

**IN THE JHARKHAND STATE ELECTRICITY REGULATORY COMMISSION AT  
RANCHI**

**Case No. 09 of 2017**

Inland Power Limited (IPL)

..... Petitioner

Versus

Jharkhand Urja Vikash Nigam Limited & Others .....Respondent

**CORAM: HON'BLE MR. (DR) ARBIND PRASAD, CHAIRPERSON  
HON'BLE MR. R.N. SINGH, MEMBER (ENGINEERING)  
HON'BLE MR. P.K. SINGH, MEMBER (LEGAL)**

For the Petitioner : Mr. M.L. Khetan, Inland Power Limited

For Respondent : Mr. Navin Kumar and Mr. Amitabh Advocates

**ORDER**

**Date – 22<sup>nd</sup> October, 2019**

1. The petitioner Inland Power Limited (IPL) had filed on 06.07.2017 a petition under Section 94 (1) (f) of the Electricity Act, 2003 read with chapter V, A41 of JSERC (Conduct of Business) Regulations, 2016 for review of order dated 16.05.2017 regarding True-up for the FY 2014-15 passed by this Commission in Case no. 06 & 11 of 2016 with a delay of 25 days in filing the review petition.

2. The Review Petition was dismissed vide order dated 17.10.2017 by this Commission as the review petition was not filed within the limitation period of 30 days prescribed under A41 of JSERC (Conduct of Business) Regulations, 2016 and any Justification for entertaining the review petition by way of condoning delay was not submitted.

3. The petitioner preferred an appeal before the Hon'ble APTEL being Appeal no. 142 of 2018 under Section 111 of the Electricity Act, 2003 and APTEL vide order dated 25.03.2019 has allowed the appeal of the petitioner with following observations:

“.....

*The impugned Order dated 16.05.2017 passed in petition no. 06 & 11 Commission, Ranchi, in so far it relates to the relief sought in the instant appeal, is hereby set aside.*

*The matter stands remitted back to the 1<sup>st</sup> Respondent/State Commission for re-consideration afresh to pass an appropriate order in accordance with law after affording reasonable opportunity to the Appellant and the Respondent Nos. 2 and 3 and other interested parties and dispose of the matter as expeditiously as possible, at any rate, within a period of six months from the date of appearance of the parties before it.*

.....”

4. The petitioner Inland Power Limited had submitted following questions of law for Consideration of Hon'ble APTEL, which are reproduced below:
- A. *Whether the State Commission erred in not approving the actual interest and finance charges incurred by the Appellant in FY 2014-15?*
- B. *Whether the State Commission erred in not considering the actual fuel oil consumption and weighted average landed price of secondary fuel for FY 2014-15?*

**I. Interest and Finance charges for FY 2014-15**

**Submission of the petitioner before The APTEL**

- a) The Petitioner submitted that the true-up of actual financing cost of FY 2014-15 was filed before the JSERC as per Regulation 6.14 of JSERC (Generation Tariff) Regulations 2010.
- b) The Petitioner submitted that an amount of Rs. 31.45 Crore was filed as the actual interest on loan and finance charges for the FY 2014-15. The details of the interest and finance charges are shown in the table below.

**A2: Table 1: Actual interest and Finance charges for FY 2014-15 as submitted by the Petitioner**

Sl. No.	Particulars for FY 2014-15	Rate of Interest (%)	Interest Paid (Rs. Cr)
1.	Bank of Baroda	14.25	7.28
2.	State Bank of Patiala	14.00	4.58
3.	State Bank of India	14.25	13.97
4.	State Bank of Bikaner & Jaipur	14.25	5.85
5.	Vehicle loan	12.25	0.03
6.	Bodies Corporate (for Capital asset)	12.00	3.82
7.	Cost of rising Finance / Bank Charges		0.48
8.	<u>Less:</u> Interest & Finance Charges Capitalised		(4.56)
	<b>Total</b>		31.45

- a) IPL submitted that JSERC while approving the interest and finance charges for FY 2014-15 has approved only Rs. 25.89 crore under table 23 at page 42 of the order.
- b) The petitioner also submitted that IPL had submitted the interest and loan details for both the long term loans and the working capital loans as per specific format of JSERC. The petitioner further pointed out that IPL in the specific format had not separately delineated the details of the interest charges for the specific class of loans, which were separately represented in Form F8 of data formats, which shows all the loans taken by IPL during the FY 2014-15, including Capital asset and working capital loans. The petitioner stated that the Commission while considering 12.39% as the weighted average rate of interest for long term loans for FY 2014-15 has considered the weighted average of both capital asset and for working capital loans, which as per information furnished in Form F8 needs readjustment.

- c) In view of the submission made above, the Petitioner has requested for review and to pass necessary orders to approve the actual interest of 14.38% in place of 12.39% for FY 2014-15.

**Submission of the respondent**

- d) The respondent in its Counter affidavit dated 06.09.2019 requested this Commission to dispose-off the matter with due-diligence and on the basis of calculation of interest rate and weighted average landed price of secondary fuel.

**Commission’s observation and findings**

- e) APTEL in its order dated 25.03.2019 has considered this issue and found that the Commission has made an arithmetical error in approving the interest on loan and has remanded the matter back to the Commission for fresh consideration.
- f) The Commission considered the actual weighted average rate of interest as per the submissions made by the Petitioner itself at the time of filing of the petition. The Petitioner, during its submission of additional information had submitted multiple rate of interests as summarized in table below:

**Table 2: Weighted average interest rate submitted by the Petitioner in various instances**

Sl. No.	Particulars submitted by Petitioner	Interest on Long Term Loan Submitted by the Petitioner
1.	Original Petition – Table 7 Page 25	14.21%
2.	Addendum to the Original Petition – Point 19 of the Petitioner’s reply to 1 <sup>st</sup> discrepancy note	16.24%
3.	MYT Formats submitted with the 1 <sup>st</sup> Discrepancy note (Annexure 4)	14.21%
4.	Net Interest Rate in Form F8 of the MYT Formats submitted with the 2 <sup>nd</sup> Discrepancy note (Annexure 7)	12.39%

- g) In the MYT format F8 submitted by the Petitioner as part of reply to 2<sup>nd</sup> discrepancy note, the Petitioner had provided details of the loan portfolio and the various rates of interests of the banks. As a part of prudence check, the Commission vide letter JSERC/ Case (Tariff) No. 06 and 11 of 2016/ 595 dated December 21, 2016 and JSERC/ Case (Tariff) No. 06 and 11 of 2016/ 704 dated February 08, 2017 directed the Petitioner to submit bank documents in support of the rate of interests of each bank as mentioned in Form F8. The Petitioner had submitted the required details. Based on the submissions of the petitioner in MYT formats and after due verification of the documents submitted, the Commission had approved the weighted average rate of interest at 12.39% in the True-up order.

- h) Subsequently the Petitioner has clarified that the Form F8, which the Petitioner had submitted earlier with Petition contained the weighted average rates of long-term loans and working capital loans. Since, both the types of loans were submitted together, the net effective rate of interest was submitted as 12.39%. The Petitioner in a supplementary written submission during review has separated the interest and finance charges for loans of capital assets and for working capital and has submitted separate interest rates and detailed calculation. The Commission has re-checked the calculation based on the data submitted for loans for capital assets and hereby approves the weighted average interest rate at 14.38% for FY 2014-15.

## **II. Relaxation in Specific Oil Consumption**

### **Submission of the petitioner**

- a) The Petitioner submitted to JSERC that the plant was commissioned on 21<sup>st</sup> May 2014 and the plant faced teething problems during the stabilizing period of six months from COD. The petitioner further submitted that this teething problem is faced by all generating stations and is a common phenomenon that during this stabilizing period, the parameters of the plant are unstable and it would consume more fuel and other resources.
- b) The petitioner submitted the month-on-month Secondary fuel oil consumption in KL for FY 2014-15. For the first 6-7 months post CoD, the secondary fuel consumption varied greatly and it stabilized after that. In view of the above issues, the specific fuel oil consumption was 1.20 ml/kWh as against approved of 1.00 ml/kWh for FY 2014-15.
- c) In view of the submission above, the petitioner appealed to give relief in terms of specific oil consumption for FY 2014-15.

### **Commission's observation and findings**

- d) The Commission in the Provisional MYT order dated 27.05.2015 had undertaken a detailed review before approving the norm for specific fuel oil consumption for the Petitioner's plant. The Commission had specifically referred to Regulation 36 (D) (iii) of the CERC Tariff Regulations 2014 and the recommendations of Central Electricity Authority (CEA) in its Report for "Operation Norms for Thermal Power Stations" for the tariff period 2014 -19. Considering the observations of CEA and the CFBC technology specific norms specified by the CERC, the Commission had approved the specific fuel oil consumption at 1.0 ml/kWh accordingly.

- e) The Commission had set the norms after detailed deliberation and based on recommendations by CEA and also after referring to the norms specified by CERC. The issue of higher consumption of specific fuel oil consumption is common in new plants and subsequently it stabilises. Just because the consumption was higher for few months, the Commission cannot relax the norms and is of the considered opinion that the approved specific oil consumption of 1.0 ml/kwH is appropriate.

### **III. Landed price of Secondary Fuel Oil Consumption**

#### **Submission of the petitioner**

- (a) The Petitioner submitted to JSERC that weighted average landed price of secondary fuel for FY 2014-15 was Rs. 56,464.67 per KL. The Petitioner submitted that the bills for the weighted average landed price of secondary fuel for FY 2014-15 were submitted before the Commission. It was pointed out that in the initial submission to JSERC, the Auditors of IPL had erred in the representation of the figure of average rate / ltr – Rs for the month of January 2015 as it was presented as Rs. 1.09 and there was error apparent in the submission submitted before the Commission. The petitioner clarified that the above figure was duly corrected by the Auditor as per the certificate appended which reads Rs 51.09 and were later clarified in submissions to the Commission during hearing on review petition only.
- (b) The petitioner further pointed out that the Commission while approving the weighted average landed price of secondary fuel for FY 2014-15 has approved it as Rs. 52, 868 per KL under table 25 at page 42 of the order as submitted by the petitioner. The Petitioner now claims that there is an error apparent on the record in regard to consideration of the landed price of the secondary fuel for FY 2014-15 and has requested the Commission to approve the actual weighted average landed price. The Petitioner has submitted a corrected certificate from Auditors in support of the claim.

#### **Commission's observation and findings**

- (c) The Commission while arriving at the landed price of secondary fuel had relied on the submissions of the Petitioner. The Commission vide letter JSERC/ Case (Tariff) No. 06 and 11 of 2016/ 340 dated August 11, 2016 had directed the Petitioner to submit the details of month wise consumption and average landed price of secondary fuel duly certified by statutory auditors.
- (d) The Petitioner had submitted the required details duly certified by Chartered Accountant J. Jaipuria & Co. dated 07.09.2016. The Commission as a part of prudence check calculated the yearly average rate as Rs. 52. 87 per Litre and same has been summarised in table below:

**a) Table 3: CA certificate submitted by Petitioner to the Commission**

Sl. No.	Month	As per CA certificate submitted as part of additional information by IPL	
		Quantity (L)	Average Rate (Rs./L)
1.	April 2014	25080	57.73
2.	May 2014	40784	58.04
3.	June 2014	58370	59.57
4.	July 2014	36003	60.05
5.	August 2014	44675	60.34
6.	September 2014	32000	60.83
7.	October 2014	12000	59.72
8.	November 2014	42000	55.44
9.	December 2014	29500	52.97
10.	<b>January 2015</b>	<b>32000</b>	<b>1.09</b>
11.	February 2015	37822	48.82
12.	March 2015	36000	54.13
	<b>Total</b>	<b>426234</b>	<b>52.87</b>

(e) Accordingly, the Commission in its Order dated 16 May 2017 had considered the landed price of oil based on CA certificate provided by the Petitioner itself. In the revised submission during the hearing on review petition, the petitioner has submitted that the Auditor had erred in representation of the figure and had mentioned Rs 51.09 / litre as Rs. 1.09 / litre for January 2015. The same figure has been duly corrected by the Auditor in the revised certificate submitted during review and the Auditor has mentioned in its letter that there was an error in the earlier certificate.

(f) The Commission based on the revised certificate has considered the corrected values and accordingly the rate of Secondary fuel stands at 56,464.67 per KL for FY 2014-15.

## **ORDER**

5. The impacts on various parts of the Original Order are highlighted below in **BOLD**.

### **I. Interest on Loan**

**Revised Table 23: Interest on Loan approved by the Commission**

Particulars	Unit	Approved in MYT order	Submitted by IPL	Approved in True-up Order	<b>Approved Now post remand</b>
Opening Debt balance	Rs. Cr	227.44	253.59	248.84	<b>248.84</b>
Net additions	Rs. Cr	0.00	46.18	0.00	<b>0.00</b>
Repayment	Rs. Cr	13.20	34.27	13.46	<b>13.46</b>
Closing Debt balance	Rs. Cr	214.24	265.50	235.38	<b>235.38</b>

Particulars	Unit	Approved in MYT order	Submitted by IPL	Approved in True-up Order	Approved Now post remand
Average loan balance	Rs. Cr	220.84	259.55	242.11	<b>242.11</b>
Rate of Interest	%	12.75%	14.38%	12.39%	<b>14.38%</b>
Interest on Debt	Rs. Cr	23.37	31.45	25.89	<b>30.05</b>

II. Cost of secondary fuel

Revised Table 25: Cost of Secondary Fuel as approved by the Commission

Particulars	Unit	Approved in MYT order	Submitted by IPL	Approved in True up	Approved Now post remand
Gross Generation at Normative plant availability	MU	343.60	308.78	308.77	308.77
Normative Specific Fuel Oil consumption	ml/k Wh	1.00	1.20	1.00	1.00
Oil Consumption	kL	343.60	371.91	308.77	308.77
Weighted average landed price of secondary fuel	Rs./ kL	50,000	56,464.67	52,868	<b>56,464.67</b>
Cost of Secondary Fuel Oil	Rs. Cr	1.72	2.10	1.63	<b>1.74</b>

III. Interest on Working Capital

Revised Table 27: Interest on Working Capital as Approved by the Commission

Particulars	Unit	Approved in MYT order	Submitted by IPL	Approved in True up	Approved now post remand
Coal Cost for 2 months	Rs. Cr	10.52	12.76	11.95	11.95
Cost of secondary fuel oil for 2 months	Rs. Cr	0.29	0.35	0.27	<b>0.29</b>
O&M Expenses for 1 month	Rs. Cr	1.26	1.37	1.09	1.09
Maintenance Spares (20% of O&M)	Rs. Cr	2.51	3.30	2.61	2.61
Receivables for 2 months	Rs. Cr	22.38	25.97	23.86	<b>24.59</b>
Total Working Capital	Rs. Cr	36.96	43.75	39.79	<b>40.53</b>
Rate of Interest	%	14.75%	13.50%	14.75%	14.75%
Interest on Working Capital <i>(adjusted pro-rata based on no. of days of operation)</i>	Rs. Cr	5.45	5.10	5.06	<b>5.16</b>

IV. ARR Calculation Table

Revised Table 28: Final ARR post remand from APTEL

Description	Units	Petitioner's Submission	Approved in True-up	Approved now post remand
O&M Expenses	Rs Cr	16.49	13.07	13.07
Depreciation	Rs Cr	13.63	13.46	13.46

Description	Units	Petitioner's Submission	Approved in True-up	Approved now post remand
Interest on Debt	Rs Cr	31.45	25.89	<b>30.05</b>
Return on Equity	Rs Cr	12.76	12.36	12.36
Interest on Working Capital	Rs Cr	2.82	5.06	<b>5.16</b>
Cost of Secondary Fuel	Rs Cr	2.10	1.63	<b>1.74</b>
Fixed cost	Rs Cr	79.25	71.47	<b>75.84</b>

**V. Capacity Charges**

**Revised Table 30: Approved capacity charges for FY 2014-15**

Particulars	Unit	Approved in true-up order	Approved now post remand
Fixed cost as computed	Rs. Cr	71.47	<b>75.84</b>
Fixed cost after PAF adjustment	Rs. Cr	66.78	<b>70.86</b>

**VI. Total Cost (ARR)**

**Revised Table 31: Total cost recoverable by the Petitioner for FY 2014-15**

Particulars		Units	Approved in True-up	Approved now
Fixed Cost after PAF Adjustment		Rs. Cr	66.78	<b>70.86</b>
Fixed cost recoverable (considering 88% recovery)*	A	Rs. Cr	66.78	<b>62.36</b>
Total Variable cost	B	Rs. Cr	71.69	71.69
Annual Revenue Requirement (ARR)	C = A+B	Rs. Cr	138.48	<b>134.05</b>

\* As per Hon’ble APTEL’s Interim Judgment in Case No. 209/2019 dated 17.07.2019

**Revised Table 32: Gap/ Surplus for FY 2014-15**

Particulars		Units	Approved in True-up	Approved now
Fixed cost recoverable	A	Rs. Cr	66.78	<b>62.36</b>
Total Variable cost	B	Rs. Cr	71.69	71.69
Annual Revenue Requirement (ARR)	C = A+B	<b>Rs. Cr</b>	<b>138.48</b>	<b>134.05</b>
Total Amount Billed by IPL	D	Rs. Cr	143.69	143.69
Delay payment surcharge billed	E	Rs. Cr	2.26	2.26
Net amount billed (Capacity + Energy + FPA charges)	F = D - E	<b>Rs. Cr</b>	<b>141.43</b>	<b>141.43</b>
Gap/ (Surplus) for the year	G = C - F	Rs. Cr	(2.95)	(7.38)
Carrying cost	H	Rs. Cr	(0.86)	(2.16)
Total Amount to be recovered	I = G + H	<b>Rs. Cr</b>	<b>(3.81)</b>	<b>(9.54)</b>

6. In the result, the petition of the petitioner is allowed in the above stated manner.

Sd/-  
Pravas Kumar Singh  
Member (Legal)

Sd/-  
Rabindra Narayan Singh  
Member (Engg.)

Sd/-  
Dr. Arbind Prasad  
Chairperson