



ODISHA POWER GENERATION CORPORATION LTD.

(A Government Company of the State of Odisha)

CIN : U40104OR1984SGC001429

Regd. Off. : Zone-A, 7th Floor, Fortune Towers, Chandrasekharpur, Bhubaneswar - 751023, Odisha
Ph. : 0674-2303765 - 66, **Fax :** 0674-2303755 / 56
Web : www.opgc.co.in,

Ref: OPGC Units 1 & 2 / Tariff filing 2018-19 /2786

29th November 2017

To,

The Secretary,

Odisha Electricity Regulatory Commission,

Plot No.4, Chunokoli, SailashreeVihar

Bhubaneswar- 751 021

Sub: Authorisation of Mr. Ritwik Mishra, GM (C&RA) for filing of tariff petition

Sir,

This is to certify that Mr.Ritwik Mishra, functioning as General Manager, Commercial & Regulatory Affairs, Odisha Power Generation Corporation Ltd., posted at the corporate office at Zone-A, 7th Floor, Fortune Towers, Chandrasekharpur, Bhubaneswar-751023, Odisha, India (Petitioner),is hereby authorised to file the petition for Truing up for FY 2016-17 and determination of Generation Tariff for FY 2018 – 19 and appear on behalf of the petitioner for the tariff hearing and other procedure before OERC.

Thanking you
Yours faithfully


(Indranil Dutta)
Managing Director

3
NILAMBI BEHUSA
NOTARY PUBLIC
GOVT. OF ODISHA (INDIA)
REGD. NO-00132/2003
MOB. NO-9437271478

29 NOV 2017

AFFIDAVIT

BEFORE THE ODISHA ELECTRICITY REGULATORY COMMISSION,
BHUBANESHWAR

FILE NO.

CASE NO. _____ OF 2017

IN THE MATTER OF: Application for truing up of FY 2016-17 and determination of Generation Tariff for FY 2018-19 for Odisha Power Generation Corporation Ltd. under Sections 62 & 86 of the Electricity Act, 2003 read with Odisha Electricity Regulatory Commission (Terms and Conditions for Determination of Generation Tariff) Regulations, 2014 and Odisha Electricity Regulatory Commission (Conduct of Business) Regulations, 2004

AND

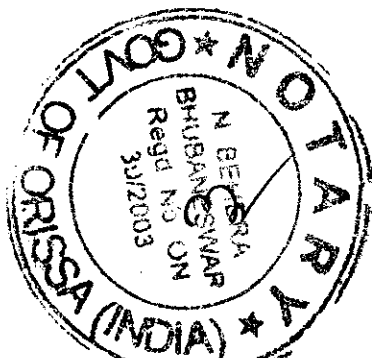
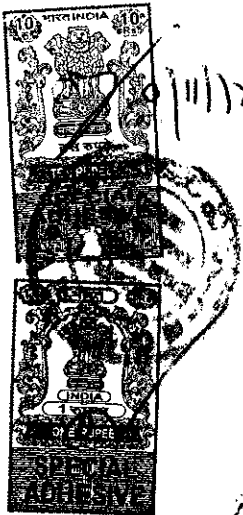
IN THE MATTER OF:

Odisha Power Generation Corporation Ltd. (OPGC)
Zone-A, 7th Floor, Fortune Towers,
Chandrasekharpur, Bhubaneswar – 751 023

..... Petitioner

I, Ritwik Mishra, son of Shri. Muralidhar Mishra, aged about 49 years, residing at Flat No. E/3, Brindavan Enclave, Khandagiri Bari, Bhubaneswar – 751 030, do solemnly affirm and say as follows:

- (a) That I am the General Manager (C&RA) of Odisha Power Generation Corporation Limited, the Petitioner in the above matter and am duly authorised by the said Petitioner to make this affidavit on its behalf.
- (b) The statements made in paragraphs 1.1 to 1.15 of the Petition herein now shown to me are true to my knowledge and statements made in paragraphs 2.1 to 4.2 are based on information made available to me and I believe them to be true.



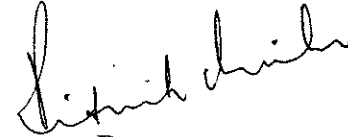
Ritwik Mishra
Deponent

General Manager (C&RA)
Odisha Power Generation Corporation Ltd.
Bhubaneswar

Verification

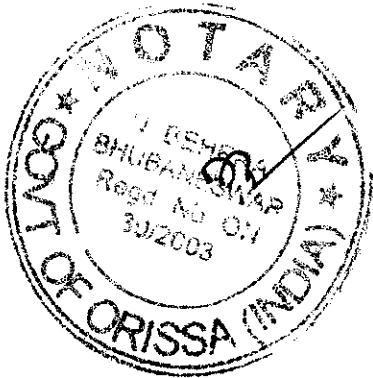
I, the deponent above named do hereby verify that the contents of my above affidavit are true to my knowledge; no part of it is false and nothing material has been concealed there from.

Verified at Bhubaneswar on the 29th day of November, 2017.



Deponent

**General Manager (C&RA)
Odisha Power Generation Corporation Ltd.
Bhubaneswar**



m
29/11/17
NILAMAGAN BHOWMIK
NOTARY BHUBANESWAR
GOVT. OF ORISSA (INDIA)
REGD. NO-ON-39/2003
MOB NO-9437271475

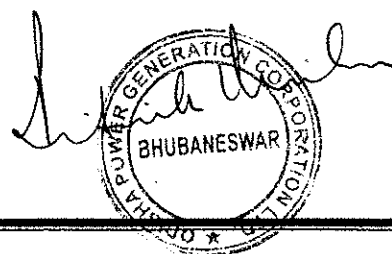
ODISHA POWER GENERATION CORPORATION LIMITED

BHUBANESWAR



**PETITION FOR TRUING UP OF FY 2016-17 AND
DETERMINATION OF GENERATION TARIFF
FOR FY 2018-19 IN TERMS OF SECTIONS 62 & 86 OF THE
ELECTRICITY ACT, 2003 READ WITH
OERC (TERMS AND CONDITIONS FOR DETERMINATION
OF GENERATION TARIFF) REGULATIONS, 2014 AND
OERC (CONDUCT OF BUSINESS) REGULATIONS, 2004**

NOVEMBER, 2017



**BEFORE THE ODISHA ELECTRICITY REGULATORY COMMISSION,
Bhubaneswar**

FILE NO.

CASE NO. ____ OF 2017

IN THE MATTER OF

Application for truing up of FY 2016-17 and determination of Generation Tariff for FY 2018-19 for Odisha Power Generation Corporation Ltd. under Sections 62 & 86 of the Electricity Act, 2003 read with Odisha Electricity Regulatory Commission (Terms and Conditions for Determination of Generation Tariff) Regulations, 2014 and Odisha Electricity Regulatory Commission (Conduct of Business) Regulations, 2004

AND

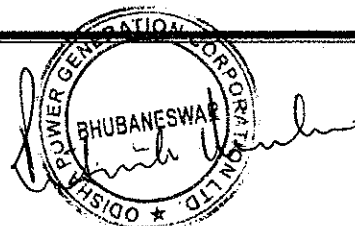
**IN THE MATTER OF
THE APPLICANT**

Odisha Power Generation Corporation Ltd. (OPGC Ltd.),
Zone-A, 7th Floor, Fortune Towers, Chandrasekharpur,
Bhubaneswar-751023, Odisha, India(Petitioner)

**ODISHA POWER GENERATION CORPORATION LIMITED (“Petitioner”)
RESPECTFULLY SUBMITS AS FOLLOWS:**

Odisha Power Generation Corporation Limited (herein after referred as “OPGC” or “Petitioner”) is a company incorporated under the Companies Act, 1956 and having its registered office at Zone-A, 7th floor, Fortune Towers, Chandrasekharpur, Bhubaneswar, Odisha-751023.

GRIDCO Limited (“GRIDCO”) had entered into Bulk Power Supply Agreement (“PPA”) with OPGC dated August 13, 1996, for purchase of power from its Generating Units 1 & 2, having capacity of 420 MW (210 MW x 2) of IB Thermal Power Station. The said PPA came into force from January 1, 1995 and was approved by Government of Odisha in exercise of its



power under Section 43A of the Electricity (Supply) Act, 1948.

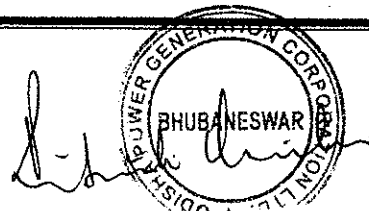
OPGC, GRIDCO and Government of Odisha signed a Tripartite Agreement dated October 18, 1998 providing certain further amendments to the existing PPA and other provisions including those concerning the establishment of Units 3 & 4 of IB Thermal Power Station by OPGC. Further an Escrow and Securitization Agreement dated November 30, 1998 was entered between OPGC, GRIDCO and Union Bank of India. In 2001, disputes arose between the parties in respect of the enforcement of the said Escrow and Securitization Agreement.

After resolving the disputes between the parties, OPGC and GRIDCO agreed to amend existing PPA and Tripartite agreement based on Government of Odisha Notification dated June 21, 2008 and October 12, 2009. Accordingly, an agreement was signed on September 6, 2012 as Supplemental to the Tripartite Agreement executed on October 18, 1998 (together called "Amended Tripartite Agreement"). The Amended Tripartite Agreement has been made effective from October 12, 2009.

Subsequently, OPGC and GRIDCO signed an amendment to existing PPA on December 19, 2012 by amending certain clauses related to Plant Load Factor, Revision in tariff, etc. (together called the "Amended PPA").

The Hon'ble Commission vide its Order dated April 27, 2015 (Case No. 13/2002) approved the Amended PPA and directed OPGC to file an application for determination of Generation Tariff, for rest of the control period starting from FY 2016-17 onwards.

The Hon'ble Commission, vide its Order dated March 21, 2016 disposed of the above Petition (Case No. 53/2015) determining the Generation Tariff of Units 1 & 2 of IB Thermal Power Station for FY 2016-17. Aggrieved by the said Order, OPGC filed Appeal No. 126 of 2016 before the Hon'ble Appellate Tribunal for Electricity ("APTEL") against the Tariff Order for FY 2016-17. Hon'ble APTEL vide its Judgment dated April 6, 2017 in the stated Appeal upheld the Commission's Tariff Order for FY 2016-17. Aggrieved by the Judgment of Hon'ble APTEL, OPGC filed Civil Appeal No. 9485 of 2017 before the Hon'ble Supreme Court, which has been admitted by the Hon'ble Supreme Court vide its order dated 25.08.2017, and is



pending Adjudication. It is submitted that the instant Petition is being filed without prejudice to OPGC's rights under law and its contentions taken in Civil Appeal No. 9485 of 2017 before the Hon'ble Supreme Court in respect of the applicability of the terms and conditions of tariff set out in the Amended PPA for the determination of OPGC's tariff. It is stated that OPGC's tariff from FY 2016-17 onwards would be subject to the Hon'ble Supreme Court's judgement in Civil Appeal No. 9485 of 2017.

Regulation 2.7 of OERC Generation Tariff Regulations, 2014 requires OPGC to file an application for determination of tariff by November 30th of every year. Further, Regulation 2.13 of the OERC Generation Tariff Regulations, 2014 requires OPGC to file an application each year for truing up of the previous year with respect to capital expenditure including additional capital expenditure incurred up to last day of the previous year.

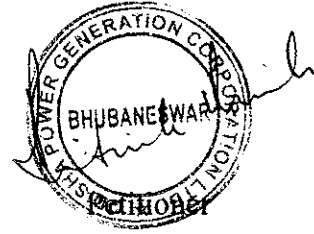
In light of the above, the instant Petition for truing up of FY 2016-17 and determination of Generation Tariff for FY 2018-19 is being filed under Sections 62 and 86 of the Electricity Act, 2003 ("the Act") read with the OERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2014 and OERC (Conduct of Business) Regulations, 2004.

Prayers to the Hon'ble Commission

OPGC respectfully prays that the Hon'ble Commission may:

- i. Admit the Petition;
- ii. Approve the truing up of FY 2016-17 including carrying cost, as filed by OPGC;
- iii. Approve Annual Fixed Charges, for FY 2018-19, as filed by OPGC;
- iv. Approve the recovery of Energy Charge, for FY 2018-19, as per Regulation 4.32, 4.33 & 4.34 of OERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2014;
- v. Approve the other charges to be reimbursed by GRIDCO Ltd. as claimed in the Petition;
- vi. Direct GRIDCO Ltd. to reimburse the other charges on actual basis during the year;
- vii. Approve the recovery of any yearend adjustments;
- viii. Allow the recovery of Impact of Review Order for FY 2017-18 in Case No. 35/2017.

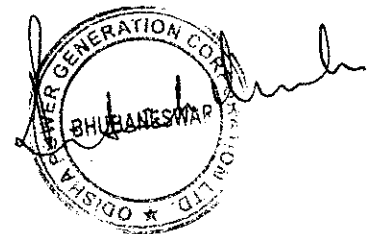
- ix. Condone any inadvertent omissions, errors, short comings and permit OPGC to add/change/ modify/ alter this filing and make further submissions as may be required at a future date; and
- x. Pass such other and further Orders as deemed fit and proper in the facts and circumstances of the case.



Bhubaneshwar
November 29, 2017

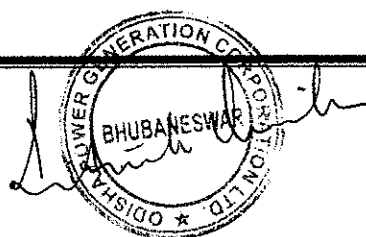
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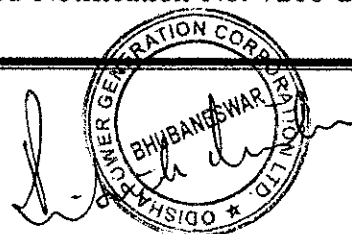
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1 Introduction

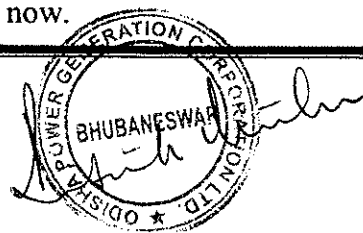
- 1.1 Odisha Power Generation Corporation Limited (herein after referred as “OPGC” or “Petitioner”) is a company incorporated under the Companies Act, 1956 and having its registered office at Zone-A, 7th floor, Fortune Towers, Chandrasekharpur, Bhubaneswar, Odisha-751023.
- 1.2 GRIDCO Limited (“GRIDCO”) had entered into Bulk Power Supply Agreement (“PPA”) with OPGC dated August 13, 1996, for purchase of power from its Generating Units 1 & 2, having capacity of 420 MW (210 MW x 2) of IB Thermal Power Station. The said PPA came into force from January 1, 1995 and was approved by Government of Odisha in exercise of its power under Section 43A of the Electricity (Supply) Act, 1948.
- 1.3 OPGC, GRIDCO and Government of Odisha signed a Tripartite Agreement dated October 18, 1998 providing certain further amendments to existing PPA and other provisions including those concerning the establishment of Units 3 & 4 of IB Thermal Power Station by OPGC. Further, Escrow and Security Agreement dated November 30, 1998 was entered between OPGC, GRIDCO and Union Bank of India.
- 1.4 GRIDCO had approached the Hon’ble Commission for approval of the existing PPA in 2002. The jurisdiction of the Hon’ble Commission for approval of the existing PPA was challenged by OPGC before Hon’ble Orissa High Court, but was upheld by Hon’ble Orissa High Court. Further, aggrieved by this, OPGC filed a Special Leave Petition before Hon’ble Supreme Court. The proceedings of the Hon’ble Commission were stayed pursuant to an interim Order of the Hon’ble Supreme Court dated April 29, 2005.
- 1.5 Subsequently, certain disputes had arisen between the parties on issues arising from the terms of the PPA, Tripartite Agreement and other agreements between the Parties. In order to resolve these disputes, the parties entered into discussion and Government of Odisha constituted a Task Force vide Resolution No. 3895 dated May 7, 2007 for resolving disputes regarding tariff and other related matters. Government of Odisha, based on the recommendations of Task Force, issued Notification No. 7216 dated June



21, 2008 for resolving all such disputes on terms and conditions contained therein in regard to Unit 1 & 2 and also in regard to setting up of Unit 3 & 4, as overall settlement of all such disputes.

- 1.6 Pursuant to above, OPGC and GRIDCO agreed to amend existing PPA and Tripartite agreement based on Government of Odisha Notification dated June 21, 2008. Accordingly, an agreement was signed on September 6, 2012 as Supplemental to the Tripartite agreement executed on October 18, 1998 (together called as "Amended Tripartite Agreement"). The Amended Tripartite Agreement has been made effective from October 12, 2009.
- 1.7 Subsequently, OPGC and GRIDCO signed an amendment to existing PPA on December 19, 2012 by amending certain clauses related to Plant Load Factor, Revision in tariff, etc. (together called the "Amended PPA"), which was retrospectively brought to effect from April 1, 2007.
- 1.8 With the execution of this agreement, the Parties agreed that all pending differences have been settled and OPGC shall withdraw Special Leave Petition pending before Hon'ble Supreme Court. Further, Hon'ble Supreme Court vide its Order dated February 14, 2013 dismissed the Special Leave Petition as withdrawn by OPGC and in the said order Hon'ble Supreme Court has directed OPGC to file the Amended PPA before Hon'ble Commission and the Hon'ble Commission shall consider the same appropriately in accordance with law.
- 1.9 The Hon'ble Commission vide its Order dated April 27, 2015 approved the Amended PPA as under:

"9. The above stipulation in PPA provides for settlement of issues if any arise due to implementation of this PPA in a future date the same shall be resolved basing on mutual discussion keeping intent and objects of the PPA intact. Therefore, the Commission has no objection to approve the PPA including its amendment between GRIDCO and OPGC for purchase of power from Unit 1 & 2 of 1b Thermal Power Station as it stands now.



.....

11. Since the power purchase by GRIDCO from Unit 1 & 2 of Ib Thermal Power Station has been continuing as per mutual agreement without approved PPA and the Commission has approved the same in the ARR of GRIDCO for the concerned year there is no need to reopen the same as per the above Regulation. The parties should, therefore, settle the power purchase process for the period prior to implementation of the above Regulation taking into account the original PPA and its supplemental one as approved by us now.”

1.10 Further, the Hon’ble Commission in the said Order dated April 27, 2015 directed OPGC to file an application for determination of Generation Tariff, as per approved Amended PPA, for rest of the control period starting from FY 2016-17 onwards since tariff for FY 2014-15 and FY 2015-16 has already been approved by Hon’ble Commission in ARR of GRIDCO. The relevant extract of the OERC Order is reproduced below:

“12. The Regulation 2.7 of OERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2014 provides as follows:

“The existing generation plants of OHPC and OPGC may make an application as per the Format prescribed by the Commission for determination of tariff as per annual schedule, by November 30th of every year for determination of tariff in respect of the units of the generating station completed or projected to be completed within six months from the date of application.

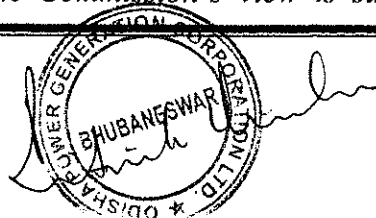
Provided that the OHPC and OPGC shall make an application as per the prescribed Format with necessary information and explanations, for determination of tariff based on capital expenditure incurred duly certified by the auditors or projected to be incurred up to the date of commercial operation and additional capital expenditure incurred duly certified by the auditors or projected to be incurred during the period for which application for determination of tariff is filed of the generating station:”

13. Due to the above provision in the Regulation read with Regulation 7.13 of the same Regulations, OPGC shall make an application before the Commission as per the above approved PPA each year for determination of tariff for the rest

of the control period starting from FY 2016-17 onwards since the tariff for the FY 2014-15 and 2015-16 has already been approved by the Commission in the ARR of GRIDCO for the said year basing on the submission of GRIDCO.”

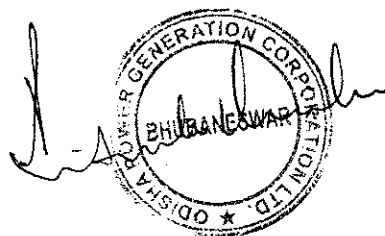
- 1.11 In compliance with the above directions of the Hon'ble Commission, OPGC filed the Petition for determination of Generation Tariff for FY 2016-17, as per approved Amended PPA. However, the Hon'ble Commission, vide its Order dated March 21, 2016 disposed of the above Petition (Case No. 53/2015) determining the Generation Tariff of Units 1 & 2 of IB Thermal Power Station for FY 2016-17, in accordance with the terms and conditions of OERC Generation Tariff Regulations, 2014.
- 1.12 OPGC filed Appeal No. 126 of 2016 before the Hon'ble Appellate Tribunal for Electricity (“APTEL”) against the Tariff Order for FY 2016-17 challenging the decision of the Commission to determine the tariff as per the terms of OERC Generation Tariff Regulations, 2014 and not as per terms of approved Amended PPA, as directed by the Hon'ble Commission in its approval order dated April 27, 2015 in Case No. 13/2002. During the pendency of the outcome of the said Appeal, without prejudice to OPGC's rights under law and contentions taken in that Appeal, OPGC filed the Petition for determination of Generation Tariff for FY 2017-18, as per terms of approved Amended PPA. The Hon'ble Commission, vide its Order dated March 23, 2017 disposed of the above Petition (Case No. 62/2016) determining the Generation Tariff of Units 1 & 2 of IB Thermal Power Station for FY 2017-18, as per the terms of OERC Generation Tariff Regulations, 2014.
- 1.13 Hon'ble APTEL vide its Judgment dated April 6, 2017 in Appeal No. 126 of 2016 ruled as under:

“45. In view of the above, we are of the opinion that the impugned order which determines the tariff on the basis of the norms stipulated in the OERC Regulations deserves to be confirmed. Needless to repeat that when regulations are in the field, they have to be followed in entirety and this will also apply to the OERC Regulations. The State Commission's view is supported by legal



provisions and the law laid down by the Supreme Court in the judgments referred to by us. The appeal will have to be therefore, dismissed and, is accordingly dismissed....”

- 1.14 Aggrieved by the Judgment of Hon'ble APTEL, OPGC filed Civil Appeal No. 9485 of 2017 before Hon'ble Supreme Court, which was admitted by the Hon'ble Supreme Court vide its order dated 25.08.2017, and is pending Adjudication. It is submitted that the instant Petition is being filed without prejudice to OPGC's rights under law and contentions taken in Civil Appeal No. 9485 of 2017 before the Hon'ble Supreme Court. It is further submitted that the instant Petition is subject to outcome of Civil Appeal No. 9485 of 2017 before the Hon'ble Supreme Court. Pending the outcome of the said Appeal, the instant Petition is being filed in accordance with the OERC Generation Tariff Regulations, 2014. It is submitted that the instant Petition is being filed without prejudice to OPGC's rights under law and its contentions taken in Civil Appeal No. 9485 of 2017 before the Hon'ble Supreme Court in respect of the applicability of the terms and conditions of tariff set out in the Amended PPA for the determination of OPGC's tariff.
- 1.15 Regulation 2.7 of OERC Generation Tariff Regulations, 2014 requires OPGC to file an application for determination of tariff by November 30th of every year. Further, Regulation 2.13 of the OERC Generation Tariff Regulations, 2014 requires OPGC to file an application each year for truing up of the previous year with respect to capital expenditure including additional capital expenditure incurred up to last day of the previous year. Accordingly, OPGC is filing the instant Petition for truing up of FY 2016-17 and determination of Generation Tariff for FY 2018-19 in accordance with the OERC Generation Tariff Regulations, 2014.



2 Truing up of FY 2016-17

2.1 As regards truing up of previous year(s), Regulation 2.13 of the OERC Generation Tariff Regulations, 2014 specifies as under:

“TRUING UP OF CAPITAL EXPENDITURE AND TARIFF:

.....

2.13 The existing generating plants of OHPC and OPGC may file an application each year for truing up of its generating stations of the previous year(s), with respect to the capital expenditure including additional capital expenditure incurred up to last day of the previous year(s) and determination of revenue gap/surplus for the ensuing year, within the time limit as specified by the Commission:

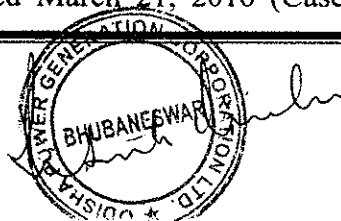
Provided that the applicant shall submit to the Commission, information in such form as may be prescribed by the Commission, together with the Audited Accounts, extracts of Books of Account and such other details as the Commission may require to assess the reasons for and extent of any variation in financial performance from the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges.”

2.2 OPGC has filed the truing up of FY 2016-17 in accordance with the above stated provisions of the OERC Generation Tariff Regulations, 2014 as detailed in the following paragraphs.

2.3 In accordance with Regulation 4.3 of the OERC Generation Tariff Regulations, 2014, the Annual Fixed Cost (AFC) of a generating station comprises of the following components:

- (a) Return on Equity;
- (b) Interest on loan capital;
- (c) Depreciation;
- (d) Interest on working capital;
- (e) Operation and maintenance expenses.

2.4 The Hon'ble Commission, vide its Order dated March 21, 2016 (Case No. 53/2015)



determined the Generation Tariff for Units 1 & 2 of IB Thermal Power Station (2 x 210 MW) for FY 2016-17. Vide the said Order, the Hon'ble Commission had determined the AFC for FY 2016-17 as shown in the Table below:

Table 1: AFC determined by the Hon'ble Commission for FY 2016-17

S. No.	Particulars	Approved for FY 2016-17 (Rs. Crore)
1	Return on Equity	72.00
2	Depreciation	0.00
3	Interest on Loan Capital	0.00
4	Interest on Working Capital	13.13
5	O&M expenses	115.50
6	Total AFC	200.63

2.5 OPGC's submissions regarding the truing up of FY 2016-17 are detailed below.

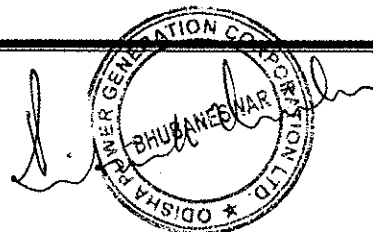
Capital Cost and additional capitalisation

2.6 The Hon'ble Commission in its Tariff Order for FY 2016-17 had approved the opening capital cost of Units 1 & 2 of IB Thermal Power Station of OPGC Ltd. as Rs.1060 Crore. OPGC has considered the same as the opening capital cost for FY 2016-17. Further, in its Tariff Order for FY 2016-17, the Commission at Para 88 has mentioned that in case any expenditure is incurred during FY 2015-16 satisfying the conditions of the Regulations, the same shall be considered in subsequent years by the Commission. Accordingly, OPGC is claiming the additional capitalisation for FY 2015-16 and FY 2016-17 in this Petition.

2.7 As regards the additional capitalisation beyond the cut-off date, Regulation 3.4 of the OERC Generation Tariff Regulations, 2014 specifies as under:

"3.4 The capital expenditure incurred or projected to be incurred, on the following counts after the cut-off date may, in its discretion, be admitted by the Commission, subject to prudence check-

- (a) Liabilities to meet award of arbitration or for compliance of the order or decree of Court



- (b) Change in law
- (c) Deferred works relating to ash pond or ash handling system in the original scope of work
- (d) Any additional works/services, which have become necessary for efficient and successful operation of a generating station but not included in the original capital cost.

.....”

2.8 As regards the additional capitalisation, the Hon'ble Commission in its Tariff Order for FY 2016-17 for OPGC ruled as under:

“87. In the regulation, the additional capitalisation has been treated as capital expenditure incurred or projected to be incurred after the date of commercial operation and admitted by the Commission after prudence check subject to Regulation 3.3 & 3.4. of OERC Generation Regulations, 2014. It is stated here that the assets forming part of the project but not put to use shall not be considered for the purpose of additional capitalization as per the said Regulation. In addition to that, any expenditure on acquiring the minor items of the assets after the cut off date shall not be considered for additional capitalisation while determining the generation tariff.

88. The petitioner has not submitted any details of work done and use of assets created after the cut off date to be considered as additional capitalisation in tariff. Further, the audited statement for the preceding year does not recognise the amounts on the additional capitalisation proposed by the petitioner. Therefore, the Commission is not inclined to consider this amount of Rs.95.65 Cr. as additional capitalisation for the purpose of determination of generation tariff for FY 2016-17. In case any expenditure is incurred during FY 2015-16 satisfying the conditions of the Regulation the same shall be considered in subsequent years by the Commission.”

2.9 In accordance with the Commission's observations as discussed in above para, the additional capitalisation for FY 2015-16 and FY 2016-17 is claimed in accordance with the Regulation 3.4 of the OERC Generation Tariff Regulations, 2014 under this Petition as true-up. However, OPGC craves the leave of this Hon'ble Commission to file

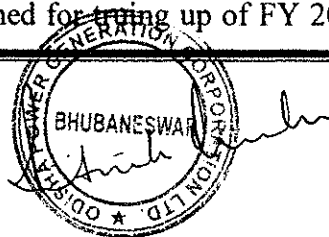
additional submissions along with certificates of its statutory auditor in respect of any amounts incurred till FY 2014-15 as additional capitalisation after the cut-off date in accordance with Regulation 3.4 of the OERC Generation Tariff Regulations, 2014.

2.10 The total actual additional capitalisation incurred for FY 2015-16 was Rs. 18.13 Crore. The audited annual accounts of OPGC for FY 2015-16 have been enclosed at **Annexure 1**. Out of the same, the additional capitalisation of Rs. 17.82 Crore is claimed in FY 2015-16 for arriving at the opening GFA for FY 2016-17. The claimed additional capitalisation is exclusive of the minor assets capitalised in FY 2015-16. The reconciliation statement of the assets capitalised in the audited accounts of FY 2015-16, with the additional capitalisation claimed by OPGC is enclosed at **Annexure 2**. The additional capitalisation claimed for FY 2015-16 has been considered for arriving at the opening GFA as on April 1, 2016 in addition to the original approved capital cost of Rs. 1060 Crore. Accordingly, the opening GFA for FY 2016-17 has been claimed as Rs. 1077.82 Crore.

2.11 The total actual additional capitalisation incurred for FY 2016-17 was Rs. 23.62 Crore. The audited annual accounts of OPGC for FY 2016-17 have been enclosed at **Annexure 3**. Out of the same, the additional capitalisation claimed for truing up of FY 2016-17 is Rs. 22.04 Crore. The claimed additional capitalisation is exclusive of the minor assets capitalised in FY 2016-17. The reconciliation statement of the assets capitalised in the audited accounts of FY 2016-17, with the additional capitalisation claimed by OPGC is enclosed at **Annexure 4**.

The additional capitalisation claimed for truing up of FY 2016-17 is towards the additional works which have become necessary for efficient and successful operation of the generating station. OPGC humbly prays that the Hon'ble Commission approve the additional capitalisation claimed for FY 2016-17 under the provisions of Regulation 3.4(d) of the OERC Generation Tariff Regulations, 2014.

2.12 Based on the above, the capital cost claimed for truing up of FY 2016-17 is as shown in



the Table below:

Table 2: Capital cost for FY 2016-17 (Rs. Crore)

Particulars	FY 2016-17	
	Approved in Tariff Order	Claimed for Truing up
Opening capital cost	1060.00	1077.82
Additional capitalisation	0.00	22.04
Closing capital cost	1060.00	1099.86

Debt-Equity Ratio

2.13 The Hon'ble Commission in its Tariff Order for FY 2016-17 for OPGC had approved the debt and equity of Rs. 610 Crore and Rs. 450 Crore respectively. OPGC has considered the same debt and equity pertaining to the capital cost, as previously approved by the Hon'ble Commission.

2.14 As regards the debt-equity ratio of additional capitalisation, Regulation 3.8 of the OERC Generation Tariff Regulations, 2014 specifies as under:

"3.8 Any expenditure incurred or projected to be incurred on or after 01-04-2014 as may be admitted by the Commission as additional capital expenditure for determination of tariff, and renovation and modernisation expenditure for life extension the normative debt-equity ratio shall be considered to be 70:30 for determination of tariff.

Provided that in case of a generating station where equity employed is more than 30% of the capital cost, equity in excess of 30% shall be treated as per the normative loan.

Provided also that in case of a generating station where actual equity employed is less than 30% the actual debt and equity shall be considered for determination of tariff."

2.15 The additional capitalisation in FY 2015-16 and FY 2016-17 was funded by the internal

resources of OPGC. Hence, in accordance with the Regulation 3.8 stated above, the debt-equity ratio of the additional capitalisation in FY 2015-16 and FY 2016-17 has been considered as 70:30 as shown in the Table below:

Table 3: Debt-Equity ratio of additional capitalisation in FY 2015-16 and FY 2016-17

Particulars	Units	FY 2015-16	FY 2016-17
Additional Capitalisation	Rs. Crore	17.82	22.04
Debt	%	70%	70%
Debt	Rs. Crore	12.47	15.43
Equity	%	30%	30%
Equity	Rs. Crore	5.35	6.61

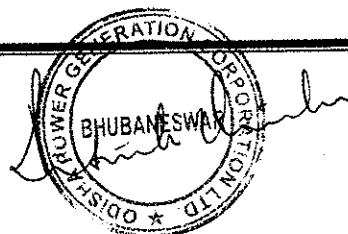
2.16 Based on the above, the debt-equity claimed for truing up of FY 2016-17 is as shown in the Table below:

Table 4: Debt-Equity for FY 2016-17 (Rs. Crore)

Particulars	FY 2016-17			
	Debt		Equity	
	Approved in Tariff Order	Claimed for Truing up	Approved in Tariff Order	Claimed for Truing up
Gross amount pertaining to opening capital cost	610.00	610.00	450.00	450.00
Outstanding balance as on April 1, 2016 pertaining to opening capital cost	0.00	0.00	450.00	450.00
Opening balance (gross) carried forward from previous year	0.00	12.47	0.00	455.35
Addition during FY 2016-17	0.00	15.43	0.00	6.61
Closing balance (gross)	0.00	27.90	450.00	461.96

Return on Equity (RoE)

2.17 In accordance with Regulations 4.5 and 4.6 of the OERC Generation Tariff Regulations, 2014, RoE shall be computed in rupee terms, on the equity base and RoE shall be computed @ 16% of the Equity Capital.



2.18 Accordingly, the RoE for FY 2016-17 has been claimed considering the opening equity base of Rs. 455.35 Crore and the equity portion of the additional capitalisation. The RoE on equity portion of the additional capitalisation has been claimed for half year of FY 2016-17.

2.19 The RoE claimed for truing up of FY 2016-17 is as shown in the Table below:

Table 5: RoE for FY 2016-17 (Rs. Crore)

Particulars	FY 2016-17	
	Approved in Tariff Order	Claimed for Truing up
Opening Equity	450.00	455.35
Addition during the year	0.00	6.61
Closing Equity	450.00	461.96
Rate of RoE	16.00%	16.00%
RoE	72.00	73.38

Interest on loan capital

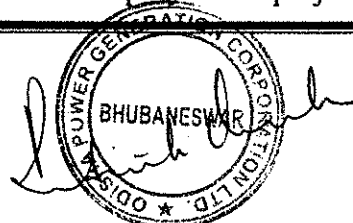
2.20 The interest on loan for truing up of FY 2016-17 has been claimed in accordance with the OERC Generation Tariff Regulations, 2014.

2.21 The gross loan amount of Rs. 610 Crore pertaining to the opening capital cost has been fully repaid by the financial year ending March 31, 2012; hence, there is no outstanding loan balance as on April 1, 2016. The normative loan pertaining to the additional capitalisation has been considered as loan addition during the year. The loan repayment for the year has been considered as equal to depreciation for the year. In accordance with Regulation 4.13, the interest rate has been considered as 10.71% which is the actual weighted average rate of interest of the generating company as a whole (on the ongoing loan draw down for OPGC Units 3 & 4 being availed from PFC and REC). The interest on loan has been computed on the normative average loan for the year by applying the rate of interest.

2.22 Further, OPGC has incurred an amount of Rs. 9.77 Crore towards the government

guarantee fees paid to Government of Odisha (GoO), related to loan availed in earlier years for construction of Units 1 & 2. The detailed submissions in this regard are as follows:

- i. The Ib Thermal Power Station (Units 1 & 2) of OPGC were partly financed by Financial Institutions and banks like Power Finance Corporation (Rs. 271 Crore), Life Insurance Corporation (Rs. 50 Crore), Peerless Group (Rs. 150 Crore), Indian Overseas Bank (Rs. 40 Crore) and a consortium of 3 banks viz. IOB, SBI & OBC (together Rs. 37.50 Crore) with different tenures. These loans were backed by GoO Guarantee towards repayment of principal and interest. As terms of guarantee, GoO was charging guarantee fee @ 0.5% P.A. on a yearly basis on 1st April of each year.
- ii. OPGC, during the period up to 2012, deposited guarantee fees amounting to Rs. 22.16 Crore with GoO.
- iii. While paying the guarantee fees, OPGC computed the same @ 0.5% on the loan balance as on 1st April of each year after considering the principal repayments on annual basis while GoO computed the same on the full amount of the loan without giving any consideration to the principal repayments made in between.
- iv. The difference in the method of computation of guarantee fees has given rise to a differential amount of Rs. 9.77 Crore.
- v. The guarantee fees actually paid by OPGC to GoO in earlier years excepting this Rs 9.77 Cr have been recovered through Tariff during the relevant periods as part of the Fixed Charge under the head 'Interest'. Had OPGC deposited this guarantee fees of Rs 9.77 Cr with GoO earlier without making an effort to save which in turn is a saving for GRIDCO, the same would have been recovered in tariff of respective years.
- vi. The latest demand notice from GoO for payment of the differential amount was received by OPGC vide letter No. 13963 dated May 7, 2016 (copy enclosed at **Annexure 5**).
- vii. OPGC has been resisting such claim by GoO and has been raising the same at different levels in the GoO for settlement.
- viii. OPGC is constructing Units 3 & 4 (2x660 MW) of Ib Thermal Power Station and GoO as a 51% shareholder has to infuse equity in the project.



- ix. While issuing one release order of such infusion viz., Rs. 247.35 Crore vide letter No. 1032 dated February 8, 2017 (Copy enclosed at **Annexure 6**), GoO insisted forpayment of the differential amount of Rs. 9.77 Crore pending which GoO wouldn't release the equity.
- x. For ensuring uninterrupted work of its expansion project viz., Unit 3&4 which is at an advanced stage, OPGC deposited the claimed differential amount of Rs. 9.77 Crore in the Government Accounts (Copy of the Challan enclosed at **Annexure 7**).
- xi. The amount of Rs. 9.77 Crore paid by OPGC now was not recovered during the previous years but has been paid in FY 2016-17.
- xii. Hence, OPGC requests the Hon'ble Commission for allowing the differential amount of Rs. 9.77 Crore in the truing up for FY 2016-17.

2.23 The interest on loan claimed for truing up of FY 2016-17 is as shown in the Table below:

Table 6: Interest on loan for FY 2016-17 (Rs. Crore)

Particulars	FY 2016-17	
	Approved in Tariff Order	Claimed for Truing up
Gross loan	610.00	622.47
Cumulative repayment upto previous year	610.00	611.46
Outstanding balance	-	11.02
Addition during the year	-	15.43
Repayment during the year	-	3.44
Closing balance	-	23.00
Average balance	-	17.01
Interest rate	-	10.71%
Interest	0.00	1.82
Guarantee fees paid to GoO		9.77
Total		11.59

Depreciation

2.24 The assets of Units 1 & 2 pertaining to the opening approved capital cost have been fully depreciated by the financial year ending March 31, 2009; hence, the depreciation on the opening approved capital cost has not been claimed. The OERC Generation Tariff Regulations, 2014 specifies the rates of depreciation for each asset class. The term of the PPA is upto FY 2025-26. If the depreciation rates as per the OERC Generation Tariff Regulations, 2014 is applied for computing the depreciation, OPGC will not be able to recover the entire depreciable value of the assets capitalised from FY 2015-16 onwards by the end of the term of the PPA. Hence, OPGC requests the Hon'ble Commission to allow the recovery of depreciable value of the assets (90% of total value) capitalised from FY 2015-16 onwards, by equally spreading the same during each year, from the year of capitalisation, upto FY 2025-26.

2.25 The depreciation claimed for truing up of FY 2016-17 is as shown in the Table below:

Table 7: Depreciation for FY 2016-17 (Rs. Crore)

Particulars	FY 2016-17	
	Approved in Tariff Order	Claimed for Truing up
Depreciation	0.00	3.44

Interest on working capital

2.26 The interest on working capital for truing up of FY 2016-17 has been claimed in accordance with the OERC Generation Tariff Regulations, 2014.

2.27 The working capital requirement for FY 2016-17 has been computed in accordance with Regulation 4.24(a) of the OERC Generation Tariff Regulations, 2014. The rate of interest on working capital has been considered in accordance with Regulation 4.26 of the OERC Generation Tariff Regulations, 2014.

2.28 The interest on working capital claimed for truing up of FY 2016-17 is as shown in the Table below:

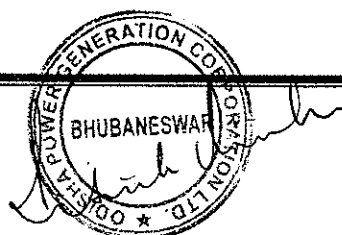


Table 8: Interest on working capital for FY 2016-17 (Rs. Crore)

Particulars	Norms	FY 2016-17		
		Approved in Tariff Order	Claimed for Truing up	Rationale for truing up claim
Cost of Coal	1 Month	27.78	27.78	As approved in the Tariff Order
Cost of Secondary Fuel Oil	1 Month	0.87	0.87	As approved in the Tariff Order
O&M expenses	1 Month	9.63	10.14	Normative O&M expenses as approved in the Tariff Order plus water charges
Maintenance spares	20% of O&M	23.10	24.34	Normative O&M expenses as approved in the Tariff Order plus water charges
Receivables	1 Month	45.37	47.29	Based on the truing up claim of AFC
Total Working Capital Requirements		106.75	- 110.43	
Interest rate		12.30%	12.30%	SBI Base Rate + 300 basis points
Interest on working capital		13.13	13.58	

Operation & Maintenance (O&M) expenses

2.29 The Hon'ble Commission in its Tariff Order for FY 2016-17 had approved the normative O&M expenses of Rs. 113.40 Crore in accordance with Regulation 4.28(a) of the OERC Generation Tariff Regulations, 2014. In addition, the Hon'ble Commission had approved the special compensation allowance of Rs. 2.10 Crore in accordance with Regulation 4.28(b) of the OERC Generation Tariff Regulations, 2014. Accordingly, the Hon'ble Commission had approved the total O&M expenses of Rs. 115.50 Crore for FY 2016-17.

2.30 The O&M expenses of Rs. 115.50 Crore, as approved by the Hon'ble Commission, has been considered for truing up of FY 2016-17.

2.31 The O&M expenses claimed for truing up of FY 2016-17 is as shown in the Table below:

Table 9: O&M expenses for FY 2016-17 (Rs. Crore)

Particulars	FY 2016-17	
	Approved in Tariff Order	Claimed for Truing up
O&M expenses	115.50	115.50

Annual Fixed Cost

2.32 Based on the above, the AFC claimed for truing up of FY 2016-17 is as shown in the Table below:

Table 10: AFC for FY 2016-17 (Rs. Crore)

Particulars	FY 2016-17	
	Approved in Tariff Order	Claimed for Truing up
Return on Equity	72.00	73.38
Interest on loan capital	0.00	11.59
Depreciation	0.00	3.44
Interest on working capital	13.13	13.58
O&M expenses	115.50	115.50
Total AFC	200.63	217.50

2.33 The actual Plant Availability Factor for FY 2016-17 was more than the Normative Annual Plant Availability Factor of 85%. Hence, OPGC is entitled for recovery of full fixed charges for FY 2016-17. OPGC requests the Hon'ble Commission to allow the recovery towards under-recovery of AFC to the extent of Rs. 16.87 Crore along with carrying cost.

Recovery towards under-recovery of Electricity Duty

2.34 The actual Electricity Duty paid by OPGC for FY 2016-17 was Rs. 10.09 Crore. As against the same, OPGC has billed only Rs. 8.02 Crore to GRIDCO. In accordance with the Regulation 7.10 of the OERC Generation Tariff Regulations, 2014, OPGC requests the Hon'ble Commission to allow the recovery of the amount of Rs. 2.07 Crore on account of the Electricity Duty not billed to GRIDCO.

Recovery towards under-recovery of Income Tax

2.35 The Hon'ble Commission vide its Tariff Order for FY 2016-17 had approved the Income Tax of Rs. 37.07 Crore considering the Return on Equity of Rs. 72 Crore and rate of income tax of 33.99%. The actual rate of income tax in FY 2016-17 was 34.61%. OPGC requests the Hon'ble Commission to allow the recovery of differential income tax on account of Return on Equity claimed for truing up and the revised rate of income tax from that considered in the Tariff Order for FY 2016-17 as shown in the Table below:

Table 11: Differential income tax for FY 2016-17 (Rs. Crore)

Particulars	FY 2016-17	
	Approved in Tariff Order	Claimed for Truing up
RoE	72.00	73.38
Rate of Income Tax	33.99%	34.61%
Income Tax	37.07	38.84
Actual Income Tax deposited by the Company	-	42.21
Differential amount recoverable	-	1.77 (38.84 -37.07)

Impact of Revised Auxiliary Consumption for FY 2016-17

2.36 The Hon'ble Commission vide its Order dated October 23, 2017 in Case No. 35 of 2017 on the Review Petition filed by OPGC on the Tariff Order for FY 2017-18 ruled as under:

“10. Therefore, the Commission direct the petitioner, while filing the generation tariff application for FY 2018-19 they may claim the amounts to be borne on accounts of additional auxiliary energy consumption @ 0.5% for induced draft cooling tower in the current year. The Commission after due scrutiny may consider the same as per Regulation.”

The Commission in above referred Order has recognised that OPGC plant is having Induced Draft Cooling Tower. The Commission in its Tariff Order for FY 2016-17 had allowed an Auxiliary Consumption of 8.5% and accordingly, while raising the bills to GRIDCO, OPGC had considered the Auxiliary Consumption of 8.5%. However, as per provisions of OERC Generation Tariff Regulations, 2014, the Auxiliary Consumption norm for plants with Induced Draft Cooling Tower is 9%. Accordingly, OPGC is claiming the impact of additional 0.5% auxiliary consumption on Energy Charges billed as follows:

Table 12: Impact of Revised Auxiliary Consumption on Energy Charge for FY 2016-17(Rs. Crore)

Month	Energy	Energy Charge at 8.5% Aux. Cons.	Energy Charge at 9% Aux. Cons.	Difference	Impact
	kWh	Rs/kWh	Rs/kWh	Rs/kWh	Rs Crore
Apr-16	2558,92,000	1.4576	1.4655	0.0079	0.20
May-16	1754,99,000	1.4229	1.4306	0.0077	0.13
Jun-16	2363,09,310	1.4730	1.4810	0.0079	0.19
Jul-16	2507,25,500	1.5813	1.5898	0.0085	0.21
Aug-16	2452,32,000	1.5885	1.5971	0.0086	0.21
Sep-16	2253,49,000	1.7136	1.7228	0.0092	0.21
Oct-16	2404,33,000	1.6433	1.6522	0.0089	0.21
Nov-16	2188,59,000	1.6189	1.6276	0.0087	0.19
Dec-16	2584,95,000	1.5514	1.5598	0.0084	0.22
Jan-17	2750,78,000	1.4109	1.4185	0.0076	0.21
Feb-17	2496,77,700	1.6250	1.6338	0.0088	0.22
Mar-17	2595,63,000	1.8703	1.8804	0.0101	0.26
Total	28911,12,510				2.464

Further, the revised Incentive entitlement of OPGC for FY 2016-17 considering 9% Auxiliary Consumption works out to Rs 2,48,98,390/- as against the Incentive of Rs 1,70,80,090/- computed considering 8.5% Auxiliary Consumption. Hence, OPGC claims the differential amount of Rs 78,18,300/- towards difference in Incentive entitlement and Incentive billed during FY 2016-17 as part of truing up. The Petitioner requests the Hon'ble Commission to allow the recovery of impact of revised Auxiliary Consumption alongwith carrying cost.

Total impact of truing up

2.37 Based on the above, the total impact of truing up for FY 2016-17 is as shown in the Table below:

Table 13: Total impact of truing up for FY 2016-17 (Rs. Crore)

Particulars	FY 2016-17
Under-recovery of AFC	16.87
Impact of Revised Auxiliary Consumption on Energy Charge	2.47
Difference in Incentive entitlement and Incentive billed during FY 2016-17 on account of additional 0.5% AUX	0.78
Under-recovery of ED	2.07
Under-recovery of income tax	1.76
Total	23.95

Recovery of impact of truing up

2.38 As regards the carrying cost on truing up amount, Hon'ble ATE in its Judgment dated 8 April, 2015 in Appeal No. 160 of 2012 ruled as under:

“42. The interest should be calculated for the period from the middle of the financial year in which the revenue gap had occurred upto the middle of the financial year in which the recovery has been proposed. Thus, for the revenue gap of FY 2010-11, the Commission has to consider interest from middle of FY 2010-11 to middle of FY 2013-14 in which the recovery is proposed. This is because the expenditure is incurred throughout the year and its recovery is also spread out throughout the year. Admittedly, the revenue gap will be determined at the end of the financial year in which the expenditure is incurred. However, the under or over recovery is the resultant of

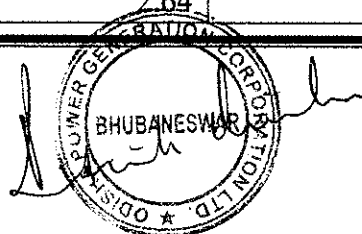
the cost and revenue spread outthroughout the year. Similarly, the revenue gap of the past year will be recovered throughout the year in which its recovery is allowed. Therefore, the interest on revenue gap as a result of true up for a financial year should be calculated from the mid of that year till the middle of the year in which such revenue gap is allowed to be recovered.

43. To explain this point let us assume that there is a revenue gap of 12 crores in the true-up of FY 2010-11. If the cost and the revenue and the permitted expenditure had been properly balanced this gap of 12 crores would have been recovered throughout the 12 months of FY 2010-11. Now this revenue gap is allowed to be recovered in tariff during FY 2013-14. The recovery of gap of Rs. 12 crores from the distribution licensee consumers will be spread over the 12 months period of FY 2013-14. Therefore, the carrying cost would be calculated from the middle of FY 2010-11 to middle of FY 2013-14 i.e. 3 years.”

2.39 In accordance with the Judgment of the Hon’ble APTEL reproduced above, OPGC requests the Commission to approve the truing up for FY 2016-17 along with carrying cost considering the rate of interest on working capital for the respective years. The total impact of truing up claimed by OPGC for FY 2016-17 is as under:

Table 14: Truing up for FY 2016-17 including carrying cost (Rs. Crore)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19
Opening Gap/(Surplus)	0.00	23.95	23.95
Gap/(Surplus) addition during the year	23.95	0.00	0.00
Closing Gap/(Surplus)	23.95	23.95	23.95
Cumulative Gap/(Surplus)			23.95
Rate of Interest	12.30%	11.00%	10.95%
Carrying cost on opening balance	0.00	2.64	1.32
Carrying cost on Addition	1.47	0.00	0.00
Total carrying cost	1.47	2.64	1.32



Particulars	FY 2016-17	FY 2017-18	FY 2018-19
Cumulative carrying cost			5.43
Total Gap/(Surplus) including carrying cost			29.38

2.40 OPGC requests the Hon'ble Commission to allow the recovery of Rs. 29.38Crore on truing up for FY 2016-17.

A handwritten signature in black ink is written over a circular stamp. The stamp contains the text "OPGC GENERATION CORPORATION LTD." around the top edge and "BHUBANESWAR" in the center. There is a small star symbol at the bottom of the stamp.

3 Generation Tariff for FY 2018-19

- 3.1 The tariff for supply of electricity from a thermal generating station comprises of two parts, namely, capacity charge (for recovery of AFC) and energy charge (for recovery of primary and secondary fuel cost).
- 3.2 OPGC has proposed the Generation Tariff for FY 2018-19 in accordance with the OERC Generation Tariff Regulations, 2014 as detailed in the following paragraphs.
- 3.3 In accordance with Regulation 4.3 of the OERC Generation Tariff Regulations, 2014, the Annual Fixed Cost (AFC) of a generating station comprises of the following components:
- Return on Equity;
 - Interest on loan capital;
 - Depreciation;
 - Interest on working capital;
 - Operation and maintenance expenses.

Capital Cost and additional capitalisation

- 3.4 The closing capital cost claimed for truing up of FY 2016-17 has been considered as the opening capital cost for FY 2017-18. Further, the additional capitalisation amounting to Rs. 50.37 Crore is estimated to be capitalised in FY 2017-18. The list of works estimated to be capitalised in FY 2017-18 is enclosed at **Annexure 8**. The copy of supporting document towards additional capitalisation of Construction of Ash Pond C and Ash Pond C HDPE Lining is enclosed at **Annexure-9**.
- 3.5 The additional capitalisation proposed for FY 2017-18 is towards the additional works some of which are towards compliance to the Change in Law and other works have become necessary for efficient and successful operation of the generating station. OPGC requests the Hon'ble Commission to approve the additional capitalisation claimed for FY 2017-18 under the provisions of Regulation 3.4 (b) and (d) of the OERC Generation Tariff Regulations, 2014.

- 3.6 The closing capital cost of FY 2017-18 has been considered as the opening capital cost for FY 2018-19. Further, the additional capitalisation amounting to Rs. 55.99 Crore is estimated to be capitalised in FY 2018-19. The list of works estimated to be capitalised in FY 2018-19 is enclosed at **Annexure 10**. The copy of supporting document towards additional capitalisation of modification to Electro Static Precipitator (ESP) to meet the prescribed emission standard is enclosed at **Annexure-11**.
- 3.7 The additional capitalisation proposed for FY 2018-19 is towards the additional works some of which are towards compliance to the Change in Law and other works have become necessary for efficient and successful operation of the generating station. OPGC requests the Hon'ble Commission to approve the additional capitalisation claimed for FY 2018-19 under the provisions of Regulation 3.4 (b) and (d) of the OERC Generation Tariff Regulations, 2014..
- 3.8 The capital cost claimed for FY 2018-19 is as shown in the Table below:

Table 15: Capital cost for FY 2018-19 (Rs. Crore)

Particulars	FY 2017-18	FY 2018-19
	Revised proposed	Claimed for Tariff
Opening capital cost	1099.86	1150.23
Additional capitalisation	50.37	55.99
Closing capital cost	1150.23	1206.22

Debt-Equity Ratio

- 3.9 The closing balances of gross loan and equity claimed for truing up of FY 2016-17 have been considered as the opening balances for FY 2017-18. In accordance with Regulation 3.8 of the OERC Generation Tariff Regulations, 2014, the debt-equity ratio of the additional capitalisation claimed for FY 2017-18 has been considered as 70:30. The closing balances of gross loan and equity for FY 2017-18 have been arrived at by considering the loan and equity addition during FY 2017-18.

3.10 The closing balances of gross loan and equity claimed for FY 2017-18 have been considered as the opening balances for FY 2018-19. In accordance with Regulation 3.8 of the OERC Generation Tariff Regulations, 2014, the debt-equity ratio of the additional capitalisation claimed for FY 2018-19 has been considered as 70:30. The closing balances of gross loan and equity for FY 2018-19 have been arrived at by considering the loan and equity addition during FY 2018-19.

3.11 The debt-equity of the additional capitalisation claimed for FY 2017-18 and FY 2018-19 is as shown in the Table below:

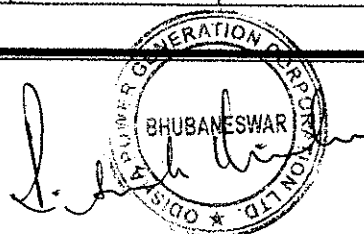
Table 16: Debt-Equity of additional capitalisation claimed for FY 2017-18 and FY 2018-19 (Rs. Crore)

Particulars	Units	FY 2017-18	FY 2018-19
Additional Capitalisation	Rs. Crore	50.37	55.99
Debt	%	70%	70%
Debt	Rs. Crore	35.26	39.19
Equity	%	30%	30%
Equity	Rs. Crore	15.11	16.80

3.12 The total debt-equity claimed by OPGC for FY 2018-19 is as shown in the Table below:

Table 17: Debt-Equity for FY 2018-19 (Rs. Crore)

Particulars	FY 2017-18		FY 2018-19	
	Debt	Equity	Debt	Equity
	Revised	proposed	Claimed for Tariff	
Gross amount pertaining to opening approved capital cost	610.00	450.00	610.00	450.00
Outstanding balance as on April 1 pertaining to opening approved capital cost	0.00	450.00	0.00	450.00
Opening balance (gross) carried forward from previous year	27.90	461.96	63.16	477.37
Addition during the year	35.26	15.31	39.19	16.80
Closing balance (gross)	63.16	477.07	102.35	493.87



Return on Equity

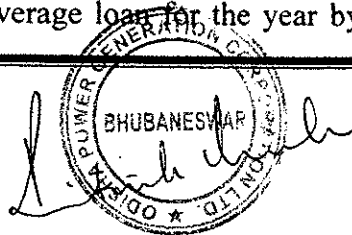
- 3.13 In accordance with Regulations 4.5 and 4.6 of the OERC Generation Tariff Regulations, 2014, RoE shall be computed in rupee terms, on the equity base and RoE shall be computed @ 16% of the Equity Capital.
- 3.14 Accordingly, the RoE for FY 2018-19 has been claimed considering the opening equity base and the equity portion of the additional capitalisation. The RoE on equity portion of the additional capitalisation has been claimed for half year of FY 2018-19.
- 3.15 The RoE claimed for FY 2018-19 is as shown in the Table below:

Table 18: RoE for FY 2018-19 (Rs. Crore)

Particulars	FY 2018-19
Opening Equity	477.07
Addition during the year	16.80
Closing Equity	493.87
Rate of RoE	16.00%
RoE	77.67

Interest on loan capital

- 3.16 The interest on loan for FY 2018-19 has been claimed in accordance with OERC Generation Tariff Regulations, 2014.
- 3.17 The normative loan outstanding as on April 1, 2018 has been worked out by deducting the cumulative repayment upto March 31, 2018 from the gross normative loan. The normative loan pertaining to the additional capitalisation has been considered as loan addition during the year. The loan repayment for the year has been considered as equal to depreciation for the year. In accordance with Regulation 4.13 of the OERC Generation Tariff Regulations, 2014 the rate of interest has been considered as 10.55% which is the weighted average rate of interest of the generating company as a whole (on the ongoing loan draw down for OPGC Units 3 & 4 being availed from PFC and REC). The interest on loan has been computed on the normative average loan for the year by applying the rate of



interest.

3.18 The interest on loan claimed for FY 2018-19 is as shown in the Table below:

Table 19: Interest on loan for FY 2018-19 (Rs. Crore)

Particulars	FY 2018-19
Gross loan	673.16
Cumulative repayment upto previous year	623.48
Outstanding balance	49.78
Addition during the year	39.19
Repayment during the year	14.78
Closing balance	74.20
Average balance	61.99
Interest rate	10.55%
Interest	6.54

Depreciation

3.19 The OERC Generation Tariff Regulations, 2014 specifies the rates of depreciation for each asset class. The term of the PPA is upto FY 2025-26. If the depreciation rates as per the OERC Generation Tariff Regulations, 2014 is applied for computing the depreciation, OPGC shall not recover the entire depreciable value of the assets capitalised from FY 2015-16 onwards by the end of the term of the PPA. Hence, OPGC requests the Hon'ble Commission to allow the recovery of depreciable value of the assets capitalised from FY 2015-16 onwards, by equal spread during each year, from the year of capitalisation, upto FY 2025-26.

3.20 The depreciation claimed for FY 2018-19 is as shown in the Table below:

Table 20: Depreciation for FY 2018-19 (Rs. Crore)

Particulars	FY 2018-19
Depreciation	14.78

Interest on working capital

- 3.21 The interest on working capital for FY 2018-19 has been claimed in accordance with the OERC Generation Tariff Regulations, 2014.
- 3.22 The working capital requirement for FY 2018-19 has been computed in accordance with Regulation 4.24(a) of the OERC Generation Tariff Regulations, 2014. Further, in addition to the normative O&M expenses in accordance with Regulation 4.28(a), the water charges in accordance with the Regulation 4.28(e) has been considered for arriving at the working capital requirement. The rate of interest on working capital has been considered in accordance with Regulation 4.26 of the OERC Generation Tariff Regulations, 2014. OPGC has considered the prevalent MCLR of 7.95% (One Year Tenure) plus 300 basis points as Interest Rate for computing Interest on Working Capital.
- 3.23 The interest on working capital claimed for FY 2018-19 is as shown in the Table below:

Table 21: Interest on working capital for FY 2018-19

Particulars	Norms	FY 2018-19
Cost of Coal	1 Month	32.41
Cost of Secondary Fuel Oil	1 Month	1.08
O&M expenses	1 Month	11.42
Maintenance spares	20% of O&M	27.42
Receivables	1 Month	54.32
Total Working Capital Requirements		126.66
Interest rate		10.95%
Interest on working capital		13.87

Operation & Maintenance (O&M) expenses

- 3.24 Regulation 4.28(a) of the OERC Generation Tariff Regulations, 2014 specifies the normative O&M expenses of Rs. 30.51 lakh/MW for Unit sizes of 210 MW. Accordingly, the normative O&M expenses have been claimed considering the same.
- 3.25 In addition to the normative O&M expenses, Regulation 4.28(b) of the OERC Generation Tariff Regulations, 2014, specifies special compensation allowance for O&M @ Rs. 0.65

lakh/MW for the projects that have completed 20 years of useful life. In accordance with the same, the special compensation allowance has been claimed for FY 2018-19.

3.26 The O&M expenses claimed for FY 2018-19 is as show in the Table below:

Table 22: O&M expenses for FY 2018-19

Particulars	Units	FY 2018-19
Unit size	MW	210
No. of Units	No.	2
Installed Capacity	MW	420
Normative O&M expenses	Rs. lakh/MW	30.51
Normative O&M expenses	Rs. Crore	128.14
Special compensation allowance	Rs. lakh/MW	0.65
Special compensation allowance	Rs. Crore	2.73
Total O&M expenses	Rs. Crore	130.87

Annual Fixed Cost

3.27 Based on the above, the AFC claimed for FY 2018-19 is as shown in the Table below:

Table 23: AFC for FY 2018-19 (Rs. Crore)

Particulars	FY 2018-19
Return on Equity	77.67
Interest on loan capital	6.54
Depreciation	14.78
Interest on working capital	13.87
O&M expenses	130.87
Total AFC	243.73

Norms of operation

3.28 OERC Generation Tariff Regulations, 2014 specifies the following norms of operation for thermal power generation stations:

- i. Normative Annual Plant Availability Factor;
- ii. Normative Annual Plant Load Factor;
- iii. Gross Station Heat Rate;
- iv. Secondary fuel oil consumption; and

v. Auxiliary consumption

3.29 The norms of operation for FY 2018-19 have been proposed in accordance with the OERC Generation Tariff Regulations, 2014.

3.30 The norms of operation proposed for FY 2018-19 is as shown in the Table below:

Table 24: Norms of operation for FY 2018-19

Particulars	FY 2018-19
Normative Annual Plant Availability Factor	85%
Normative Annual Plant Load Factor	85%
Gross Station Heat Rate	2450
Secondary fuel oil consumption	1.00
Auxiliary consumption	9.00%

Fuel prices and GCV

3.31 At present, OPGC is meeting its requirement of Coal for Units 1 and 2 under the existing Fuel Supply Agreement (FSA) with Mahanadi Coalfields Ltd. (MCL). OPGC has not envisaged use of imported coal in FY 2018-19.

3.32 The price of Coal and the price & calorific value of secondary fuel oil have been considered based on the actuals for the preceding 3 months of August, 2017 to October, 2017 in accordance with the Regulation 4.25. However, as regards the GCV of coal, the Petitioner has considered the weighted average GCV of coal for last one year i.e., from November 2016 to October 2017 to smoothen the impact of seasonal variations, as typically, during monsoon months, GCV is on lower side. The weighted average GCV for last one year works out to 2685.41 kCal/kg as against weighted average GCV of 2520 kCal/kg for last 3 months. Consistent with our previous year's tariff petition, the Hon'ble Commission is further humbly requested to consider determination of energy charges factoring 'as fired' GCV in accordance with Regulation 4.33 of the OERC Generation Tariff Regulations, 2014, and as submitted above. Such considered determination of energy charge shall avoid under estimation of working capital/ cash flow requirement for operation of the power plant.

3.33 The summary of weighted average GCV of last one year is given in Table below:

Table 25: Weighted Average GCV of Coal for last one year

S.No	Month	Coal Quantity	GCV (kcal/kg)
1	Nov-16	231567	2586
2	Dec-16	255721	2701
3	Jan-17	245818	2978
4	Feb-17	229319	2906
5	Mar-17	259346	2716
6	Apr-17	253827	2440
7	May-17	247361	2612
8	Jun-17	238128	2993
9	Jul-17	257062	2616
10	Aug-17	177950	2482
11	Sep-17	108774	2744
12	Oct-17	236169	2446
	Wtd. Avg for the Year		2685

3.34 The prices and GCV of Coal and secondary fuel oil are as shown in the Table below:

Table 26: Price and GCV of Coal and Oil

Particulars	Units	FY 2018-19
Price of Coal	Rs./MT	1368.91
Price of secondary fuel oil	Rs./kL	41390.
GCV of Coal	kcal/kg	2685.41
GCV of secondary fuel oil	kcal/ltr.	10000

3.35 It is submitted that under Regulation 4.33 of the OERC Generation Tariff Regulations, 2014, OPGC is entitled to recover the Energy Charge Rate (ECR) computed on the basis of the 'as fired' gross calorific value (GCV) of coal measured in kcal/ kg. It is submitted that the measurement of GCV 'as fired' is distinct from the GCV that may be billed by the coal company i.e. MCL in this case. This distinction between the 'as fired' GCV and

the GCV billed by the coal company is very well recognised in the industry. The current OERC Generation Tariff Regulations, 2014 envisage payment of ECR on the basis of 'as fired' GCV as noted hereinbefore. In this regard, it is stated that no generating company subject to cost-plus tariff determination under Section 62 of the Act in the country, whether regulated by the CERC or by appropriate state commissions, receives an ECR computed on the basis of GCV as billed by the coal company. Hence, it is submitted that considering the billed GCV would be contrary not only to Regulation 4.33 but also the prevailing national regulatory practise, resulting in grave prejudice to OPGC. It is submitted that linking OPGC's ECR recovery to the billed GCV of coal would lead to severe financial losses due to under-recovery of tariff, and threatens the financial viability and survival of OPGC's project.

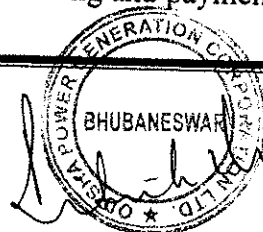
Energy Charges for purpose of computing Working Capital

3.36 Based on the above norms of operation and fuel prices and GCV, the Energy Charges for estimation of Working Capital for FY 2018-19 is as shown in the Table below:

Table 27: Energy Charges for estimating Working Capital for FY 2018-19

Particulars	Units	FY 2018-19
Gross Generation	MU	3127.32
Auxiliary Consumption	%	9.00%
Generation after Aux. Cons.	MU	2845.86
Gross Station Heat Rate	kcal/kWh	2450.00
GCV of Coal	kcal/kg	2685.41
GCV of Oil	kcal/ltr.	10000
Specific coal consumption	kg/kWh	0.97
Specific oil consumption	ml/kWh	1.00
Price of Coal	Rs./MT	1368.91
Price of secondary fuel oil	Rs./kL	41390
Variable Charge for Coal	Rs./kWh	1.37
Variable Charge for Oil	Rs./kWh	0.05
Energy Charge Rate for estimation of working Capital	Rs./kWh	1.41

3.37 OPGC requests the Hon'ble Commission to allow billing and payment of energy charges



in accordance with Regulations 4.32, 4.33 and 4.34 of the OERC Generation Tariff Regulations, 2014.

Other charges

3.38 Apart from AFC and the Energy Charges, OPGC claims the following provisional charges for reimbursement in accordance with the OERC Generation Tariff Regulations, 2014. However, OPGC humbly submits before the Hon'ble Commission for approving reimbursement of the actual expenses to be paid to the Government of Odisha/Other Statutory bodies, from GRIDCO.

- **Electricity Duty:** OPGC claims the electricity duty @ Rs. 0.55/kWh on the ex-bus generation corresponding to 85% PLF and auxiliary consumption of 9.00%. Accordingly, the electricity duty of Rs. 15.48 Crore is claimed provisionally for FY 2018-19.
- **Water Cess & Water Charges:** OPGC claims the Water Cess of Rs. 0.08 Crore and Water Charges of Rs. 6.13 Crore, combined as Rs. 6.21 Crore, which is the same as actually incurred in FY 2016-17.
- **Tax and Cess on land:** OPGC claims the tax and cess on land of Rs. 0.18 Crore which is the same as actually incurred in FY 2016-17.
- **System Operation Charges (SOC) & Market Operation Charges (MOC) for SLDC:** OPGC claims the amount of Rs. 0.33 Crore towards charges to be paid to SLDC for SOC and MOC, the same as approved by the Hon'ble Commission for FY 2017-18.
- **ERPC Charges:** OPGC claims the ERPC charges of Rs. 0.16 Crore which is the same as actually incurred in FY 2016-17.
- **Income Tax:** OPGC claims the amount of Rs. 39.73 Crore considering the Return on

Equity of Rs. 75.08 Crore claimed for FY 2018-19 and the applicable tax rate of 34.61%.

- **Recovery of ARR and Tariff Petition Fees and Publication Expenses:** OPGC claims the provisional amount of Rs. 0.30 Crore towards recovery of ARR and Tariff Petition Fees and Publication Expenses.

3.39 The other charges claimed for FY 2018-19 is as shown in the Table below:

Table 28: Other charges for FY 2018-19

S. No.	Particulars	FY 2018-19
1	Electricity Duty	15.48
2	Water Cess and Water Charges	6.21
3	Tax and Cess on Land	0.18
4	SOC and MOC for SLDC	0.33
5	ERPC Charges	0.16
6	Income Tax	39.73
7	Recovery of ARR & Tariff Petition Fees & publication expenses	0.30
	Total	62.39

3.40 OPGC requests the Hon'ble Commission to provisionally approve the other charges of Rs. 62.39 Crore. OPGC further requests the Hon'ble Commission to direct GRIDCO Ltd. to reimburse the other charges on actual basis during the year.

3.41 **Incentive:** OPGC requests the Hon'ble Commission to allow incentives, if OPGC achieves excess schedule generation (kWh) over Energy generation as per NAPLF @ 85% as specified in Regulations 6.9 and 6.10 of the OERC Generation Tariff Regulations, 2014.

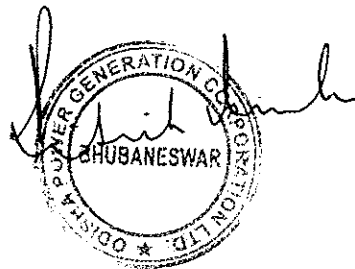
3.42 **Year End Adjustment:** OPGC requests the Commission to approve the recovery of upward or downward variation in Capacity Charge, Energy Charge, Incentive and Other Charges at the end of the FY 2018-19 in accordance with the Regulations 6.3 of OERC Generation Tariff Regulations, 2014.

4 Impact of Review Order dated October 23, 2017 in Case No. 35 of 2017 for FY 2017-18

4.1 The Hon'ble Commission vide its Order dated October 23, 2017 in Case No. 35 of 2017 on the Review Petition filed by OPGC on the Tariff Order for FY 2017-18 ruled as under:

“10. Therefore, the Commission direct the petitioner, while filing the generation tariff application for FY 2018-19 they may claim the amounts to be borne on accounts of additional auxiliary energy consumption @ 0.5% for induced draft cooling tower in the current year. The Commission after due scrutiny may consider the same as per Regulation.”

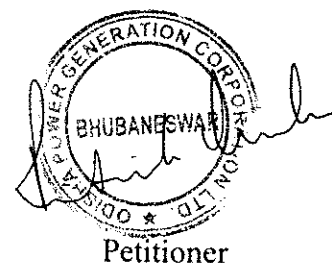
4.2 Accordingly, OPGC requests the Hon'ble Commission to allow the recovery towards differential in Capacity Charge, Energy Charge and Incentive on account of 0.5% Auxiliary Consumption, payable for FY 2017-18, along with monthly energy bill to be raised for the month of March 2018.



5 Prayers

OPGC respectfully prays that the Hon'ble Commission may:

- i. Admit the Petition;
- ii. Approve the truing up of FY 2016-17 including carrying cost, as filed by OPGC;
- iii. Approve Annual Fixed Charges, for FY 2018-19, as filed by OPGC;
- iv. Approve the recovery of Energy Charge, for FY 2018-19, as per Regulation 4.32, 4.33 & 4.34 of OERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2014;
- v. Approve the other charges to be reimbursed by GRIDCO Ltd. as claimed in the Petition;
- vi. Direct GRIDCO Ltd. to reimburse the other charges on actual basis during the year;
- vii. Approve the recovery of any year end adjustments;
- viii. Allow the recovery of Impact of Review Order for FY 2017-18 in Case No. 35/2017.
- ix. Condone any inadvertent omissions, errors, short comings and permit OPGC to add/ change/ modify/ alter this filing and make further submissions as may be required at a future date; and
- x. Pass such other and further Orders as deemed fit and proper in the facts and circumstances of the case.



Petitioner

Bhubaneswar

November 29, 2017