

Tariff order
for
Tenughat Vidyut Nigam Limited
for FY 2005-06
Jharkhand State Electricity Regulatory Commission (JSERC)

CHAPTER 5

COMMENTS OF THE PUBLIC HEARING

5.1 The Commission had invited objections on the tariff petition filed by TVNL on January 18, 2006 in leading newspaper dailies as given in Section 1.7 of Chapter 1. The Commission however did not receive any objections. The Commission conducted a public hearing on January 28, 2006, at its premises in Ranchi. The Commission, on the basis of its analysis of the petition raised some issues with TVNL. These issues are summarized below.

Tariff Proposed by TVNL

5.2 TVNL proposed tariff of Rs. 2.47 (inclusive of fixed and variable charges) for 2005-06, which is a proposed hike of 64 paise over the approved tariff for FY 2004-05 of Rs 1.83.

Status of Implementation of Commission's Directive in Tariff Order 2004-05

5.3 The Commission enquired about the status of implementation of directives issued in the tariff order for TVNL in FY 2004-05. TVNL has submitted a copy of the status of implementation of the Commission's directive issued during FY 2004-05. These have been summarized in Chapter 3 on Compliance of Directives.

5.4 The Commission enquired from TVNL, the status of the proposed conversion of debt into equity and whether there has been proposal submitted by TVNL to the Government with regard to refinancing of its outstanding loans. This query was particularly raised on account of current trend of falling interest rates.

TVNL's Reply

5.5 TVNL replied that it was in the process of restructuring its loan by converting part of the debt into equity. The proposal has already been discussed and sent to the Government of Jharkhand for approval. Further TVNL also replied that they have asked

Power Finance Corporation (PFC) for a loan of Rs 1852 Crore for their expansion plan. PFC has put up a condition that Rs 1000 Crore should be converted into equity.

Status of Railway line operation

5.6 The Commission enquired TVNL about the status of operation of its MGR railway system for transportation of coal and why there has been such a delay considering that this line was supposed to be operational during 2004-05.

TVNL's Reply

5.7 TVNL agreed that the work on the railway line has been slow. Out of an amount of Rs 19 Crore taken from the government, Rs 14-15 Crore has already been spent. The petitioner further stated that 90% of the work on laying railway tracks has been completed and by June 2006 the entire work would be completed. The petitioner pointed that a considerable delay has been encountered while laying the Dumri-Bihar line.

Primary Fuel Cost

5.8 The Commission pointed out that there was a difference in the cost of coal that has been proposed by TVNL for FY 2005-06 and the average actual cost of coal for FY 2005-06 (up to December 2005) as submitted by TVNL.

TVNL's Reply

5.9 TVNL has submitted a revised average actual cost of coal for FY 2005-06 (upto December 2005) of Rs. 1209.91 per tonne (including transportation cost). Further, the petitioner also stated that over and above this, an average transit loss of 0.8% and a loss of 0.4% on account of natural causes such as wind loss/rain loss has been incurred by TVNL. The petitioner has submitted to the Commission the break-up of the actual cost of coal till December 2005.

High Secondary Fuel Consumption

5.10 The Commission observed that the proposed specific consumption of secondary fuel oil is very high. It enquired from TVNL the reason for the proposed specific oil consumption of 4ml/ kWh for 2005-06 as against a specific oil consumption of 2ml/ kWh that was approved by the Commission in FY 2004-05.

TVNL's Reply

5.11 The petitioner stated that the specific oil consumption has been proposed at 4 ml/kwh. The oil consumption is high, besides other reasons, due to frequent tripping. The actual oil consumption till December 2005 was 3.8 ml/kwh.

Cost of Receivables

5.12 The Commission enquired the basis on which TVNL has estimated the cost of its two months receivables (while computing

interest on working capital) as Rs 70.23 Crore.

TVNL's Reply

5.13 TVNL replied that they had calculated the cost of receivables based on the tariff proposed by TVNL for FY 2005-06 of Rs 2.47 per unit.

High Level of Auxiliary Consumption

5.14 The Commission enquired TVNL about the reason for the high level of auxiliary consumption that has been proposed in the tariff petition for FY 2005-06.

TVNL's Reply

5.15 TVNL stated three reasons.

5.15.1 Due to inadequate transmission capacity, power was being stepped down directly from 220 kV to 6.6 kV. This resulted in transformation loss of about 1%.

5.15.2 The Colony around the plant is being supplied power from the plant and this consumption is being accounted as a part of the auxiliary consumption.

5.15.3 For most part of the year, the two plants were not working together. Therefore all the internal consumption at both the units was being placed under one single unit and therefore the auxiliary consumption was high.

Agreement with Power Trading Corporation (PTC)

5.16 The Commission enquired TVNL about the status of its agreement with Power Trading Corporation (PTC).

TVNL's Reply

5.17 The petitioner stated that PTC has finalized the agreement. However TVNL mentioned that the agreement still needs the consent of (PFC) on the financial terms and conditions.