensee	Share of Gap (%)	Net Additional Amount (Rs Cr)
BEST	41%	2.39
RInfra-D	36%	2.10
TPC-D	23%	1.34
<b>Total</b>	<b>100%</b>	<b>5.83</b>

- 1.23 Further, the Applicant submitted during the public hearing that, the net impact on tariff on account of the proposed recovery of additional gap is marginal and is summarised in Table 8.

**Table 8: Net impact on tariff on a/c of recovery of additional gap as provided by TPC-G**

Distribution Licensee	Net additional amount passed on (Rs. In Cr.)	Sales for FY 2011 (MU)	Tariff Impact (Rs./kWh)
BEST	2.39	4390	0.0054



<b>Rinfra – D</b>	2.10	8676	0.0024
<b>Tata Power D</b>	1.34	4053	0.0033
<b>Total</b>	<b>5.83</b>	<b>17119</b>	<b>0.0111</b>

1.24 Thus, the Applicant has submitted that it should be allowed recovery of additional gap of Rs.5.83 Cr from the distribution licensees as shown in table 7 above.

#### Commission's View

1.25 The Commission, in its Order dated September 8, 2010 in Case No. 96 of 2009, had estimated the total amount to be recovered by the Applicant from the distribution licensees on account of the Judgement of the Hon'ble Appellate Tribunal for Electricity in Appeal No. 137 of 2008, as Rs.15.31 Cr. This amount is recoverable by TPC-G from the three distribution licensees, i.e., RInfra-D, BEST and TPC-D in weighted average proportion to energy supplied by TPC to RInfra, BEST and TPC retail consumers during FY 2007-08 and FY 2008-09. As this amount pertained to FY 2007-08 and FY 2008-09, the Commission had distributed this amount amongst the distribution licensees on the basis of their combined sales for FY 2007-08 and FY 2008-09 and has been summarised in Table 9 below:

**Table 9: Recoverable amount from each Distribution Licensee based on Hon'ble Tribunal's Judgement in Appeal No. 137 for FY 2007-08 and FY 2008-09 as approved by Commission**

Distribution Licensee	Sale for FY 07-08	Sale for FY 08-09	Combined sales	Ratio of sales	Net Amt recoverable on A/c of ATE Judgement
	<i>MU</i>	<i>MU</i>	<i>MU</i>	%	<i>Rs Cr</i>
<b>BEST</b>	4086	4757	8843	41%	6.25
<b>RInfra-D</b>	4748	2974	7722	36%	5.46
<b>TPC-D</b>	2246	2836	5082	23%	3.59
<b>Total</b>	<b>11080</b>	<b>10567</b>	<b>21647</b>	<b>100%</b>	<b>15.31</b>



- 1.26 However, with regard to the sharing of additional gap of Rs. 5.82 Cr amongst the distribution licensee, the Commission has not presented any view in the APR Order of FY 2009-10. There is thus a ground made out for grant of review under the provisions of Regulation 85 of the Maharashtra Electricity Regulatory Commission (Conduct of Business) Regulations, 2004.
- 1.27 Based on the review petition submitted by the Applicant, the Commission is of the view that the amount of additional gap should be recovered in the ratio of sales pertaining to the year in which the gap has occurred. In this case, the additional gap of Rs. 5.82 Cr pertains to FY 2008-09 and thus it should be recovered from the distribution licensees in the ratio of their sales for FY 2008-09.
- 1.28 Accordingly, the additional gap of Rs. 5.82 Cr on account of lower auxiliary consumption during FY 2008-09 should be recovered from the distribution licensees in the ratio of their sales during FY 2008-09 as it pertains to that financial year. The impact on tariff for FY 2010-11 is also marginal. Table 10 summarises the sales during FY 2008-09, ratio of sales, share of additional gap as proposed by the Applicant in the review petition and approved by the Commission now. The impact on tariff based on approved values is also presented.

**Table 10: Share of additional gap for FY 2008-09**

<b>Distribution Licensee</b>	<b>Sales during FY2008-09</b>	<b>Ratio of Sales</b>	<b>Share of additional gap as proposed by TPC-G</b>	<b>Share of additional gap as approved by Commission</b>	<b>Tariff Impact on A/c of approved gap</b>
	<i>MU</i>	<i>%</i>	<i>Rs Cr</i>	<i>Rs Cr</i>	<i>Rs/kWh</i>
<b>BEST</b>	4757	45%	2.39	2.62	0.0060
<b>RInfra-D</b>	2974	28%	2.10	1.64	0.0019
<b>TPC-D</b>	2836	27%	1.34	1.56	0.0039
<b>Total</b>	<b>10567</b>		<b>5.83</b>	<b>5.82</b>	<b>0.0034</b>



## Capitalisation of captive coal berth

### Applicant's Submission

- 1.29 The Applicant submitted that the total capitalisation for the scheme "Captive coal berth at Trombay" is Rs.189.10 Cr of which Rs.2.10 Cr was capitalized during FY 2007-08 and Rs.187 Cr during FY 2008-09. The Commission in the Order in Case No. 96 of 2009, disallowed the amount of capitalisation for captive coal berth at Trombay for FY 2007-08, as the scheme was approved to be capitalized during in FY 2008-09 and FY 2009-10. Hence, no capitalisation for this scheme has been approved for FY 2007-08.
- 1.30 TPC-G further submitted that the asset addition during FY 2008-09 is Rs.470.39 Cr as per the Audited Account of Tata Power-G, while that allowed by the Commission was Rs.417.26 Cr. The difference of Rs.53.13 Cr disallowed by the Commission is due to restricting the capitalisation of non-DPR schemes to 20% of the capitalisation of DPR schemes during the year. Thus the Commission has not considered the capitalisation amount of Rs.2.10 Cr in FY 2007-08.
- 1.31 TPC-G submitted that as this amount was not considered during FY 2007-08, it should be allowed during FY 2008-09 and amount of Rs.417.26 Cr allowed by the Commission needs to be revised upwards by Rs.2.10 Cr. TPC-G submitted that the non-consideration of the above capitalised amount in the capital cost of coal berth would have sustained impact on interest on loan, return on equity and depreciation. Thus the total capitalisation for captive coal berth at Trombay allowed during FY 2008-09 should be Rs.189.10 Cr (i.e. Rs.187 Cr capitalised during FY 2008-09 + Rs.2.10 Cr capitalised during FY 2007-08).
- 1.32 TPC-G submitted that the capitalisation for FY 2008-09 be revised to Rs.419.77 Cr after inclusion of additional capitalisation of captive coal berth for FY 2007-08. Table 11 summarises the revised capitalisation for FY 2008-09.

**Table 11: Revised capitalisation for FY 2008-09 (Rs Cr)**

Particulars	Approved by MERC	Additional Capitalisation to be permitted as per Present Submission	Total Revised
DPR schemes	347.71	2.10	349.81
Non-DPR schemes @	69.54	0.42	69.96



20% of DPR schemes			
<b>Total</b>	<b>417.25</b>	<b>2.52</b>	<b>419.77</b>

### Consumer Representative's submission

- 1.33 During the course of hearing Shri.N.Pontarhan, submitted that the cost benefit analysis must be submitted by the Applicant to avail the capitalization of the Captive coal berth.

### Commission's View

- 1.34 The Commission, in its Order dated September 8, 2010 in Case No. 96 of 2009, had allowed capitalization for FY 2007-08 and FY 2008-09 on the following grounds:
- 1.35 In case of revised capitalisation for FY 2007-08, the Commission has approved the capitalisation submitted by TPC-G except for the capitalisation of the captive coal berth at Trombay, as this scheme has been approved to be capitalised in FY 2008-09 and FY 2009-10. Hence no capitalisation for this scheme has been approved for FY 2007-08. Thus the amount of Rs.2.10 Cr capitalised during FY 2007-08 on captive coal berth at Trombay was not approved by the Commission to be capitalised during FY 2007-08 in absence of in-principle approval for the scheme.
- 1.36 The Commission's rationale for approving the capitalisation for FY 2008-09 in its Order in Case No. 96 of 2009 has been summarised below:

*"a) The Commission has considered the actual capital expenditure and capitalisation of the DPR schemes after scrutinising the data provided by TPC-G for FY 2008-09.*

*b) As regards non-DPR schemes, the Commission at this stage has not considered capitalisation of following Non-DPR Schemes during FY 2008-09 as some of these schemes are related to the DPR Schemes, which are yet to be approved by the Commission:*

- (i) Malle-Nallah Diversion Scheme*
- (ii) Masonry wall and barbed fencing*
- (iii) Barbed wire/ UCR wall around Mulshi lake*
- (iv) Barbed fence survey/ Demarc-3 Hydros*



c) *The Commission had issued a directive in respect of Non-DPR Schemes in the previous APR Order, restricting the capitalisation of such schemes to 20% of the capitalisation of DPR schemes during the year. The relevant extract of the Order is reproduced as under.*

*In view of the above, as a general rule, the Commission has decided that the total capital expenditure and capitalisation on non-DPR schemes in any year should not exceed 20% of that for DPR schemes during that year. To achieve the purpose, the purported non-DPR schemes should be packaged into larger schemes by combining similar or related non-DPR schemes together and converted to DPR schemes, so that the in-principle approval of the Commission.*

d) *The Commission observed that amount of capitalisation of Non-DPR Schemes as submitted by TPC-G exceeds 20% of amount of capitalisation of DPR Schemes during FY 2008-09. Hence, the Commission has considered capitalisation for Non-DPR Schemes only to the extent of 20% of the approved capitalisation of DPR Schemes during FY 2008-09.*

e) *Further, TPC-G has also proposed de-capitalisation of Rs. 22.22 Cr during FsY 2008-09 and has considered the impact on the capex related expenses.*

f) *As regards the de-capitalisation, the Commission had asked TPC-G to submit the details regarding reasons for de-capitalisation and details of the assets that have been de-capitalised, loans pertaining to such assets and if any loan exists, then the details of write-off of such loans.*

*TPC-G, in its response to the above query, submitted that the de-capitalised assets are those assets, which are being used as facilities meant for outside the Mumbai licensed area. Further, TPC-G submitted that there are no loans outstanding against the assets de-capitalised and accordingly the treatment for de-capitalisation is given for equity portion only. TPC-G also submitted that the net value of the assets de-capitalised is reduced from the equity after allocation of the amount of de-capitalisation to Generation, Transmission and Distribution Business on the basis of the Opening GFAs in these areas for FY 2008-09.*

**g) As regards capitalisation of captive coal berth of Trombay disallowed by the Commission for FY 2007-08 due to the non-accordance of in-principle**



*approval during last APR Order, TPC-G in its Petition mentioned that it has submitted the details and benefits that have been accrued due to captive coal berth of Trombay and requested the Commission to grant approval to the same along with additional interest of Rs. 0.92 Cr.*

*h) The Commission has considered capitalisation of captive coal berth of Trombay during FY 2008-09 as it has been given in-principle approval by the Commission. Since captive coal berth of Trombay was not capitalised during FY 2007-08 as it was not given in-principle approval during FY 2007-08, the Commission has not considered the additional interest of Rs. 0.92 Cr as claimed by TPC-G in the Petition, as the Commission has accorded the approval of this scheme in FY 2010-11 and approved capitalisation to be spread in FY 2008-09 and FY 2009-10.” [Emphasis added]*

- 1.37 Accordingly, for truing up for FY 2008-09, the Commission has approved the capitalisation of Rs. 417.26 Cr. The break-up of DPR and Non-DPR Schemes as approved by the Commission during FY 2008-09 is tabulated in Table 12:

**Table 12: Break-up of DPR and Non-DPR Schemes as approved by the Commission (Rs Cr)**

Particulars	TPC-G	Approved
Total capitalisation after capping Non-DPR schemes to 20%	470.39	417.26
Total schemes approved after capping	470.39	417.26
DPR schemes	347.71	347.71
Non-DPR schemes @ 20% of DPR Schemes	122.68	69.54

- 1.38 It is clear from the above that the Commission in its APR order for FY 2009-10 has approved the capitalisation submitted by TPC-G for FY 2008-09 including capitalisation of Rs.187 Cr for captive coal berth at Trombay. While the capitalisation of Rs.2.10 Cr for FY 2007-08 against this scheme was not approved as the scheme had been approved to be capitalised during FY 2008-09 and FY 2009-10.

- 1.39 As per format F 5.4, the total capitalisation on account of captive coal berth is Rs.187 Cr for FY 2008-09. In the prescribed format amount of Rs.2.10 Cr has been shown as capitalised during FY 2007-08. The Applicant in its review petition has now



submitted that Rs.2.10 Cr does not form part of the total capitalisation of Rs.187 Cr and that total capitalisation for captive coal berth is Rs.189.10 (187+ 2.10) Cr and same should be approved for FY 2008-09.

- 1.40 As the scheme has been approved by the Commission to be fully capitalised in two years i.e. FY 2008-09 and FY 2009-10, the expenditure already capitalised (Rs.2.10 Cr) in FY 2007-08 by the Applicant, needs to be added to the capitalisation approved for FY 2008-09. Thus the capitalisation for FY 2008-09 will increase by Rs.2.10 Cr to Rs.189.10 Cr as claimed by the Applicant.
- 1.41 Consequently, the capitalisation against Non-DPR scheme will increase by Rs.0.42 Cr i.e. 20% of Rs.2.10 Cr. Table 13 summarises the revised capitalisation for FY 2008-09 including capitalisation of Rs.2.10 Cr of captive coal berth for FY 2007-08.

**Table 13: Revised capitalisation for FY 2008-09 approved by the Commission (Rs Cr)**

<b>Particulars</b>	<b>Approved by MERC</b>	<b>Additional Capitalization to be permitted as per Present Submission</b>	<b>Total Revised</b>
<b>DPR schemes</b>	347.71	2.10	349.81
	69.54	0.42	69.96
<b>Non –DPR Schemes @ 20 % of DPR schemes</b>			
<b>Total</b>	<b>417.25</b>	<b>2.52</b>	<b>419.77</b>



- 1.42 This change in capitalisation will also flow to computation of depreciation, interest on debt and return on equity.
- 1.43 Any changes arising out of the above revision will be addressed during the true-up exercise of the next Tariff petition of TPC-G.

With this order, the Commission disposes of TPC's petition in the matter of Case No 71 of 2010.

Sd/-  
(Vijay L. Sonavane)  
Member

Sd/-  
(V. P. Raja)  
Chairman



Sd/-  
(K. N. Khawarey)  
Secretary, MERC