

CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

Coram:

- 1. Shri Ashok Basu, Chairperson**
- 2. Shri K.N.Sinha, Member**
- 3. Shri Bhanu Bhushan, Member**

Petition No.5/2002

In the matter of

Revised Tariff for Thermal Power Station II of NLC for the period for 2001-02 to 2003-04.

And in the matter of

Neyveli Lignite Corporation Ltd.

...Petitioner

Vs

1. Tamil Nadu Electricity Board, Chennai
2. Karnataka Power Transmission Corp. Ltd., Bangalore
3. Kerala State Electricity Board, Thiruvanthapuram
4. Pondicherry Electricity Deptt., Pondicherry
5. Transmission Corporation of Andhra Pradesh Ltd.,

Hyderabad.....**Respondents**

The following were present

1. Shri. K. Sekar, NLC
2. Shri R. Suresh, NLC
3. Shri A. Ganesan, NLC
4. Shri. S. Sowmyanarayanan, Consultant, TNEB
5. Shri R. Balachandran, KSEB

ORDER

(DATE OF HEARING: 15.9.2005)

The petitioner has filed the petition for approval of tariff based on "gross fixed assets" concept. The tariff for the period ending 31.3.2001 was governed by the Bulk Power Supply Agreement, which was based on "net fixed assets" concept.

2. We heard Shri K. Sekar and Shri R. Suresh for the petitioner and Shri S. Sowmyanarayanan for the first Respondent, TNEB.

3. In the interest of continuity of approach, we have decided that the tariff in the present petition should be determined based on the “net fixed assets” concept.

4. One of the issues raised is in regard to lignite transfer price. It was submitted on behalf of the petitioner that CMD of the petitioner company had convened a meeting with the Chairmen of the beneficiary utilities to explain the parameters for fixation of lignite price, which was approved by Ministry of Coal. The representative of TNEB submitted that the proposal in the petition relates to approval of tariff for the period 1.4.2001 to 31.3.2004 whereas the transfer price of lignite considered for calculation of tariff was approved by Ministry of Coal only on 21.3.2005. TNEB accordingly questioned the very basis for computation of tariff. The representative of TNEB explained that petitioner was not ready to accept its point of view. The representative of TNEB explained that pooled lignite price as such, according to books of accounts of the petitioner would also be acceptable to them. TNEB can accept lignite transfer price computed on the basis of 85% mine capacity utilisation, but the price so calculated should be applied on lignite production up to 85% mine capacity. Since all fixed costs including O&M are fully recovered by this, price of lignite above 85% mine capacity utilisation should be at marginal cost only. The petitioner submitted that the Ministry of Coal, which is the regulator for their mining operation has decided lignite transfer price, and as such, the petitioner cannot deviate from the price approved by Ministry of Coal.

5. Without prejudice to contentions of the parties raised before us and the Commission’s power and authority to go into the question of determination of lignite transfer price, we consider it appropriate that TNEB approaches the Central Government in Ministry of Coal for a fresh look into the matter. Ministry of Coal may

review the matter after considering the views of the beneficiaries of the generating station and decide the matter latest by 15.1.2006. The decision of the Central Government in Ministry of Coal shall be placed on record by the petitioner by 31.1.2006.

6. The other issues raised on behalf of TNEB are summarised as under:

- (i) Debt-equity should be considered in the ratio of 50:50, instead of actual.
- (ii) Depreciation rate of 11.36% considered for mines is very high.
- (iii) O & M charges have been considered taking escalation rate of 5.75% in the first year and 10% per annum thereafter. Escalation rate of 10% is high.
- (v) Computation of interest on working capital has been done on the basis of old PLR whereas it should be based on SBI PLR as on 1.4.2001.

7. Till such time, the issue of lignite transfer price is fully resolved, we allow provisional capacity charge and the provisional energy charge which shall be computed on the basis of 80% of the lignite transfer price in the respective years considered by the petitioner in the petition.

8. The petitioner has submitted details of pay arrears for different years for the years 1995-96 to 2000-01 but these details are not adequate. The petitioner is directed to furnish the following details on affidavit by 30.11.2005:

(Rs. in lakh)

		1995-96	1996-97	1997-98	1999-00	2000-01
1.	O &M claimed					
2.	Provision for pay revision, if any					
3.	Arrears of pay					
4.	Year in which paid					
5.	Impact due to pay revision					
6.	O & M including arrears of pay revision					

9. A copy of the order shall also be sent to Secretary, Ministry of Coal for appropriate action in regard to para 5 above.

10. List on 7.2.2006 for further directions.

Sd/-

(BHANU BHUSHAN)
MEMBER

sd/-

(K.N.SINHA)
MEMBER

sd/-

(ASHOK BASU)
CHAIRPERSON

New Delhi dated the 2nd November 2005