JHARKHAND STATE ELECTRICITY REGULATORY COMMISSION
RANCHI

Case No. 20 of 2010

Shri MUKHTIAR SINGH, Chairperson
Shri T. Munikrishnaiah, Member (E)

Date: **28th October 2010**

O R D E R

IN THE MATTER OF

M/s Tata Power Company Limited (TPCL) ……… Petitioner

Versus

M/s Tata Steel Limited (TSL) ……. Respondent

For the Petitioner : Shri S.Padmanabhan, Executive Director (Operations)
Shri VH Wagle, Deputy General Manager

For the Respondent: Shri Sharad Kumar, General Manager, TSL
Shri K.C. Jha, Finance Controller

M/s Tata Power Company Limited, hereinafter referred to as "the petitioner-TPCL" has filed a petition for review of the Tariff Order dated July 22, 2010 for the year 2010-11. The petitioner has requested to review the said Tariff Order on two counts viz. (i) Gross Calorific Value of fuel, fuel consumption and energy charges and (ii) Return on Equity.

M/s Tata Power Company Limited sells power to M/s Tata Steel Limited. Since the outcome of the order is bound to affect the power purchaser (Tata Steel Limited), they were noticed to appear and place their case in respect of the review petition. Shri Sharad Kumar, General Manager of the Tata Steel Limited had appeared, in person, and orally submitted in the Court that he has nothing against to say as far as the review petition of the petitioner is concerned.

Heard.

The Commission gives its findings on each of the points hereinbelow:

Gross Calorific Value of Coal, fuel consumption and energy charges

Petitioner's Submission

The petitioner has submitted that the GCV of the various types of coal submitted in the tariff petition was arrived at by dividing the total heat input contributed by a particular type of coal during the year by the corresponding coal consumption of the year i.e. weighted average GCV of the particular type of coal was arrived at by considering coal consumption as weights while the Commission has approved the annual gross calorific value by taking simple average of all the monthly GCV's which has resulted in lower approved coal consumption as compared to the actual coal consumption submitted in the Tariff Petition dated March 10, 2010.

Based on the above submission, the Petitioner has requested the Commission to approve the coal consumption and energy charges for FY2008-09, FY2009-10 as submitted in the ARR Petition of FY 2010-11 and additional data submission dated May 6, 2010 by adopting the method of weighted average for computation of GCV for each type of Coal.

Commission's Analysis

The Commission would like to clarify that in its previous Tariff Order for FY 2009-10, it had adopted the similar approach of calculating the annual GCV by taking the simple average of the monthly GCV's submitted by the petitioner and no objection was raised by the petitioner at that time.

Further, for the purpose of tariff determination for FY 2010-11, the Commission had asked the Petitioner to furnish additional information related to source-wise, month-wise consumption and gross calorific value of coal for FY 2008-09 and FY 2009-10. The additional information was submitted by the petitioner on May 06, 2010 vide letter no. JPP/JSERC/REG/89/10.

The Commission noticed that the petitioner in the additional information did not submit any basis for arriving at the monthly GCV for coal procured from various sources. Therefore, for the purpose of determination of tariff for FY

2010-11, the Commission decided to follow the same approach as was adopted in the previous Tariff Order of FY 2009-10.

In view of the request made by the petitioner in the review petition to calculate the GCV based on weighted average method, the Commission directed the petitioner to furnish the source-wise and day-wise consumption and GCV for each type of coal procured by it from various sources for both the units for FY 2008-09 in order to ascertain whether the Petitioner had arrived at monthly GCV values for both units based on the weighted average method.

The petitioner vide letter no. JPP/JSERC/REG/150/2010 dated September 3,2010 submitted the source-wise and day-wise consumption and GCV for each type of coal for both the units for FY 2008-09 and stated that the monthly GCV is arrived at by taking the weighted average of all the GCV and taking consumption for the respective days as weights.

The Commission has analyzed the submissions made by the petitioner in the review petition which were not brought to its notice earlier during the true up for FY 2008-09. To carry out a sample check of the data submitted, the representatives of Commission visited the office of Tata Power Company Limited at Jojobera on September 20, 2010. However, the petitioner was unable to show the relevant information for FY 2008-09 due to unavailability of the concerned personnel maintaining the records. Instead, only the process for maintenance of records of the source-wise and month-wise data for various coal sources was explained. Later on, the information was sent to the Commission's office but was still found inadequate. Therefore, the Commission has decided that the GCV will be trued-up only after complete information, source-wise and month-wise, is submitted by the Petitioner with the next tariff petition.

Accordingly, the GCV for coal from various sources for FY 2009-10 will also be considered in the next Tariff Order for FY 2010-11 based on the information submitted by the Petitioner in the next Tariff Petition.

Return on Equity

Petitioner's Submission

The petitioner has submitted that as per the PPA between Tata Power and Tata Steel, it is eligible to recover the fixed charges of Unit-II and Unit-III in full at a guaranteed PLF of 75% (Take or Pay basis). The petitioner stated that the actual PLF of the units depend upon the energy demand of the distribution licensee and is an uncontrollable for them. The availability for Unit-II for FY 2009-10 was recorded at more than 75% (88.79%) which implies that Unit-II is entitled to receive deemed generation benefit and therefore a return at 75%. Therefore, return on equity of Unit-II for FY 2009-10 at the PLF of 75% would be 19.40% instead of 19.25% which translates to Rs 25.10 Crores as compared to Rs 24.91 Crores approved by the Commission in the previous Tariff Order of FY 2010-11.

Commission's Analysis

The Commission in the Tariff Order for FY2010-11, had decided that the tariff determination exercise shall be conducted as per the terms and conditions of PPA and the clause 1.1 of PPA states that

> *"Guaranteed Plant Load Factor shall mean the annual weighted average of (i) 51.37% PLF for any unit during stabilization period and (ii) 75% PLF thereafter. Purchaser guarantees to offtake energy at this PLF. In the event of purchaser not being able to purchase the power at Guaranteed Plant Load Factor the purchaser will pay the deemed generation benefit. Such weighted average shall be based on the rated capacity (or, if the rated capacity of such unit has not been established, the Name Plate Capacity) of each unit."*

The Commission agrees with the petitioner's contention that the PLF should be treated as uncontrollable factor because the actual PLF achieved by the plant primarily depends on the demand of Tata steel and is not a controllable factor for the petitioner. The Commission has analyzed the data submitted by the petitioner in the additional information vide letter No. JPP/JSERC/REG/89/10 dated May 6, 2010 which is given below:

Table 1 : Month-wise Availability and PLF of Unit-II for FY 2009-10 (in %)

	Availability	PLF
April	100	97.74
May	96.72	87.45
June	100	92.60
July	98.74	78.65
August	100	78.65
September	99.65	79.87
October	69.36	52.97
November	2.62	2.47
December	99.46	77.81
January	99.57	79.87
February	98.56	81.81
March	100	86.98
	88.79	74.75

Since the availability of the plant was more than the PLF for Unit-II during FY 2009-10 which clearly means that the plant was available but due to the less power demand of Tata Steel, the PLF of Unit-II was low.

The Clause for Guaranteed PLF provided in the PPA was not taken into consideration during the tariff determination exercise for FY 2010-11 therefore, the Commission now approves the revised return on equity of Rs 25.10 Crores and the gap of Rs 0.19 Crores will be adjusted while truing up cost of Unit-II for FY 2009-10 in the next Tariff Order of FY 2011-12.

All other decisions and directions contained in the order dated July 22, 2010 shall remain unaltered.

Sd/-
(T Munikrishnaiah)
Member (E)

Sd/-
(Mukhtiar Singh)
(Chairman)