



THE SINGARENI COLLIERIES COMPANY LIMITED

(A Government Company)

2X600 MW SINGARENI THERMAL POWER PLANT

Jaipur (V&M)-504216, Mancherla (Dist), T.G.

Ref no: STPP/COML/2025/56

Dt: 27.11.2025

To,
The Secretary,
Telangana Electricity Regulatory Commission,
Vidyut Niyantran Bhavan, Sy.No.145-P,
G.T.S. Colony, Kalyan Nagar, Hyderabad 500 045

Sir,

Sub: SCCL – Filing of Annual tariff Petition for FY 2026-27 containing revised tariff proposal of FY 2026-27 and True up of FY 2024-25 in respect of Singareni Thermal Power Project, Phase-I (2X600 MW) - Reg.

It is to kindly state that Annual tariff Petition for FY 2026-27 containing revised tariff proposal of FY 2026-27 and True up of FY 2024-25 in respect of Singareni Thermal Power Project, Phase-I (2X600 MW) along with six copies are hereby submitted. The application is submitted under Section 62 and 86.1 (a) of Electricity Act 2003 read with Telangana State Electricity Regulatory Commission (Multi Year Tariff) regulation 2023.

A filing fee of Rs.25,000/- (Rupees Twenty five thousand only) is paid as per regulation 4(5)(a) of regulation 2 of 2016. A banker's cheque number: 551619 , dated: 24.11.2025 is attached towards filing fee.

It is prayed before this Hon'ble commission to accept the accompanying petition.

Thanking You.

Yours sincerely

Encl: Vakalatnama & Petition with 6 copies.


Director (Finance)
N. BALRAM, IRS
DIRECTOR (FINANCE)
THE SINGARENI COLLIERIES CO. LTD
KOTHAGUDEM - 507 101.

1

1000000

1



**Filing of Annual Tariff Petition for
FY 2026-27**

&

True up of FY 2024-25

of

**Singareni Thermal Power Project,
(2X600 MW)**

2000

**BEFORE THE TELANGANA ELECTRICITY REGULATORY
COMMISSION, HYDERABAD**

CASE NO. OF 2025

(To be filled by the office)

IN THE MATTER OF:

Filing of Annual Tariff Petition for FY 2026-27 for 2X600 MW Singareni Thermal Power Plant containing proposal for revised tariff for FY 2026-27 and True up of FY 2024-25 in accordance with sections 62 and 86.1(a) of Electricity Act 2003 read with Telangana Electricity Regulatory Commission (Multi Year Tariff) regulation No. 2 of 2023.

AND IN THE MATTER OF:

The Singareni Collieries Company Limited (SCCL): Kothagudem Collieries, Bhadradi Kothagudem Dist, Telangana State - 507101; Represented by its authorized representative i.e., **Director Finance, SCCL.**

PETITIONER

AND

1. Southern Power Distribution Company of Telangana Limited (TGSPDCL): Corporate Office: # 6-1-50, Mint Compound, Hyderabad, Telangana-500 063.
2. Northern Power Distribution Company of Telangana Limited (TGNPDCL): H.No: 2-5-31/2, corporate Office, Vidyut Bhavan, Nakkalagutta, Hanamkonda, Warangal, Telangana- 506001

RESPONDENTS


N. BALRAM, IRS
DIRECTOR (FINANCE)
THE SINGARENI COLLIERIES CO. LTD.
KOTHAGUDEM - 507 101.

Volume – I

**Annual Tariff petition & Annexure-A
to Annexure-D**

Index

	Sr No	Particular	Page No
	-	Cause Title	-
	-	Affidavit	-
	1.	Facts of the case	1
	2.	The details of Petitioner	1 - 2
	3.	Ground of the case	2
	4.	The Background of the petition	2 - 4
	5.	Enabling Regulations	4
	6.	Capital cost claimed in the truing up petition of FY 2024-25 and revised proposal for FY 2026-27.	5
	7.	Computation of return on equity	5 - 6
	8.	Interest & Financing charges on loan	6
	9.	Claim for depreciation	6 - 7
	10.	Interest on working capital	7 - 9
Volume - I	11.	Operating and Maintenance (O&M) Expenses	9 - 10
	12.	Operating Norms	10 - 11
	13.	Energy Charges	11 - 20
	14.	Sale of fly ash from STPP	20 - 21
	15.	Incentive	21 - 22
	16.	Other charges	22
	17.	Tariff for FGD system	22 - 24
	18.	Commission directives and compliance status	24 - 25
	19.	Computation of ARR	25 - 26
	20.	Authorization for filing the petition	26
	21.	Jurisdiction	26
	22.	Limitation	26
	23.	Court Fee	26
	24.	Declaration	27
	25.	Prayer before Hon'ble commission	27
	Annexure -A	A Copy of Power Purchase Agreement and its amendment	28 - 61


N. BALRAM, IRS
 DIRECTOR (FINANCE)
 THE SINGARENI COLLIERIES CO. LTD.
 KOTHAGUDEM - 507 101.

	Annexure- B	TGERC Multiyear tariff order dated 28.06.2024	62-156
	Annexure -C	TGERC order dated 29.04.2025	157-243
	Annexure -D	APTEL judgment dated 28.08.2025	244-304
Volume - II	Annexure- E	The detailed capital cost Certified copies along with relevant documents for FY 2024-25	305-344
	Annexure- F	SLDC certificates for FY 2024-25	345-369
	Annexure -G	MoC memorandum dated 23.05.2025	370-372
	Annexure -H	SCCL-STPP MoU for supply of coal in FY 2025-26	373-394
	Annexure -I	Details of Water Charges, Tariff filing fee and audit fees	395-426
	Annexure -J	Documents related to FGD	427-453
	Annexure -K	Audited Annual Accounts of STPP for FY 2024-25	454-458
	Annexure -L	A copy of tariff computation forms	459-503
	Annexure -M	Copy of the authorization letter.	504-506
	Annexure -N	Copy of Banker's Cheque for Rs. 25,000 (Rupees Twenty five thousand only) bearing no: 551619, dated: 24.11.2025	507-508
Volume - III	Annexure -O	SCCL Annual accounts white book for FY 2024-25	—

Through



Shri N. Balram

Director(Finance)

The Singareni Collieries Company Limited

Kothagudem Collieries

Bhadravathi Kothagudem Dist,

Telangana State – 507101

N. BALRAM, IRS

DIRECTOR (FINANCE)

THE SINGARENI COLLIERIES CO. LTD.

KOTHAGUDEM - 507 101.

(Form I)
(See clause 13 and 14)
General Heading for Proceedings
**BEFORE THE TELANGANA ELECTRICITY
REGULATORY COMMISSION, HYDERABAD**
CASE NO. OF 2025
(To be filled by the office)

IN THE MATTER OF:

Filing of Annual Tariff Petition for FY 2026-27 for 2X600 MW Singareni Thermal Power Plant containing proposal for revised tariff for FY 2026-27 and True up of FY 2024-25 in accordance with sections 62 and 86.1(a) of Electricity Act 2003 read with Telangana Electricity Regulatory Commission (Multi Year Tariff) regulation No. 2 of 2023.

AND IN THE MATTER OF:

The Singareni Collieries Company Limited (SCCL): Kothagudem Collieries, Bhadradri Kothagudem Dist, Telangana State - 507101; Represented by its authorized representative i.e., **Director Finance, SCCL.**

PETITIONER

AND

1. Southern Power Distribution Company of Telangana Limited (TGSPDCL): Corporate Office: # 6-1-50, Mint Compound, Hyderabad, Telangana-500 063.
2. Northern Power Distribution Company of Telangana Limited (TGNPDCL): H.No: 2-5-31/2, corporate Office, Vidyut Bhavan, Nakkalagutta, Hanamkonda, Warangal, Telangana- 506001

RESPONDENTS


N. BALRAM, IRS
DIRECTOR (FINANCE)
THE SINGARENI COLLIERIES CO. LTD.
KOTHAGUDEM - 507 101.

1
2
3

(Form II)
(See clause 14 and 15)
General Heading for Proceedings
BEFORE THE TELANGANA ELECTRICITY
REGULATORY COMMISSION, HYDERABAD
CASE NO. OF 2025
(To be filled by the office)

IN THE MATTER OF:

Filing of Annual Tariff Petition for FY 2026-27 for 2X600 MW Singareni Thermal Power Plant containing proposal for revised tariff for FY 2026-27 and True up of FY 2024-25 in accordance with sections 62 and 86.1(a) of Electricity Act 2003 read with Telangana Electricity Regulatory Commission (Multi Year Tariff) regulation No. 2 of 2023.

AND IN THE MATTER OF:

The Singareni Collieries Company Limited (SCCL): Kothagudem Collieries, Bhadradi Kothagudem Dist, Telangana State - 507101; Represented by its authorized representative i.e., **Director Finance, SCCL.**

PETITIONER

AND

1. Southern Power Distribution Company of Telangana Limited (TGSPDCL): Corporate Office: # 6-1-50, Mint Compound, Hyderabad, Telangana-500 063.
2. Northern Power Distribution Company of Telangana Limited (TGNDPDCL): H.No: 2-5-31/2, corporate Office, Vidyut Bhavan, Nakkalagutta, Hanamkonda, Warangal, Telangana- 50600.

RESPONDENTS

Affidavit verifying the Petition

I, Shri N. Balram, son of N. Hunya aged 45 years residing at Bungalow no: S-4, Bungalows area, Lakshmidivipally, Kothagudem – 507101 do solemnly affirm and say that

1. I am the Director Finance of SCCL, the petitioner in the above matter and am duly authorized by the said petitioner to make this affidavit.


N. BALRAM, IRS
DIRECTOR (FINANCE)
THE SINGARENI COLLIERIES CO. LTD.
KOTHAGUDEM - 507 101.


NOTARY
ATTESTED



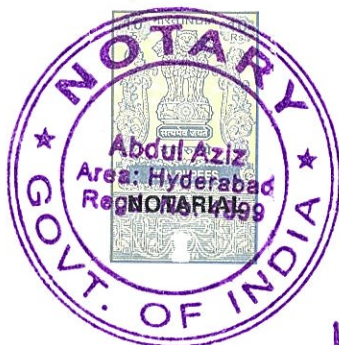
2. I have read and understood the contents of the accompanying Annual tariff petition for FY 2026-27 containing revised tariff proposal of FY 2026-27 and True up of FY 2024-25 for 2X600 MW Singareni Thermal Power Project in Jaipur, Mancherla, filed by Petitioner before this Hon'ble Commission for approval of the statements made in paragraphs of the petition accompanying affidavit now shown to me are true to my knowledge and are derived from official records made available to me and are based on information and advice received which I believe to be true and true.

I Solemnly affirm at Hyderabad on day 27th of November, 2025 that the contents of the above affidavit are true to my knowledge, no part of it is false and nothing material has been concealed there from.

Place : Hyderabad
Date : 27.11.2025


(Shri N. Balram)
N. BALRAM, IRS
DIRECTOR (FINANCE)
THE SINGARENI COLLIERIES CO. LTD.
KOTHAGUDEM - 507 101

ATTESTED



27 NOV 2025

ATTESTED
ABDUL AZIZ, B.A.L, LL.M
ADVOCATE-NOTARY
Appointed by the Govt. of India
Begumpet, Hyderabad, T.S
Ph: 9652395028
MY COMMISSION EXPIRES ON 20TH NOVEMBER 2027
**NOTARY
ATTESTED**

1. Facts of the Case:

This petition is filed for approval of Annual Tariff Petition for FY 2026-27 for 2X600 MW Singareni Thermal Power Plant containing proposal for revised tariff for FY 2026-27 and True up of FY 2024-25 in accordance with sections 62 and 86.1(a) of Electricity Act 2003 read with Telangana Electricity Regulatory Commission (Multi Year Tariff) regulation No. 2 of 2023.

2. The details of Petitioner are respectfully submitted as under:

- i. Name and Address of Applicant: **The Singareni Collieries Company Limited (SCCL), Kothagudem Collieries, Bhadradri Kothagudem Dist, Telangana State - 507101**
- ii. Primary Business of the Applicant: **Coal Mining**
- iii. Details of Distribution Licensee purchasing power:
 - a. **Southern Power Distribution Company of Telangana Limited (TGSPDCL): Corporate Office: # 6-1-50, Mint Compound, Hyderabad, Telangana- 500063.**
 - b. **Northern Power Distribution Company of Telangana Limited (TGSPDCL): H.No: 2-5-31/2, Corporate Office, Vidyut Bhavan, Nakkalgutta, Hanamkonda, Telangana- 506001.**
- iv. Details of Generating Company: **The Singareni Collieries Company Limited (SCCL): Kothagudem Collieries, Bhadradri Kothagudem Dist, Telangana State - 507101.**
- v. Name and Location of the Generating station for which annual tariffs to be determined, is as follows:
 - a. Name/Location of Generating Station: **Singareni Thermal Power Plant (STPP), Pegadapalli (V), Jaipur Mandal, Mancherial District, Telangana**
 - b. Total existing unit wise installed capacity in MW:
Unit-I: 600 MW, Unit-II: 600 MW
 - c. Nature of Generation plant: **Thermal**
 - d. Type of primary and secondary fuel:
 - i. Primary Fuel: **Coal**
 - ii. Secondary Fuel: **Light Diesel Oil/Heavy Fuel Oil**


N. BALRAM, IRS
DIRECTOR (FINANCE)
THE SINGARENI COLLIERIES CO. LTD.
KOTHAGUDEM - 507 101.

e. Commercial operation of units:

i. Unit-I : **25.09.2016**

ii. Unit-II : **02.12.2016**

f. Proposed capital cost: **As per details attached herein.**


g. Details of project loans: **As per loan details included in tariff forms.**

3. Grounds of the case:

- i. The Petition for Annual tariff petition for FY 2026-27 containing revised tariff proposal of FY 2026-27 and True up of FY 2024-25 is filed in accordance with Sections 62, 86.1(a) of The Electricity Act 2003 and as required in terms of TGERC Multi Year Tariff regulation, 2023.
- ii. It is to state that both the proposals in this tariff filing are submitted in compliance with the timelines provided in clause 6 of TGERC MYT regulation 2023.
- iii. While filing the present Annual tariff petition for FY 2026-27 containing revised tariff proposal of FY 2026-27 and True up of FY 2024-25 proposals, The Singareni Collieries Company Limited has endeavored to comply with the various applicable legal and regulatory directions of this Hon'ble Commission including the directions contained in the Conduct of Business regulation 2015 and TGERC (Multiyear tariff) regulation 2023 issued by Hon'ble TGERC.
- iv. Based on the information available, the applicant has made bona-fide efforts to comply with the directions of the Hon'ble Commission and discharge its obligations to the best of its abilities. However, should any further material become available in the near future, the applicant reserves the right to file such additional information and consequently amend/revise the application.

4. The Background of the petition

- i. The Singareni Collieries Company Limited (SCCL) was established as a coal mining company incorporated under the companies Act 1956. The company is owned by the Government of Telangana with 51.096% Shareholding. The other Shareholders of the company are Government of India (48.902%) and Private shareholders (0.002%).


N. BALRAM, IRS
DIRECTOR (FINANCE)
THE SINGARENI COLLIERIES CO. LTD.

- ii. SCCL has entered in the business of power generation by setting up a 2X600 MW Coal based Thermal Power Plant, namely Singareni Thermal Power Plant(STPP) in Jaipur of Mancherla District. The units of STPP achieved COD during financial year 2016-17 in the dates as mentioned below.

COD Unit-I: 25.09.2016

COD Unit-II: 02.12.2016

- iii. SCCL had entered into a Power Purchase Agreement (PPA) with two Distribution companies of Telangana for the power generated from STPP which will be sold to them at a tariff determined by Hon'ble Telangana Electricity Regulatory Commission (TGERC). The PPA shall remain valid for a period of 25 years from the COD of the last unit (unit-II). The copy of reference approved PPA is attached as **Annexure-A**.
- iv. It is to humbly state that this Hon'ble Commission has issued new tariff regulation for the control period FY 2024-29, and in terms of this, Hon'ble TGERC vide its tariff order dated 28.06.2024 determined the tariff for STPP during Multiyear tariff of FY 2024-29 and also true up the capital cost and fixed charges for FY 2022-23 governed by the earlier regulation TS 01 of 2019. The order copy is attached as **Annexure-B**.
- v. Further, STPP filed annual tariff petition for FY 2025-26 containing revised tariff proposal of FY 2025-26 and True up of FY 2023-24. Accordingly, Hon'ble TGERC issued order dated 29.04.2025. The order copy is attached as **Annexure-C**.
- vi. Further, as per the TGERC MYT regulation 02 of 2023, a generating entity/ petitioner is required to file annual tariff petition for FY 2026-27 prior to 30.11.2025.
- vii. At the outset, it is humbly submitted that Appeal No. 256 of 2024 was filed by SCCL against the order dated 01.04.2024 passed by the Hon'ble TGERC in OP No. 13 of 2023, whereby this Hon'ble Commission had estopped the Petitioner from levying premium on the price of bridge linkage coal being supplied by SCCL (*being coal company*) to STPP (*being the generating station*), in terms of the various Standing Linkage Committee Meetings. Further, an appeal (*being Appeal No. 19 of 2025*) was filed by the TGDISCOMs assailing the tariff order dated 28.06.2024 passed by this


N. BALKRAM, IRS
DIRECTOR (FINANCE)
THE SINGARENI COLLIERIES CO. LTD.
KOTHAGUDEM - 507 101.

Hon'ble commission in respect of Multi-Year Tariff of FY 2024-29 and True up of FY 2022-23 allowing pass through of premium on coal price charged by SCCL to its STPP for the coal supplied under Bridge Linkage.

- viii. Both the appeals have been disposed off by the Hon'ble APTEL through common judgment dated 28.08.2025, wherein, it has been held that SCCL/ STPP has to be allowed pass through of premium levied on bridge linkage coal, by this Hon'ble Commission. A copy of the Judgment dated 28.08.2025 passed by the Hon'ble APTEL in Appeal Nos. 256 of 2024 and 19 of 2025 is attached as **Annexure-D**.
- ix. Therefore the Hon'ble Commission is requested to consider the present proceedings viz, true up of FY 2024-25 and the revised tariff proposed for the period FY 2026-27 by, *inter-alia*, taking into consideration of the above Hon'ble APTEL order. The present proceedings are governed by the latest MYT tariff regulation 2 of 2023 issued by this Hon'ble Commission.

5. Enabling Regulations

- i. SCCL has submitted annual tariff petition for FY 2026-27 comprising the proposals for true up of tariff during FY 2024-25 and for revised tariff for FY 2026-27 which is within the jurisdiction of Hon'ble TGERC. As per section 62, appropriate commission can determine the tariff for supply of electricity by a generating company to a distribution licensee. Further the Hon'ble state electricity regulatory commission shall determine tariff for generation and sale of electricity within the state as per section 86.1(a).
- ii. Further, the Hon'ble TGERC issued Telangana Electricity Regulatory Commission (Multiyear tariff) regulation 2023 (Regulation 2 of 2023) for determination of tariff in the control period of FY 2024-25 to FY2028-29.
- iii. In view of above, the Hon'ble Commission is required to determine the tariff of STPP for true up of tariff during FY 2024-25 and for revised tariff for FY 2026-27 as per TGERC Regulation 2 of 2023.


N. BALRAM, IRS
DIRECTOR (FINANCE)
THE SINGARENI COALFIELDS CO. LTD.
KOTHAGUDEM - 507 101.

6. Capital cost claimed in the truing up petition of FY 2024-25 and revised tariff proposal for FY 2026-27

- i. The Hon'ble Commission issued order dated 29.04.2025 allowing revised tariff proposal of FY 2025-26 and True up of FY 2023-24. The approved capital cost at the end of FY 2023-24 was Rs.7748.23 Cr in the aforesaid order.
- ii. Accordingly, the opening capital cost for truing up of FY 2024-25 shall be Rs.7748.23 Cr and the detailed additional capitalization and relevant documents in the period of FY 2024-25 are provided in **Annexure-E**. This statement also contains estimated additional capitalization for FY 2025-26 and FY 2026-27. It is to humbly submit that the opening capital cost for the purpose of revised tariff petition for FY 2026-27 is arrived upon by adding the estimated additional capitalization for FY 2025-26 with the closing capital cost in FY 2024-25 claimed now in this truing up petition.

7. Computation of return on equity

- i. It is to submit that STPP has considered 30% of the capital cost as equity as per the relevant provision in MYT tariff regulation 2 of 2023 which is reproduced below:

"27.1.....Provided that in case of generating entity, Licensee, and SLDC, if any fixed asset is capitalised on account of capital expenditure project prior to 01.04.2024, debt-equity ratio allowed by the Commission for determination of tariff for the period ending 31.03.2024 shall be considered"

- ii. Regulation 29.2(a) of Telangana Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023 provides that the base rate for computation of return on equity shall be 15.5%. Further, the base rate of ROE is required to be grossed up with the effective tax rate as per clause 30.1.
- iii. Accordingly, the return on equity is computed by applying base rate of return as 15.5% and effective tax rate of 25.168%.


N. BALRAM, IRS
 DIRECTOR (FINANCE)
 THE SINGARENI COLLIERIES CO. LTD.
 KOTHAGUDEM - 507 101

iv. The return on equity claimed for FY 2024-25 and FY 2026-27 is given below:

Financial Year	FY2024-25 (Truing up based on actual)	FY 2025-26 (Estimated)	FY 2026-27 (Revised)
Return on Equity (Rs.Crores)	482.20	483.48	484.96

8. Interest and financing charges on loan.

- The Hon'ble commission in the order on midterm review allowed refinancing of loan in respect of STPP and allowed interest on loan accordingly. STPP claims the sharing of gains accrued due to refinancing in the truing up of FY 2024-25 by applying regulation clause 31.10 of Regulation 2 of 2023.
- The interest and financing charges on loan for period FY 2025-26 have been computed as given in clause 31 of Regulation 2 of 2023.
- It is submitted that the loan outstanding as on 1st April, 2024 was computed after considering the cumulative depreciation up to 31st March, 2024 as notional repayment of the loan and deducting that from gross loan.

9. Claim for depreciation

- It is to humbly state that the depreciation is claimed in accordance with regulation 28 of TGERC MYT tariff regulation 2023. The beginning value base of the capital cost for FY 2026-27 for the purpose of depreciation computation was considered as Rs.7789.50 Crore.
- The depreciation rates for different assets for each financial year were computed based on the asset capitalization schedule as considered in this tariff petition adopting the straight-line method of depreciation computation and rates specified in annexure-I of MYT regulation 2023.
- It is stated that the balance depreciable value as on 1st April, 2024 was computed by deducting the cumulative depreciation claimed up to 31st March, 2024.



N. BALRAM, IRS
DIRECTOR (FINANCE)
THE SINGARENI COLLIERIES CO. LTD
KOTHAGUDEM - 507 101.

iv. The depreciation claimed for the FY 2023-24 and FY 2025-26 is given below:

Particulars	FY2024-25 (Truing up based on actual)	FY2025-26 (Estimated)	FY2026-27 (Revised)
Depreciation (Rs.Crores)	436.64	438.20	439.64

10. Interest on working capital:

- i. The Interest on working capital for STPP has been worked out in accordance with regulation 33 of Multiyear tariff regulation 2023 for FY 2026-27.
- ii. The coal & oil component of working capital have been computed based on 20 days coal stock for non-pit head stations corresponding to target availability or maximum storage capacity whichever is lower and cost of coal for 30 days of generation corresponding to target availability and one month's cost of secondary fuel for target availability.
- iii. The maintenance spares @1% of GFA expenses, 1 month's normative O&M expenses and forty five days receivables have been added with the above to arrive at gross working capital. Net working capital has been worked out by subtracting 1 month's payable for coal & oil computed at target availability from gross working capital.
- iv. The rate of interest on working capital for revised tariff of FY 2026-27 has been computed as 10.25% which is 150 basis point more than the 1-year MCLR of SBI prevailing as on October 2025.
- v. The Interest on working capital claimed for the FY 2024-25 and FY 2026-27 is given below:

Particulars	FY2024-25 (Truing up based on actual)	FY2025-26 (Estimated)	FY2026-27 (Revised)
Interest on Working Capital (Rs. Crores)	91.43	80.90	80.78


N. BALRAM, IRS
 DIRECTOR (FINANCE)
 THE SINGARENI COLLIERIES CO. LTD.
 KOTHAGUDEM - 507 101.

- vi. Further, this Hon'ble Commission has noted in the last truing up order (29.04.2025) of STPP that the Claim of bridge linkage premium will be decided by Hon'ble APTEL and disallowed the claim of premium in true up of FY 2023-24 till the APTEL judgment. As the judgment is passed by Hon'ble APTEL on 28.08.2025 allowing SCCL levy of premium on STPP for coal supplied under bridge linkage by SCCL, the impact of the premium coal price in Interest on working capital for FY 2023-24 is required to be considered.
- vii. It is to humbly submit that TGERC (Terms and Conditions of Generation Tariff) Regulations, 2019 provides for Mechanism for pass-through due to the consequential impact of decisions of higher Courts or Tribunals at clause 6.8.3. The relevant part of the clause is quoted below:
- “6.8. Mechanism for pass-through of gains or losses on account of uncontrollable factors***
- 6.8.1
- 6.8.2
- 6.8.3 The consequential impact of decisions of **higher Courts or Tribunals** or Review Orders passed by the Commission on the Generating Entity***
- (a) for the first and second Years of the Control Period shall be addressed in the Mid-term Review Order*
- (b) for the third, fourth or fifth Years of the Control Period shall be addressed in the End of Control Period Review Order”*
- viii. Since the end of control period review is already over and the Hon'ble APTEL has given judgment vide order dated 28.08.2025. Hon'ble commission is requested to allow the effect of the judgment in the Interest on working capital of FY 2023-24 in the earliest opportunity which is available now based on the similar principle followed for FY 2023-24 regarding orders of tribunal by the commission which was specifically given in the TS 01 of 2019.



28.08.2025
DIRECTOR (FINANCE)
THE SINGARENI COAL LIERIES CO. LTD.
KOTHAGUDEM - 507 101.


- ix. Accordingly, the Interest on working capital is recalculated and claimed. Hon'ble Commission is requested to consider the same. Net Entitlement after sharing of gains/(losses) for FY 2023-24 is shown in Form-16 of the tariff forms.
- x. Interest on working capital claimed now for the FY 2023-24 is given below:

	A	B	C	D (C-B)	E=D/3
Particulars	Annual Tariff Order dated 29.04.2025 (Claimed)	Annual Tariff Order dated 29.04.2025 (Approved)	Present claim as per Hon'ble APTEL judgment dated 28.08.2025	Actual difference claim	Net Entitle ment after sharing of gains
FY 2023-24 Interest on Working Capital (Rs. Crores)	116.28	98.58	111.30	12.72	4.24

11. Operating and Maintenance (O&M) Expenses:

- i. The claim for Operating & maintenance expenses for FY 2026-27 has been made in specified trifurcation of R&M, EMP and A&G Expenditure based on actual values of the FY 2024-25 after applying the five year average values of CPI & WPI and formula provided in clause 45 of TS 02 of 2023.
- ii. The Hon'ble commission is requested to consider the cumulative WPI figures of the past control period i.e around 24.64% to add with the K figure of the last control period which was 1.04 and to consider the K value for the purpose of computing R&M expenditure as 1.29 in place of 1.08.
- iii. The O&M expenditure of STPP during truing up period 2024-25 has been claimed based on actual. The yearly WPI & CPI values starting FY 2019-20 to FY 2024-25 are given in the table below:

FY	WPI	CPI
FY 2019-20	1.67%	7.54%
FY 2020-21	1.29%	5.03%
FY 2021-22	13.00%	5.13%
FY 2022-23	9.41%	6.06%


N. BALRAM, IRS
 DIRECTOR (FINANCE)
 THE SINGARENI COLLIERIES CO. LTD.
 KOTHAGUDEM - 507 101.

FY 2023-24	-0.73%	5.19%
FY 2024-25	2.30%	3.39%

Sum of WPI from FY 2019-20 to FY 2023-24 is 24.64% from the above table.

- iv. The total O&M expenditure as claimed for FY 2024-25 and FY 2026-27 is given below:

(In Rs.Crores)

SI No	Item	FY2024-25 (Truing up based on actual)	FY2025-26 (Estimated)	FY2026-27 (Revised)
1	Employee Expenses	130.93	137.43	144.24
2	A&G Expenses	58.65	61.61	64.73
3	R & M Expenses	86.02	107.20	109.75
	Total O&M Expenses	275.60	306.24	318.72

12. Operating Norms:

- i. The following norms have been adopted from the norms provided in regulation TS02 of 2023 for FY 2024-29:

Thermal	Unit	STPP
Normative Annual Plant Availability Factor (Target Availability)	%	85.00%
Normative Annual Plant load Factor (For computation of incentive)	%	85.00%
Gross Station Heat Rate	Kcal/kWh	2,300
Secondary fuel oil consumption	ml/kWh	0.5
Auxiliary energy consumption	%	5.75%
Transit and Handling Losses	%	0.80%

- ii. These above norms were already allowed by the Hon'ble Commission in its order dated.28.06.2024.



N. BALRAM, IRS
DIRECTOR (FINANCE)
THE SINGARENI COLLIERIES CO. LTD.
KOTHAGUDEM - 507 101.


- iii. Further, in view of CEA flexible operation regulation, which stipulates thermal generating units to operate as low as 55% of full load operation based on grid demand, Hon'ble Commission is requested to allow actual Auxiliary Consumption to compensate for low load operation of units for truing up of FY 2024-25. The actual auxiliary consumption for FY 2024-25 was 6.04%.

13. Energy Charges:

- i. The energy charges have been considered based on the principle approved by this Hon'ble Commission vide its order dated 28.06.2024.

Description	Unit	Energy Charges		
		FY2024-25 (Truing up based on actual)	FY2025-26 (Estimated)	FY2026-27 (Revised)
Auxiliary Consumption	%	6.04	5.75	5.75
Gross Station Heat Rate	kcal/kWh	2296.30	2300.00	2300.00
Secondary Fuel oil consumption	ml/kWh	0.12	0.50	0.50
Calorific Value of Secondary Fuel	kcal/ml	10.01	10.00	10.00
Landed Price of Secondary Fuel	Rs./ml	0.07	0.07	0.07
Gross Calorific Value of Coal	kcal/kg	3677.45	3838.00	3838.00
Landed Price of Coal	Rs./kg	5.95	5.27	5.27
Specific Coal Consumption	kg/kWh	0.624	0.598	0.598
Rate of Energy Charge from Primary Fuel	Rs./kWh	3.954	3.342	3.342
Rate of Energy Charge from Secondary Fuel	Rs./kWh	0.009	0.036	0.036
ECR	Rs./kWh	3.963	3.377	3.377

- ii. It is submitted that adjustment of ECR on account of variation in price or heat value of fuel shall be done as specified in regulation 46.5.
- iii. It is to humbly submit that the month wise actual Availability and Plant Load Factor certificated by SLDC for FY 2024-25 are attached as **Annexure-F**.


N. BALRAM
 DIRECTOR (FINANCE)
 THE SINGARENI COALFIELDS CO. LTD.
 KOTTAJACUDAL, 507 101

- iv. It is to humbly submit that Naini Coal block, Orissa was allotted to SCCL by GoI vide vesting order No./103/21/2015/NA dated 13.08.2015 for its end-use plant of STPP situated at Jaipur, Telangana.
- v. Hon'ble Commission in its previous orders directed SCCL to actively pursue the issue of coal allocation for its generating station with the Ministry of Coal so that the cumbersome task of transportation of coal from NAINI coal block in Odisha and associated losses in quantity and GCV could be mitigated by procuring coal from its own mines which are closer to its generating station.
- vi. Accordingly, Coal swapping proposal was made to Ministry of Coal to swap the coal produced from Naini to TNPGL (erstwhile TANGEDCO) and vide office memorandum dated 23.05.2025 MoC has approved the proposal for quantity of 1.75MTPA for three years up to FY 2027-28. The relevant documents are attached as **Annexure-G**.
- vii. It is humbly submitted that Appeal No. 256 of 2024 was filed by SCCL against the order dated 01.04.2024 passed by the Hon'ble Commission in OP No. 13 of 2023, whereby this Hon'ble Commission had estopped the Petitioner from levying premium on the price of bridge linkage coal being supplied by SCCL (*being coal company*) to STPP (*being the generating station*), in terms of the various Standing Linkage Committee Meetings.
- viii. Further, an appeal (*being Appeal No. 19 of 2025*) was filed by the TGDISCOMs assailing the tariff order dated 28.06.2024 passed by this Hon'ble commission in respect of Multi-Year tariff of FY 2024-29 and True up of FY 2022-23 allowing pass through of premium on coal price charged by SCCL to its STPP for the coal supplied under Bridge Linkage.
- ix. Notably, both the abovementioned appeals were heard and disposed of by the Hon'ble APTEL through common judgment dated 28.08.2025. The relevant extract of the said judgment is reproduced herein below:

"45. It is understood, from the submissions made, that India's coal pricing policy has undergone a significant transformation from rigid government



N. BALRAM, IRS
DIRECTOR (FINANCIAL)
THE SINGARENI COALFIELDS CO. LTD.
KOTHAGUDEM - 507 101.

control to a more market-responsive framework. Until 1990s, coal prices were regulated under the provisions of the Colliery Control Order, 1945 and the Essential Commodities Act, 1955. In the year 1996, the Government of India began deregulating coal prices, which ultimately culminated in the Colliery Control Order, 2000. This Order redefined coal governance by emphasizing quality assurance, ensuring transparency, and enhancing regulatory accountability, while paving the way for price deregulation and market-based coal allocation in subsequent reforms.

46. It is noted that the Coal was originally classified as an "essential commodity" under the Essential Commodities Act, 1955; however, pursuant to an amendment dated 24.12.2006, coal was omitted from the list of essential commodities with effect from 12.02.2007. Post Colliery Control Order 2000, coal prices were no longer fixed by the Government but were instead notified by coal companies and were influenced by cost of production, transportation charges, quality parameters, and prevailing market demand. While the Government of India does not exercise control over price fixation, it retains powers to regulate supply and quality through the Coal Controller. The Coal Controller ensures correct grade declarations, quality surveillance, and adjudication of disputes between consumers and collieries. Learned counsel for the Telangana Discoms have also admitted that Colliery Control Order, 2000 did remove the pricing function from Government of India with regard to coal but there is no bar of judicial /regulatory oversight. Learned Senior counsel for SCCL also submitted that post Colliery Control Order 2000, Central Government did not play any role in fixation of coal price; deletion of coal from the list of essential commodities stands duly recognized by the Ministry of Coal under the New Coal Distribution Policy, 2007 dated 18.10.2007 and the said policy only specifies the manner in which coal is to be allocated and distributed among various categories of consumers/users.

47. Thus, from the above, it is clear that the post Colliery Order 2000 era, it is the coal companies which can fix the price of coal and same position has been affirmed by the Supreme Court in its judgements "Pallavi Refractories v. Singareni Collieries Company Limited & Ors.", (2005) 2 SCC 227) and "Ashoka Smokeless Coal India (P) Ltd. v. Union of India & Ors.", ((2007) 2 SCC 640). The coal prices are no longer fixed by the Government, however they are subjected to regulatory oversight and Government retains powers to regulate supply and quality through the Coal Controller. The question in the present case is whether such regulatory oversight/control can be extended to the price of coal charged by coal companies on the end consumer under Bridge Linkage Arrangement, which in the present case is by SCCL to STPP, and whether the premium charged by coal companies can be regulated by the Electricity Regulator i.e. State Commission, which is deliberated in subsequent paragraphs.

...

85. Regarding the contention raised by learned counsel for Telangana Discoms that SCCL is charging premium over its basic notified price under


N. BALRAM, IRS
DIRECTOR (FINANCE)
THE SINGARENI COLLIERIES CO. LTD.
KOTHAGUDEM - 507 101.

Bridge Linkage on STPP and is unduly enriching themselves and therefore State Commission is right in denying such premium as pass through in Energy Charge rate. We do not find merit in this submission, as coal companies have been authorised to fix price of coal which they charge to the consumer and Ministry of Coal while granting Bridge Linkage from SCCL to STPP has left determination of such coal price to SCCL, and the premium charged by SCCL over the price of coal for Bridge Linkage for STPP is same, which SCCL charges to other generators for providing coal under Bridge Linkage. Further, even if it is assumed that since SCCL and STPP are one company and SCCL could have given concession, then it would lead to differential/discriminatory pricing of coal under Bridge Linkage to other generators in Power Sector, as same premium over coal price is being charged by SCCL under Bridge Linkage to other generators such as Mahengenco, NTPC etc. Hypothetically, if it is assumed that Bridge Linkage to STPP was provided by CIL and not by SCCL, who also charges premium over the Bridge Linkage, in that situation STPP would have no control over such premium. Therefore, the contention of undue enrichment by parent company i.e. SCCL supplying coal to its STPP, does not hold good. In these circumstances denial of pass through of such premium over the price of coal under Bridge Linkage shall adversely affect the Energy Charge for the STPP, which in our view, is not justified. Thus, whether Coal under Bridge linkage is sourced from CIL or SCCL, both are the Government companies and as the same price is charged on all the generators who are assigned Bridge Linkage, the treatment of such premium as pass through in Energy Charge Rate should be same.

86. The State Commission/TSERC is a creation of the Electricity Act, and the jurisdiction which it is entitled to exercise must be confined to what is stipulated under the Electricity Act, and the Rules and Regulations made there under, and not beyond. The jurisdiction conferred on the Regulatory Commission, both Central and States, is by the Electricity Act, 2003, an Act of Parliament. Wherever jurisdiction is given to a court (or Tribunal) by an Act of Parliament, and such jurisdiction is only given upon certain specified terms contained in that Act, these terms must be complied with, in order to create and confer jurisdiction on it for, if they be not complied with, it would lack jurisdiction. (Nusserwanjee Pestonjee v. Meer Mynooddeen Khan [LR (1855) 6 MIA 134 (PC); Mohd. Hasnuddin v. State of Maharashtra, (1979) 2 SCC 572). As it derives its powers from the express provisions of the Electricity Act, the powers, which have not been expressly given by the said Act, cannot be exercised by the State Regulatory Commission. (Rajeev Hitendra Pathak v. Achyut Kashinath, (2011) 9 SCC 541). An authority created by a statute must act under the Act and not outside it. As it is a creation of the statute, it can only decide the dispute in terms of the provisions of the Act. (K.S. Venkataraman & Co. v. State of Madras, AIR 1966 SC 1089; Mysore Breweries Lt. v. Commissioner of Income-Tax, (1987) 166 ITR 723 (KAR)). The State Regulatory Commission can exercise jurisdiction only when the subject matter of adjudication falls within its competence, and the order that may be passed is within its authority, and not otherwise. (Dakshin Haryana Bijli Vitaran Nigam Ltd. v. Princeton Park



N. BALRAM, IRS
DIRECTOR (FINANCE)
THE SINGARENI COLLIERIES CO. LTD.
KOTHAGUDEM - 507 101.

Condominium: 2007 Aptel 764; BSES Rajdhani Power Limited v. Delhi Electricity Regulatory Commission, 2009 SCC OnLine APTEL 52).

87. The State Commission, no doubt, have been empowered to regulate the price at which Discoms shall purchase the electricity but has the duty to balance the interest of Consumers on one hand and that of Generators and Discoms on other hand, and also to act as per the provisions of Electricity Act 2003. In the absence of any specific provisions in the Electricity Act 2003 to regulate the price of coal which coal companies charge under the Bridge linkage, adjudication by the State Commission under section 86 of the Electricity Act has to be in terms of the provisions of the Electricity Act and the Regulations framed under Section 181 of the Electricity Act. As deliberated in previous paragraphs, Regulations framed in the present case does not provide an exhaustive list of cost to be included in the landed cost of coal to be considered under Energy Charge Rate, and premium paid would form part of price of fuel and form part of landed cost. We find that the State Commission has erred in denying pass through of premium paid over the cost of coal under bridge linkage to STPP.

91. We take note that Section 61 of Electricity Act, 2003 deals with the jurisdiction of Appropriate Commission to specify terms and conditions for determination of Tariff and to frame Tariff Regulation accordingly; Section 62 of the Electricity Act is with regard to determination of Tariff, while Section 86 of the Electricity Act deals with the Functions of the State Commission. Learned counsel for Telangana Discoms has not drawn our attention to any specific provision of the Electricity Act 2003, which provides for determination of cost of coal by the Electricity Regulator. The State Commission has already framed the Tariff Regulations i.e. TSERC Regulations 2019 specifying Terms and conditions of Generation Tariff, applicable in present case, under the aegis of Electricity Act 2003, as referred to in above paragraphs, which has specified that landed cost of coal is to be considered while calculating the Energy Charge Rate, and it does not mention anything about determination of such landed cost of coal by State Commission."

- x. In this regard, it may be pertinent to point out that through the said Judgment dated 28.05.2025, the Hon'ble APTEL primarily decided on the issue that whether this Hon'ble Commission (being a State Commission) has jurisdiction to delve into the pricing mechanism of coal being supplied by coal companies, including for the purpose of pass through in variable charge/ energy charge while determining the "landed cost of coal" in terms of the extant regulatory and contractual framework.

- xi. From a reading of the above judgment, the following is concluded:



N. BALRAM, IRS
DIRECTOR (FINANCE)
THE SINGARENI COLLIERIES CO. LTD.
KOTHAGUDEM - 507 101.

- (a) Post the Colliery Control Order, 2000, coal pricing was deregulated, and coal companies [government-owned entities like SCCL and Coal India Limited ("CIL")] have exclusive authority to fix coal prices. The Central Government/Ministry of Coal's role is limited to regulating supply and disposal, not pricing.
- (b) In view of the judgment of the Hon'ble Supreme Court in the matter of *Ashoka Smokeless Coal India (P) Ltd. v. Union of India and Ors.*, reported as (2007) 2 SCC 640, the Hon'ble APTEL noted that the said Judgment affirmed de-regulation of coal pricing post-Colliery Control Order, 2000. Coal companies have exclusive authority to fix prices, and that the Government's role is limited to regulation of coal supply. Further, the Hon'ble APTEL noted that this Hon'ble Commission cannot deny premium levied on STPP for coal supplied by SCCL as the same would amount to indirectly regulating coal prices which is outside the purview of EA 2003.
- (c) Regarding precedent laid down by the Hon'ble Supreme Court in *Pallavi Refractories v. Singareni Collieries Co. Ltd. and Ors* reported as (2005) 2 SCC 227, the Hon'ble APTEL upheld SCCL's dual/differential pricing (i.e., 20% higher for non-core sectors) as non-arbitrary under Article 14 of the Constitution of India, and held that pricing is commercial policy of the coal companies. Further, it relied upon the said judgment to hold that premium charges by SCCL are uniform/non-discriminatory (applied to STPP and others like NTPC and Mahagenco) and constitutes as part of price of fuel under landed costs as per MYT Regulations.
- (d) In the absence of any specific provisions in Electricity Act 2003 to regulate the price of coal which coal companies charge under the Bridge linkage, adjudication by the State Commission under Section 86 of EA 2003 has to be in terms of the provisions of the Act and the Regulations framed under Section 181 of the EA 2003.
- (e) Section 61 of the EA 2003 empowers the Appropriate Commission to set tariff terms and frame regulations, while Section 62 addresses tariff determination and



N. BALRAM, IRS
DIRECTOR (FINANCE)
THE SINGARENI COLLIERIES CO. LTD.
KOTHAGUDEM - 507 101

Section 86 outlines functions of this Hon'ble Commission. No specific provision in the Act allows the Electricity Regulator to determine coal costs. That the TGERC Regulations 2019, framed under the Act, specify that the landed cost of coal is used to calculate the Energy Charge Rate (*which includes the premium*) but do not task this Hon'ble Commission with determining the price of coal.

- (f) The Bridge Linkage was granted and extended by the Ministry of Coal's Standing Linkage Committee (SLC) as an interim measure due to delays in operationalizing the Naini Coal Block. The policy leaves pricing to the coal company, and extensions were justified (*no fault is attributable to SCCL for delays*). The SLC meetings also specified that rate for the coal supplies against extended bridge linkage is to be decided by CIL/ SCCL.

- xii. In view of the above, the Hon'ble APTEL finally held as under:

"87. The State Commission, no doubt, have been empowered to regulate the price at which Discoms shall purchase the electricity but has the duty to balance the interest of Consumers on one hand and that of Generators and Discoms on other hand, and also to act as per the provisions of Electricity Act 2003. In the absence of any specific provisions in the Electricity Act 2003 to regulate the price of coal which coal companies charge under the Bridge linkage, adjudication by the State Commission under section 86 of the Electricity Act has to be in terms of the provisions of the Electricity Act and the Regulations framed under Section 181 of the Electricity Act. As deliberated in previous paragraphs, Regulations framed in the present case does not provide an exhaustive list of cost to be included in the landed cost of coal to be considered under Energy Charge Rate, and premium paid would form part of price of fuel and form part of landed cost. We find that the State Commission has erred in denying pass through of premium paid over the cost of coal under bridge linkage to STPP."

- xiii. In view of the above, this Hon'ble Commission ought to take the above judgment in consideration while deciding the energy charge rates, and accordingly allow pass through of premium levied on bridge linkage coal being supplied by SCCL to STPP.

- a. In this context, it is stated that this Hon'ble Commission, being a subordinate authority to Hon'ble APTEL has to abide by the directions given in the above judgment. Further, the scope of remand wherein the directions of a superior


N. BALRAM, IRS
DIRECTOR (FINANCE)
THE SINGARENI COLLIERIES CO. LTD.
KOTHAGUDEM - 507 101.

court are to be implemented is very specific and limited. The subordinate forum, such as this Hon'ble Commission in the present case, cannot at all deviate from any of the principles decided by the appellate forum. In this regard, reference be made to the following judgments passed by the Hon'ble Supreme Court on the scope of remand/ implementation of an order of a higher forum:

i. ***Tirupati Balaji Developers (P) Ltd. v. State of Bihar***, reported as (2004) 5 SCC 1

"9. In a unified hierarchical judicial system which India has accepted under its Constitution, vertically the Supreme Court is placed over the High Courts. The very fact that the Constitution confers an appellate power on the Supreme Court over the High Courts, certain consequences naturally flow and follow. Appeal implies in its natural and ordinary meaning the removal of a cause from any inferior court or tribunal to a superior one for the purpose of testing the soundness of decision and proceedings of the inferior court or tribunal. The superior forum shall have jurisdiction to reverse, confirm, annul or modify the decree or order of the forum appealed against and in the event of a remand the lower forum shall have to rehear the matter and comply with such directions as may accompany the order of remand. The appellate jurisdiction inherently carries with it a power to issue corrective directions binding on the forum below and failure on the part of the latter to carry out such directions or show disrespect to or to question the propriety of such directions would — it is obvious — be destructive of the hierarchical system in administration of justice. The seekers of justice and the society would lose faith in both.

(Underline Supplied)

ii. ***Bachahan Devi v. Nagar Nigam, Gorakhpur***, reported as (2008) 12 SCC 372

"11. A bare reading of the provision makes it clear that the same comes into operation when the court, from whose decree the appeal is preferred, has omitted to frame or try an issue, or to determine any question of fact which appears to the appellate court essential for the right decision of the suit upon the merits. In order to bring in application of Order 41 Rule 25 the appellate court must come to a conclusion that the lower court has omitted to frame issues and/or has



N. BALRAM, IAS
DIRECTOR (FINANCE)
THE SINGARENI COLLIERIES CO. LTD.
KOTHAGUDEM - 507 101.

failed to determine any question of fact which in the opinion of the appellate court are essential for the right decision of the suit on merits. Once the appellate court comes to such a conclusion it may, if necessary, frame the issues and refer the same to the trial court. In other words there is no compulsion on the part of the appellate court to do so. This is clear from the use of the expression "may". But the further question that arises is whether in such a case the appellate court is bound to direct the trial court to take additional evidence required. This is a mandatory requirement as is evident from the provision itself because it provides that the lower court shall proceed to try such case and shall return the evidence to the appellate court together with the findings therein and the reasons therefor. As noted above, the provision becomes operative when the appellate court comes to the conclusion about the omission on the part of the lower court to frame or try any issue. Once the appellate court directs the lower court to do so, it is incumbent upon the trial court to take additional evidence required. As has been rightly contended by learned counsel for the appellant, there may be cases where additional evidence may not be required. But where the additional evidence is required, then the lower court has to return the evidence so recorded to the appellate court together with the findings thereon and the reasons therefor."

(Underline Supplied)

iii. **K.P. Dwivedi v. State of U.P.**, reported as (2003) 12 SCC 572

"11. In our considered opinion, there is a glaring mistake in the impugned order dated 29-3-1996 of the Prescribed Authority passed after remand in treating the earlier order dated 5-8-1977 passed in appeal by the District Judge to have been totally set aside by the earlier order of the High Court dated 19-1-1979 passed in writ petition against the order of the District Judge dated 5-8-1977. From the order of the High Court extracted, it is clear that the whole order of the District Judge was not set aside. It was set aside only with respect to categorisation of lands in the two villages and the remand was restricted to fresh determination of the same. The observations that "no other controversy shall be allowed to be raised hereafter before the Prescribed Authority or before the Appellate Authority" only meant that the remand would be restricted to redetermination of the nature of the land and all other issues decided which have not been disturbed by the order of the District Judge in appeal shall not be allowed to be reagitated."


N. BALRAM, IRS
 DIRECTOR (FINANCE)
 THE SINGARENI COLLIERIES CO. LTD.
 KOTHAGUDEM - 507 101.

(Underline Supplied)

- xiv. SCCL-STPP signed a MoU for supply of Coal in FY 2025-26 considering partial swapping of Naini coal mine and Hon'ble APTEL judgment dated 28.08.2025 on coal pricing. The copy is attached as **Annexure-H**.

14. Sale of fly ash from STPP:

- i. As per the erstwhile MoEF Notification S.O. 2804(E) dated 03.11.2009, thermal power plants were required to achieve 100% utilization of fly ash, and the proceeds from sale of fly ash were to be kept in a separate account and utilized only for creation of infrastructure and facilities for ash utilization. Accordingly, STPP has been maintaining a Fly Ash Reserve Fund, wherein the sale proceeds from auction of fly ash are credited and utilized towards activities aimed at improving ash utilization.
- ii. Further, Ministry of Environment and Forest vide notification dated 31.12.2021 on ash utilization from coal or lignite thermal power plants, superseded its earlier notification except as respect things done or omitted to be done before such supersession.
- iii. As per the above notification, thermal power plant shall be responsible to utilize 100 per cent ash (fly ash and bottom ash) generated during that year, however, in no case shall utilization fall below 80 per cent in any year, and the thermal power plant shall achieve average ash utilization of 100 per cent in a three years cycle and the ash utilization targets for thermal power plants shall be applicable from 1st April, 2022.
- iv. Further, non-compliant thermal power plants shall be imposed with an environmental compensation of Rs. 1000 per ton on un-utilized ash during the end of financial year based on the annual reports submitted.
- v. The notification clearly mentioned the following that "Statutory obligation of 100 per cent utilization of ash shall be treated as a change in law, wherever applicable".
- vi. CERC has not included sales of ash in the ambit of Non-Tariff income in its tariff regulations 2019-24 & 2024-29. Further, CERC in its tariff regulation FY 2024-29 has included "Ash Transportation Expenses" in operation and maintenance expenses



N. BALRAM, IRS
DIRECTOR (FINANCE)
THE SINGARENI COALFIELDS CO. LTD.
KOTHAGUDEM - 507 101.

separately and allowed the same after prudence check in the tariff orders of central generating companies.

- vii. Ministry of Power guidelines dated 15 March 2024 stated the following:

"The Appropriate Commission shall scrutinize any expenses regarding ash utilization..... to ensure the least possible burden is passed on to electricity consumers while Generating Company fully complies with MoEF&CC notification dated 31.12.2021 and its amendments."

- viii. It is to humbly submit that given that capital expenditure for necessary additional ash evacuation infrastructure was disallowed in the MYT order in 2019–24 period (on grounds of no additional capitalization after cut-off date), holding the ash fund at the generating station is essential to develop such evacuation infra. It provides a financing buffer to ensure 100% ash utilization and avoid passing compliance costs or environmental cess to consumers.
- ix. Accordingly, STPP is holding the Fly ash utilization reserve funds separately as there is liability for non utilization of 100% ash generated in thermal power plant. The same is clearly shown in annual accounts.
- x. Further, Hon'ble Commission has not considered amount received from sale of fly ash in Non-tariff income in SCCL true up order dated 29.04.2025.
- xi. Hon'ble Commission is requested to treat fly ash sale fund as a dedicated environmental compliance reserve instead of non tariff income. Post project life, any balance remaining amount in fly ash utilization reserve may be adjusted against receivables from DISCOMs.

15. Incentive

- i. STPP has computed incentive for tariff period 2026-27 based on estimated generation at the rate specified in clause 46.6 of Regulation 2 of 2023.
- ii. The incentive projected during the FY2026-27 is given below:


N. BALRAM, IRS
DIRECTOR (FINANCE)
THE SINGARENI COLLIERIES CO. LTD.
KOTHAGUDEM - 507 101.

Ref.	Unit	Revised claim
		FY 2026-27
Incentive for additional generation	Rs Crs	18.01

16. Other charges:

- The Hon'ble commission is requested to allow the claim of other charges (water charges, Audit fee & Tariff filling fee) on actual basis for FY 2024-25. The details of Water Charges, Tariff filing fee and audit fees as claimed for FY 2024-25 containing all the relevant documents are attached as **Annexure-I**.
- Further, Hon'ble commission is requested to allow the claim of water charges for FY 2025-26 & FY 2026-27 in line with TGGENCO MYT order dated 28.10.2024.
- Further, actual non tariff income (except net income from sale of fly ash) is proposed to be passed to beneficiary as per clause 43 of Regulation 2 of 2023.

17. Tariff for FGD system:

- To comply with the Ministry of Environment, Forest and climate changes (MoEF& CC) notification vide Gazette no: REGD, NO.D.L-33004/99, dated: 07-12-2015, approval was obtained from Govt of Telangana vide Ir no: 499/PR.A1/2019 dt: 14-06-2019 for installation of Flue Gas Desulphurisation (FGD) system at STPP, Stage – I (2X600 MW).
- Hon'ble Telangana Electricity Regulatory Commission has accorded In-principle approval for installation of FGD at STPP, Stage – I (2X600 MW) vide its order dated: 28-08-2020.
- Subsequently, EPC contract was awarded to M/s PES Engineers Private Ltd, Hyd vide firm order no's: 7600008906 and 7600008907 dated 28-12-2021 for installation of Flue gas desulphurisation (FGD) system project at STPP Stage – I (2X600 MW).



N. BALRAM, IRS
DIRECTOR (FINANCE)
THE SINGARENI COAL FIELD CO. LTD.
KOTHAGUDEM - 507 101.

- iv. It is to humbly submit that the MoEF& CC vide Gazette: CG-DL-E-11072025-264545 dated: 11-07-2025 has issued an amendment to Environment (Protection) rules. The relevant clause of the gazette is quoted below:
- "point no: (C) iV:*
- The Sulphur dioxide emission standards shall not be applicable to all Category C thermal power plants subject to ensuring compliance of stack height criteria notified vide notification number GSR 742 (E), dated the 30th August, 1990 and the time line for ensuring compliance by the existing Category C Thermal Power Plants of stack height criteria by the 31st December, 2029."*
- v. It is to submit that as per minutes of 3rd meeting of the task force of CPCB for Categorization of Power Plant, vide No B-33014/7/2021/IPC-II/TPP, dated 27.08.2021, SCCL/STPP comes under Category-C Thermal Power Plant and further 2X600 MW STPP stack is satisfying the stack height criteria as per the environmental standards for power plants prescribed in the Environment protection Rules 1986.
- vi. At present FGD works at STPP for Engineering, civil works, structural supply, structural erection, equipment supply, equipment erection works are around 74% completed and under progress for balance left over portions.
- vii. Further, a meeting was called for by Thermal projects renovation & modernization division of CEA, Ministry of power on 18.07.2025 in light of recent gazette notification of MoEF& CC.
- viii. The minutes of the meeting was circulated vide ref no: CEA-TH-14-20/7/2025-TRM Division/1033-1058 dated: 25.07.2025. In the meeting after detailed deliberation, CEA has advised generating companies who are nearing completion or attained progress of 60-70 percentage to discuss with beneficiary DISCOMS on their willingness to have FGD installed and pay for the cost attributable to FGD(CAPEX + OP-EX) or stop the project and pay the fixed cost(CAPEX) incurred so far.
- ix. Accordingly, SCCL requested TGPCC to convey a meeting to discuss willingness of TGDISCOMs for continuation of the FGD project even though it is not mandatory now as per latest environment notification for 2X600MW STPP. The relevant



N. BALRAM, IRS
DIRECTOR (FINANCE)
THE SINGARENI COLLIERIES CO. LTD.
KOTHAGUDEM - 507 101.

documents of MoEF notification, CEA meeting minutes, STPP FGD progress status with photographs are attached as **Annexure-J**.

- x. Further, the Hon'ble commission has deferred the claim of capitalization for the FGD system and stated that it would carry out prudence check of the final executed cost of FGD system in the true up of relevant year after commissioning of the same. The relevant portion from order dated 29.12.2023 on CIP and business plan for FY 2024-29 is extracted hereunder:

"4.2.12 SCCL submitted that it has awarded the works of FGD system through competitive bidding process. The works being still in progress, the Commission is not expressing any opinion on the proposed completion cost at this stage. The Commission shall carry out the prudence check of the cost of FGD system in true-up for the relevant year after commissioning of the same."

- xi. Accordingly, the cost of FGD system together with its effect on the tariff components and additional auxiliary energy shall be submitted after commissioning of the system in truing up petition of relevant year. Thus, the STPP reserves its right to submit the same at a subsequent period.

18. Hon'ble Commission directives and compliance status:

A. Integrated (Naini) mines:

- i. It is to humbly submit that Naini Coal block, Orissa was allotted to SCCL by GoI vide vesting order No./103/21/2015/NA dated 13.08.2015 for its end-use plant of STPP situated at Jaipur, Telangana.
- ii. Hon'ble Commission in its previous orders directed SCCL to actively pursue the issue of coal allocation for its generating station with the Ministry of Coal so that the cumbersome task of transportation of coal from NAINI coal block in Odisha and associated losses in quantity and GCV could be mitigated by procuring coal from its own mines which are closer to its generating station.
- iii. Accordingly, Coal swapping proposal was made to Ministry of Coal to swap the coal produced from Naini to TNPGL(erstwhile TANGEDCO)and vide office



N. BALRAM, IRS
 DIRECTOR (FINANCE)
 THE SINGARENI COLLIERIES CO. LTD.
 KOTHAGUDEM - 507 101.

memorandum dated 23.05.2025 MoC has approved the proposal for quantity of 1.75MTPA for three years up to FY 2027-28.

B. Separate Accounts:

It is to humbly submit that the audited annual accounts for FY 2024-25 of STPP & SCCL are submitted as volume-III along with this petition. Further, the Audited Annual Accounts for FY 2024-25 of STPP containing separate balance sheet, Profit & loss statements are attached **Annexure-K**.

C. Efficiency improvement measures :

It is to humbly submit that the efficiency improvement measures carried out in FY 2024-25 are given below:

- i. Improvement of feed water temperature at economizer inlet was done by carrying out internal inspection of feed water heaters during COH of Unit-2.
- ii. Arrested Unit-2 air pre-heater air ingress and air leakages by baskets cleaning and replacement of damaged seals during COH.
- iii. Unit-2 PA and ID fan power consumption is reduced by carrying out inspection of air and flue gas ducts and replacement of damaged bellows during COH.

19. Computation of ARR

The summary of ARR claimed before the Hon'ble TGERC is submitted below:

(In Rs.Crores)

Sl No	Item	Truing up period	Ensuing Years (Projected)	
A	Annual Fixed Charges	2024-25	2025-26	2026-27
1	Operation & Maintenance Expenses	275.60	306.24	318.72
2	Depreciation	436.64	438.20	439.64
3	Interest and finance charges on loan	214.20	169.48	134.93
4	Interest on Working Capital	91.43	80.90	80.78
5	Return on Equity	482.20	483.48	484.96
6	Less: Non-Tariff Income	9.08	9.26	9.44
7	Annual Fixed Charges	1490.98	1469.04	1449.60
B	Energy Charges			
1	Energy Charge Rate	3.963	3.377	3.377
2	Scheduled Energy (ex-bus)	7501.197	8027.802	8781.697


N. BALRAM, IRS
 DIRECTOR (FINANCE)
 THE SINGARENI COLLIERIES CO. LTD.
 KOTHAGUDEM - 507 101.

3	Energy Charges	2972.72	2710.99	2965.58
C	Other Charges			
1	Incentive	0.00	0.00	18.01
2	water charges, Audit fee & Tariff filling fee	0.39	0.43	0.47
3	Sub Total (Other Charges)	0.39	0.43	18.48
D	Grand Total	4464.09	4180.46	4433.66

A copy of tariff computation forms are enclosed as **Annexure-L**.

20. Authorization for filing on the petition:

The Director (Finance) of SCCL has been authorized to sign on the petition / documents to be filed before the Hon'ble TGERC. Copy of the authorization is enclosed as **Annexure-M**.

21. Jurisdiction:

The determination of tariff in this annual tariff petition is within the Jurisdiction of TGERC. As per section 62, appropriate commission can determine the tariff for supply of electricity by a generating company to a distribution licensee. Further, the state electricity regulatory commission shall determine the tariff for generation within the state as per section 86.1(a) read with clause 38 of TGERC (conduct of business) regulations 2015.

22. Limitation:

The determination of tariff is a continuous process and the provisions of limitation Act does not apply to the issues to be decided as part of regulatory process such as determination of tariff etc.

23. Court Fee:

The present petition is filed for determination of truing up for 2024-25 and revision of tariff for 2026-27. Hence a fee of Rs 25,000/- (Rs twenty five thousand) is paid as per regulation 4(5)(a) of regulation 2 of 2016 (levy of fees for various services rendered by the commission). A copy of the banker's chequer for paying the requisite court fee is attached as **Annexure -N**.


N. BALRAM, IRS
 DIRECTOR (FINANCE)
 THE SINGARENI COLLIERIES CO. LTD.
 KOTHAGUDEM - 507 101.

24. Declaration:

This subject matter of this petition has not been raised by the petitioner before any other competent forum and that no other competent forum is currently seized of the matter or has passed any order in relation thereto.

25. Prayer before Hon'ble commission

SCCL prays to the Hon'ble Commission may be pleased to:

- a) Consider the submissions made by SCCL in this annual tariff petition for determining tariff for FY 2026-27, and for undertaking the Truing Up of tariff/expenditure for the period FY 2024-25;
- b) Approve revised tariff for FY 2026-27 and allow recovery of additional Trued Up expenditure for FY 2024-25 in respect of 2X600 MW Singareni Thermal Power Plant (STPP), in terms as stated in the present petition; and
- c) Pass such further Orders, as the Hon'ble Commission may deem fit and appropriate in circumstances of the case.

Place : Hyderabad

Date : 27.11.2025


(Shri N. Balram)
N. BALRAM, IRS
DIRECTOR (FINANCE)
THE SINGARENI COLLIERIES CO. LTD
KOTHAGUDEM - 507 101.


Annexure - A : A Copy of Power Purchase Agreement

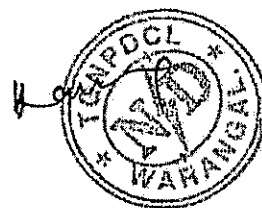
FINAL POWER PURCHASE AGREEMENT
BETWEEN
THE SINGARENI COLLIERIES COMPANY
LIMITED
AND
SOUTHERN POWER DISTRIBUTION COMPANY
OF TELANGANA LIMITED
NORTHERN POWER DISTRIBUTION COMPANY
OF TELANGANA LIMITED

FOR SALE OF POWER
FROM
SINGARENI THERMAL POWER PROJECT
(2X600 MW) (STAGE-I)

Dated 20th day of March 2025 .




CHIEF ENGINEER
(IPC), TGSPDCL,
Corporate Office, 6-1-50,
Mint Compound, Hyd-500004.







తెలంగాణ తేలంగానా TELANGANA

BP 633324

390007079

Tran Id: 250319110427724441
Date: 19 MAR 2025, 11:06 AM
Purchased By:
CHOUTAPALLY PRABHAKAR
S/o SAMBAIAH
R/o HYD
For Whom
THE SINGARENI COLLIERIES CO. LTD

KARANAM
NAGARAJAMANI
LICENSED STAMP VENDOR
Lic. No. 16-11-046/1999
Ren.No. 16-11-016/2023
6-2-975, KUSHAL TOWERS,
KHAIRATABAD,
HYDERABAD
Ph 9885096145

FINAL POWER PURCHASE AGREEMENT BETWEEN

THE SINGARENI COLLIERIES COMPANY LIMITED

AND

SOUTHERN POWER DISTRIBUTION COMPANY OF TELANGANA
LIMITED

NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA
LIMITED

FOR SALE OF POWER FROM
SINGARENI THERMAL POWER PROJECT (2X600 MW) (STAGE-I)

Dated 20th day of March 2025

THIS POWER PURCHASE AGREEMENT, hereinafter called "Agreement",
entered into at Hyderabad on this 20th day of March Two Thousand and Twenty five.

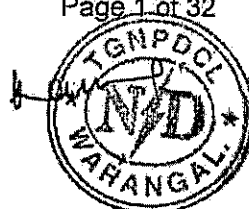
Between

1. Southern Power Distribution Company of Telangana Limited constituted on



V. P. ...
CHIEF ENGINEER
(IPC), TGSPDCL,
Corporate Office, 6-1-50,
Mint Compound, Hyd-500004.

Page 1 of 32





02-06-2014 under AP Reorganization Act 2014 and the sub-section (6) of section 23 of Andhra Pradesh Electricity Reform Act, 1998 (Act, 30 of 1998) and having its registered office at 6-1-50, Corporate Office, Mint Compound, Hyderabad 500 063 (hereinafter referred to as "TGSPDCL"); Northern Power Distribution Company of Telangana Limited, constituted on 02-06-2014 under AP Reorganization Act 2014 and the sub-section (6) of section 23 of Andhra Pradesh Electricity Reform Act, 1998 (Act, 30 of 1998) and having its registered office at H.No.2-5-31/2, Corporate Office, Vidyut Bhavan, Nakkalagutta, Hanamkonda, Warangal 506001 (hereinafter referred to as "TGNPDCL"); (hereinafter each of TGSPDCL and TGNPDCL are, as the context may require, individually referred to as "TGDISCOM" and collectively referred to as the "TGDISCOMs" which expression shall, unless it be repugnant to the context or meaning thereof include its successors and assigns), as parties of the first part, and

2. THE SINGARENI COLLIERIES COMPANY LIMITED, constituted under the Companies Act 1956 having its registered office at Kothagudem, Khammam District (hereinafter called "SCCL") which expression shall, unless repugnant to the context or meaning thereof include its successors and assigns, as party of the second part.

WHEREAS the erstwhile Govt. of Andhra Pradesh had accorded approval to SCCL for setting up of Singareni Thermal Power Project (2 x 600 MW) Stage-I at Pegadapalli village, Jaipur Mandal, Adilabad District, Telangana State, hereinafter referred to as "Singareni Thermal Power Project (2 x 600 MW) Stage-I", and generally referred to as "PROJECT" whereas SCCL is a Public Sector Company owned by the Government of Telangana and Government of India in the ratio 51:49 and will be executing the Project and to be owned & operated by SCCL.

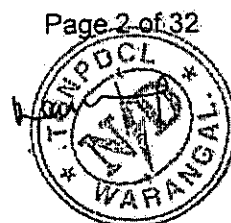
AND WHEREAS TGDISCOMs are desirous of purchasing all the declared capacity and energy from Singareni Thermal Power Project (2x600 MW) Stage-I and SCCL is willing to sell the same to TGDISCOMs on mutually agreed terms and conditions.

Whereas, the Power Purchase Agreement (PPA) dated 18th January 2016 was entered between TGSPDCL & TGNPDCL (TGDISCOMs) and SCCL.

Whereas, TGDISCOMs have sought approval of Hon'ble TGERC to the above mentioned PPA dated 18.01.2016 under Section 86 (1) (b) of the Electricity Act, 2003 read with Section 21(4) of APER Act in respect of Singareni Thermal Power Project Stage-I (2x600 MW).



V. P. Srinivasulu Reddy
 CHIEF ENGINEER
 (IPC), TGSPDCL,
 Corporate Office, 6-1-50,
 Mint Compound, Hyd-500004.



Whereas, Hon'ble TGERC vide order Dated.22.10.2021 in OP No. 8 of 2016 accorded consent to the PPA subject to modifications prescribed in the aforementioned order and directed TGDISCOMs to submit the PPA duly incorporating the modifications for the record of the Commission.

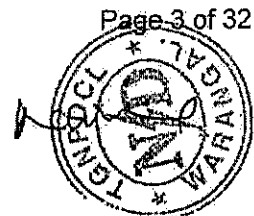
Further, as per the directions of Hon'ble TGERC vide letter dated. 30.12.2024 and TGERC consent order dated 22.10.2021, the corrected and fair terms and conditions of the power purchase agreement are herewith entered.

Whereas, the terms and conditions of the power purchase agreement are as per prevailing TGERC regulations at that time of issuing PPA consent order dated 22.10.2021 by Hon'ble TGERC and any changes in TGERC regulations that may occur in future shall be applicable for all operating norms or any other parameters.

Now therefore, in consideration of the premises and mutual agreements, covenants and conditions set forth herein, it is hereby agreed between the Parties as follows:



V. P. [Signature]
CHIEF ENGINEER
(IPC), TGSPDCL,
Corporate Office, 6-1-50,
Mint Compound, Hyd-500004.



Article 1: INTERPRETATION AND DEFINITIONS

The words or expressions used in this agreement but not defined hereunder shall have the same meaning assigned to them by the Electricity Act 2003 as amended from time to time, the Rules framed there under and Regulations issued by TGERC from time to time.

- 1.1 **'Act'** means the electricity Act, 2003
- 1.2 **Agreement to Hypothecate cum Deed of Hypothecation** – Deleted
- 1.3 **Availability** – 'Availability' as defined in the TGERC (Terms and Conditions of Tariff) Regulations as amended or replaced from time to time
- 1.4 **Acceptance Test for establishing the Capacity of the Unit** - Acceptance test for establishing the Capacity of the Unit shall be performed in the presence of SCCL and TGDSCOMS representatives and on satisfying the capacity of the Unit, the capital cost of the project shall be arrived at on pro-rata basis against the rated capacity.
- 1.5 **'Additional Capitalization'** means the capital expenditure actually incurred after date of commercial operation of the station and admitted by the Commission after prudence check.
- 1.6 **Approved capital cost:** to be taken into account at any time for the purpose of the Tariff means, the amount of Capital Cost of the Project admitted subject to approval of TGERC.
- 1.7 **Authority or CEA:** means the Central Electricity Authority referred to in section 70 of the Act.
- 1.8 **Auxiliary Energy Consumption (AUX):** in relation to a period, in case of a Generating Station or Unit, means the quantum of energy consumed by auxiliary equipment of the Generating Station, such as the equipment being used for the purpose of operating plant and machinery, including switchyard of the Generating Station and the transformer losses within the Generating Station, and shall be expressed as a percentage of the sum of gross energy generated at the generator terminals of all the Units of the Generating Station: Provided that the Auxiliary Energy Consumption shall not include the energy consumed for supply of power to housing colony and other facilities at the Generating Station and the power consumed for



V. P. [Signature]
 CHIEF ENGINEER
 (IPC), TGSPDCL,
 Corporate Office, 6-1-50,
 Mint Compound, Hyd-500004.

Page 4 of 32



construction works at the Generating Station.

- 1.9 Availability Computation:** It is in relation to a Thermal Generating station for any period means the average of the daily average declared capacity for all the days during that period expressed as a percentage of the installed capacity of the Generating stations minus the normative auxiliary consumption in MW, as specified in this regulation and shall be computed in accordance with the following formula.

$$\text{Availability} = 10000 \times \sum_{i=1}^N \text{DC}_i / \{N \times \text{IC} \times (100 - \text{AUX}_n)\} \%$$

Where DC_i = Average Declared Capacity for the i th day of the period in MW
 N = No. of Days during the period
 IC = Installed Capacity of the generating station in MW
 AUX_n = normative auxiliary consumption as percentage of gross generation.

- 1.10 Billing Centre** – The office as intimated by SCCL to the TGSPDCL and TGNPDCL from where the bills will be raised on them.
- 1.11 Billing Date:** The Billing Date shall be 5 (five) days after the Meter Reading Date in each Calendar month.
- 1.12 Billing Month:** The Billing Month means Metering Date of calendar month to the Metering Date of the next calendar month.
- 1.13 Bus Bars / Ex Bus:** Bus bars of the station to which outgoing feeders are connected.
- 1.14 Business Day:** It shall be construed as a reference to a day (other than Sunday) on which banks are generally open for business in Hyderabad.
- 1.15 Capacity Charges:** Capacity Charges (or) Fixed Charges as determined by TGERC and shall be paid in proportion to the Contracted Capacity from time to time
- 1.16 Capital cost:** - Capital cost of project or its units or stages as the case may be, means the capital expenditure thereof as admitted by the Commission for determination of tariff.



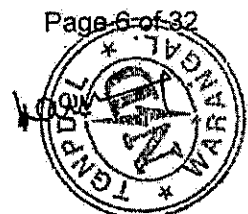
V. P. Srinivas
 CHIEF ENGINEER
 (IPC), TGSPDCL,
 Corporate Office, 6-1-50,
 Mint Compound, Hyd-500004.



- 1.17 **Charges for Supply of Electricity:** Mean and include all charges including the Tariff to be paid by the TGSPDCL and TGNPDCL in respect of supply of electricity to them from the Project in accordance with the provisions of this Agreement
- 1.18 **COD of the Project:** means the Commercial Operation Date of the last Unit of the project.
- 1.19 **Commercial Operation Date or COD:** means in relation to each unit of the thermal generating station, the date declared by the generating company after demonstrating the maximum continuous rating (MCR) or the installing capacity (IC) through a successful trial run after notice to the beneficiaries, from 00:00 hour of which scheduling process as per the Electricity Grid Code (IEGC) is fully implemented, and in relation to the generating station as a whole, the date of commercial operation of the last unit of the generating station.
- 1.20 **Contracted Capacity:** Capacity contracted (2x600 MW) by TGSPDCL and TGNPDCL under this Agreement
- 1.21 **Cut-off date:** Means 31st March of the year closing after two years of the year of commercial operation of the project, and in case the project is declared under commercial operation in the last quarter of the year, the cut-off date shall be 31st march of the year closing after three years of the year of commercial operation.
- 1.22 **Date of Effectiveness of Agreement:** Date of Effectiveness of Agreement shall be the synchronisation date of first Unit.
- 1.23 **Debt:** means the amount of any loans, debentures or other similar obligations, contracted or raised and received by SCCL for the Project, but only to the extent that the proceeds of such capital contribution are exclusively utilized on the Capital Cost of the Project.
- 1.24 **Debt Repayment:** means, in relation to a specified period, the amount of Debt 70% of the capital cost which SCCL is due to repay in such period, in Indian Rupees in which the Debt is incurred.
- 1.25 **Declared Capacity (DC):** means the capability of the generating station to deliver ex-bus Electricity in MW declared by such generating station in relation to any period of the day or Whole of the day, duly taking into account the availability of fuel.



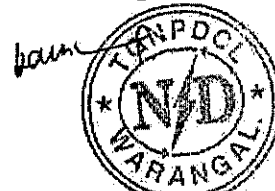
V. P. [Signature]
 CHIEF ENGINEER
 (IPC), TGSPDCL,
 Corporate Office, 6-1-50,
 Mint Compound, Hyd-500004.



- 1.26 **Depreciation:** means the sum of the amounts of depreciation on buildings, equipment and other capital facilities of the Project on the date hereof, and in respect of any asset, shall be allowed up to 90% of the approved Capital Cost and shall cease so soon as its net book value equals the residual value i.e., 10 percent of its original cost as included in the Capital Cost.
- 1.27 **Designated Officer:** The Designated Officer in TGSPDCL and TGNPDCL shall be of the rank of a Financial Advisor & Chief Controller of Account (FA & CCA) and GM (F&A) or any other Officer designated by TGSPDCL and TGNPDCL for matters relating to Billing and Payment.
- 1.28 **Dispatch Instructions:** The Dispatch Instruction shall be as per the Telangana Electricity Regulatory Commission (State Electricity Grid Code) Regulation, 2018 [Regulation No.4 of 2018] as amended from time to time.
- 1.29 **Duration of Agreement:** Duration of Agreement shall be 25 years from date of C.O.D of the Project.
- 1.30 **Due Date of Payment:** In case of a regular Monthly Bill due date of payment shall be within 60 (Sixty) days from the Billing Date and in case of a Supplementary Bill it shall be within 60 (Sixty) days from the presentation of the Supplementary Bill to the Designated Officer of TGSPDCL and TGNPDCL.
- 1.31 **Energy Certification Committee (ECC):** shall be the Body of the Designated Officers constituted at the headquarters by both the Parties to certify each Billing Month the Net Energy Sale by one Party to the other based on the Monthly Meter Readings jointly recorded at the power house.
- 1.32 **Equity:** means the actual equity (including internal accruals) limited to 30 percent of Approved Capital Cost of the Project in Rupees and is used for the purposes of computation of ROE in fixed charges during the period of the Agreement.
- 1.33 **Escrow Agreement:** Deleted
- 1.34 **Grid Code:** means the Indian Electricity Grid Code specified by the Central Commission or the Telangana Electricity Regulatory Commission (State Electricity Grid Code) Regulation, 2018 [Regulation No.4 of 2018] whichever is applicable as amended from time to time or subsequent re-enactment thereof.
- 1.35 **Gross Calorific Value (GCV):** Gross Calorific Value means, in respect of

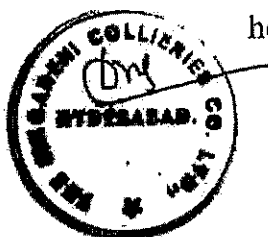


V. P. [Signature]
 CHIEF ENGINEER
 (IPC), TGSPDCL,
 Corporate Office, 6-1-50,
 Mint Compound, Hyd-500004.

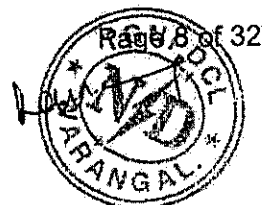


coal and secondary fuel, heat produced in Kcal by complete combustion of one kilogram of solid fuel or one litre of liquid fuel, as the case maybe.

- 1.36 Income Tax:** Deleted
- 1.37 Infirm power:** means electricity injected into grid prior to the commercial operation of a unit or block of generating station.
- 1.38 Installed Capacity:** means the summation of the name plate capacities of all the units of generating station or the capacity of the generating station (reckoned at the generator terminals) as approved by the commission from time to time.
- 1.39 Installed Capacity Test:** In relation to any Generating Unit means any capacity test of such Generating Unit to be carried out pursuant to Annexure-II (Commissioning and Testing).
- 1.40 Interconnection point:** Interconnection point means the point at the outlet side of HV feeder (including the feeders between the generating stations) breaker where the power plant and the grid are connected in the power plant switchyard.
- 1.41 Interest on Working Capital:** The Interest on Working Capital shall be as per the TGERC Norms.
- 1.42 Licensee:** Means a person, granted a licensee under section 14 of the Electricity Act, 2003.
- 1.43 Maximum continuous rating:** It is in relation to unit of the thermal power generating station means the maximum continuous output at the generator terminals, guaranteed by the manufacturer at rated parameters, and in relation to a unit or block of a combined cycle thermal power generating station means the maximum continuous output at generator terminals, guaranteed by the manufacturer with steam injection and corrected to 50Hz grid frequency and specified site conditions.
- 1.44 Main, Check and Standby Meter:** Meter for measurement and checking of import / export of energy at interconnection point for Energy Accounting.
- 1.45 Metering Date:** Metering Date for the first calendar month will be Date of COD of each unit. Subsequent Metering Date will mean midday (12:00 hours) of the last day of each calendar month. However, the Metering Date



V. P. [Signature]
 CHIEF ENGINEER
 (IPC), TGSPDCL,
 Corporate Office, 6-1-50,
 Mint Compound, Hyd-500004.



of the Financial Year ends at 24:00Hrs on 31st march of Subsequent year and soon.

- 1.46 Monthly Bill:** Monthly Bill will have the meaning ascribed to it under Article 6 for Thermal Energy supplied under this Agreement.
- 1.47 Net Electrical Energy:** It is the energy, supplied from SINGARENI THERMAL POWER PROJECT 2 x 600 MW Stage-I measured in kWh, at the point of interconnection in accordance with the provisions of Article 7.
- 1.48 Plant Load Factor (PLF):** The Plant Load Factor in a Tariff Year expressed in percentage is:

$$PLF = 10000 \times \sum_{i=1}^N \frac{SG_i}{\{N \times IC \times \{100 - AUX_n\}\}} \% \text{ Where}$$

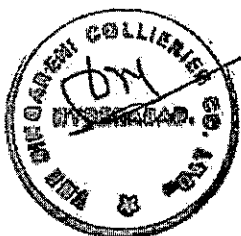
N: No. of time blocks in the given period;

SG_i: Schedule Generation in MW for the ith time block in such period;

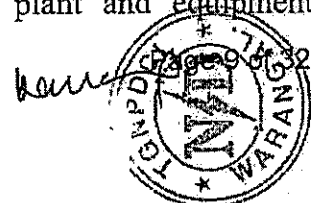
IC: Installed Capacity of the generating station in MW;

AUX_n: Normative auxiliary consumption in MW expressed as percentage of gross generation;

- 1.49 Project:** means the coal based Thermal Power Station namely Singareni Thermal Power Project (STPP) 2x600MW Stage-I established at Pegadapalli Village, Jaipur Mandal, Adilabad District, Telangana State, India, having a design rated capacity of 2 x 600 MW and all facilities and related assets required for the efficient, economic and safe operation of the Power Station including, without limitation, any railway yard & equipment, coal handling and ash disposal facilities and sampling and testing facilities and infrastructure features where so ever situated.
- 1.50 Prudent Utility Practices:** Prudent Utility Practices means the practices, methods, techniques, and standards that are generally accepted nationally and internationally from time to time and commonly used in the national and international electric utility industry for the operation and maintenance of equipment of the size and having the other characteristics of a Power Station in a safe, prudent and reliable manner consistent with the parameters for such operation and maintenance set forth in this Agreement, which practices, methods, techniques and standards shall be adjusted as necessary to take account of the requirements of Law, physical conditions at the site on which a Power Station is located and operation and maintenance guidelines of the manufacturers of plant and equipment



V.P.
CHIEF ENGINEER
(IPC), TGSPDCL,
Corporate Office, 6-1-50,
Mint Compound, Hyd-500004.



incorporated in the Power Station which SCCL is required to follow in order to maintain in effect any warranties, guarantees or insurance policies relating thereto.

- 1.51 **Station Heat Rate:** Station Heat Rate means the quantum in Kilo Calories of input heat energy required by a Thermal Power Station to generate one Electrical Energy Unit at the Generator terminals, as per TGERC Regulations.
- 1.52 **Supplementary Bill:** Supplementary Bill will have the meaning ascribed to it in Article 6.
- 1.53 **Tariff Year:** Tariff Year shall be the financial year.
- 1.54 **TGERC:** means the Telangana Electricity Regulatory Commission constituted under the Andhra Pradesh Reorganisation Act, 2014.



V.P.
CHIEF ENGINEER
(IPC), TGSPDCL,
Corporate Office, 6-1-50,
Mint Compound, Hyd-500004.



Article 2: ALLOCATION, TRANSMISSION & WHEELING OF POWER

2.1 Installed Capacity:

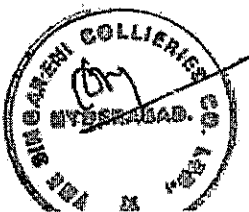
- 2.1.1 The Installed Capacity of Singareni Thermal Power Project Stage -1 is 1200 MW (2x600 MW).
- 2.1.2 The Project is being developed for the sale of 1200 MW power to TGSPDCL and TGNPDCL, excluding Auxiliary Consumption.

2.2 Allocation of Capacity

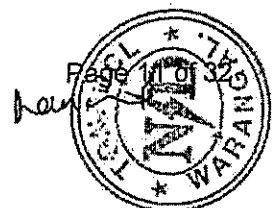
- 2.2.1 The Project is being developed for the sale of power to TGSPDCL and TGNPDCL in proportion of sharing as approved by Government of Telangana.

2.3 Transmission / Wheeling of Electricity

- 2.3.1 Sale of electricity shall be at the bus bars of the Project and it shall be the obligation and responsibility of TGSPDCL and TGNPDCL in coordination with TGTRANSCO to make the required arrangement for evacuation of electricity from such delivery points of the SCCL.



V. P. _____
CHIEF ENGINEER
(IPC), TGSPDCL,
Corporate Office, 6-1-50,
Mint Compound, Hyd-500004.



Article 3: SALE AND PURCHASE OF AVAILABLE ELECTRICAL CAPACITY AND ENERGY

3.1 Power Supplies by SCCL

3.1.1 Scheduling : Deleted

3.1.2 Declared Capacity : Declared Capacity or 'DC' means the capability of the station to deliver Ex-Bus electricity in MW declared by the station in relation to any period of the day or whole of the day, duly taking into account the availability of Coal as per the procedure laid down in IEGC

Notwithstanding the following, Station shall be deemed as available to the extent of DC declared by the station for any time period:

(a) Failure on account of TGSPDCL and TGNPDCL to transmit and wheel electricity from the Ex-Bus of the station in coordination with TGTRANSCO

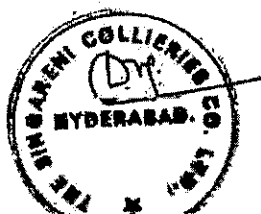
(b) Any other reason not attributable to SCCL restricting scheduling and despatch of capacity at the Ex-Bus of the station

3.2 Sale and Purchase of Infirm Power: After Synchronization and prior to the COD of any Generating Unit, SCCL will sell and TGSPDCL and TGNPDCL will purchase all infirm power generated by that Generating Unit in proportion to the allocation made. TGSPDCL & TGNPDCL will reimburse SCCL the actual cost of all Coal & Secondary Fuel consumed for such generation.

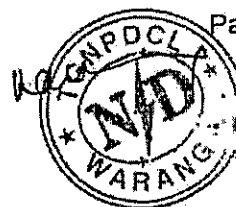
3.3 Sale and Purchase of Declared Capacity and Net Electrical Energy: Save as otherwise provided in this Agreement, from and after the COD of the First Generating unit, SCCL shall make available and deliver, and TGDISCOMs shall purchase for the consideration set forth in this Agreement, the entire declared capacity and all Net Electrical Energy generated by the Project, subject, in the case of Net Electrical Energy, to such dispatch instructions as may be in effect from time to time.

3.3.1 Power Supplies by TGDISCOMS:

Upon SCCL's request, TGDISCOMS shall provide electrical energy to



V.P.
CHIEF ENGINEER
(IPC), TGSPDCL,
Corporate Office, 6-1-50,
Mint Compound, Hyd-500004.



SCCL for construction, start-up and maintenance, and also for commissioning of the Project. TGDISCOMs shall furnish a bill to SCCL for such power at a price equal to TGDISCOMs published tariff for construction power during the construction and start-up period up to the COD of the Project.

After COD of the Project, Tariff Bills presented by SCCL to TGDISCOMs shall be on a net energy basis taking into account the power supplied by TGDISCOMs to the Project.

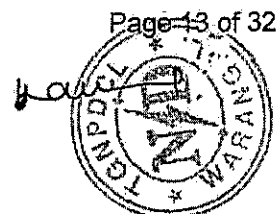
3.4 Dispatch Instructions (DI):

- 3.4.1 Dispatch Instructions shall be as per the TGERC Regulations 4 of 2018 and any amendments by TGERC thereon.
- 3.4.2 SCCL shall follow the SLDC's directives, to back down, increase or resume generation, decrease generation at times on a day, provided that such directives are consistent with the technical limits of the facility, Prudent Utility Practices or in accordance with discharge functions of SLDC. Number of Dispatch Instructions per day shall not exceed two. The duration of back down and quantum of energy backed down each day shall be reconciled and certified by both SCCL (at Station level) and SLDC on monthly basis.
- 3.4.3 **Nothing contained in this Agreement shall be construed to require SCCL to operate the facility, at any time, including emergency, inconsistent with Prudent Utility Practices and the Technical Limits in any manner.**
- 3.4.4 **Backing down limits of units:** The Technical Minimum limit of Generating Unit shall be in accordance with the relevant provisions of Grid Code.

In the absence of any dispatch instructions from TGS LDC, the Unit will operate according to the day ahead capacity notice furnished by SCCL.



V. [Signature]
CHIEF ENGINEER
(IPC), TGSPDCL,
Corporate Office, 6-1-50,
Mint Compound, Hyd-500004.



Article 4: GENERATION TARIFF

4.1 Terms and Conditions

4.1.1 The tariff for the electricity supplied from the Project would be as determined under the tariff regulations of TGERC and tariff order thereof from time to time.

4.1.2 Tariff for sale of electricity from the Project would be based on prevailing TGERC Regulations time to time.

4.2 **Annual Fixed Charges:** SCCL shall claim the annual fixed charges as approved by TGERC for each tariff year.

4.2.1 **Capital Cost:** The capital cost of the Project shall be taken as Rs.8250.00 crores (provisional) as per Annexure-I.

4.2.2 **The Operation & Maintenance Charges:** The Operation & Maintenance and Insurance Expenses (O&M) for 600 MW sets would be as per the latest norms or regulations issued by TGERC.

4.2.3 **Interest on Working Capital:** Interest on Working Capital shall be calculated as per TGERC norms / regulations from time to time.

4.2.4 **Debt-Equity ratio:** Deleted.

4.2.5 **Recovery of Fixed Charges:** The fixed charges shall be computed on the annual basis based on norms specified in TGERC Regulation and shall be recovered on monthly basis as per TGERC Regulation.

4.2.6 **Deemed Generation:** Stoppage of generation due to problems in Power evacuation for Generating stations shall be treated as Deemed Generation for the purpose of computation of availability for payment of fixed charges. In case of shortage of fuel, TGSPDCL, TGNPDCL and SCCL will decide and finalise in consultation with Coal Companies at that time.

4.3 **Variable Charge:** For any Billing Month, the Variable Charges shall be determined as per TGERC Regulation.

4.4 **Operating parameters:** The values of Operating parameters like Station



V. J. ———
CHIEF ENGINEER
 (IPC), TGSPDCL,
 Corporate Office, 6-1-60,
 Mint Compound, Hyd-500004.

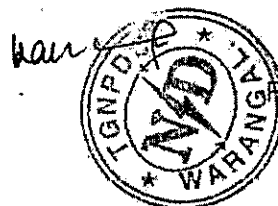


Heat Rate, Auxiliary power consumption and specific consumption of secondary fuel oil for the duration of the PPA shall be as per prevailing TGERC Regulations from time to time.

- 4.5 **Incentive:** Incentive shall be as per TGERC Regulation.
- 4.6 **General:** Any changes in TGERC regulations that may occur in future shall be applicable for all operating norms or any other parameters. For anything not covered in this agreement, TGERC regulations will be applicable.
- 4.7 **Commercial Operation Date or COD:** COD in relation to a generating unit means, the date declared by the generating company after demonstrating the maximum continuous rating (MCR) or the installing capacity (IC) through a successful trial run after notice to the beneficiaries, and in relation to the generating station means, the date of commercial operation of the last unit.



V.P.
CHIEF ENGINEER
(IPC), TGSPDCL,
Corporate Office, 6-1-50,
Mint Compound, Hyd-500004.



Article 5: TAXES, LEVIES, DUTIES, ROYALTY, CESS ETC

- 5.1 Levies, Taxes, Duties, Cess:** The above Tariff is exclusive of any statutory taxes, levies, duties, cess or any other kind of imposition (s) whatsoever imposed/charged by any Government (Central/State) and/ or any other local bodies/authorities on generation of electricity including auxiliary consumption or any other type of consumption including water, transmission, environment protection, sale or on supply of power/ energy and / or in respect of any of its installations associated with Generating Stations and/or on Transmission System.
- 5.2** The total amount of such levies/taxes/ duties/ cess etc. payable by SCCL to the authorities concerned in any month on account of the said levies/taxes/duties/cess etc. as referred to above shall be borne and additionally paid by TGSPDCL and TGNPDCL to SCCL.
- 5.3** Incidence of income tax liability on project income limited to the extent of RoE as per the provisions of the Income Tax Act applicable from time to time shall be recovered from TGSPDCL and TGNPDCL duly certified by Statutory Auditors of SCCL.
- 5.4 Income Tax:** Deleted
- 5.5** Income Tax applicable for the sale of power under this agreement shall be governed by the applicable TGERC regulations and the parties agree to abide by and comply such regulations.



V. P. [Signature]
 CHIEF LEGAL COUNSEL
 (IPC), TGSPDCL
 Corporate Office, G-1-10,
 Mint Compound, Hyd-500004



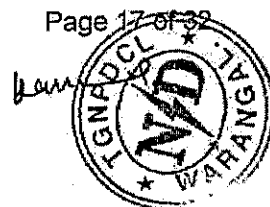
Article 6: BILLING AND PAYMENT

6.1 Billing:

- 6.1.1 All charges for supply of Electricity under this Agreement shall be billed by SCCL as determined time to time by the TGERC and/ or any other Competent Authority and the same shall be paid by TGSPDCL and TGNPDCL in accordance with the following provisions:
- 6.1.2 SCCL shall present the bills for electricity supplied to TGSPDCL and TGNPDCL from the Project for the previous month based on Energy Account issued by Telangana State Load Dispatch Centre or any other Competent Authority as per TGERC regulations applicable from time to time.
- 6.1.3 Billing Centre of SCCL shall carry out billing and associated functions. SCCL would submit the bills to the officer to be nominated by TGSPDCL and TGNPDCL
- 6.1.4 The Monthly Bill for the Project shall include the Charges for Supply of Electricity under this Agreement, taxes, duties, cess etc including additional bills for the past period (s) on account of orders of TESERC/ Appellate Tribunal for Electricity/ Other Courts/ Other Competent Authority (ies). If for certain reasons some of the charges which otherwise are in accordance with this Agreement, cannot be included in the main Monthly Bills, such charges shall be billed as soon as possible through Supplementary Bill(s).
- 6.1.5 TGSPDCL and TGNPDCL shall arrange payment of such Monthly Bill (s) / Supplementary Bill (s) promptly through irrevocable Letter of Credit at the designated account of SCCL or through RTGS. The date of transfer of payment to SCCL account shall be considered as the date of payment for computation of rebate or late payment of surcharge in respect of such payment. The bill (s) of SCCL shall be paid in full subject to the condition that –
- there is no apparent arithmetical error in the bill (s)
 - the bill (s) is /are claimed as per the notified / agreed tariff
 - they are in accordance with energy accounts issued by Telangana State Load Dispatch Centre or any other Competent Authority as per TGERC regulations applicable from time to time.



V. P. [Signature]
 CHIEF ENGINEER
 (IPC), TGSPDCL,
 Corporate Office, 6-1-50,
 Mint Compound, Hyd-500004.



6.1.6 All payments made by TGSPDCL and TGNPDCL shall be appropriated by SCCL for amounts due from TGSPDCL and TGNPDCL in the following order of priority:

- i. Towards Late Payment Surcharge, payable if any
- ii. Towards earlier unpaid bill (s) if any; and
- iii. Towards the statutory dues like, other tax, royalty etc in the current bill (s).

6.1.7 In case TGSPDCL and / or TGNPDCL dispute any amount, even then, it shall pay 95% of the disputed amount forthwith and file a written objection with SCCL within 30 days of presentation of the bill, giving following particulars:

- i. Item disputed, with full details / data and reasons of dispute
- ii. Amount disputed against each item

Provided that non acceptance of tariffs determined / approved by TGERC shall not be a valid ground for dispute

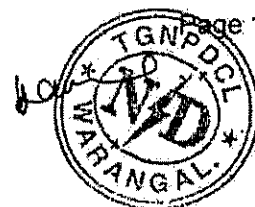
6.1.8 The amount of excess / shortfall with respect to the said 95% payment based on finally determined amount in line with Article 6 shall be paid / adjusted with the applicable interest @ 15% per annum from the date on which the amount in dispute was payable / refundable

6.1.9 **Monthly Bill:** On or before each Billing Date, SCCL shall submit to TGSPDCL and TGNPDCL a Monthly Bill based on (a) meter reading (taken pursuant to Article 7) that has either been signed by both Parties or certified by SCCL with respect to TGSPDCL and TGNPDCL refusal to sign within five days of the Metering Date and (b) the Tariff, which will set out the monthly Fixed Charges and the monthly Variable Charges with respect to the Project covered under this Agreement.

6.1.10 Each monthly bill for a billing month shall be payable by TGSPDCL and/or TGNPDCL in accordance with this agreement on or before the due date of payment, which will be the date 60 days from the date of billing to the designated officer of TGSPDCL and TGNPDCL.



V. P. [Signature]
CHIEF ENGINEER
(IPC), TGSPDCL,
Corporate Office, 6-1-50,
Mint Compound, Hyd-500004.



6.2 Supplementary Bills: Any amount due to SCCL by TGSPDCL and TGNPDCL under this agreement other than the amounts set out in a monthly tariff bill and the bills shall be payable within sixty (60) days after presentation of supplementary bill(s) by SCCL to TGSPDCL and/or TGNPDCL. This will include, but not limited to the following:

- i. Claims for Income Tax;
- ii. Statutory duties, taxes, cess, levies, fee, royalty, etc.;
- iii. Monthly tariff adjustments;
- iv. Water charges, NALA charges, etc.;
- v. Any claims of central / state /local authorities / bodies, etc.;
- vi. Any other claim admissible under this Agreement;

Any Supplementary Bill which reflects an amount owed by SCCL to TGDISCOMs shall be reflected as a credit in the next monthly bill.

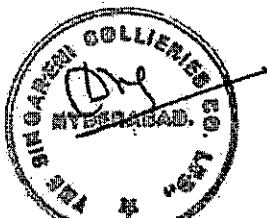
6.3 Payment mechanism:

1) Letter of Credit (LC)

- (a) The bills shall be presented to the Designated Officer of TGDISCOMs for Payments. Payments by TGDISCOMs for the bills raised by SCCL shall be made within 60 days through Letter of Credit (LC).
- (b) A revolving LC to be opened in favour of SCCL to cover one-month receivables, subject to review of value of bills each year on 1st April.
- (c) LC shall be valid for the term of the PPA by Renewing/ Revalidating/ Opening New LC in place of existing LC.
- (d) LC charges in relation to opening, operation and maintenance shall be TGDISCOMs account.

2) Escrow Account

- (a) In addition, TGDISCOMs shall open an Escrow account by entering Escrow Agreement with a Nationalised Bank (for the entire period of PPA) thirty (30) days prior to effective date, to cover one-month receivables valid for the tenure of the PPA as a back up to LC.



V. P. [Signature]
CHIEF ENGINEER
 (IPC), TGSPDCL,
 Corporate Office, 6-1-50,
 Mint Compound, Hyd-500004.



(b) TGDISCOMs shall cause all receipts of TGDISCOMs arising from sale of power (both LT & HT) to be deposited in Escrow account aggregating to an amount not less than LC amount.

(c) Such instruction shall be irrevocable during the term of this Agreement. TGDISCOMs shall not act in any manner as may negatively affect the inflow of revenues into this account and shall take such steps as may be necessary to assure the flow of the specified level of revenues in such account during the term of this Agreement.

(d) In the event of TGDISCOMs failure to pay any sums due to SCCL on the due date of payment through LC or otherwise, when any sum is due to SCCL, or in case of non-renewal of LC, SCCL by notice in writing to the Bank holding the Escrow account, may require such bank not to honour any of cheques, hundies and requisition presented to it by or on behalf of TGDISCOMs or any other drawls on the account until after the claim of SCCL is first discharged.

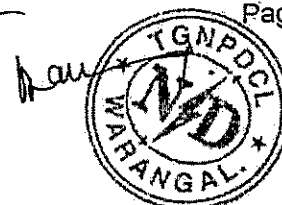
(e) This arrangement shall continue parallelly with LC for the entire period of this Agreement.

6.3.1 Rebate: Any rebate on the bills shall be as per TGERC Regulation: Provided that no rebate shall be payable on the bills raised on account of taxes, duties, royalty / cess etc.

6.3.2 Delayed Payment Charges: Delayed Payment Charges and its treatment shall be as per the provisions of TGERC Regulation.



V.P.
 CHIEF ENGINEER
 (IPC), TGSPDCL,
 Corporate Office, 6-1-50,
 Mint Compound, H. No. 500004.

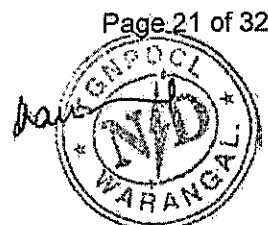


Article 7: METERING

- 7.1 The interface meters, viz. Main and Standby meters, of 0.2S accuracy class shall be installed and maintained by SCCL in coordination with TGTRANSCO, TGDISCOMS as per Central Electricity Authority (Installation and operation of meters) Regulations 2006 as amended from time to time (or) as notified by TGERC and Check meter of 0.2S accuracy class shall be installed and maintained by TGDISCOMS. Cost of the main meter, standby meter and charge for all types of testing and calibration will be borne by SCCL and those of check meter by TGSPDCL and TGNPDCL.
- 7.2 The main and check meters shall be installed on outgoing feeders and the Standby meters on HV side of Generator Transformers and Station Auxiliary Transformers.
- 7.3 The interface meters and the associated CTs and VTs/CVTs shall be got tested for FACTORY ACCEPTANCE TESTS as per relevant IS/IEC and for ACCURACY at an NABL accredited laboratory in presence of representatives of TGTRANSCO and TG DISCOMS for ensuring their healthiness and accuracy respectively.
- 7.4 The interface meters shall be tested at the time of installation at site for accuracy using standard reference meter of better accuracy class than the meter under test.
- 7.5 All the interface meters shall be sealed by SCCL and TG DISCOMS. Whenever seals have to be removed for any reason, advance notice shall be given to other party for witnessing the removal of seals and resealing. The breaking and resealing of the meters shall be recorded by the party, who carried out the work, in the meter register, mentioning the date of removal and resealing, serial numbers of the broken and new seals and the reason for removal of seals.
- 7.6 **Half yearly Checks:** All the interface meters shall be checked for accuracy half yearly by TG DISCOMS and shall be treated as working satisfactorily so long as the errors are within the limits prescribed for meters of the specific class. SCCL shall extend required coordination and attend for the check test.
- 7.7 **Yearly Test for Accuracy:** SCCL shall get the main and stand by interface meters tested at an NABL accredited laboratory once in every year in the



V.P. _____
 CHIEF ENGINEER
 (IPC), TGSPDCL,
 Corporate Office, 6-1-50,
 Mint Compound, Hyd-500004.

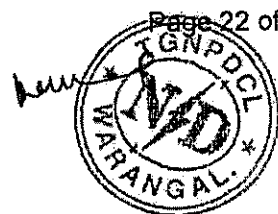


presence of representatives of both TGTRANSCO and TGDISCOMS. TGDISCOMS shall get the check interface meters tested at an NABL accredited laboratory once in every year in the presence of representatives of both TGTRANSCO and SCCL.

- 7.8 SCCL shall install AMR modules for the interface meters to enable online transmission of meters' data to TGTRANSCO/TGDISCOMS.
- 7.9 SCCL shall provide Data Acquisition System ("DAS") facility compatible with TGS LDC's Supervisory Control and Data Acquisition ("SCADA") system in consultation with TGS LDC for transfer of real time data to SLDC as per IEGC 2010.
- 7.10 Monthly meter readings of main, check and standby meters shall be jointly taken (and a joint acknowledgement thereof signed) by the authorised representatives of SCCL, TGTRANSCO, and TGDISCOMS at an agreed time on each Metering Date and also the load survey data shall be downloaded through MRI. Whenever difference between the readings of main meter and check meter for any month is more than the limit specified in CEA metering regulations 2006, as amended from time to time, corrective measures shall be taken as mentioned therein. Whenever difference between the readings of main meter and standby meters for any month is more than 1.2%, procedure prescribed as in case of main & check meters shall be followed.
- 7.11 Readings of the main meter shall form the basis of billing. In case of failure of main meter or if the error of main meter is beyond the permissible limits, billing for the month shall be done on the basis of the readings of check meter and the main meter shall be replaced immediately. In case of failure of both main meter and check meter billing for the month shall be done based on the readings of standby meters and the main and check meters shall be replaced immediately.



V.P.
CHIEF ENGINEER
(IPC), TGSPDCL,
Corporate Office, 6-1-50,
Mint Compound, Hyd-500004.

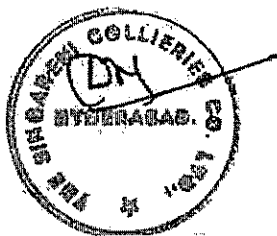


Article 8: CHANGE IN LAW

8.1 Change in law: In the event of any new law, regulation or tax or in the event of any change, amendment, modification or repeal of any law, regulation or tax (including without limitation, any withholding taxes, cess, duties, environmental taxes, sales taxes, property taxes, import fees or assessments) of any Government Authority after the date of effectiveness of this agreement, detrimentally or beneficially affects SCCL, then SCCL shall send a notice in writing to TGSPDCL and TGNPDCL regarding such an event and both parties shall meet and endeavor to agree to an amendment to this agreement to pass on the impact of such an event to TGSPDCL and TGNPDCL, which shall be settled through supplementary invoice. If within 90(ninety) days after such notification, the parties are unable to reach agreement on such amendment, or in the event that an agreement to amend has been reached but no amendment has been executed within 30 (thirty) days after reaching of such agreement to amend, either party shall have the right to commence the dispute resolution procedures set forth in Article 12 to determine the appropriate amendment to this agreement.

Article 9: IMPLEMENTATION OF THE AGREEMENT

9.1 All discretions to be exercised and directions, approvals, consents and notices to be given and actions to be taken under these provisions unless otherwise expressly provided herein, shall be exercised and given by the signatories to this Agreement or by the authorized representative(s) that each Party may nominate in this behalf and notify in writing to the other Party by Registered Post with Acknowledgement due. Any other nomination of authorized representative (s) shall be informed likewise in writing to / by TGSPDCL and TGNPDCL within one month of signing of the Agreement. Notwithstanding any nomination, the Chairman & Managing Director / SCCL or his authorized representatives at its Registered Office shall be authorized to act for and on behalf of SCCL.



V. P. [Signature]
CHIEF ENGINEER
(IPC), TGSPDCL,
Corporate Office, 6-1-50,
Mint Compound, Hyd-500004.



Article 10: DURATION OF THE AGREEMENT

10.1 This Agreement shall be deemed to be in force from date of synchronisation of Unit 1 and in operation for twenty five (25) years from the date of commercial operations (COD) of the project. This Agreement may be extended, renewed, amended or replaced by another Agreement, on or before the expiry of this Agreement, on such terms and for further period of time as the parties may mutually agree subject to prior consent of TGERC.

Article 11: FORCE MAJEURE

11.1 No party shall be liable for any claim for any loss or damage whatsoever arising out of failure to carry out the terms of the Agreement to the extent that such a failure is due to force majeure events such as war, rebellion, mutiny, civil commotion, riot, strike, lock-out, forces of nature, accident, act of God and any other reason beyond the control of concerned party. But any party claiming the benefit of this clause shall reasonably satisfy the other party of the existence of such an event and give written notice within a reasonable time to the other party to this effect. Generation/drawal of power shall be started as soon as practicable by the parties concerned after such eventuality has come to an end or ceased to exist.

The Generator is entitled to claim only fixed charges and cannot claim any consequent losses during Force Majeure Period

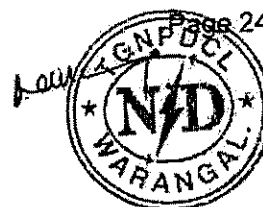
Article 12: ARBITRATION

12.1 All differences or disputes between the parties arising out of or in connection with this Agreement shall be endeavored to be settled amicably through negotiation between the Chief Executives of the respective parties within 90 days, failing which shall be settled through arbitration as provided herein.

In the event of any such differences or disputes between the parties, any party may by a written notice of 30 days to the other party request Telangana Electricity Regulatory commission (TGERC) to settle such disputes. The same shall be dealt as per the provisions of Electricity Act 2003. The place of Arbitration shall be at Hyderabad.



[Signature]
CHIEF ENGINEER
(IPC), TGSPDCL,
Corporate Office, 8-1-80,
Mini Compound, Hyd-500004,



Article 13: GENERAL

13.1 Agreement final and complete: This Agreement contains the full and complete understanding between the parties and supersedes all prior arrangements and understandings whether written or oral appertaining to the subject matter of this Agreement and may not be varied except by an instrument in writing signed by all of the parties to this Agreement. No representations or promises not expressly contained in this Agreement have any effect of modifying this Agreement.

13.2 **Waiver:** If any provision of this Agreement shall be adjudged by a court to be unlawful void or unenforceable such provision shall to the extent required be severed from this Agreement and rendered ineffective as far as possible without modifying the remaining provisions of this Agreement and shall not in any way affect any other circumstances or the validity or enforcement of this Agreement.

No failure or delay on the part of the parties to this Agreement relating to the exercise of any right power privilege or remedy provided under this Agreement shall operate as a waiver of such right power privilege or remedy or as a waiver of any preceding or succeeding breach by the other party to this Agreement nor shall any single or partial exercise of any right power privilege or remedy preclude any other or further exercise of such or any other right power privilege or remedy provided in this Agreement all of which are several and cumulative and are not exclusive of each other or of any other rights or remedies otherwise available to a party at law or in equity.

13.3 **Circumstances not covered in this Agreement:** The parties acknowledge and accept that it has not been possible to envisage all the circumstances that may arise in the course of the dealings between the parties and therefore it has not been possible to provide for all such eventualities. In the course of the implementation of the Agreement the parties may be faced with matters which have not been expressly dealt with in this Agreement.

The parties shall discuss and find an appropriate solution to such matters amicably and parties shall act on best endeavor basis keeping in view the interest of both the parties. If the parties are unable to arrive at a settlement, the matter shall be referred to arbitration in accordance with Article 12 and the decision of the arbitrator(s) shall be final and binding on the parties.



V.P. _____
CHIEF ENGINEER
(IPC), TGSPDCL,
Corporate Office, 6-1-50,
Mint Compound, Hyd-500004.



ARTICLE 14: NOTICE

- 14.1 All notices required or referred under this Agreement shall be in writing and signed by the respective authorized signatories of the Parties mentioned herein above, unless otherwise notified. Each such notice shall be deemed to have been duly given to the other party if delivered or served by registered post/speed post or by any other mode with an acknowledgement in term of Article 9.

Provided further that the parties are not precluded from issuing a notice by a special messenger or any mode of information technology platform. In case usage of information technology platform, a simple post copy confirmation be sent by certified posting.

ARTICLE 15: ASSIGNMENT

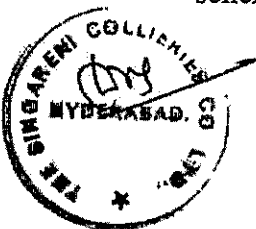
- 15.1 SCCL acknowledges and accepts that TGDISCOMs shall (with the consent of SCCL) be entitled to assign all its rights, duties, obligations and responsibilities under this agreement to any other successor entities, either wholly or partly and to one or more of them and in such manner as may be agreed to between TGDISCOMs and the said successor entities with the approval of TGERC and after due service of written notice of the proposed assignment to SCCL.

Upon such assignment taking place, the corresponding rights, obligations and interest of TGDISCOMs shall in connection with this agreement or incidental thereto devolve on the successor entities:

Provided that TGDISCOMs shall continue to be responsible for all obligations outstanding prior to the date of assignment, until these are fully discharged by the successor entities:

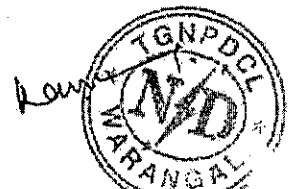
Provided that at a subsequent date, the successor entities refuses to accept any rights / obligations / liabilities as not devolving on them, these will automatically revert to TGDISCOMs, who shall discharge their obligations in respect of such rights, obligations and liabilities without any demur:

Provided further that, in the event of the successor assignees refuses to perform any or all obligations that have devolved on them pursuant any scheme of sale / transfer of any of the parties, then the subsisting parties to



V. J.
CHIEF ENGINEER
(IPC), TCSPDCL,
Corporate Office, 6-1-50,
Mint Compound, Hyd-500004.

Page 26 of 32



the agreement may bring such situation to the notice of the TGERC and TGERC will be required to pass any appropriate orders requiring compliance by any other authority including but not limited to government.

15.2 Intentionally left blank.

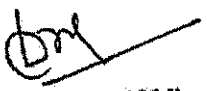
15.3 Intentionally left blank.

15.4 Intentionally left blank.


15.5 For the purpose of obtaining financing for the Project, SCCL may assign or create security over its rights and interests under or pursuant to this Agreement to any one or all the lenders of this Project.

IN WITNESS WHEREOF THE PARTIES HAVE SIGNED THIS AGREEMENT ON THE DAY, MONTH AND YEAR FIRST WRITTEN ABOVE.

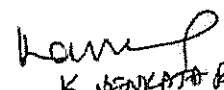
For and on behalf of
**THE SINGARENI COLLIERIES
COMPANY LIMITED**


DIRECTOR (E&M)
The Singareni Collieries Co. Ltd
KOTHAGUDEM - 507 101.

For and on behalf of
TGDISCOMS

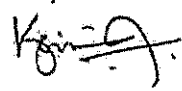
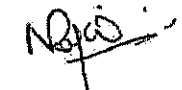

(V. PRABHAKAR)
CHIEF ENGINEER
(IPC), TGSPDCL,
1. Corporate Office, 6-1-50,
Mint Compound, Hyd-500004.

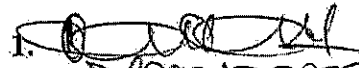



TGSPDCL


K. VENKATA RAMANA.
2. **Chief Engineer**
IPC & RAC, TGNPDCL
WARANGAL
TGNPDCL

In the presence of

In the presence of

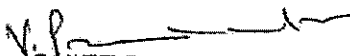
1. 
2. 

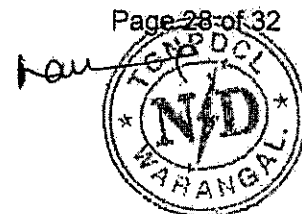
1. 
2. 
3. 
4. 
5. 

ANNEXURE-1

SINGARENI THERMAL POWER PROJECT (2X600MW)		
DETAILS OF PROJECT COST		
Sl.No	Description	Rs. Crores
1	Total BTG Package	3681.22
2	Total Cost of BoP	916.01
3	Total Cost of SCCL Scope Works	1002.48
4	Erection, Testing and Commissioning including insurance	
4.1	BTG	439.74
4.2	BoP	154.00
5	Taxes, Duties, Freight & Insurance	860.05
6	Contingencies	38.00
7	Establishment Costs	55.00
8	Consultancy & Engineering	127.00
9	Start up Fuel	40.00
10	Operator training	1.50
11	Financing Expenses	10.00
12	Interest During Construction	925.00
	Total Cost	8250.00




 CHIEF ENGINEER
 (IPC), TGSPDCI,
 Corporate Office, 6-1-50,
 Mint Compound, Hyd-500004.



ANNEXURE-II

COMMISSIONING & TESTING

1. Commissioning and Testing

1.1 Guidelines

The commissioning of the Project will require satisfactory performance of a number of tests prescribed to demonstrate conformance with regulatory requirements.

An Installed Capacity Test shall be carried out during the Reliability Run as defined in the "Tests on Completion" in the EPC Contract entered into, or to be entered into, by SCCL for the purposes of the Project.

SCCL shall give TGSPDCL and TGNPDCL at least fifteen (15) days prior written notice of the date on which the Installed Capacity Test will commence.

SCCL, TGSPDCL and TGNPDCL shall designate representatives to witness and observe the test. The Generating Unit shall be operated within the manufacturer's specified limits and in accordance with Prudent Utility Practices for the duration of the test.

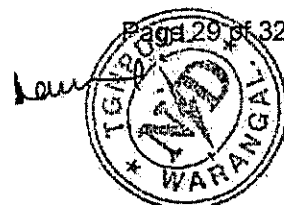
1.2 Test Conditions - General Considerations

The Installed Capacity Test shall be designed and carried out in accordance with standard ASME PTC 6 - Turbo-Generators.

- (i) The Installed Capacity Test will be run under any and all ambient conditions (temperature, humidity etc) that may exist during the time of the Installed Capacity Test, and no corrections in final generator gross output will be allowed as a result of prevailing ambient conditions.
- (ii) The fuel will be within the range of the fuel specification in the Coal Supply Agreement (CSA). In addition, the ability of the Power Station to meet rated capacity with fuel of the lowest quality permitted under the CSA will be demonstrated.



V. J.
CHIEF ENGINEER
(IPC), TGSPDCL,
Corporate Office, 6-1-50,
Mint Compound, Hyd-500004.



- (iii) Correction curves will be used if Grid operation during the Installed Capacity Test exceeds the Grid Technical Limits.
- (iv) The Installed Capacity Test shall be deemed to have demonstrated the gross generation capacity of the Generating Unit under all design conditions and therefore no adjustments shall be made on account of fuel quality or ambient conditions.
- (v) Electrical system Characteristics Test shall demonstrate the Project's ability to operate within the limits of the electrical system characteristics. Electrical system characteristics compliance shall be deemed to be achieved in case of:
 - (a) Voltage provided the Project operates within the nominal voltage levels of the Grid for the duration of the Installed Capacity Test. If during the test, voltage tests cannot be performed due to Grid constraints, data supplied from tests of the generator step-up transformers and generator supplied by the manufacturers shall be used to establish the ability of the Project to operate within the specified voltage limits.
 - (b) Grid frequency provided the Project operates within the nominal frequency levels for the duration of the Installed Capacity Test.
 - (c) Power factor, provided the Project operates within the power factor range for the duration of the Installed Capacity Test. If, during the Installed Capacity Test, power factor tests cannot be performed due to Grid constraints, data supplied from tests of the generators and the generator step-up transformers supplied by the manufacturers shall be used to establish the ability of the Project to operate within the specified voltage limits.

Electrical output shall be measured at the generator terminals using test class instruments with an overall measurement uncertainty of $\pm 0.5\%$ (utilizing meters of class 0.2S accuracy) as per ASME PTC 19.1. The metering system shall be capable of measuring instantaneous output (MW), hourly average power (MW) and the integrated energy over the relevant test period (MWh).

The generating Unit shall not be treated as passing its Installed Capacity Test unless it has demonstrated an Installed Capacity of at least equal to 540 MW.



V. K. [Signature]
 CHIEF ENGINEER
 (IPC), TGSPDCL,
 Corporate Office, 6-1-50,
 Mint Compound, Hyd-500004.



1.3 Installed Capacity Test

For each generating Unit, Installed Capacity Test shall be carried out at maximum continuous rating over a continuous period of seventy-two (72) hours for determination of installed capacity of the unit. Provided that if any Generating units Installed Capacity is determined to be higher than 600 MW, including if any permitted retest shall result in such Generating units Installed Capacity being higher than 600 MW, then the Installed Capacity of such Generating Unit shall be limited to 600 MW and shall apply for the purpose of calculation of PLF.

A Generating Unit shall not be rejected by TGDISCOMs on the grounds of the installed Capacity test being demonstrated, at less than 540 MW in spite of the best efforts made by SCCL.

1.4 Test Results

1.4.1 Within five (5) Days after the conclusion of the Installed Capacity Test SCCL shall submit a written report to TGSPDCL and TGNPDCL which shall contain:

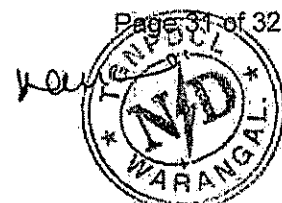
- (i) details of the results of the tests including sufficient data to demonstrate that all requirements of the Installed Capacity Test and the Electrical System Test have been met;
- (ii) if a Generating Unit has passed the Installed Capacity Test for the purposes of COD, the date and time for commencement of Commercial Operation for each of such Generating Units for the purposes of this Agreement.

1.4.2 If TGSPDCL and / or TGNPDCL dispute any or all of the results contained in the report provided by SCCL pursuant to paragraph 1.4.1 above then TGSPDCL and / or TGNPDCL shall initiate the Informal Dispute and Arbitration detailed in Article 12 of this Agreement.

1.4.3 Energy generated during testing and commissioning: At all times after the Scheduled Date of Synchronisation of each Generating Unit, TGSPDCL and TGNPDCL shall accept all electrical output produced by such Generating Unit during start-up, commissioning and testing performed pursuant to Article 3 of this Agreement.



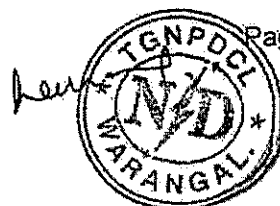
V. P. [Signature]
CHIEF ENGINEER
(IPC), TGSPDCL,
Corporate Office, 6-4-50,
Mint Chowd, Hyderabad-500004.



ANNEXURE-III, ANNEXURE-IV & ANNEXURE-V : Deleted



V. P. [Signature]
CHIEF ENGINEER
(IPC), TGSPDCL,
Corporate Office, 6-1-50,
Mint Compound, Hyd-500004.



**Annexure - B : TGERC Multiyear tariff order dated
28.06.2024**



TELANGANA ELECTRICITY REGULATORY COMMISSION

5th Floor, Singareni Bhavan, Red Hills, Lakdi-ka-pul, Hyderabad 500 004

ORDER

ON

**TRUE UP FOR FY 2022-23
AND
MULTI YEAR TARIFF (MYT)
FOR FY 2024-25 TO FY 2028-29**

FOR

**SINGARENI THERMAL POWER PROJECT
(2x600 MW) OF
THE SINGARENI COLLIERIES COMPANY LIMITED**

28.06.2024

TABLE OF CONTENT

Chapter-1 Introduction	2
Background	2
Statutory Provisions	2
Present Petition	4
Admission of Petition and Regulatory Process	4
Data Gaps and petitioner's Responses	4
Public Notice	5
Response to the Public Notice	5
Public Hearing	5
Chapter-2 Summary of Filings	7
Petitioner's Submissions	7
True-up for FY 2022-23	7
Multi-Year-Tariff for the period FY 2024-25 to FY 2028-29	8
Energy Charges for the period FY 2024-25 to FY 2028-29	8
Chapter-3 Issues raised by Stakeholders, responses of Petitioner and Commission's View	10
Objections/suggestions made on filings	10
General	10
Return on Equity	13
Interest on loan	19
Depreciation	23
Stakeholders' Submission	23
Interest on Working Capital	23
Operation and Maintenance Expense	25
Operational Parameters	28
Energy charge	30
Incentive	32
Fixed Charges	33
Integrated Mine (Naini)	34
Additional Capitalization for FY 2024-29	35
Chapter-4 Analysis and Conclusion on True-up for FY 2022-23 ...	37
Regulatory Provisions	37
Additional Capitalisation	37
Depreciation	38
Interest and Finance Charges on Loan	39
Interest on Working Capital (IoWC)	42
Operation & Maintenance (O&M) Expenses	43
Return on Equity (ROE)	45

Non-Tariff Income (NTI)	47
Other Charges	48
Incentive	49
Energy Charges	49
Summary of Annual Fixed Charge admitted and Sharing of Gain/Loss	51
Sharing of Gains/Losses	51
Chapter-5 Analysis and Conclusion on MYT for the period FY 2024-25 to FY 2028-29.....	53
Regulatory Provisions	53
Operation and Maintenance (O&M) Expenses	55
Additional Capitalisation	58
Depreciation	60
Interest and Finance Charges (I&FC) on Loan	62
Interest on Working Capital (IoWC)	66
Return on Equity (RoE)	67
Tax on RoE	69
Non-Tariff Income.....	71
Incentive	72
Annual Fixed Charges (AFC)	72
Operations Parameters	73
Energy Charges	75
Applicability	79
Commission's Directives	79

List of Tables

Table 2-1: Summary of ARR as claimed for FY 2022-23.....	7
Table 2-2: AFC and Energy Charge claimed by the Petitioner for the period FY 2024-25 to FY 2028-29.....	8
Table 2-3: Summary of ECR as claimed by the Petitioner for the period FY 2024-25 to FY 2028-29.....	8
Table 3-1: Fixed Charges as claimed for the period of FY 2024-25 to FY 2028- 29 Rs. in crore.....	34
Table 4-1: Additional Capitalisation as approved for FY 2022-23.....	38
Table 4-2: Depreciation as claimed for FY 2022-23.....	39
Table 4-3: Depreciation as approved for FY 2022-23.....	39
Table 4-4 Interest and Finance Charges on Loan as claimed for FY 2022-23.....	40
Table 4-5: I&FC on Loan as approved for FY 2022-23.....	41
Table 4-6: Interest on Working Capital as claimed for FY 2022-23.....	42
Table 4-7: Interest on Working Capital as approved for FY 2022-23.....	43
Table 4-8: Summary of O&M expenditure as claimed for FY 2022-23.....	44
Table 4-9: Normative Employee Cost as approved for FY 2022-23.....	44
Table 4-10: Normative A&G Expenses as approved for FY 2022-23.....	44
Table 4-11: Normative R&M Expenses as approved for FY 2022-23.....	45
Table 4-12: Least of O&M expenses Normative (recomputed) and actuals for FY 2022-23.....	45
Table 4-13: O&M Expenses claimed and approved FY 2022-23.....	45
Table 4-14: Return on Equity including Tax as claimed for FY 2022-23.....	46
Table 4-15: Return on Equity including Income Tax as approved for FY 2022-23.....	47
Table 4-16: Non-Tariff Income as claimed for FY 2022-23.....	48
Table 4-17: Non-Tariff Income as approved for FY 2022-23.....	48
Table 4-18: Other Charges as claimed for FY 2022-23.....	48
Table 4-19: Incentive as claimed for FY 2022-23.....	49
Table 4-20: Energy Charge Rate (ECR) as claimed for FY 2022-23.....	50
Table 4-21: Energy Charge Rate (ECR) approved for FY 2022-23.....	50
Table 4-22: Annual Fixed Charge (AFC) approved.....	51
Table 4-23: Summary of approved sharing of gain/loss to the beneficiaries.....	51
Table 5-1: O&M Expenses as claimed for the period FY 2024-25 to FY 2028-29.....	55
Table 5-2: Normative Employee Costs as approved for the period FY 2024-25 to FY 2028-29.....	57
Table 5-3: Normative A&G Expenses as approved for the period FY 2024-25 to FY 2028-29.....	57
Table 5-4: Normative R&M Expenses as approved for the period FY 2024-25 to FY 2028-29.....	58
Table 5-5: O&M expenses approved for the period FY 2024-25 to FY 2028-29.....	58
Table 5-7: Depreciation as claimed for the period FY 2024-25 to FY 2028-29.....	61
Table 5-8: Depreciation approved for the period FY 2024-25 to FY 2028-29.....	62
Table 5-9: I&FC on Loan as claimed by the petitioner for the period FY 2024-25 to FY 2028-29.....	63
Table 5-10: I&FC on Loan approved for the period FY 2024-25 to FY 2028-29.....	66
Table 5-11: Interest on Working Capital as claimed for the period FY 2024-25 to FY 2028-29.....	66
Table 5-12: Interest on Working Capital as approved for the period FY 2024-25 to FY 2028-29.....	67
Table 5-13: Return on Equity as claimed for the period FY 2024-25 to FY 2028-29.....	68
Table 5-14: Return on Equity as approved for the period FY 2024-25 to FY 2028-29.....	69
Table 5-15: Tax on RoE approved for the period FY 2024-25 to FY 2028-29.....	70
Table 5-16: Non-Tariff Income claimed for the period FY 2024-25 to FY 2028-29.....	71
Table 5-17: Non-Tariff Income approved for the period FY 2024-25 to FY 2028-29.....	72
Table 5-18: Incentive claimed by petitioner for period FY 2024-25 to FY 2028-29.....	72
Table 5-19: Annual Fixed Charges as approved for the period FY 2024-25 to FY 2028-29.....	73
Table 5-20: Operational Parameters as claimed for period FY 2024-25 to FY 2028-29.....	73
Table 5-21: Operational Parameters as approved for the period FY 2024-25 to FY 2028-29.....	75
Table 5-22: Energy Charge Rate (ECR) as claimed for the period FY 2024-25 to FY 2028-29.....	76
Table 5-23: Norms of operation as approved in MYT Regulation No.2 of 2023.....	77
Table 5-24: Tentative fuel prices and GCV considered.....	78

Table 5-25: Base Energy Charge Rate approved for the period FY 2024-25 to FY 2028-29.....78

Table 5-26: Indicative MYT Tariff approved for the Period FY 2024-25 to FY 2028-2978

List of Abbreviations

A&G	Administrative and General
ACT	The Electricity Act, 2003
AAD	Advance Against Depreciation
AFC	Annual Fixed Charges
APTEL	Appellate Tribunal for Electricity
ARR	Aggregate Revenue Requirement
BFP	Boiler Feed Pump
BHEL	Bharat Heavy Electricals Limited
BMCR	Boiler maximum continuous rating
BoP	Balance of Plant
BTG	Boiler, Turbine and Generator
CCDAC	Coal Conservation & Development Advisory Committee
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
CFB	Circulating Fluidised Bed
CFL	Compact Fluorescent Lamps
CIL	Coal India Limited
CIP	Capital Investment Plan
CISF	Central Industrial Security Force
CPCB	Central Pollution Control Board
COD	Commercial Operation Date
CPI	Consumer Price Index
CSR	Corporate Social Responsibility
DC	Designated Consumer
DMFT	District Mineral Foundation Trust
DPR	Detailed Project Report
EA 2003	Electricity Act, 2003
EPC	Engineering, Procurement and Construction
EPCA	Environment Pollution Control Authority
ERP	Enterprise Resource Planning
ESP	Electrostatic Precipitator
FGD	Flue Gas Desulphurisation
FSA	Fuel Supply Agreement
FY	Financial Year
GCV	Gross Calorific Value
GFA	Gross Fixed Assets
GoT	Government of Telangana
GSHR	Gross Station Heat Rate
GST	Goods and Services Tax
HPSV	High-Pressure Sodium Vapour Lamps
ICB	International Competitive Bidding
IDC	Interest During Construction
IDCT	Induced Draft Cooling Tower
Ind AS	Indian Accounting Standard
IoWC	Interest on Working Capital
IT	Information Technology
kcal	kilo calories
kg	Kilogram
KTPP	Kakatiya Thermal Power Plant
kWh	Kilo Watt hour

MAT	Minimum Alternative Tax
MCLR	Marginal Cost of Funds based Lending Rate
MGR	Merry-Go-Round
MMT	Million Metric Tonne
MoC	Ministry of Coal
MoEF&CC	Ministry of Environment, Forest & Climate Change
MoP	Ministry of Power
MoU	Memorandum of Understanding
MU	Million Units
MW	Mega Watt
MYT	Multi Year Tariff
NAPAF	Normative Annual Plant Availability Factor
NAPLF	Normative Annual Plant Load Factor
NH	National Highway
NHAI	National Highways Authority of India
NIT	Notice Inviting Tender
NO _x	Nitrogen oxides
NTPC	National Thermal Power Corporation Limited
O&M	Operations and Maintenance
O.P.	Original Petition
OEM	Original Equipment Manufacturer
OFC	Optical Fibre Communication
PAF	Plant Availability Factor
PAT	Perform, Achieve and Trade
PFC	Power Finance Corporation
PLF	Plant Load Factor
PPA	Power Purchase Agreement
PSC	Pre-Stressed Concrete
PVC	Price Variation clause
R&M	Repairs & Maintenance
RCC	Reinforced Cement Concrete
RCE	Revised Capital Expenditure
RDO	Revenue Division Officer
REC	Rural Electrification Corporation
UTES	Rail India Technical and Economic Service
RoE	Return on Equity
Rs.	Rupees
RUB	Railway Under Bridge
S&T	Signalling and Telecommunication
SBI	State Bank of India
SCCL	Singareni Collieries Company Limited
SLC	Standing Linkage Committee
SLDC	State Load Despatch Centre
SMET	State Mineral Exploration Trust
SPCB	State Pollution Control Board
SO _x	Sulphur Oxides
SPCB	State Pollution Control Board
TNSEB	Tamil Nadu State Electricity Board
TGERC	Telangana Electricity Regulatory Commission
TGGenco	Telangana Power Generation Corporation Limited
TGMDC	Telangana Mineral Development Corporation
TGNPDCL	Northern Power Distribution Company of Telangana Limited
TGPCC	Telangana Power Coordination Committee

TGSPDCL	Southern Power Distribution Company of Telangana Limited
TGTRANSCO	Transmission Corporation of Telangana Limited
UDL	Undischarged Liability
WPI	Wholesale Price Index



TELANGANA ELECTRICITY REGULATORY COMMISSION

5th Floor, Singareni Bhavan, Red Hills, Lakdi-ka-pul, Hyderabad 500 004

O.P.No.4 of 2024

Dated 28.06.2024

Present

Sri. T. Sriranga Rao, Chairman
Sri. M. D. Manohar Raju, Member (Technical)
Sri. Bandaru Krishnaiah, Member (Finance)

Between:

The Singareni Collieries Company Limited,
Kothagudem Collieries, Bhadradi Kothagudem District 507 101. ... Petitioner.

AND

1. Southern Power Distribution Company of Telangana Limited,
Corporate Office, # 6-1-50, Mint Compound, Hyderabad 500 063;
2. Northern Power Distribution Company of Telangana Limited,
H.No.2-5-31/2, Corporate Office, Vidyut Bhavan, Nakkalagutta,
Hanamkonda, Warangal 506 001. ... Respondents.

Singareni Collieries Company Limited (SCCL or petitioner) filed the Petition on 30.01.2024 under Sections 62 and 86(1)(a) & 86(1)(b) of the Electricity Act, 2003 and under the provisions of (Terms and Conditions of Generation Tariff) Regulation No.1 of 2019 for Truing-up of the Aggregate Revenue Requirement for FY 2022-23 and under the provisions of Telangana Electricity Regulatory Commission(Multi Year Tariff) Regulation No. 2 of 2023 for Multi Year Tariff for FY 2024-25 to FY 2028-29 for 2x600 MW Singareni Thermal Power Plant (STPP).

The Commission, in exercise of its powers under the Electricity Act, 2003, Regulation No.1 of 2019; Regulation No. 2 of 2023 and after considering Petitioner's submissions, suggestions and objections of the other stakeholders, responses of Petitioner, issues that are raised during the Public Hearing and all other relevant material, passed the following:

ORDER

Chapter-1 Introduction

Background

- 1.1.1 Telangana Electricity Regulatory Commission (herein referred to as TGERC or the Commission) was constituted by the Government of Telangana (GoT) in terms of the provisions of Schedule XII(C)(3) of the A.P. Reorganisation Act of 2014, read with Section 82 of the Electricity Act, 2003 (Act) vide G.O.Ms.No.3, Energy (Budget) Department, dated 26.07.2014.
- 1.1.2 The Singareni Collieries Company Limited (SCCL) is a coal mining company incorporated under the Companies Act, 1956. The Company is owned by Government of Telangana (GoT) with 51.096% shareholding. The other shareholders of the company are Government of India (GoI) and private shareholders in the ratio of 48.902% and 0.002% respectively.
- 1.1.3 SCCL has entered in the business of power generation by setting up a 2x600 MW coal based thermal power plant viz., Singareni Thermal Power Plant (STPP) in Jaipur of Mancherial District, Units I & II of STPP achieved COD on 25.09.2016 and 02.12.2016 respectively.
- 1.1.4 SCCL had entered into a Power Purchase Agreement (PPA) on 18.01.2016 with two distribution companies of Telangana (TGDiscoms) for the power generated from STPP which will be sold to them at a tariff decided by the Commission. The PPA shall remain valid for a period of 25 years from the COD of the last Unit (i.e., Unit-II).
- 1.1.5 The Commission, in its Order dated 28.08.2020 trued-up the capital cost and annual fixed charges for 2x600 MW STPP upto 31.03.2019 and determined the tariff for STPP during MYT period of FYs 2019-24.
- 1.1.6 The Commission in its Order dated 23.03.2023 trued-up the Aggregate Revenue Requirement and revenue for FY 2019-20 to FY 2021-22 and revised the Tariff for FY 2022-23 and FY 2023-24.

Statutory Provisions

- 1.1.7 As per Section 62 of the Electricity Act, 2003 the Commission can determine the tariff for supply of electricity by a generating company to a distribution licensee, further the Commission is empowered to determine tariff for

generation and sale of electricity within the State under Section 86(1)(a) & 86(1)(b) of the Act.

- 1.1.8 The Commission had notified (Terms and Conditions for Determination of Generation Tariff) Regulations, 2019 [Regulation No.1 of 2019] which came into force from the date of its publication in Telangana Gazette i.e., on 01.02.2019. As per clause 3.13.1 and other applicable clauses provided in Regulation No.1 of 2019 and clause 6.2 and other applicable clauses as provided in Telangana Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023 [Regulation 2 of 2023] the SCCL is required to file a petition for truing-up of generation tariff for STPP for FYs 2022-23 and Multi Year Tariff of the Control Period FY 2024-25 to FY 2028-29 respectively. For the sake of convenience the applicable clauses of Regulation No.1 of 2019 and Regulation 2 of 2023 are reproduced below:

Regulation No.1 of 2019

3.13 End of the control period Review

- 3.13.1** *The Generating Entity shall file a petition for End of the control period Review and truing-up of the Aggregate Revenue Requirement and revenue for FY 2021-22 and FY 2022-23, and provisional truing-up for the FY 2023-24, by November 30, 2023.*

Provided that the Petition shall include information in such form as may be stipulated by the Commission, together with the Accounting Statements, extracts of Books of Account and such other details, including cost accounting reports or extracts thereof, as it may require to assess the reasons for and extent of any difference in operational and financial performance from the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff.

- 3.13.2** *The scope of the End of control period Review shall be a comparison of the actual operational and financial performance vis-à-vis the approved forecast for the third, fourth and fifth Year(s) of the control period;*

- 3.13.3** *Upon completion of the review under clause 3.13.2 of this Regulation, the Commission shall attribute any variations or expected variations in performance, for variables specified under clause 6.7 & clause 6.8 of this Regulation, to factors within the control of the petitioner (controllable factors) or to factors beyond its control (uncontrollable factors).*

- 3.13.4** *Any variations or expected variations in performance, for variables other than those specified under clause 6.7 of this Regulation, shall not ordinarily be reviewed by the Commission during the control period and shall be attributed entirely to controllable factors:*

- 3.13.5** *Where the petitioner believes, for any variable not specified under clause 6.7, that there is a material variation or expected variation in performance for any Year on account uncontrollable factors, it may apply to the Commission for inclusion of such variable.*

... ..

Regulation No.2 of 2023

6.2 The petitions to be filed for each control period under this Regulation are as under:

- a) Multi Year Tariff petition shall be filed by 30th November of the year preceding the first year of the control period by generating entity, comprising:
 - i. True-up of preceding year for generation business;
 - ii. True-up of preceding year for integrated mine;
 - iii. Proposal of Tariff for each year of the control period for generation business;

Present Petition

- 1.1.9 SCCL has filed the present petition on 30.01.2024 in accordance with Sections 62, 86(1)(a) & 86(1)(b) of the Electricity Act, 2003 read with clause 3.13.1, and other applicable clauses provided in Regulation No.1 of 2019 for truing-up of generation tariff from 1st April 2022 to 31st March 2023. SCCL has also filed the petition for Multi Year Tariff for FY 2024-25 to FY 2028-29 for 2x600 MW Singareni Thermal Power Plant (STPP) in accordance with Regulation No.2 of 2023.
- 1.1.10 SCCL has submitted that while filing present Aggregate Revenue Requirement (ARR)/Tariff proposals, the SCCL has endeavoured to comply with the various applicable legal and regulatory directions of the Commission including the directions contained in the 'Conduct of Business' Regulations, 2015 (Regulation No.2 of 2015), Regulation No.1 of 2019 and Regulation No.2 of 2023 notified by the Commission.
- 1.1.11 SCCL further submitted that based on the information available it has made bonafide efforts to comply with the directions of the Commission and discharge its obligations to the best of its abilities.

Admission of Petition and Regulatory Process

- 1.1.12 The petition was examined and found to be generally in order as required under Conduct of Business Regulation, 2015 (Regulation No.2 of 2015). The original petition has been taken on record by assigning the O.P.No.4 of 2024.

Data Gaps and petitioner's Responses

- 1.1.13 During scrutiny, the filings of the petitioner were found to be deficient in certain aspects and therefore, additional information was sought. The Commission has considered the original filings and additional information submitted by the

petitioner.

Public Notice

- 1.1.14 The petitioner, in conformity of the Commission's directions, issued Public Notice for inviting objections/suggestions of the stakeholders on the filing of the true-up for FY 2022-23 and MYT for FY 2024-25 to FY 2028-29 in two (2) English, two (2) Telugu daily and One (1) Urdu daily newspapers on 14.02.2024 [Annexure-1(A)]. In the Public Notice it was also stated the intention of the Commission to conduct Public Hearing in the Court Hall of TGERC, 5th Floor, Singareni Bhavan, Red Hills, Hyderabad on 08.04.2024 from 11.00 hrs onwards. The filing (along with supporting material) was hosted by the petitioner as well as the Commission on their respective websites.
- 1.1.15 Initially, the objections/suggestions on the filing were to be filed before the Commission by 05.03.2024. But, considering the request from the stakeholders, the Commission has extended the last date for submitting objections/suggestions on the filings to 14.03.2024. Accordingly, the petitioner has issued the revised Public Notice in the daily newspapers on 14.03.2024 [Annexure-1(B)]. Further due to administrative reasons the Public Hearing originally scheduled on 08.04.2024 was rescheduled to 19.04.2024 [Annexure-1(C)] The same information was posted and scrolled in the homepage of the website of the Commission.

Response to the Public Notice

- 1.1.16 In response to the Public Notice, two (2) stakeholders have submitted their Objections/Suggestions on the filings of True-up for FY 2022-23 and Multi Year Tariff for the period FY 2024-25 to FY 2028-29. The list of stakeholders who submitted written objections/suggestions on filings is enclosed at Annexure-II.
- 1.1.17 The Petitioner was directed to furnish reply on the objections/suggestions of stakeholders in writing, marking copy of the same to the Commission, by 20.03.2024. The objections/suggestions of stakeholders and the responses of the Petitioner on the same has been posted both on the websites of the Petitioner and the Commission.

Public Hearing

- 1.1.18 In the Public notice it was also stated that the Commission intended to conduct Public Hearing in the Court Hall of TGERC, 5th Floor, Singareni Bhavan, Red Hills, Hyderabad on 08.04.2024 from 11.00 hrs onwards. Later on, due to administrative reasons, the Public hearing was scheduled on 08.04.2024 was postponed and the public hearing was rescheduled to 19.04.2024 at 11.00 am in the Court Hall of TGERC. The same information was posted on the website of the Commission.
- 1.1.19 The Commission has conducted the Public Hearing on 19.04.2024 in attendance of the Petitioner, the Respondents, and the other interested stakeholders. During the Public Hearing, the Petitioner has made a brief submission on its filings and then the Commission heard the Respondents and other stakeholders desiring to be heard. At the end, the Petitioner responded on the issues raised by the objectors and on directions of the Commission filed a written submission regarding the same. The list of persons who have presented their objections/suggestions in Public Hearing held on 19.04.2024 is enclosed at Annexure-III.

Chapter-2 Summary of Filings

Petitioner's Submissions

- 2.1.1 This petition is filed for approval of true-up for FY 2022-23 and Multi Year Tariff for FY 2024-25 to FY 2028-29 for 2x600 MW Singareni Thermal Power Plant.
- 2.1.2 The Petitioner has made the following submissions in their original filings and the additional submissions:
- Annual Accounts of SCCL for FY 2022-23;
 - Audited details of the break-up of Actual capital cost of STPP up to 31.03.2023.
 - The details of Additional Capitalisation for FY 2022-23 to FY 2023-24.

True-up for FY 2022-23

- 2.1.3 The summary of the true-up of Aggregate Revenue Requirement for FY 2022-23 as claimed before the Commission is submitted below:

Table 2-1: Summary of ARR as claimed for FY 2022-23

Rs. in crore

Particulars	FY 2022-23		
	MYT/Tariff Order	April-March	True-Up requirement
	Approved	Audited	Claimed
Annual Fixed Charges			
Operation & Maintenance Expenses	220.09	304.61	304.61
Depreciation	400.36	400.54	400.54
Interest and finance charges on loan	224.24	266.65	266.65
Interest on Working Capital	83.51	98.65	98.65
Return on Equity	436.41	481.81	481.81
Annual Fixed Charges	1364.61	1552.26	1552.26
Energy Charges			
Energy Charge Rate (Rs./kWh)	3.347	3.343	3.343
Scheduled Energy-Ex-bus (MUs)	8741.959	8741.959	8741.959
Variable Charges	2925.93	2922.44	2922.44
Other Charges			
Incentive	0.00	16.03	16.03
water charges, Audit fee & Tariff filling fee	0.00	2.30	2.30
Total Gross ARR		4493.03	4493.03
Less: Non-Tariff Income	13.33	9.27	9.27
ARR to be recovered from Tariff		4483.76	4483.76

**It is observed that the values shown under MYT/Tariff Order are MTR Order revised approved values for FY 2022-23.*

Multi-Year-Tariff for the period FY 2024-25 to FY 2028-29

2.1.4 The AFC claimed by the SCCL for the period FY 2024-25 to FY 2028-29 is shown below:

Table 2-2: AFC and Energy Charge claimed by the Petitioner for the period FY 2024-25 to FY 2028-29

Rs. in crore

Particulars	2024-25	2025-26	2026-27	2027-28	2028-29
	n+1	n+2	n+3	n+4	n+5
	Projected	Projected	Projected	Projected	Projected
Annual Fixed Charges					
Operation & Maintenance Expenses	356.20	376.17	397.25	419.52	443.05
Depreciation	403.52	404.17	404.17	404.17	404.17
Interest and finance charges on loan	217.44	181.14	144.14	107.15	70.15
Interest on Working Capital	96.66	96.59	96.49	96.37	96.39
Return on Equity	485.68	486.33	486.33	486.33	486.33
Less: Non-Tariff Income	3.90	4.09	4.29	4.51	4.73
Annual Fixed Charges	1555.60	1540.30	1524.09	1509.04	1495.35
Energy Charges					
Energy Charge Rate (Rs./kWh)	3.876	3.876	3.876	3.876	3.876
Scheduled Energy-Ex-bus (MUs)	8794.656	9055.238	9055.238	9081.297	9055.238
Energy Charges	3408.81	3509.81	3509.81	3519.91	3509.81
Other Charges					
Incentive	18.66	31.69	31.69	31.84	31.69
Water charges, Audit fee & Tariff filling fee	0.00	0.00	0.00	0.00	0.00
Sub Total (Other Charges)	18.66	31.69	31.69	31.84	31.69
Grand Total	4983.07	5081.80	5065.59	5060.79	5036.85

Energy Charges for the period FY 2024-25 to FY 2028-29

2.1.5 The Energy Charge Rates (ECR) projected by SCCL for FY 2024-25 to FY 2028-29 is as shown in the Table below:

Table 2-3: Summary of ECR as claimed by the Petitioner for the period FY 2024-25 to FY 2028-29

Rs. in crore

Particulars	Units	2024-25	2025-26	2026-27	2027-28	2028-29
		n+1	n+2	n+3	n+4	n+5
		Projected	Projected	Projected	Projected	Projected
Auxiliary Consumption	%	5.75	5.75	5.75	5.75	5.75
Gross Station Heat Rate	kcal/kWh	2300	2300	2300	2300	2300
Secondary Fuel oil consumption	ml/kWh	0.5	0.5	0.5	0.5	0.5
Calorific Value of Secondary Fuel	kcal/ml	10.00	10.00	10.00	10.00	10.00
Landed Price of Secondary Fuel	Rs./ml	0.07	0.07	0.07	0.07	0.07
Gross Calorific Value of Coal	kcal/kg	3719.48	3719.48	3719.48	3719.48	3719.48
Landed Price of Coal	Rs./kg	5867	5867	5867	5867	5867
Specific Coal Consumption	kg/kWh	0.617	0.617	0.617	0.617	0.617

Particulars	Units	2024-25	2025-26	2026-27	2027-28	2028-29
		n+1	n+2	n+3	n+4	n+5
		Projected	Projected	Projected	Projected	Projected
Rate of Energy Charge from Primary Fuel	Rs./kWh	3.841	3.841	3.841	3.841	3.841
Rate of Energy charges from Secondary Fuel	Rs./kWh	0.035	0.035	0.035	0.035	0.035
ECR	Rs./kWh	3.876	3.876	3.876	3.876	3.876

Chapter-3

Issues raised by Stakeholders, responses of Petitioner and Commission's View

Objections/suggestions made on filings

- 3.1.1 Two (2) stakeholders have filed objections/suggestions on true-up of STPP for FY 2022-23 and on MYT for the period FY 2024-25 to FY 2028-29. The Petitioner has filed replies on the objections/suggestions received from the stakeholders. For the sake of clarity, the objections/suggestions raised by the stakeholders and responses of the Petitioner have been consolidated and summarised issue-wise. The Commission has concluded all the objections/suggestions of the stakeholders made in writing and the responses to them by the Petitioner.

General

Stakeholders' Submissions

- 3.1.2 The Stakeholders objected to the 3rd prayer of the Petition where the Petitioner has sought orders not to apply the components of normative / operational parameters stipulated in the Regulation No.2 of 2023, which are less beneficial to STPP Project.
- 3.1.3 At the outset, the stakeholders submitted that the Petitioner's 3rd prayer is in absolute contravention to the Tariff Regulation No. 2 of 2023 as well as the provisions of the PPA (Preamble) as extracted below:

"The terms and conditions of the Power Purchase Agreement are as per prevailing TSERC regulations and any changes in TSERC regulations that may occur in future shall be applicable for all operating norms or any other parameters."

- 3.1.4 Since the PPA between the parties is sacrosanct and binding upon the parties, while the Tariff Regulations are statutory in character and binding on all the regulated entities including the Petitioner, hence, the 3rd prayer of the Petitioner for selective application of norms /parameters of Tariff Regulation 2 of 2023 to its STPP Project, is legally not sustainable and the Commission is requested to dismiss the same.
- 3.1.5 Further the Stakeholders have submitted that before taking up the exercise of tariff determination for STPP Project for the Control period FY 2024-29, the Commission is required to undertake the truing-up of expenditure / tariff claimed

by the Petitioner, vis-a-vis the Tariff approved by the Commission for the previous Control period FY 2019-24, vide its orders dated 28th August 2020 in O.P.No.5 of 2019 & batch and also the orders dated 23rd March 2023, passed by the Commission in the Mid-Term Review order in the Petition, O.P.No.77 of 2022 filed by the Petitioner, where-under the Commission has approved revised Annual Fixed Charges (AFC) for FY 2022-23 to FY 2023-24, after taking into account the truing up of expenditure of STPP up to FY 2021-22. The Petitioner is obligated to file the True-up Petition for the balance period previous Control period (FY 2022-23 to FY 2023-24) in pursuance of the aforesaid Mid-term Review order, since the closing balances of outstanding Debt and Equity (as approved in the said order) as on 31st March 2024 would become the opening balances on 1st April 2024 for Tariff determination for the next Control period FY 2024-29. However, since the FY 2023-24 is yet to be completed and audited figures for FY 2023-24 would not be available to the Petitioner, as such, the Commission may undertake the exercise of Tariff determination for Multi Year Tariff for the Control Period from FY 2024-29 based on the Actual audited figures of expenditure for FY 2022-23 subject to prudence check while the truing up of expenditure for FY 2023-24 can be taken up subsequently in the Mid-Term Performance Review.

- 3.1.6 The Commission is also required to take into account, the Capital Investment Plan and Business Plan Petitions filed by the Petitioner for the next Control period (FY 2024-29) under O.P.No.25 of 2023 and O.P. No. 26 of 2023 and the order passed by the Commission in these Petitions, as any Additional Capitalization, if approved in the said Petitions, would add to the outstanding Debt and Equity as on 1st April, 2024, viz., the beginning of the Control period FY 2024-29, which parameters will be used in the Tariff computation.
- 3.1.7 The Commission needs to apply 61(d) of electricity act 2003 for determination of the MYT tariff. This clause provides safe guarding consumers interest and at the same time recovery of electricity cost in a reasonable manner. Thereby only reasonable cost has to be allowed.

Petitioner's Replies

- 3.1.8 The Petitioner has submitted that the requirement of stringent future norms would be proper only if the present norms are giving over achievement to

generator. But, where the normative figures are unachievable in FY 2019-24, more stringent norms for future period FY 2024- 29 would make the generator to go worse than present situation as it would impact more & more under-recovery for the generating station. Therefore, such more stringent regulation is of no use and in fact contradicts section 61 of Electricity act 2003.

- 3.1.9 As regards the true up and MYT exercise to be taken by the Commission, the Petitioner has submitted that these are mainly reproduction of some figures and rules. The Commission was requested by the stakeholders in para 6 that the tariff determination to be undertaken for Multiyear tariff FY 2024-29 based on Actual audited figures of expenditure for FY 2022-23 subject to prudence check while truing up of expenditure for FY 2023-24 can be taken up subsequently in the Midterm review. To this extent we agree to the procedure for truing up and determination of multi-year tariff for FY 2024-29.
- 3.1.10 The stakeholders themselves have raised the point on recovery of cost on which SCCL submits that the recovery does not depend-only on billing as per tariff but also rely on the consequential compliance of payment for admitted bills. The TGDIsoms have canvassed that generator is entitled for interest on the due amount. But the TGDIsoms, Oblivious of the rules passed on 03.06.2022 by the Government of India to the effect that if the TGDIsoms failed to provide payment security mechanism and failed to pay monthly bills for two months the generator is entitled to terminate the PPA and sell power in open access. If the contention of TGDIsoms is to be accepted, no bank/ financial institution in the country should take recovery steps on the ground that they are entitled for interest for the delay occurred in payment on due date.
- 3.1.11 In the public hearing, the objector raised the point on accumulated dues not paid by TGDIsoms so far and expressed anguish on this aspect.

Commission's View

- 3.1.12 The Commission while issuing this Order has taken into account the broader objective of the Electricity Act 2003. The Commission has also considered the regulatory integrity while safeguarding the interests of all stakeholders involved.
- 3.1.13 As regards the relaxation in norms for operational parameters, the Commission is of the view that the MYT Regulation 2 of 2023 were framed after due consultation process and the norms for operational parameters have been

specified in Regulation. Hence, the Commission has approved the norms of operational parameters as per the MYT Regulation 2 of 2023 without any deviation.

- 3.1.14 Regarding approach to be adopted for approving the tariff for next Control Period FY 2024-25 to FY 2028-29, the Commission agrees with the approach suggested by the stakeholder that at this stage tariff for next control period is to be determined based on truing up figures for FY 2022-23 and once the truing up for FY 2023-24 is done, the figures will be revised accordingly.

Return on Equity

Stakeholders' Submissions

- 3.1.15 The Stakeholders have submitted that the against capital cost of Rs.7745.32 Crore approved by the Commission at the end of FY 2021-22, the Petitioner has projected a closing capital of Rs.7826.39 Crore. It has claimed true-up on Rs.7762.28 Crore against the capital cost of Rs.7745.32 Crore approved by the Commission. For FY 2023-24, against the capital cost of Rs.7745.32 Crore approved by the Commission, SCCL has estimated it to increase to Rs.7805.62 Crore. Based on the projections, the Petitioner has claimed return on equity at higher level and sought true-up accordingly. For FY 2022-23, it has claimed RoE of Rs.481.81 Crore against Rs.436.41 Crore approved by the Commission. Similarly for the FY 2023-24, it has claimed RoE of Rs.483.69 Crore against Rs.436.40 Crore approved by the Commission. For the period FY 2024-25 to FY 2028-29, for FY 2024-25, the Petitioner has projected RoE of Rs.485.68 Crore and for the next four years Rs.486.3 Crore per year. When rate of return on equity is constant and without increase in equity, the Petitioner has not explained as to how it has claimed higher return on equity. The claims of SCCL are subject to the terms and conditions in the PPA approved by the Commission. As such, claims for increased capital costs and true-up claims should not be allowed. If SCCL incurs additional capital costs, they can be covered in the O&M costs approved by the Commission, unless they are approved by the Commission as per terms of the PPA. Claiming and allowing additions of capital costs during the entire period 25 years of the PPA is an unhealthy practice much to the detriment of larger consumer interest, though SCCL is claiming that it is making these claims as per the latest Regulation No.2 of 2023.

- 3.1.16 The Stakeholders have submitted that the Petitioner has claimed the Return on Equity (RoE) at the base rate of 15.5% on enhanced Equity (after considering Additional Capitalization of Rs.16.96 Crore (30% as equity @ Rs.5.09 Crore) for FY 2022-23 and Rs. 43.35 Crore (30% as equity @ Rs.13.005 Crore) for FY 2023-24, thereby raising the Base Equity to Rs. 2341.69 (increase in equity @ Rs.18.09 Cr.) as against the approved Base equity of Rs.2323.60 Crore, even without obtaining the approval of the Commission, and calculated simple RoE @ Rs.362.96Cr. as against the approved RoE @ Rs. 360.158 Cr. which is not permissible. Further, the Petitioner grossed up the simple RoE with the regular income tax rate @ 25.17% (rate applicable for the SCCL Company as a whole for Coal and Power business) as against the concessional MAT rate of 17.472% allowed for STPP Power generation business, which has led to higher RoE claim of Rs. 481.81 Crore for FY 2022-23 & Rs. 483.69 Cr. for FY 2023-24 as against the approved RoE of Rs.436.40 Crore. In fact, this Commission disallowed the grossing up of RoE with higher Income Tax rate in the Mid-term Review order dated 23.03.2023 (Table 3.37 of TGERC order), since the Petitioner's claim was not in consonance with the clauses 11.3.4 & 11.3.5 (stipulated exclusion of the income of non-generation business for Income Tax computation) of Regulation No.1 of 2019 and this will also burden the consumers. Despite that, the Petitioner continued the truing up with enhanced Equity besides grossing up of RoE with higher income tax rate, which is not permissible. Further, the Petitioner is seeking the enhanced Equity and higher RoE grossing up based on the Audited figures for the FY 2022-23. In this regard, the Commission in the Mid-term Review order, has already relied on the ratio decided in the Case law in Ld. APTEL's judgment dated 10th August 2010 in Appeal No.37 of 2010 (Meghalaya State Electricity Board vs. Meghalaya State ERC), wherein it was held that the State Commission has to make prudence check of the expenditure and is not bound by the certificates of Auditors. In view of the above the Commission is requested to restrict the claim of RoE to the approved figure of Rs. 436.40 Crore.
- 3.1.17 Applicable Regulation provides that income tax has to be considered for the generating station on standalone basis and STPP cannot claim SCCL's tax rate. Being a regulated entity, STPP cannot claim SCCL's tax rate and only MAT rate to be allowed in the computation of RoE as already decided by this Commission

in midterm review order.

Petitioner's Replies

3.1.18 The Petitioner has in its reply submitted the following:

- a) It is to humbly submit that the Commission has notified Telangana Electricity Regulatory Commission (Multi Year Tariff) Regulation 2 of 2023 for determination of Aggregate Revenue Requirement for generating entities within the state of Telangana and this regulation was made applicable from 01.04.2024
- b) Accordingly, the Petitioner has filed MYT for the control period (2024-25 to 2028-29) and true-up for FY 2022-23 as per the above Regulation and as per the terms and conditions of the PPA approved by the Commission.
- c) The Petitioner has projected RoE of Rs.485.68 Crores for FY 2024-25 and for the next four years FY 2025-29 Rs.486.3 Crores per year considering additional capital investment of Rs. 20.77 Crores for FY 2024-25.
- d) The additional capital investment for FY 2024-25 is towards implementation of flexible operation scheme which is a new regulation notified by Central Electricity Authority (CEA).
- e) CEA issued these new regulations on 30.01.2023 for implementation of flexible operation scheme in coal based thermal power plants. As per this, the minimum unit generation should be reduced to 40% (i.e., 240 MW) of maximum continuous rating of unit (i.e., 600 MW) for STPP. These Regulations should be complied within one year from the date of the notification of the regulations
- f) CEA further notified on 15.12.2023, the phasing plan of various coal based thermal Generating units. Based on the phasing plan notified by CEA, SCCL Unit-I and Unit-2 should implement flexible operation scheme by January 2025 and March 2025 respectively.
- g) The details of the flexible operation scheme were already submitted in the original petition.

- h) The Commission in its order dated 29.12.2023 in O.P. No's.25 and 26 of 2023 directed the following regarding CIP of Implementation of flexible operation scheme as per CEA Regulation:

"4.2.22 The Commission is in the process of framing the Multi Year Tariff Regulation for the period commencing from FY 2024-25 onwards. If the need arises, SCCL may seek the approval of the Commission for undertaking the capital works required for complying with CEA Regulations in accordance with the provisions of the Multi Year Tariff Regulation to be issued by the Commission."

- 3.1.19 Further, in respect of the submission made by the objector that any additional capital cost incurred by the SCCL can be covered in the O&M cost approved by the Commission, it is to state that approved O&M cost of STPP is very less compared to the actual O&M of STPP being incurred.

The Petitioner submitted that STPP was not allowed even the recovery of actual O&M through tariff. It is to further state that O&M of STPP is least among the State generating stations. Therefore, the suggestion made by objector that additional cost incurred can be recovered from O&M is baseless and incorrect.

- 3.1.20 Further the Petitioner has submitted as follows:

- a. The Stakeholders have submitted that claimed equity by the SCCL is more by Rs.18.09 Crore due to consideration of additional capitalization of Rs.16.96 Crore and Rs.43.35 Crore during FY 2022-23 and FY 2023-24 respectively. It was further pointed out that regular income tax 25.17% has been grossed up with the simple RoE.
- b. The reason for this objection by the TGDIs appears to be relying on midterm review order dated 23.03.2023 passed by Commission, but without considering the fact that the order dated 23.03.2023 is applicable only for true up period FY 2019-22. This Commission needs to again apply prudence of the expenditures, facts and reasons submitted before them in terms of specified tariff regulation in the present petition.
- c. As far as the Tariff Regulations are concerned, nowhere in the clauses 11.3.4 & 11.3.5 it was stated to exclude income of non-generation business for income tax computation in true up. The clauses 11.3.4

& 11.3.5 are reproduced below:

"11.3.4. Rate of return on equity shall be rounded off to three decimal places and shall be computed as per the formula given below Rate of pre-tax return on equity = Base rate / (1-t) Where is the effective tax rate in accordance with Clause 11.3.1 of this Regulation and shall be calculated at the beginning of every Financial Year based on the estimated profit and tax to be paid estimated in line with the provisions of the relevant Finance Act applicable for that financial Year to the generating entity on pro-rata basis by excluding the income of non-generation and the corresponding tax thereon.

11.3.5. In case of Generating Entity paying Minimum Alternate Tax (MAT), "t" shall be considered as MAT rate including surcharge and cess. "

- d. The clause 11.3.4 provides for using effective tax rate for projection purpose which shall be computed at the beginning of every financial year based on estimated profit and tax to be paid by the generating entity on pro-rata basis by excluding the income of non-generation and the corresponding tax thereon. It provides that though there will be reduction of income and tax paid with respect to non-generation business on absolute basis there shall not be any change in tax rates.
- e. In fact the use of "pro-rata" confirms that the effective income tax rate shall be unchanged. The illustration submitted may be considered where a company's total income is Rs.1200 cr. and effective tax rate is 25.17% and income of Rs.200 cr. is obtained from non-generation business then the effective tax rate for both the generation and non-generation business shall be 25.17%. However, on absolute basis the tax payable by the generation business would be Rs. 251.7 Crore and by the non-generation business would be Rs. 50.34 Crore.
- f. It cannot be denied that the State Commission is not bound by the figures as given in the audited statements, since the audit only reflects the amount that has been incurred, but the issue of prudence check, i.e., whether such expenditure was required or not at the first place lies with the Commission. Not bound simply does not mean that the Commission has to totally disregard the certified amounts. However, the Commission can scrutinize the reasonableness of the expenditure.

- 3.1.21 It is submitted that the PPA does not mention about MAT and tax is payable as per Income Tax Act. SCCL has opted for payment of Corporate Income Tax at the reduced Tax rate of 25.168% without MAT credit entitlement and exemptions as per the Taxation (Amendment) Ordinance 2019. The Petitioner has submitted that the SCCL is an income tax assessee whereas STPP is not a separate assessee and STPP is a part of SCCL. However, the income tax amount is confined to generation station income.
- 3.1.22 As per the clauses 5.1 to 5.5 of the power purchase agreement (PPA) signed by the parties, incidence of tax liability on SCCL shall be payable by the stakeholders. The aforesaid provision was also upheld by the TGERC in its approval order for PPA. The TGERC Regulation has also not provided any provision for not considering the effective income tax rate ultimately payable by the SCCL. As per legal principle PPA cannot be subsumed on the ground that there is regulation on that aspect. The judgment of Supreme Court in PTC Vs CERC elaborately explained by the Supreme Court in a case between M.P. Power company vs Sky Power South East Solar Ltd dated 16-11-2022 held that principle Regulation overriding the PPA is not general law, and it is confined to trade margin only. As such, PPA clearly mentions SCCL's effective tax rate to be used for computation of ROE and the regulation also specifies using effective tax rate on pro rata basis and therefore any conflict between the PPA and Regulation does not exist in this case.
- 3.1.23 Further the objection that since STPP is regulated entity it needs to pay MAT rates is incorrect, misleading and lacks merit. No applicable Tariff Regulation states that it sits above the income tax laws and tax needs to be paid as decided in the Tariff Orders. Rather, an entity needs to pay tax as per applicable income tax rate as specified in the Income tax Act and not as per regulation passed under Electricity Act. The Tariff Regulation only has to allow effective tax rate paid by embedding the same in ROE computation during trueing up.
- 3.1.24 The Income Tax paid by SCCL for the FY 2022-23 is based on following applicable rates. Basic Rate = 22%, Surcharge = 10% (on Basic rate) and Cess= 04%. Effective Income Tax Rate actually paid by SCCL which includes STPP in its one of the verticals is 25.168%. It is the TGDIscoms argument that STPP being a generating company may take the benefit of 80IA and pay income tax only on MAT rate. However, the actual payment of income tax cannot be

based on such assumptions and presumptions because STPP is not a company separate from SCCL.

Commission's Views

- 3.1.25 The Commission has taken note of the submissions of the stakeholders and reply of the Petitioner. The Commission has examined the issue in detail in subsequent Chapters of this Order.

Interest on loan

Stakeholders' Submissions

- 3.1.26 The Petitioner stated that the Commission in the Mid-term Review Order has allowed refinancing of loan in respect of STPP and allowed interest on loan accordingly. Therefore, STPP claims the sharing of gains accrued due to refinancing in the truing up of FY 2022-23 by applying Clause 12 of Regulation No.1 of 2019. Further, the Petitioner stated that the interest and financing charges on loan for MYT period FY 2024-29 have been computed as given in Clause 31 of Regulation 2 of 2023. In this regard, the Stakeholders has submitted that the Petitioner has added the additional loan component of additional Capitalization of (11.87 Cr. for FY 2022-23 i.e., 70% of Rs.16.96 Cr. & Rs.30.34 Cr. for FY 2023-24 i.e. 70% of Rs. 43.35 Cr.) to the outstanding loan balances approved in the MYT order (Table 56: (MYT order dated 28.08.2020)), even without obtaining the approval of this Commission and worked out higher interest sums arbitrarily by applying the rate of interest @ 7.66% to 8.70% (claims as Audited) as against the rate of interest approved @ 7.16% p.a., which claim is not in accordance with the Mid-term Review Order. If there is a change in the interest rate on outstanding loan, then the Net Savings have to be re-worked out. Further, the Petitioner has also claimed one third share of Savings of interest amount shared between the entity and Beneficiaries in the specified ratio.
- 3.1.27 With regard to loan refinancing taken up by the Petitioner during the previous Control period FY 2019-24, it is submitted that though there was a saving in interest rate (@ 1.36%) after loan refinancing, yet the cost associated with such loan refinancing was significant at Rs. 77.84 Cr., which was entirely passed on to the Respondents upfront. Therefore the Commission in its Mid-term order allowed the one-third share of gains of Net Saving to the STPP/ SCCL as a one

time basis during FY 2020-21 and allowed the Respondents to retain the Net savings for subsequent years i.e. FY 2021-22 to FY 2023-24 without any sharing. Disregarding the set procedure, the Petitioner has trued-up the expenditures by claiming the one-third share of gain of loan refinancing even for the balance period of the previous control period, which is not permissible. If the Petitioner is aggrieved by the methodology, then it should have filed appeal against such order, but not filed appeal before Ld. APTEL within the prescribed time period. But now the petitioner claims that it has filed appeal on limited aspects against the Mid-term Review order. As of now, no Stay of the said TSERC order has been granted by Ld. APTEL. As such, the Petitioner claim on adjusting the one-third share of gains of loan refinancing for the period of truing up i.e. FY 2021-22 to FY 2023-24 has to be disallowed. Further, the Petitioner has continued to claim the one-third share of gains of loan refinancing even to next Control period FY 2024- 29, by referring to the Clause 31 of Regulation 2 of 2023. In this regard, the Respondents have extracted the provision of Loan Refinancing (Clause-31) of new Tariff Regulation vis-a-vis the similar provision of Regulation No.1 of 2019 as below, for critical examination by the Commission.

- 3.1.28 It could be seen from the above provisions that in the new Tariff Regulation, it is specifically prescribed that the net savings in interest shall be calculated as an Annuity for the term of the Loan, whereas such methodology was not prescribed in the Previous Tariff Regulation (No. 1 of 2019). In the Annuity computation methodology, the Present Values of interest cost saving before and after loan refinancing have to be worked out by considering the discount rate at the interest rate of Post refinancing. This exercise has to be done to examine whether the claim of loan refinancing is beneficial to the TGDIs even after passing on the costs associated with loan refinancing to them. Apparently, the Petitioner has not carried out such exercise. Also, if further Loan Refinancing is taken up by the Petitioner in the next Control period viz. FY 2024-29, then the Regulation No. 2 of 2023 allows the Petitioner to make such a claim. Without making any such effort, the Petitioner is not entitled to make a claim on sharing of gains of Loan Refinancing. The Petitioner has failed to distinguish the Loan Refinance Provisions in the aforesaid two Tariff Regulations. As such, the Petitioner's claim for unilaterally adjusting the one-third share of gain to it, is

legally not permissible.

- 3.1.29 The Commission is requested to disallow the same and restrict the rate of Interest on Loan @ 7.16% besides disallowing the sharing of one-third share of gain on Loan Refinancing for FY 2021-22 to FY 2023-24 and also for next Control period FY 2024- 29 as the claim is not in accordance with Clause 31 of Regulation 2 of 2023.
- 3.1.30 The interest on loan actually should reduce over the years as loan is gradually repaid. The Commission has allowed interest rate @7.16% and it should not increase. The Commission has decided not to allow gain sharing after FY 2020-21. Therefore, SCCL should not get benefit of gain sharing for FY 2022-23. SCCL also claimed gain sharing for FY 2024-29. However, as no fresh loan restructuring is contemplated in FY 2024-29, SCCL should not get any benefit of loan refinancing carried out in the previous control period.

Petitioner's Replies

- 3.1.31 In this respect, it is to humbly submit that variation in market interest rates for long-term loan is uncontrollable factor which is beyond the control of the petitioner. Further, Clause 12.6.3 of Tariff Regulation 1 of 2019 provides that the changes to the terms and conditions of the refinanced loans shall be reflected from the date of refinancing and it is easy to understand that how interest rates change falls within these terms and conditions. Further, clause 12.5 of the same Regulation provides that the Rate of Interest on loan shall be based on weighted average rate of actual loan portfolio.
- 3.1.32 Accordingly, in terms of the said Regulations, post refinancing, the rate of interest applicable for actual refinanced loan portfolio is required to be allowed in the tariff.
- 3.1.33 Further, the Stakeholders has stated that the methodology for loan refinancing as allowed by the Commission in its mid-term order is final and should be the basis for truing up of interest and financing charges even for forth coming FY's of 2022-23 & FY 2023-24 in this petition. Non sharing of gain out of loan refinancing in FY 2021-22 which is in deviation with clause 12.6 of Tariff Regulation 2019 has been challenged before Appellate Tribunal for Electricity. However, the approval for refinancing was never been under challenge.
- 3.1.34 Therefore, once the approval for refinancing of the loan have been allowed by the Commission and as the truing up of FY 2022-23 was not done in the MYT

Order dated 23.03.2023 the Commission may decide sharing ratio of benefit out of this refinancing arrangement for FY 2022-23 considering the actual audited interest rates and other factual aspects which were not available earlier. The clause 12.6.1 of Regulation 01 of 2019 clearly specifies such ratio as 2:1 between beneficiary and generating entity.

- 3.1.35 Further, the Stakeholders have stated that the Petitioner has not carried out the calculation exercise to find out annuity in net savings and the petitioner can only make claim for refinancing in FY 2024-29 whereas loan refinancing is taken up in FY 2024-29. Whereas loan refinancing was already approved by this Commission in its order dated 23.03.2023 and this aspect was not under any challenge. Further, the clause 31.10 of Regulation 2 of 2023 provides that net savings out of refinancing loan shall be shared between the beneficiaries and generating entity in the ratio of 2:1.
- 3.1.36 The last proviso of Regulation 31.10 of Regulation 2 of 2023 states that the net savings in interest shall be calculated as an annuity for the term of the loan but the net savings shall be shared between the parties on annual basis. Therefore, it is clear that the calculation of net savings in interest based on annuity method is only required to apply prudence to approve refinancing. In STPP's case refinancing has already been approved in the previous control period. Hence, the annuity method as suggested by the TGDIscoms is not relevant in this fact, the same proviso stipulates that annual net savings shall be shared which STPP has calculated and submitted.
- 3.1.37 In view of the above, the Commission is requested to decide the sharing ratio of net savings for FY 2022-23 and also to apply the prescribed ratio of 2:1 for gain sharing in the control period FY 2024-29. Accordingly, the submissions made by the stakeholders are devoid of any merit and need not to be relied upon.

Commission's View

- 3.1.38 The Commission has approved the Interest on Loan for True-up for FY 2022-23 in accordance with the provisions of Regulation No. 1 of 2019 as detailed in chapter 4. Further the Commission has approved the Interest on Loan for the Control Period FY 2024-25 to FY 2028-29 in accordance with the provisions of Regulation No. 2 of 2023 as detailed in chapter 5.

Depreciation

Stakeholders' Submission

- 3.1.39 The Petitioner has claimed the higher depreciation for FY 2022- 23 (Rs. 400.54 Cr.) & FY 2023-24 (Rs. 401.81 cr.) than approved in the MYT order dated 28.08.2020 (Table - 69), at a constant Value of Rs. 400.36 Cr. Since no additional Capitalization was allowed to STPP in the previous Control Period (FY 2019-24) there would be no change in the GFA (Gross Fixed Asset) of STPP Project, the Commission is requested to restrict the recovery of Depreciation by the Petitioner to the already approved figure of Rs. 400.36 Crore.

Petitioner's Replies

- 3.1.40 The Stakeholders without understanding fact that there are certain requirements for compliance of CEA regulation which is in the nature of change in law event, has stated that the depreciation should not increase. Accordingly, this needs to be considered for capitalization, and consequently the effect of depreciation is required to be allowed by the Commission.

Commission's View

- 3.1.41 The Commission has approved the depreciation for True-up for FY 2022-23 in accordance with the provisions of Regulation No. 1 of 2019 as detailed in subsequent chapter. Further the Commission has approved the Depreciation for the Control Period FY 2024-25 to FY 2028-29 in accordance with the provisions of Regulation No. 2 of 2023 as detailed in chapter 5.

Interest on Working Capital

Stakeholders' Submissions

- 3.1.42 The Petitioner computed the Working Capital requirement by summing up the individual components, such as Coal Stock requirement for 20 days /30 days for generation corresponding to Target availability (85%) etc., and the Price considered for Cost of Coal is Bridge Linkage Pricing, which will be higher than the Notified Price of Coal, higher by 20 to 30% (Rs. 5741 to Rs 5981 per Ton). By considering high price of Coal being supplied to STPP under Bridge Linkage Policy, the Working Capital gets increased and consequently the Interest claimed on Working Capital would be higher. The Stakeholders have already contested on the high priced coal being used by SCCL for power generation in the STPP Project, by filing a Petition, O.P.No.13 of 2023 before the Commission,

which was heard and orders reserved long back (TGERC RoP dated 21st August 2023) in the matter. Therefore, the Commission is requested to consider to regulate the pricing of Coal Supply to Power Sector at notified prices, in terms of Regulatory Powers under Section 86(1)(b) of the Electricity Act, 2003, else it translates into higher Energy Charges and burden the end consumers.

Petitioner's Replies

- 3.1.43 The Stakeholders have submitted that the Commission has to regulate for pricing of bridge linkage coal supplied to the STPP. The claim of stakeholders is not tenable under the law as Supreme Court India has already held the price notifications of CIL is to be considered as change in law.
- 3.1.44 The Ministry of Coal, Govt, of India has allocated captive Coal Block/Mine (NAINI) to STPP/SCCL in the year 2016. The coal produced from the Naini Block in Odisha State would be utilized at STPP (being the Specified End Use Plant). However, to facilitate the immediate requirement of Coal to STPP project, a Short- term Linkage was granted under the Policy of Bridge Linkage, till the commencement of Coal Supply to STPP gets from its Captive Coal Block (Naini).
- 3.1.45 Singareni Collieries Company Limited (SCCL) supplies Coal to Singareni Thermal Power Plant (STPP) as per recommendation of standing linkage committee by signing MOU. The extension of bridge linkage will be decided by standing linkage committee (SLC), MoC, Govt, of India after deliberation in the meeting duly considering the recommendations received from Ministry of Power (MoP).
- 3.1.46 SCCL is supplying coal to Power sector (Bridge Linkage and Non Bridge Linkage holders) by regulating supplies to Non Power (NRS) Customers. Sales realization from NRS is more by Rs. 1.628/Ton than sales realization from Bridge Linkage & Non Bridge Linkage supplies. Therefore, by foregoing revenues, SCCL is supplying coal to Bridge Linkage and Non Bridge Linkage customers considering the recommendation of Ministry of Power, Ministry of Coal and importance of the Power sector in Telangana and India.
- 3.1.47 As per the instructions of SLC given in the bridge linkage allotment order of 2016. SCCL has to decide the source of coal supply for meeting the bridge linkage quantity i.e the mines, coal grade and the quantity along with the price there from. Further, in the most recent order of SLC it was clearly stated that

the price of such bridge linkage supply has to be solely decided by SCCL/CIL. Therefore the submissions made by the stakeholders are devoid of any merit and deserves to be rejected.

Commission's View

- 3.1.48 The Commission has taken note of the submissions and has dealt with the issue in subsequent chapters of the Order.

Operation and Maintenance Expense

Stakeholders' Submissions

- 3.1.49 The Employee Cost has increased significantly (in the range of 73-82%) during FY 2022-23 & FY 2023-24 (Estimated) vis-a-vis FY 2021-22. No justification has been submitted.
- 3.1.50 Even the R&M Expenses and A&G Expenses have also gone up considerably. No justification has been submitted.
- 3.1.51 The O&M Expenses for STPP Project were approved by the Commission on Normative basis as per the Regulation No. 1 of 2019. The Truing up procedure has to be based on Point to Point change (means Current month inflation rate over same month of last year as per MOSPI) in the WPI & CPI Inflation factors as published by the Ministry of Commerce & Industry and Ministry of Statistics & Programme Implementation (MoSPI), Govt. of India and the computation shall be as per the formula given for Employee Cost, R&M Expenses and A&G Expenses at Regulation No. 19. The Base values already approved in the MYT order will not change. However, the Petitioner has overlooked the prescribed procedure and claimed higher O&M Expenses, which is not in consonance with the methodology specified in the Regulation No.1 of 2019. As such, the Petitioner's claim of O&M expenses has to be restricted to figures already approved, with the truing up with actual WPI /CPI Inflation factors data only.
- 3.1.52 Though the Petitioner's claim is based on Audited figures, yet the Commission is not bound by the Auditors Certifications and the Commission has to undertake the Prudence Check of the Expenses claimed in terms of Ld. APTEL's judgment dated 10th August 2010 in Appeal No.37 of 2010.
- 3.1.53 The Commission is also requested to restrict the O&M claims for the MYT period FY 2024-29 duly taking into consideration the methodology stipulated at clause 45 of the MYT Regulation No.2 of 2023.

- 3.1.54 The Petitioner has claimed higher O&M expenses which is not in consonance with methodology specified in Regulation 1 of 2019. Petitioner's claim of O&M expenses has to be restricted to the figures already approved with the truing up of WPI & CPI data. The Petitioner has cited a recent judgment dated 18.10.2022 by the apex court in the matter between BSES Rajdhani Power Ltd vs DERC which specifies the process of truing up and application of the prudence on certified audited expenditures by the State Commission. The relevant portion is reproduced below:

"52. 'Truing up' has been held by APTEL in SLDC v. GERC 4 to mean the adjustment of actual amounts incurred by the Licensee against the estimated/projected amounts determined under the ARR. Concept of 'truing up' has been dealt with in much detail by the APTEL in its judgment in NDPL v. DERC5 wherein it was held as under: "60. Before parting with the judgment we are constrained to remark that the Commission has not properly understood the concept of truing up. While considering the Tariff Petition of the utility the Commission has to reasonably anticipate the Revenue required by a particular utility and such assessment should be based on practical considerations. ... The truing up exercise is meant (sic) to fill the gap between the actual expenses at the end of the year and anticipated expenses in the beginning of the year. When the utility gives its own statement of anticipated expenditure, the Commission has to accept the same except where the Commission has reasons to differ with the statement of the utility and records reasons there of or where the Commission is able to suggest some method of reducing the anticipated expenditure. This process of restricting the claim of the utility by not allowing the reasonably anticipated expenditure and offering to do the needful in the truing up exercise is not prudence." 53. This view has been consistently followed by the APTEL in its subsequent judgments and we are in complete agreement with the above view of the APTEL"

- 3.1.55 As per the above Commission can differ from the statement of anticipated expenditure submitted by utility. The same order in subsequent para provides that once the methodology of tariff determination is finalised, the Commission cannot revise the methodology in the truing up. Since, the O&M expenditure is already decided in midterm review petition the same methodology needs to be followed in truing up. The employee cost under O&M expenditure increased much after FY 2021-22 and no reason for this is submitted by SCCL.

Petitioner's Replies

- 3.1.56 The Stakeholders have submitted that the Commission is not bound by the auditor certification and the Commission has to undertake prudence check of expenses claimed under O&M expenditure.

3.1.57 A recent judgment dated 10.18.2022 by the apex court in the matter between BSES Rajadani Power Ltd vs DERC clearly specifies the process of truing up and application of the prudence on certified audited expenditures by the State Commission. The relevant portion is reproduced below:

"52. Truing up has been held by APTEL in SLDC v. GERC to mean the adjustment of actual amounts incurred by the Licensee against the estimated projected amounts determined under the ARR. Concept of truing up ' has been dealt with in much detail by the APTEL in its judgment in NDPL v. DERC5 wherein it was held as under:

"60. Before parting with the judgment we are constrained to remark that the Commission has not properly understood the concept of truing up. While considering the Tariff Petition of the utility the Commission has to reasonably anticipate the Revenue required by a particular utility and such assessment should be based on practical considerations. The truing up exercise is meant (sic) to fill the gap between the actual expenses at the end of the year and anticipated expenses in the beginning of the year. When the utility serves its own statement of anticipated expenditure, the Commission has to accept the same except where the Commission has reasons to differ with the statement of the utility and records reasons there of or where the method of reducing the anticipated Commission is able to subset some expenditure. This process of restricting the claim of the utility by not allowing the reasonably anticipated expenditure and offer to do the needful in the truing up exercise is not prudence."

3.1.58 This view has been consistently followed by the APTEL in its subsequent judgments and we are in complete agreement with the above view of the APTEL.

3.1.59 The apex court held in the above judgment that "this process of restricting the claim of utility by not allowing the reasonable anticipated expenditure is not prudence".

3.1.60 The above ratio decided by apex court for determination of truing up is also required to be followed by this Commission. Accordingly, submissions made by the Discoms lacks merit and needs to be ignored.

3.1.61 Afore cited order of APTEL in its judgment in NDPL v. DERC provides that the Commission can differ from the statement of expenditure through the exception route without considering the fact that exception, being an exception followed in special situations which also needs to be justified can never be a general rule. Therefore, the explanation given by the Stakeholders in this respect lacks merit. Further the APTEL Order clearly suggests that the prudence does not mean

lesser cost.

- 3.1.62 Further, the Stakeholders have stated that the methodology once decided cannot be changed in truing up order which helps the stand of SCCL taken against the deviated methodology adopted by this Commission in MTR order without following the principles decided in MYT order for 2019-24. As the MTR order is in jeopardy due to submission of petition against the order in APTEL, the Commission can once again rely on the principles decided in MYT order dated 28.08.2020 for truing up of O&M expenditure of FY 2022-23. Further as O&M expenditure as a whole is controllable item, the sharing of difference between actual and revised normative as per the regulation may also be approved.
- 3.1.63 The Stakeholders raised an issue of sudden increase in employee cost without noticing that the total O&M expenditure as a whole was as per the trend only. The whole O&M activity of STPP is run through contract along with few SCCL employees who only co-ordinate and monitor at overall level. Therefore, management after consulting Industry experts decided to categorize the employee expenditure of O&M contractor under "Employee expenses" for FY 2022-23 which can then provide reasonable basis for analysing STPP's employee cost by comparing with other state generating stations. Accordingly, this is included in FY 2022-23 under the head of others in Form 2.1 and subsequently accounted under different applicable heads of "Employee expenses" from FY 2023-24.
- 3.1.64 It is also to bring to the kind notice of the Commission about the existing huge disparity between the O&M norms allowed to STPP and O&M expenditure allowed to different stations of TGGenco as submitted to the Commission.
- 3.1.65 Considering the above, the Commission is requested to allow O&M cost of STPP at par with the same allowed for other state generating stations.

Commission's View

- 3.1.66 The Commission has computed the normative Employee expenses, R&M expenses and A&G expenses as per provisions of Regulation No.1 of 2019 as detailed in the subsequent Chapters of this Order and has carried out the sharing of gains and losses as per the provisions of the Regulations.

Operational Parameters

Stakeholder's Submission

- 3.1.67 The submission of SCCL not to apply the components of varied figures of normative/operational parameters in the present regulation shows that it wants whatever is favourable to in the said regulation to be permitted and whatever is not to its advantage, as it seems, should not be enforced. This approach is untenable and self-contradictory. The Commercial Operation Date of the subject two units were declared in the year 2016. As such, there is no justification in providing additional benefits to old plants and imposing additional burdens on the consumers by applying the latest Regulation.
- 3.1.68 The Operational Norms as stipulated in the Tariff Regulation 2 of 2023 is binding on the Parties and the Petitioner has to claim the Energy Bills as per the Norms prescribed.
- 3.1.69 The Petitioner's prayer for not to apply the stringent operating norms as it could not achieve the normative figures. However, past data of the last 5 years SCCL always achieved better PLF than the normative. Since the data shows that STPP always achieved more than normative they should not object to more stringent norms. So, the norms given in the Regulation for current Control Period should apply.

Petitioner's Replies

- 3.1.70 The Petitioner has submitted that requirement of stringent future norms would be only if the present norms are giving over achievement to generator. But, where the normative figures are unachievable in FY 2019-20 to FY 2023-24, more stringent norms for future period FY 2024-29 would effect the generator than present fact situation as it would impact more & more under-recovery for the generating station. Therefore, more stringent regulation is of no use and in fact contradicts Section 61 of the Electricity Act, 2003.
- 3.1.71 The stand of TGDIs considering the achievement of PLF of the plant is nothing to do with the stringent norms provided to direct reduction of the expenditure. Higher PLF cannot cause better operating norms achieved during last five years. It only can technically confirm better actual operating norms compared to the normative parameters during part load operation. However, it is submitted that the operating norms are specified for full load operation and higher PLF can no way affirm better operating norms. Hence the arguments of the Stakeholders lack merit.

Commission's View

- 3.1.72 The Commission has stipulated in its Business Plan, & Capital Investment Plan for FY 2024-25 to FY 2028-29 for Singareni thermal power project (2x600 MW) as shown below:

"4.1.3 The Commission shall specify the norms of operation in the final MYT Regulation for the period commencing from FY 2024-25 onwards and therefore, has not delved in to the Business Plan, except the Capital Investment Plan, in the present Petition...."

- 3.1.73 The Commission has already specified the Operating norms in the Telangana Electricity Regulatory Commission (Multi Year Tariff) Regulation 2 of 2023 in clause no. 44 and the same have been considered while approving the tariff in this Order.

Energy charge

Stakeholder's Submissions

- 3.1.74 SCCL has computed energy charges based on the average actual charges for September to November, 2023 and submitted that actual charges would be claimed. Since actual charges are being claimed for variable cost, they cannot be projected for the period FY 2024-25 to FY 2028-29 based on presumptions. Actual charges are known only when they materialize. SCCL itself has submitted that energy charges are subject to adjustment. Therefore, the projection of energy charges of Rs.3.876 per kWh during the period FY 2024-25 to FY 2028-29 should not be allowed. SCCL has claimed that it is working on swapping of coal from Naini coal mines. When it materializes, energy charges should come down considerably with cost of transportation becoming nominal. Similarly, transit and handling loss of coal for non-pit head stations of 0.8% also should come down considerably after swapping. SCCL has not given the actual transit loss so far.

- 3.1.75 The Petitioner has been claiming the Energy charges in respect of the power supplied from STPP Project, based on the Coal pricing under the Bridge Linkage Policy since the year 2016, which pricing has to be dispensed forthwith, since the Price considered towards the Coal supply under the Bridge Linkage Pricing, is high priced than the SCCL Notified Price of Coal, viz. higher by 20 to 30% (Rs. 5741 to Rs. 5981 per Metric Ton). By considering high price of Coal being supplied to STPP, the Energy charges are claimed higher. The

Stakeholders have already contested on the high priced Coal being used by SCCL for power generation in the STPP Project, by filing a Petition, O.P.No.13 of 2023 before the Commission, which was heard and orders were reserved long back (TGERC RoP dated 21st August 2023) in the matter.

- 3.1.76 Therefore, the Commission is requested to consider to regulate the pricing of Coal Supply to STPP at Notified Prices, in terms of Regulatory Powers under Section 86(1)(b) of the Electricity Act, 2003 (even the Petitioner has also filed the present Petition under Section 86(1)(b) of the Electricity Act, 2003), else it translates into higher Energy Charges and burden the end consumers. Further, the delay of commissioning of the NAINI Captive Coal Mine to SCCL/STPP Project is entirely attributable to SCCL and the Stakeholders cannot be burdened for long under the Bridge Linkage Coal Pricing, which is a short term linkage but the Petitioner is taking undue advantage of the same and charging coal supply to STPP at additional 20-30% price over and above the Notified Price of corresponding grade of coal. The Commission is requested to restrict the Coal supply pricing to STPP at Notified Prices published by SCCL from time to time, in terms of the Clause 50.4 of Tariff Regulation No. 2 of 2023.

Petitioner's Replies

- 3.1.77 The Petitioner has submitted that as per the clause no. 46.4 of (Multi Year Tariff) Regulation 2 of 2023 for tariff determination of next control period, three preceding month's latest procurement price of primary fuel and secondary fuel for the generating shall be taken into accounts. Accordingly, SCCL has computed energy charges based on the average actual energy charges for September to November, 2023 and claimed the average for FY 2024-25 to FY 2028-29 as base charge in that period being inconsonance with regulation.
- 3.1.78 Further, it is to state that currently coal is being supplied to STPP from the nearby mines and if swapping of coal materializes in future the coal may be supplied from the same mines and hence there will not be any impact in transit & handling loss of coal which is around 0.8% at present.
- 3.1.79 The Stakeholders have raised a question of supplying high priced coal under bridge linkage pricing. In this respect, it is to humbly submit that STPP always comes among the top five State sector generating stations in the Merit order. Further the petitioner submits the following price chart which was discovered under unbiased competitive bids which reflects the most efficient energy prices.

- 3.1.80 The average price of STPP in FY 2023-24 till date is around Rs 5.39/kWh (Energy Charge @ Rs. 3.81+ fixed charge at normative generation @ Rs.1.58).
- 3.1.81 Considering the submitted table of competitive supply, it can be stated that the supply of STPP with the present pricing of the coal are completely aligned with the best interest of consumers in the State of Telangana since the same is much lesser than the most efficient, prices discovered through bidding. Based on the above facts, the objections raised by the TGDIsComs has no merit.

Commission's View

- 3.1.82 The Commission has approved the Energy Charge Rate (ECR) for the Control Period from FY 2024-25 to FY 2028-29 in accordance with the provisions of the Telangana Electricity Regulatory Commission (Multi Year Tariff) Regulation 2 of 2023.

Incentive

Stakeholder's Submissions

- 3.1.83 Against target availability of 85% PLF, SCCL exceeded it by 89.7% during FY 2022-23 and marginal variation during FY 2023-24. For the period FY 2024-25 to FY 2028-29 SCCL has claimed that it would achieve higher PLF of around 91.40 percent per annum. Based on that, it has projected incentive @ Re.0.50 per kWh for generation and supply of power above the threshold level of PLF ranging from Rs.18.66 Crore to Rs.31.84 Crore per annum during the period FY 2024-25 to FY 2028-29. If only SCCL can generate additional power exceeding the threshold level of PLF and if only the TGDIsCOMs agree to take that power, incentive has to be paid. It should not be projected and approved in advance. Moreover, the principle of merit order dispatch also comes into play and higher variable cost may even lead to backing down of its declared capacity.
- 3.1.84 The Incentive stipulated in the Tariff Regulation 2 of 2023 is binding on the Parties and the Petitioner has to claim the Energy Bills including Incentive as prescribed. But the Petitioner may not be allowed to claim Incentive for power generation beyond the Target PLF, by using high priced Bridge Linkage Coal, as this will burden the stakeholders with higher Energy charges as well as additional payment of Incentive. Both claims will be a loss proposition to TGDIsComs.

Petitioner's Replies

- 3.1.85 The Petitioner has submitted that STPP generated 8741.959 MUs in FY 2022-23 as per the approved scheduled energy given by SLDC by which an incentive of Rs.16.03 Crores is worked out and claimed in the truing up period @ 50paise/kWh in accordance with clause 21.4 of Regulation 01 of 2019. SCCL is entitled for this as per applicable extant regulation.
- 3.1.86 Further, it is to submit that the projections made by SCCL are likely capacity to be generated after considering overhauling and forced outages. However, the day ahead schedule will be given as per State Grid Code and beneficiary may opt for the required quantum of generation as per merit order. The incentive claimed by STPP is computed for MYT Period FY 2024-25 to FY 2028-29 based on estimated generation at the rate specified in clause 46.6 of Regulation 2 of 2023. Since it is only a projected value the actual incentive would get varied depending on the schedule that may be given by TGDIs from time to time.
- 3.1.87 Further it is submitted that TGDIs are required to follow merit order as per rules while scheduling power and if actual PLF reaches more than normative PLF. The incentive is required to be paid in terms of Clause 46.6 of Regulation 2 of 2023.

Commission's View

- 3.1.88 The Incentive for higher PLF shall applicable be in accordance with the provisions of the Regulation No.1 of 2019 based on actual PLF and the same cannot be allowed in advance based on projected PLF.

Fixed Charges

Stakeholder's Submissions

- 3.1.89 The Stakeholders have submitted that the Petitioner has claimed a true-up based on fixed charges of Rs. 4483.76 Crore against Rs.4277.21 Crore approved by the Commission for FY 2022-23 and an Rs.4749.77 Crore against Rs.4492.79 Crore approved by the Commission for the year FY 2023-24. For the period FY 2024-25 to FY 2028-29, SCCL has projected higher annual fixed charges of Rs.4983.07 Crore for FY 2024-25, Rs.5081.80 Crore for FY 2025-26, Rs.5065.59 Crore for FY 2026-27, Rs.5060.59 Crore for FY 2027-28 and Rs.5036.85 Crore for FY 2028-29. With the payment of depreciation charges, fixed charges should come down. SCCL has submitted that it would submit the cost of proposed FGD and tariff components later. In other words,

capital cost and tariffs would be claimed at still higher level later.

Petitioner's Replies

- 3.1.90 The Petitioner has submitted that the claim of fixed charges by STPP for next control period FY 2024- 25 to FY 2028-29 are given in table below:

Table 3-1: Fixed Charges as claimed for the period of FY 2024-25 to FY 2028- 29
Rs. in crore

Particulars	2024-25	2025-26	2026-27	2027-28	2028-29
Total Claim (Rs. Cr) of annual fixed charge	1555.60	1540.30	1524.09	1509.04	1495.35
Net Ex bus generation (MU)	8794.656	9055.238	9055.238	9081.297	9055.238
Average fixed charge in Rs./ kWh	1.77	1.70	1.68	1.66	1.65

Commission's View

- 3.1.91 The Commission has approved the Fixed Charge in accordance with the provisions of the Regulations as detailed in the subsequent chapters.

Integrated Mine (Naini):

Stakeholders' Submissions

- 3.1.92 The Stakeholders has submitted that since SCCL is working on the swapping of coal from Naini coal mines, Odisha, it is not submitting any proposal for determination of input cost of coal from Naini Mines. The Petitioner is repeatedly submitting before the Commission that it is working on swapping of coal from Naini Coal Mines to Telangana, but even after 7 years of commissioning of STPP project there is no progress in this regard. In fact, the Bridge linkage coal pricing is advantageous to the Petitioner. Unless the price of Bridge linkage coal being supplied to STPP is regulated by the Commission, no swapping of coal supply can be expected from SCCL.

Petitioner's Replies

- 3.1.93 Since the transfer of forest land by the Odisha Government is not completed yet, the production from Naini mine could not be started. This issue is beyond the control of SCCL. However, SCCL is working for starting of the mine at the earliest and swapping the same as per the directive of the Commission.

Commission's View

- 3.1.94 The coal allocation is not within the purview of the Commission. In the best interest of the electricity consumers of the State, SCCL shall have to pursue

with the concerned authorities for transfer of coal allocation from Naini Coal Block to its own mines in Telangana. The Commission directs to expedite the process to start the production from Naini coal block to reduce the burden on the Consumers.

Additional Capitalization for FY 2024-29

Stakeholders' Submissions

- 3.1.95 The Petitioner while working out the tariff components has claimed Additional Capitalization of Rs. 20.77 Crore, by citing the directions of the Commission.
- 3.1.96 The Commission in its Order dated 29th December 2023 in O.P.No.25 of 2023 (Capital Investment Plan for FY 2024-25 to FY 2028-29) & O.P.No.26 of 2023 (Business Plan) in which the Petitioner has proposed Capital Investment during FY 2024-25 for Implementation of Flexible operation scheme as per CEA Regulation for Rs. 20.77 Crore, yet the Commission has not approved the proposal, since the Petitioner was asked to submit the justification for the proposal along with necessary cost details and specifically asked to submit as to why SCCL cannot achieve the compliance of CEA Regulation without incurring the expenditure.
- 3.1.97 However, the Petitioner has not replied to the specific query raised by the Commission nor submitted justification of its Capital Investment proposal, except stating the Commission's suggestion to seek approval in accordance with the provisions of the Multi-Year Tariff Regulation No.2 of 2023. Further, the Petitioner has not furnished the relevant provision under which it is seeking Additional Capitalization of Rs. 20.77 Crore. As such, the Additional Capitalization proposed in the present MYT Petition, need not be considered. The Commission is requested to take into account the aforesaid submissions in the Tariff determination for STPP Project for the control period for FY 2024-29 in the present Petition.
- 3.1.98 SCCL is stating that the Commission allowed liberty for capital expenditure required for implementation of flexible operation scheme as per CEA regulation. Whereas the fact is that the proposal regarding this is already rejected by the Commission in its earlier orders, and therefore now the same cannot be considered in the coming MYT. SCCL has not submitted detailed justification of why the same flexibility in operation cannot be achieved without incurring the

proposed capital expenditure.

Petitioner's Replies

3.1.99 The Stakeholders have stated that STPP has not submitted the justification for capital expenditure proposal during FY 2024-25 for implementation of flexible operation scheme as per CEA regulation. The stakeholders also stated that the aforesaid proposal was not approved by the Commission.

3.1.100 In this respect, the Petitioner has submitted that the relevant CEA Regulations and other technical details are given with the MYT submission dated 30.01.2024, further, the Commission in the order for Capital investment plan give the liberty to SCCL to undertake capital works for compliance of CEA Regulations. The relevant portions of said order is reproduced below:

"4.2.22 If the need arises, SCCL may seek the approval of the Commission for undertaking the capital works required for complying with CEA Regulations in accordance with the provisions of the Multi Year Tariff Regulation to be issued by the Commission."

3.1.101 Further, it is to submit that all relevant justification and information have been submitted with the MYT submission dated 30.01.2024 and the proposed capital work was claimed under Regulation 22(3)(ii) of TS 02 of 2023. Accordingly, the issues raised by the Discoms have no merit.

3.1.102 The additional capital investment of Rs.20.77 Crores is required for modifications in control and instrumentation like low flow operation package for axial fans. These works need to be carried out in compliance to CEA Regulation dated 30.01.2023 and 15.12.2023 which is claimed under change in law.

3.1.103 As per said requirement, load has to be reduced up to 55% and subsequently up to 40% and the rates of load change are stipulated to be much faster than earlier contemplated during design of the unit. The higher stipulated ramp rates are the main reason why existing system could not comply the regulation in its present form. Accordingly, this expenditure needs to be allowed under change in law and the issues raised by the TGDIs in this regard have no merit.

Commission's View

3.1.104 The Commission has approved the additional Capitalisation for the MYT Period FY 2024-25 to FY 2028-29 after due diligence and prudence check. The approval of the additional capitalization is detailed in the subsequent chapter.

Chapter-4

Analysis and Conclusion on True-up for FY 2022-23

Regulatory Provisions

- 4.1.1 The petitioner has submitted the true-up petition for FY 2022-23 on 30.01.2024.
- 4.1.2 The Commission has carried true-up exercise in accordance with Regulation No.1 of 2019.
- 4.1.3 In addition to details submitted in petition, the Commission has also considered the additional submissions made by the petitioner dated 10.04.2024 in support of their claim. The component-wise description of the petitioner's claim and the Commission view thereon is given below:

Additional Capitalisation

Petitioner's Claim

- 4.1.4 The petitioner has claimed Rs.16.96 crore as additional capitalisation for FY 2022-23. In justification of additional capitalisation, the petitioner submitted that the works are within the original scope and spilled over to current control period and requested the Commission to allow the same under Clause 7.19.1. of Regulation No.1 of 2019.

Commission's View

- 4.1.5 The Commission in its order 28.08.2020 after prudence check held that no additional capitalisation beyond the original scope of work and after the cut-off date is allowable. The relevant extract is as follows:

5.4.20 *Clause 7.19 of Regulation No.1 of 2019 stipulates as under:*

7.19 Additional Capitalisation

7.19.1 The capital expenditure actually incurred or projected to be incurred, on the following counts within the Original Scope of Work, after the COD and upto the Cut-Off Date, may be admitted by the Commission subject to Prudence Check. Any additional capitalization after COD needs prior approval of the Commission:

... ..

- 5.4.21 *Regulation No.1 of 2019 defines cut-off date as 31st March of the year ending after two years of the year of start of commercial operation of a project and in case a project is declared to be under commercial operation in the last quarter of a year, it shall mean 31st March of the year ending after three years of the year of start of such commercial operation. The project has achieved COD on 02.12.2016 and accordingly, the cut-off date is 31.03.2019. The capital investment and the additional*

capitalisation claimed by SCCL is beyond the original scope of work and after the cut-off date. The additional capitalisation beyond the original scope of work and after the cut-off date is not allowable in accordance with clause 7.19.1 reproduced above.

- 4.1.6 Further, the Commission in its true-up order for FY 2019-20 dated 23.03.2023 reiterated the above stand that no additional capitalisation beyond the original scope of work and after the cut-off date is allowable. The extract of relevant clause is as follows:

"3.5.13 As per clause 7.19.1 of Regulation No.1 of 2019, the pre-requisite for allowing any expenditure/claim after cut-off date is that the works must have been approved by the Commission. Further in order dated 28.08.2020 it has been emphasised that the additional capitalisation beyond the original scope of work and after the cut-off date is not allowable. In view the above the Commission is not inclined to approve the additional capitalisation due to spill over works of the petitioner for Rs.199.78 crore."

- 4.1.7 The additional capitalisation claimed by the petitioner pertains is beyond the cut-off date. The clause 7.19 of Regulation No.1 of 2019 clearly stipulates that the capital expenditure within the original scope of work actually incurred upto the cut-off date may be admitted by the Commission subject to prudence check. As the additional expenditure is incurred after cut-off date as submitted by the Petitioner the Commission has not allowed the additional capitalisation claimed by the petitioner while carrying out the truing-up for FY 2022-23.

Table 4-1: Additional Capitalisation as approved for FY 2022-23

Rs. in crore

Particulars	2022-23	
	Claimed	Approved
Additional Capitalisation	16.96	0.00

Depreciation

Petitioner's Claim

- 4.1.8 The petitioner has claimed the depreciation as Rs.400.54 Crore against the approved value of Rs.400.34 crore in MYT order dated 28.08.2020. The depreciation approved in MYT order dated 28.08.2020, claimed by SCCL in true-up petition is detailed in Table below:

Table 4-2: Depreciation as claimed for FY 2022-23

Rs. in crore		
Particulars	Approved in MYT Order dated 28.08.2020	Claimed in True-up Petition
Depreciation	400.36	400.54

Commission's View

- 4.1.9 The Commission observed that the variance in depreciation claimed by the Petitioner and approved by the Commission in MYT Order dated 28.08.2020 is on account of the variations in GFA opening base and additional capitalization proposed by the Petitioner for FY 2022-23. The Commission observed that the opening GFA value for FY 2022-23 considered by the Petitioner does not match with the approved True up closing GFA for FY 2021-22. Further, the Commission has disallowed the additional capitalization for FY 2022-23.
- 4.1.10 The Commission has approved the depreciation in accordance with Clause 10 of the Regulation No. 1 of 2019 considering the approved GFA. The depreciation rate is considered in accordance to Clause 10.6 of the Regulation No. 1 of 2019.
- 4.1.11 The depreciation approved in MTR Order dated 23.03.2023, claimed by SCCL in True up petition and approved in True up Order is detailed in Table below:

Table 4-3: Depreciation as approved for FY 2022-23

Rs. in crore			
Particulars	Approved in MTR Order 23.03.2023	Claimed in True-up Petition	Approved in True-up Order
Opening GFA	7745.32	7745.32	7745.32
Additions during the year	0.00	16.96	0.00
Closing GFA	7745.32	7762.28	7745.32
Rate of Depreciation	5.17%	5.17%	5.17%
Depreciation	400.36	400.54	400.36

Interest and Finance Charges on Loan

Petitioner's Claim

- 4.1.12 The Petitioner has claimed the interest and finance charges on loan as Rs. 266.65 Crore against the approved value of Rs. 286.06 Crore in MYT Order dated 28.08.2020. The Petitioner further added that the Commission in its Mid Term review Order dated 23.03.2023 allowed the refinancing of loan. The Petitioner has claimed the sharing of gains accrued due to refinancing in the

truing up of FY 2022-23 in accordance to Clause 12 of Regulation No. 1 of 2019.

- 4.1.13 The interest and finance charges on loan approved in MYT Order dated 28.08.2020, claimed by SCCL in True up petition is detailed in Table below:

Table 4-4 Interest and Finance Charges on Loan as claimed for FY 2022-23

Rs. in crore

Particulars	Approved in MYT Order dated 28.08.2020	Claimed in True-up Petition
Interest and finance charges on Loan	286.06	266.65

Commission's View

- 4.1.14 The Commission has approved the Interest and Finance Charges on loan in accordance with Clause 12 of the Regulation No. 1 of 2019. The outstanding loan balance approved for FY 2021-22 has been considered as the opening loan balance for FY 2022-23. The approved depreciation has been considered as the normative repayment for the year.
- 4.1.15 In regard to interest rate, the Commission directed the Petitioner to substantiate the interest rate on loan as considered in the Petition. The Petitioner in its reply the 2022-23. The Commission has computed the weighted average rate of interest on loan based on the actual loan portfolio and respective interest rate.
- 4.1.16 The Commission in its MTR Order dated 23.03.2023 approved the refinancing of loan for FY 2020-21 and FY 2021-22 as shown below:

"3.9.12 The first and fourth proviso under clause 12.5 of the Regulation No.1 of 2019 specifies "in no case the rate of interest on loan shall exceed approved rate of RoE" and "Provided that if such rate of notional loan changes by more than MCLR during the control period and such change subsists for more than 3 continuous quarters in a year, then the same shall be effected on the notional loan and adjusted during true-up at the time of Mid-Term Review and End of Control Period Review" respectively.....

3.9.14 The Commission on consideration of loan refinancing has arrived at weighted average rate of interest @8.84% for the FY 2020-21 and the details are as given below:

Table 3.13: Interest rate due to loan refinancing during FY 2020-21

Rs. in crore

Particulars	Before swapping 197 days (01.04.2020 to 14.10.2020)	After swapping 168 days (15.10.2020 to 31.03.2021)
Average Net Loan	3,876.98	3,719.10
Interest on loan	213.35	122.39

Wt Average Interest on loan for FY 2020-21 (A)	8.84%
Interest rate before loan refinancing (B)	10.20%
Reduction in interest rate due to loan refinancing (C= B-A)	1.36%

The Commission has computed the reduction in interest on loan amount by using the reduction in interest rate due to loan refinancing and approved average loan balance.

3.9.16 The Commission has considered the reduced interest on loan from FY 2020-21 to FY 2023-24. Though there is reduction in interest rate due to loan refinancing and after sharing of gains/loss as per clause 12.6 of Regulation No.1 of 2019, the net interest on loan for FY 2020-21 has increased as the refinancing charges are to be passed on to beneficiaries as per Regulation No.1 of 2019. The benefit of reduced rate of interest on loan due to loan refinancing is passed on to beneficiaries from FY 2021-22 to FY 2023-24....."

4.1.17 It is observed that the Petitioner has also claimed the sharing of the benefits of refinancing of loan during FY 2022-23 in its True-up petition. The Commission in its Order dated 23.03.2023 has approved the sharing of gains on account of refinancing in FY 2020-21 and the Commission has not approved any sharing of gains for FY 2021-22. The Petitioner being aggrieved by the Commission's MTR Order for not allowing the sharing of refinancing during FY 2021-22 challenged the Order before the Hon'ble APTEL, which is still pending. As the issue of sharing of refinancing for FY 2021-22 is sub-judice, the Commission is not allowing the sharing of refinancing for FY 2022-23 at this stage.

4.1.18 The interest and finance charges on loan approved in MTR Order dated 23.03.2023, claimed by SCCL in True up petition and approved in True up Order is as shown in the Table below:

Table 4-5: I&FC on Loan as approved for FY 2022-23

Rs. in crore

Particulars	Approved in MTR Order 23.03.2023	Claimed in True-up Petition	Approved in True-up Order
Opening Loan	-	3330.34	3330.33
Addition		11.87	0.00
Repayment		400.54	400.36
Closing Loan		2941.67	2929.97
Interest rate		7.66%	7.66%
Interest on loan		240.10	239.65
Sharing of		26.55	-

Particulars	Approved in MTR Order 23.03.2023	Claimed in True-up Petition	Approved in True-up Order
Benefits of Refinancing			
I&FC on Loan	224.24	266.65	239.65

Interest on Working Capital (IoWC)

Petitioner's Claim

- 4.1.19 The Petitioner has claimed the Interest on working capital for FY 2022-23 as Rs. 98.65 Crore in accordance to Clauses 13.1 to 13.4 of Regulation No. 01 of 2019 against the approved value of Rs. 79.65 Crore in MYT Order dated 28.08.2020. The Petitioner has considered the Interest rate as 9.40% for computation of interest on working capital.
- 4.1.20 The interest on working capital approved in MYT Order dated 28.08.2020, claimed by SCCL in True up petition is detailed in Table below:

Table 4-6: Interest on Working Capital as claimed for FY 2022-23

Rs. in crore

Particulars	Approved in MYT Order dated 28.08.2020	Claimed in True-up Petition
Interest on Working Capital	79.65	98.65

Commission's View

- 4.1.21 The Commission has computed the working capital requirement for FY 2022-23 in accordance with clause 13 of Regulation No.1 of 2019. The working capital requirement has been computed considering the following:
- Cost of coal towards stock corresponding to 30 days generation corresponding to target availability.
 - Cost of coal for 30 days of generation corresponding to target availability.
 - Cost of secondary fuel oil for two months of generation corresponding to target availability.
 - Maintenance spares @ 20% of the O&M expenses.
 - O&M expenses for one month.
 - Receivables equivalent to two months of capacity charges and energy charges for sale of electricity calculated on target availability.
 - Minus payables for fuel (including secondary fuel oil) to the extent of thirty days of the cost of fuel computed at target availability.
- 4.1.22 In regard to rate of IoWC, the relevant clause of Regulation is as follows:
- "13.3 Rate of interest on working capital shall be on normative basis and shall be considered as the Bank Rate plus 150 basis points as on filing date or as on 1st April of the financial Year during the MYT period in which the Generating Station or Unit thereof is declared under commercial operation, whichever is later.*

Provided that for the purpose of Truing-up for any year, interest on working capital shall be allowed at a rate equal to the weighted average Bank Rate prevailing during the concerned Year plus 150 basis points."

4.1.23 The Commission observed that the petitioner has wrongly computed the rate of interest for FY 2022-23. The petitioner has claimed the interest rate as 9.42% instead of Rs.9.30% equal to the weighted average Bank Rate prevailing during the FY 2022-23 including 150 basis points in accordance to clause 13.3 of Regulation No.1 of 2019.

4.1.24 The loWC approved in MTR order dated 23.03.2023, claimed by SCCL in true-up petition and approved in true-up order is detailed in Table below:

Table 4-7: Interest on Working Capital as approved for FY 2022-23

Rs. in crore

Particulars	Approved in MTR Order 23.03.2023	Claimed in True-up Petition	Approved in True-up Order
Cost of Coal		233.62	229.71
Cost of Coal Generation		233.62	229.71
Cost of secondary fuel oil		1.83	1.83
O&M expenses		25.58	19.11
Maintenance spares		61.38	45.87
Receivables		726.24	699.15
Minus: Payables for fuel		234.54	230.62
Total Working Capital		1047.73	994.75
Rate of Interest		9.42%	9.30%
Interest on Working Capital	83.51	98.65	92.50

Operation & Maintenance (O&M) Expenses

Petitioner's Claim

4.1.25 The Petitioner claimed the O&M expenses as Rs. 304.61 Crore on actuals against the approved value of Rs. 231.61 Crore in MYT Order dated 28.08.2020. The Petitioner in support of its claim has also submitted the auditor certificate.

4.1.26 The O&M expenses approved in MYT Order dated 28.08.2020, claimed by SCCL in True up petition is detailed in Table below:

Table 4-8: Summary of O&M expenditure as claimed for FY 2022-23

Rs. in crore

Particulars	Approved in MYT Order dated 28.08.2020	Claimed in True-up Petition
Employee Expenses	104.70	153.76
R&M Expenses	94.90	94.61
A&G Expenses	34.36	56.24
O&M Expense	231.61	304.61

Commission's View

- 4.1.27 The clause 6.7 of Regulation No.1 of 2019 specifies variation in O&M expenses as controllable factors. The relevant extract is as follows:

6.7 Controllable factors

Variations or expected variations in the performance of the petitioner, which may be attributed by the Commission to controllable factors include, but are not limited to the following:

- 6.7.1 Variations in capitalisation on account of time or cost overruns or inefficiencies in the implementation of a capital expenditure scheme not attributable to an approved change in its scope, change in statutory levies or Force Majeure Events;

- 6.7.2 Variation in interest and finance charges, return on equity, and depreciation on account of variation in capitalisation as specified in clause 6.8.1 above;

- 6.7.3 Variation in performance parameters, such as Availability, Auxiliary Consumption, Secondary fuel oil consumption, Gross Station Heat Rate.

- 6.7.4 Variation in amount of interest on working capital;

- 6.7.5 Variation in Operation and Maintenance Expenses;

- 6.7.6 Variation in coal transit losses."

- 4.1.28 The Commission has recomputed the normative Employee expenses, normative R&M expenses and normative A&G expenses as per Regulation No.1 of 2019 based on the actual WPI/CPI for FY 2022-23.

Table 4-9: Normative Employee Cost as approved for FY 2022-23

Rs. in crore

Particulars	EMP _b	CPI Inflation	Provision	EMP _n
	(a)	(b)	(c)	(a*b)+(c)
Employee Cost	101.87	1.05	0.00	107.02

Table 4-10: Normative A&G Expenses as approved for FY 2022-23

Rs. in crore

Particulars	A&G _{fo}	Inflation Factor	Provision	A&G _n
	(a)	(b)	(c)	(a*b)+(c)
A&G Expenses	34.34	1.07	0.00	36.69

Table 4-11: Normative R&M Expenses as approved for FY 2022-23

Rs. in crore

Particulars	K_n	GFA_n	WPI Inflation	$R\&M_n$
	(a)	(b)	(c)	(a*b*c)
R&M Expenses	1.04%	7745.32	1.10	87.94

- 4.1.29 The recomputed normative O&M expenses were compared with the actual expenses as claimed by petitioner and the Commission has approved the least of computed normative expenses and actual expenses claimed.

Table 4-12: Least of O&M expenses Normative (recomputed) and actuals for FY 2022-23

Rs. in crore

Particulars	Recomputed Normative	Claimed (Actuals)	Lower of Normative or Claimed
Employee Expenses	107.02	153.76	107.02
R&M Expenses	87.94	94.61	87.94
A&G Expenses	36.69	56.24	36.69
O&M Expenses	231.64	304.61	231.64

- 4.1.30 The relevant clause of Regulation No.1 of 2019 related to O&M expenses is as follows:

"19.1 The O&M expenses for each year of the control period shall be approved based on the formula shown below:

$$O\&M_n = (R\&M_n + EMP_n + A\&G_n) \times 99\%$$

- 4.1.31 The O&M expenses claimed by petitioner and approved by the Commission for FY 2022-23 is as shown below:

Table 4-13: O&M Expenses claimed and approved FY 2022-23

Rs. in crore

Particulars	Approved in MTR 23.03.2023	Claimed				Approved				
	O&M Expenses	Employee Expenses (a)	R&M Expenses (b)	A&G Expenses (c)	O&M Expenses (a+b+c)	Employee Expenses (a)	R&M Expenses (b)	A&G Expenses (c)	O&M Expenses (a+b+c)	O&M Expenses (a+b+c) x 99%
FY 2022-23	220.09	153.76	94.61	56.24	304.61	107.02	87.94	36.69	231.64	229.33

Return on Equity (ROE)

Petitioner's Claim

- 4.1.32 The petitioner has claimed the Return on Equity (RoE) for FY 2022-23 as Rs.481.81 crore against the approved value of Rs.436.40 crore in MYT order dated 28.08.2020. The petitioner has considered the effective tax rate as 25.17% for grossing up the base rate of Return of Equity (15.50%).
- 4.1.33 The RoE approved in MYT order dated 28.08.2020, claimed by SCCL in true-

up petition is detailed in Table below:

Table 4-14: Return on Equity including Tax as claimed for FY 2022-23

Rs. in crore

Particulars	Approved in MYT Order dated 28.08.2020	Claimed in True-up Petition
Return on Equity	436.40	481.81

Commission's View

- 4.1.34 The Commission has approved Return on Equity in accordance with Clause 11 of the Regulation No. 1 of 2019. The gross normative equity as on 31.03.2022 approved in True-up Order dated 23.03.2023 has been considered as the normative opening equity as on 01.04.2022. The base rate of Return on Equity is considered as 15.50% in accordance to Clause 11.2 of Regulation No. 1 of 2019.
- 4.1.35 In regard to tax paid, the Commission directed the Petitioner to submit the documentary evidence in support of his claim. The Petitioner in its reply submitted that SCCL has opted for payment of Corporate Income Tax at the reduced Tax rate of 25.168% without MAT credit entitlement and exemptions. Therefore, the effective tax paid for FY 2022-23 comes out to 25.168% (Basic Rate: 22%, Surcharge: 10% on Basic rate and Cess: 04% on Basic rate + Surcharge).
- 4.1.36 The Commission observed that the Petitioner in addition to generation business is also engaged coal business. The audited Accounts of the Petitioner for FY 2022-23 is prepared on consolidated basis as there is no bifurcation of regulated business (thermal business) and other business of the Petitioner. As the audited accounts are prepared on consolidated basis, it would be difficult to ascertain and bifurcate the tax paid among the different business of the Petitioner. The Petitioner has not complied with the earlier directive of maintaining separate book of accounts for power generation activity in MTR Order dated 23.03.2023, the Commission expresses its displeasure and directs the Petitioner to maintain separate book of accounts for power generation activity.
- 4.1.37 The Hon'ble APTEL in its judgement dated 4th April, 2007 in appeal no. 251 of 2006 has ruled as under:

"The consumers in the licensee's area must be kept in a water tight compartment from the risks of other business of the licensee and the Income Tax payable thereon. Under no circumstance, consumers of the licensee should be made to bear the Income Tax accrued in other businesses of the licensee."

Income Tax assessment has to be made on stand alone basis for the licensed business so that consumers are fully insulated and protected from the Income Tax payable from other businesses."

- 4.1.38 Further, the Commission in its MTR Order dated 23.03.2024, has approved the income tax at MAT rate while trueing up for FY 2019-20 to FY 2021-22. The relevant extract is as follows:

"3.12.10 The Commission has approved RoE in accordance with clause 11 of the Regulation No.1 of 2019. The gross normative equity as on 31.03.2019 approved by True-up order dated 28.08.2020 has been considered as the normative equity as on 01.04.2019. The petitioner, availing regular income tax rate instead of concessional MAT rate would lead to higher RoE and burden on the consumers. Hence the Commission has considered concessional MAT rate instead of regular income tax rate as claimed by the petitioner. The rate of RoE has been considered as 18.782% by grossing up the base rate of 15.50% with concessional MAT rate of 17.472%."

- 4.1.39 The Petitioner being aggrieved by the Commission's MTR Order for not allowing the effective tax rate and challenged the above said MTR Order before the Hon'ble APTEL, which is still pending. As the issue of effective tax rate is sub-judice, the Commission is considering the tax rate as MAT inline with MTR Order dated 23.03.2023 at this stage.
- 4.1.40 The Return on Equity including tax approved in MTR Order dated 23.03.2023, claimed by SCCL in True up petition and approved in True up Order is detailed in Table below:

Table 4-15: Return on Equity including Income Tax as approved for FY 2022-23

Particulars	Approved in MTR Order 23.03.2023	Rs. in crore	
		Claimed in True-up Petition	Approved in True-up Order
Opening Equity		2323.60	2323.60
Addition		5.09	0.00
Closing Equity		2328.68	2323.60
Rate of RoE		15.50%	15.50%
Tax Rate		25.17%	17.47%
Grossed up rate of RoE		20.71%	18.78%
RoE including Income Tax	436.40	481.81	436.40

Non-Tariff Income (NTI)

Petitioner's Claim

- 4.1.41 The petitioner has claimed the Non-Tariff Income (NTI) on actuals as given in table below:

Table 4-16: Non-Tariff Income as claimed for FY 2022-23*Rs. in crore*

Particulars	Approved in MYT Order dated 28.08.2020	Claimed in True-up Petition
Non-Tariff Income (NTI)	17.92	9.27

Commission's View

- 4.1.42 The Commission after prudence check and based on audited accounts in terms of clause 16(a) of Regulation No.1 of 2019 allows the NTI as claimed by petitioner as shown in table below:

Table 4-17: Non-Tariff Income as approved for FY 2022-23*Rs. in crore*

Particulars	Approved in MTR Order 23.03.2023	Claimed in True-up Petition	Approved in True-up Order
Non-Tariff Income (NTI)	13.33	9.27	9.27

Other Charges**Petitioner's Claim**

- 4.1.43 The petitioner has claimed other charges (water charges, Audit fee & Tariff filling fee) on actuals as given in table below:

Table 4-18: Other Charges as claimed for FY 2022-23*Rs. in crore*

Particulars	Approved in MYT Order dated 28.08.2020	Claimed in True-up Petition
Other Charges (water charges, audit fee & tariff filling fee)	-	2.30

Commission's View

- 4.1.44 The Commission directed the Petitioner to submit the details of Water Charges, Tariff filing fee and audit fees as claimed for FY 2022-23. The Petitioner in its reply has submitted the copy of documentary evidences with regard to the Water charges, Tariff filing fee and Audit Fee as claimed.
- 4.1.45 The clause 19.6 of Regulation No.1 of 2019 stipulates that any expenditure on account of license fee, initial or renewal, fee for determination of tariff and audit fee shall be allowed on actual basis, over and above the A&G expenses approved by the Commission.
- 4.1.46 The Commission after prudence check allows the Water Charges, Audit Fee & Tariff Filing fee on actuals as claimed by the Petitioner as detailed below:

Table 4.15: Other Charges approved for FY 2022-23*Rs. in crore*

Particulars	Approved in MTR Order 23.03.2023	Claimed in True-up Petition	Approved in True-up Order
Other Charges (water charges, audit fee & tariff filling fee)	-	2.30	2.30

Incentive**Petitioner's Claim**

- 4.1.47 The Petitioner has claimed incentive as Rs. 16.03 Crore in accordance to Clause 21.4 of Regulation No. 1 of 2019 for supplying power to Beneficiaries more than the normative operations norms (PLF > 85%) as specified by the Commission.

Table 4-19: Incentive as claimed for FY 2022-23*Rs. in crore*

Particulars	Unit	Approved in MYT Order dated 28.08.2020	Claimed in True-up Petition
Target PLF	%	85%	85%
Incentive Rate	Rs./kWh	0.50	0.50
Units above Normative PLF	MU	-	320.53
Incentive for additional generation above Normative PLF	Rs.Crore	-	16.03

Commission's View

- 4.1.48 The Incentive for achieving the normative PLF and additional generation over & above normative PLF are to be recovered directly from beneficiaries in accordance to Regulation No.1 of 2019. The Petitioner is directed to recover the same in accordance with the Regulation No. 1 of 2019.

Energy Charges**Petitioner's Claim**

- 4.1.49 The Petitioner submitted that Energy Charges have been computed based as per clause 21 of Regulation No.1 of 2019.
- 4.1.50 The Energy Charge Rate (ECR) claimed by SCCL for FY 2022-23 is as shown in the Table below:

Table 4-20: Energy Charge Rate (ECR) as claimed for FY 2022-23

Particulars	Legend	Units	Approved in MYT Order dated 28.08.2020	Claimed in True up Petition
Auxiliary Consumption	AUX	%	5.75	6.05
Gross Station Heat Rate	GHR	kcal/kWh	2303.88	2305.47
Secondary Fuel oil consumption	SFC	ml/kWh	0.5	0.19
Calorific Value of Secondary Fuel	CVSF	kcal/ml	9.97	10.01
Landed Price of Secondary Fuel	LPSF	Rs/ml	0.04	0.07
Wt. Avg. Gross Calorific Value of Coal	CVPF	kcal/kg	3866.17	4002.83
Landed Price of Coal	LPPF	Rs/kg	3.68	5.44
Specific Coal Consumption		kg/kWh	0.59	0.58
ECR		Rs/kWh	2.345	3.343

Commission's View

- 4.1.51 Clause 21 of the Regulation No. 1 of 2019 stipulates the methodology for determination of ECR. The Auxiliary Consumption, Gross Station Heat Rate, Secondary Fuel oil consumption, Calorific Value of Secondary Fuel are controllable factors and considered on normative basis. Further, the landed price of secondary fuel, weighted average gross calorific value of coal and landed price of coal are uncontrollable factors and considered on actuals basis.
- 4.1.52 Based on the above methodology and details submitted by the Petitioner, the Commission has recomputed the ECR for FY 2022-23 as follows:

Table 4-21: Energy Charge Rate (ECR) approved for FY 2022-23

Particulars	Legend	Units	Approved in MYT Order dated 28.08.2020	Claimed in True-up Petition	Approved in True-up Order
Auxiliary Consumption	AUX	%	5.75	6.05	5.75
Gross Station Heat Rate	GHR	kcal/kWh	2303.88	2305.47	2303.88
Secondary Fuel oil consumption	SFC	ml/kWh	0.5	0.19	0.19
Calorific Value of Secondary Fuel	CVSF	kcal/ml	9.97	10.01	10.01
Landed Price of Secondary Fuel	LPSF	Rs/ml	0.04	0.07	0.07
Wt. Avg. Gross Calorific Value of Coal	CVPF	kcal/kg	3866.17	4002.83	4002.83
Landed Price of Coal	LPPF	Rs/kg	3.68	5.44	5.44
Specific Coal Consumption		kg/kWh	0.59	0.58	0.58
ECR		Rs/kWh	2.345	3.343	3.332

- 4.1.53 Any variation in fuel prices on account of change in the GCV of coal or gas or

liquid fuel shall be billed in accordance with the provisions under Clauses 21.10 and 21.11 of Regulation No.1 of 2019.

Summary of Annual Fixed Charge admitted and Sharing of Gain/Loss

4.1.54 The summary of AFC claimed by SCCL for FY 2022-23 and approved by the Commission is given in table below:

Table 4-22: Annual Fixed Charge (AFC) approved

Rs. in crore

Particulars	Approved in MTR Order 23.03.2023	Claimed in True up Petition	Approved in True up Order	Variation with MTR Order
Depreciation	400.36	400.54	400.36	0.00
Interest and finance charges on loan	224.24	266.65	239.65	15.41
Interest on Working Capital	83.51	98.65	92.50	8.99
Operation & Maintenance Expenses	220.09	304.61	229.33	9.23
Return on Equity	436.40	481.81	436.40	0.00
Less: Non-Tariff Income	13.33	9.27	9.27	-4.06
Annual Fixed Charges	1351.27	1542.99	1388.97	37.69
Other Charges	-	2.30	2.30	2.30
Total AFC including Other Charges	1351.27	1545.30	1391.27	39.99

Sharing of Gains/Losses

4.1.55 The Commission has approved the sharing of gains/losses in accordance with the relevant clauses of Regulation No.1 of 2019 as detailed in table below:

Table 4-23: Summary of approved sharing of gain/loss to the beneficiaries

Rs. in crore

Particulars	Variation of AFC with MTR Order	Sharing of Gain/Losses
Depreciation	0.00	0.00
Interest and finance charges on loan	15.41	15.41
Interest on Working Capital	8.99	3.00
Operation & Maintenance Expenses	9.23	3.08
Return on Equity	0.00	0.00
Less: Non-Tariff Income	-4.06	-4.06
Other Charges (Water charges, Audit fee & Tariff filing fee)	2.30	2.30
Sharing of gains/losses (+/-)	-	27.84

4.1.56 The Commission directs SCCL to bill to the beneficiary's viz., TGDISCOMs the claim towards total sharing/passing through of gains/losses approved in

this order as per the AFC and other charges approved after truing-up for FY 2022-23.

Chapter-5

Analysis and Conclusion on MYT for the period FY 2024-25 to FY 2028-29

Regulatory Provisions

- 5.1.1 The clause 6 of Regulation No. 2 of 2023 specifies the procedure for filing petition. The extract of relevant clauses of Regulation No.2 of 2023 is as follows:

"6 Procedure for filing Petition

- 6.1 *The petitions under MYT by the generating entity, transmission licensee/STU, SLDC and distribution licensee shall be filed as per the timelines specified in this Regulation and in compliance with the principles for determination of Aggregate Revenue Requirement as specified in this Regulation along with the applicable formats enclosed at Appendix 1 to Appendix 5.*

- 6.2 *The petitions to be filed for each control period under this Regulation are as under:*

- a) *Multi Year Tariff petition shall be filed by 30th November of the year preceding the first year of the control period by generating entity, comprising:*

- i. *True-up of preceding year for generation business;*
- ii. *True-up of preceding year for integrated mine;*
- iii. *Proposal of Tariff for each year of the control period for generation business;*
- iv. *Proposal of Input Price of coal supplied from integrated mine for each year of the control period.*

Provided that the Multi Year Tariff petitions for the control period commencing from 01.04.2024 shall be filed by generating entity, transmission licensee, distribution licensee and SLDC on or before 31.01.2024.

....

Illustration: *The timelines for filing the Petitions for the control period from FY 2024-25 to FY 2028-29 are as under:*

Multi Year Tariff petition for the control period from FY 2024-25 to FY 2028-29: 31.01.2024;

Annual Tariff petition for FY 2025-26: 30.11.2024;

Annual Tariff petition for FY 2026-27: 30.11.2025;

Annual Tariff petition for FY 2027-28: 30.11.2026;

Annual Tariff petition for FY 2028-29: 30.11.2027;

- 5.1.2 The petitioner has filed the MYT petition for the period i.e., from FY 2024-25 to FY 2028-29 on 30.01.2024.

- 5.1.3 The Commission has scrutinized the petition filed by petitioner for determination

of Generation Tariff for the MYT of the period i.e. FY 2024-25 to FY 2028-29, in accordance with Regulation No. 2 of 2023.

- 5.1.4 The tariff for sale of electricity from a thermal generating station shall comprise of two parts namely, Annual Fixed Charges (AFC) and Energy Charges (for recovery of primary and secondary fuel cost). The extract of relevant clause of Regulation No.2 of 2023 is as follows:

"39 Components of Tariff

39.1 *The Tariff for sale of electricity from a thermal power Generating Station shall comprise two parts, namely, Annual Fixed Charge and Energy Charge.*

39.2 *The Tariff for sale of electricity from a hydel Generating Station shall comprise one part, namely, Capacity Charge.*

40 Annual Fixed Charges

40.1 *The Annual Fixed Charges shall comprise the following components:*

- (a) *Operation & Maintenance Expenses;*
- (b) *Depreciation;*
- (c) *Interest and finance charges on loan;*
- (d) *Interest on Working Capital;*
- (e) *Return on Equity;*

Less:

- (f) *Non-Tariff Income;*

B. Energy Charges

46.3 *The Energy Charges shall cover landed cost of primary fuel and secondary fuel oil and shall be worked out on the basis of total energy scheduled to be supplied to the Beneficiary/ies during the calendar month on ex-power plant basis, at the Energy Charge Rate of the month (with fuel price adjustment) as per the following formula:*

$$\text{Energy Charges (Rs)} = (\text{Energy Charge Rate in Rs/kWh}) \times [\text{Scheduled Energy (ex-bus) for the month in kWh}]$$

46.4 *Energy Charge Rate (ECR) in Rs/kWh shall be computed upto three decimal places and shall be the sum of the cost of normative quantities of primary and secondary fuel for delivering ex-bus one kWh of electricity, and shall be computed as per the following formula:*

$$\text{ECR} = \{(\text{GSHR} - \text{SFC} \times \text{CVSF}) \times \text{LPPF} / \text{CVPF} + \text{SFC} \times \text{LPSF}\} \times 100 / (100 - \text{AUX})$$

Where,

AUX = Normative Auxiliary Energy Consumption in percentage;

CVPF = Weighted average Gross Calorific Value of coal as received in kcal/kg less 85 kcal/kg on account of variation during

storage at generating station; in case of blending of fuel from different sources, the weighted average Gross Calorific Value of primary fuel shall be arrived in proportion of blending ratio;

CVSF = Calorific value of secondary fuel, in kcal/ml;

GSHR = Normative Gross Station Heat Rate, in kcal/kWh;

LPPF = Weighted average landed price of primary fuel, in Rs./kg, as applicable, during the month; in case of blending of fuel from different sources, the weighted average landed price of primary fuel shall be arrived in proportion of blending ratio;

SFC = Normative Secondary Fuel Oil Consumption, in ml/kWh;

LPSF_i = Weighted average landed price of secondary fuel in Rs./ml during the month."

- 5.1.5 The component-wise description of the petitioner's claim and the Commission's view thereon is given below:

Operation and Maintenance (O&M) Expenses

Petitioner's Claim

- 5.1.6 The Petitioner submitted that the O&M expenses (Employee expenses, A&G expenses and R&M expenses) are claimed based on actuals of the past Control Period after applying the formula provided in Clause 45 of Regulation No. 2 of 2023. The O&M expenses as claimed by the Petitioner for THE period FY 2024-25 to FY 2028-29 is as follows:

Table 5-1: O&M Expenses as claimed for the period FY 2024-25 to FY 2028-29

Rs. in crore					
Particular	2024-25	2025-26	2026-27	2027-28	2028-29
Employee Expenses	170.09	179.03	188.44	198.35	208.78
A&G Expenses	59.73	63.27	67.02	70.98	75.19
R&M Expenses	126.38	133.86	141.79	150.19	159.08
O&M Expenses	356.20	376.17	397.25	419.52	443.05

Commission's View

- 5.1.7 Clause 45 of (Multi Year Tariff) Regulation 2 of 2023 specifies the Operation and Maintenance expenses. The relevant extract of the Regulation is as follows:

"45 Operation and Maintenance (O&M) expenses

45.1 The O&M expenses for each generating station shall comprise of:

Employee cost including unfunded past liabilities of pension and gratuity;

Repairs and Maintenance (R&M) expenses; and

Administrative and Generation (A&G) expenses.

45.2 The O&M expenses for existing generating station for each year of the

Control Period shall be approved based on the formula shown below:

$$O\&M_n = EMP_n + R\&M_n + A\&G_n$$

Where,

- O&M_n – Operation and Maintenance expense for the nth year;
- EMP_n – Employee Costs for the nth year;
- R&M_n – Repair and Maintenance Costs for the nth year;
- A&G_n – Administrative and General Costs for the nth year;

45.3 The above components shall be computed in the manner specified below:

$$EMP_n = (EMP_{n-1}) \times (CPI \text{ Inflation});$$

$$R\&M_n = K \times (GFA_n) \times (WPI \text{ Inflation}) \text{ and}$$

$$A\&G_n = (A\&G_{n-1}) \times (WPI \text{ Inflation})$$

Where,

EMP_{n-1} – Employee Costs for the (n-1)th year;

"K" is a constant specified by the Commission in %. Value of K for each year of the control period shall be determined by the Commission in the MYT order based on generating entity's filing, benchmarking of repair and maintenance expenses, approved repair and maintenance expenses vis-à-vis GFA approved by the Commission in past and any other factor considered appropriate by the Commission;

GFA_n - Opening Gross Fixed Asset of the generating station for the nth year;

A&G_{n-1} – Administrative and General Costs for the (n-1)th year;

CPI Inflation – is the point to point change in the Consumer Price Index (CPI) for Industrial Workers (all India) as per Labour Bureau, Government of India; in case CPI Inflation is negative, the escalation/change shall be 0%;

WPI Inflation – is the point to point change in the Wholesale Price Index (WPI) as per the Office of Economic Advisor of Government of India:

Provided that the employee cost and A&G expenses for the first year of the Control Period shall be worked out considering the average of the trued-up expenses after adding/deducting the share of efficiency gains/losses, for the immediately preceding Control Period, excluding abnormal expenses, if any, subject to prudence check by the Commission and duly escalating the same for 3 years with CPI Inflation for employee costs and WPI Inflation for A&G expenses.

....."

- 5.1.8 In accordance to proviso to clause 43 of (Multi Year Tariff) Regulation 2 of 2023, the Commission has computed the Employee Expenses and A&G Expenses for FY 2024-25 by considering the average of the trued-up expenses after

adding/deducting the share of efficiency gains/losses, for the immediately preceding Control Period and duly escalating the same with actual inflation factor of FY 2022-23 and FY 2023-24.

- 5.1.9 The Employee Expenses of each financial year for the period FY 2024-25 to FY 2028-29 is computed by escalating the above derived value of Employee expenses by average CPI inflation factor of last 5 financial years (FY 2019-20 to FY 2023-24), subject to truing up in accordance to Regulation. The Employee Expenses approved by the Commission for the period FY 2024-25 to FY 2028-29 is as shown below:

Table 5-2: Normative Employee Costs as approved for the period FY 2024-25 to FY 2028-29

Rs. in crore

Particular	EMP _{n-1}	CPI Inflation	EMP _n
	(a)	(b)	(a)*(b)
FY 2024-25	114.51	1.058	121.17
FY 2025-26	121.17	1.058	128.22
FY 2026-27	128.22	1.058	135.68
FY 2027-28	135.68	1.058	143.57
FY 2028-29	143.57	1.058	151.92

- 5.1.10 The A&G Expenses of each financial year for the period FY 2024-25 to FY 2028-29 is computed by escalating the above derived value derived value of A&G expenses by average WPI inflation factor of last 5 financial years (FY 2019-20 to FY 2023-24), subject to truing up in accordance to Regulation.

Table 5-3: Normative A&G Expenses as approved for the period FY 2024-25 to FY 2028-29

Rs. in crore

Particular	A&G _{n-1}	WPI Inflation	A&G _n
	(a)	(b)	(a)*(b)
FY 2024-25	38.51	1.049	40.41
FY 2025-26	40.41	1.049	42.41
FY 2026-27	42.41	1.049	44.50
FY 2027-28	44.50	1.049	46.70
FY 2028-29	46.70	1.049	49.00

- 5.1.11 In regard to R&M Expenses, the Commission has computed the k factor based on the approved R&M expenses for previous Control Period. The normative R&M Expenses of each financial year for the period FY 2024-25 to FY 2028-29 is computed by multiplying the opening GFA, with k factor and average WPI inflation factor of last 5 financial years which is being escalated for the each

year of the period FY 2024-25 to FY 2028-29, subject to truing up in accordance to Regulation.

Table 5-4: Normative R&M Expenses as approved for the period FY 2024-25 to FY 2028-29

Rs. in crore

Particular	K	GFA _n	WPI Inflation	R&M _n
	(a)	(b)	(c)	(a*b*c)
FY 2024-25	1.08%	7745.32	1.049	87.89
FY 2025-26	1.08%	7745.32	1.101	92.23
FY 2026-27	1.08%	7745.32	1.155	96.78
FY 2027-28	1.08%	7745.32	1.212	101.55
FY 2028-29	1.08%	7745.32	1.272	106.56

5.1.12 The O&M Expenses approved by the Commission for FY 2024-25 to FY 2028-29 is as shown below:

Table 5-5: O&M expenses approved for the period FY 2024-25 to FY 2028-29

Rs. in crore

Particular	2024-25	2025-26	2026-27	2027-28	2028-29
Employee Expenses	121.17	128.22	135.68	143.57	151.92
A&G Expenses	40.41	42.41	44.50	46.70	49.00
R&M Expenses	87.89	92.23	96.78	101.55	106.56
O&M Expenses	249.48	262.85	276.95	291.82	307.48

Additional Capitalisation

Petitioner's Claim

5.1.13 The petitioner has claimed Rs.20.77 crore as additional capitalisation for FY 2024-25. In justification of additional capitalisation, the petitioner submitted that the

- Flexible operation of existing coal-fired power plants is very much required to ensure security, reliability of power supply and stability of electricity grids while maximizing generation from Renewable energies sources (RES) & integration of the same into grid.
- Accordingly, CEA issued new regulations on 30.01.23 for implementation of flexible operation scheme in coal based thermal power plants. As per the new regulations, the minimum unit generation should be reduced to 40% (i.e., 240 MW) of maximum continuous rating of unit (i.e., 600 MW) and minimum ramp rate capability should be 3%

per minute (i.e., 18 MW/min) between 100% to 70% (i.e., between 600 MW-420 MW) of maximum continuous rating, 2% per minute (i.e., 12 MW/min) between 70% to 55% (i.e., between 420 MW to 330 MW) of maximum continuous rating and 1% per minute (i.e., 06 MW/min) between 55% to 40% of maximum continuous rating (330 MW to 240 MW). These regulations should be complied within one year from the date of the notification of the regulations.

- c) CEA further notified on 15.12.23, the phasing plan of various coal based thermal Generating units. Based on the phasing plan approved by CEA, SCCL Unit-1 and Unit-2 should implement flexible operation scheme by January 2025 and March 2025 respectively.

Table 5-6: Additional Capitalisation as claimed for the period FY 2024-25 to FY 2028-29

Particular	Rs. in crore				
	2024-25	2025-26	2026-27	2027-28	2028-29
Additional Capitalisation	20.77	-	-	-	-

Commission's View

- 5.1.14 The Commission in its order on Business Plan, & Capital Investment Plan for FY 2024-25 to FY 2028-29 dated 29.12.2023 has already given its view on the FGD system and implementation of flexible operation scheme as per CEA Regulation. The extract from the Order is stipulated below:

"FGD system

4.2.11 The Commission in the MYT Order dated 28.08.2020 ruled as under: "5.4.28 As the target date for complying with SO₂ emission norm was deferred by the competent authority and such uniform dispensation was given across the country, the Commission deems it a fit case to exercise the power of relaxation of Clause 7.19.1 regarding the criteria for allowing additional capitalisation i.e., within the original scope of work and upto the cut-off date for allowing the capital investment for FGD system beyond the original scope of work and after the cut-off date. Clause 7.19.1(I) provides for capital expenditure for complying with statutory norms for Environment in accordance with the appropriate notifications of MoEF&CC. Therefore, the capital investment for FGD system is allowable under Clause 7.19.1(I) of the Regulation No.1 of 2019. The Commission vide its Order dated 08.02.2020 accorded in-principal approval for undertaking the works for complying with revised emission norms. The Commission hereby confirms the said approval. 5.4.29 As FGD is still under implementation stage across the country, in the absence of any yardstick on market trends to compare the cost estimates of SCCL, the Commission is not

expressing any opinion on the cost estimates at this stage. The Commission understands that SCCL is in the process of awarding the works of procurement and installation of FGD system through competitive process. The Commission expects such competitive procurement to yield the most economical prices aligned to market trends. The Commission shall carry out the prudence check of the cost of FGD system in true-up for the relevant year after commissioning of the same."

- 5.1.15 Accordingly the Commission shall carry out the prudence check of the final executed cost in true-up for the relevant year after commissioning of the FGD system.

" Implementation of flexible operation scheme as per CEA Regulation

4.2.22 SCCL submitted that it has to incur the capital investment for complying with the CEA Regulation but it has neither justified as to why it cannot achieve the without incurring the proposed capital investment nor it has submitted the works proposed to be undertaken along with corresponding cost details. Therefore, the Commission does not approve the capital investment for the same in this Order. The Commission is in the process of framing the Multi Year Tariff Regulation for the period commencing from FY 2024-25 onwards. If the need arises, SCCL may seek the approval of the Commission for undertaking the capital works required for complying with CEA Regulations in accordance with the provisions of the Multi Year Tariff Regulation to be issued by the Commission."

- 5.1.16 Accordingly the Commission grants the in-principle approval as the said works are towards the compliance of CEA Regulations. The Commission shall carry out the prudence check of the final executed cost in true-up for the relevant year after commissioning of the same. The additional capitalisation of SCCL claimed for implementation of flexible operation scheme is deferred and will be taken into consideration at the time of the true up of the relevant year. The Commission directs the Petitioner to implement the flexible operation scheme as per CEA Regulations.

Depreciation

Petitioner's Claim

- 5.1.17 The Petitioner submitted that the depreciation is claimed in accordance with Regulation 28 of (Multi Year Tariff) Regulation 2 of 2023. The Petitioner has considered the opening GFA for FY 2024-25 as Rs. 7805.62 Crore for determination of depreciation.
- 5.1.18 The depreciation rates for different assets for each financial year was computed based on the asset capitalization schedule as considered in MYT Petition by

adopting the straight-line method of depreciation computation and rates specified in Annexure I of (Multi Year Tariff) Regulation 2 of 2023. The balance depreciable value as on 1st April, 2024 was computed by deducting the cumulative depreciation claimed upto 31st March 2023. The depreciation as claimed by the Petitioner for the period FY 2024-25 to FY 2028-29 is as follows:

Table 5-7: Depreciation as claimed for the period FY 2024-25 to FY 2028-29

Rs. in crore					
Particular	2024-25	2025-26	2026-27	2027-28	2028-29
Depreciation	403.52	404.17	404.17	404.17	404.17

Commission's View

5.1.19 Clause 28 of (Multi Year Tariff) Regulation 2 of 2023 specifies provisions related to Depreciation. The relevant extract of the Regulation is as follows:

"28 Depreciation

28.1 The generating entity, licensee, and SLDC shall be permitted to recover depreciation on the value of fixed assets used in their respective regulated businesses, computed in the following manner:

(a) The approved original cost of the fixed assets shall be the value base for calculation of depreciation:

Provided that the depreciation shall be allowed on the entire capitalised amount of the new assets after reducing the approved original cost of the retired or replaced or de-capitalised assets.

(b) Depreciation shall be computed annually based on the straight line method on the basis of the expected useful life specified in the Annexure I to this Regulation.

(c) The salvage value of the asset shall be considered at ten per cent of the allowable capital cost and depreciation shall be allowed upto a maximum of ninety per cent of the allowable capital cost of the asset:

Provided that the generating entity or Licensee or SLDC shall submit certification from the Statutory Auditor for the capping of depreciation at ninety per cent of the allowable capital cost of the asset:

Provided further that the salvage value of Information Technology equipment and computer software shall be considered at zero per cent of the allowable capital cost.

28.2 Land other than the land held under lease and the land for reservoir in case of hydel Generating Station shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the assets.

28.3 In case of existing assets, the balance depreciable value as on 01.04.2024 shall be worked out by deducting the cumulative depreciation as admitted by the Commission up to 31.03.2024 from the gross depreciable value of the assets:

Provided that depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the year, depreciation shall be charged on pro rata basis.

28.4 The generating entity or Licensee or SLDC shall submit the depreciation computations separately for assets added up to 31.03.2024 and assets added on or after 01.04.2024.

28.5 Depreciation allowed for each year of the Control Period shall be deemed

to be equal to the loan repayment, up to the ceiling of seventy five percent (75%) of asset cost or actual debt component used for funding such asset in case the debt funding is higher than seventy five percent (75%) of the asset cost:

Provided that depreciation allowed for each year of the Control Period beyond seventy five percent (75%) of asset cost or actual debt component used for funding such asset in case the debt funding is higher than seventy five percent (75%) of the asset cost, shall be utilised for reduction of equity during that year.

- 5.1.20 The Commission observed that the Petitioner has computed the depreciation taking into account the projected additional capitalisation during the year. The Commission further observes that the depreciation rate considered by the Petitioner is in line with (Multi Year Tariff) Regulation 2 of 2023.
- 5.1.21 The Commission has recomputed the depreciation based on approved GFA and on annually based on straight line method on the basis of the expected useful life specified in the Annexure I to this Regulation.
- 5.1.22 The depreciation as approved by the Commission for the period FY 2024-25 to FY 2028-29 is as follows:

Table 5-8: Depreciation approved for the period FY 2024-25 to FY 2028-29
Rs. in crore

Particular	2024-25	2025-26	2026-27	2027-28	2028-29
Opening GFA	7745.32	7745.32	7745.32	7745.32	7745.32
Addition during the year	0.00	0.00	0.00	0.00	0.00
Closing GFA	7745.32	7745.32	7745.32	7745.32	7745.32
Rate of Depreciation	5.17%	5.17%	5.17%	5.17%	5.17%
Depreciation	400.36	400.36	400.36	400.36	400.36

Interest and Finance Charges (I&FC) on Loan

Petitioner's Claim

- 5.1.23 The Petitioner submitted that the interest and financing charges on loan for period FY 2024-25 to FY 2028-29 have been computed in accordance to clause 31 of (Multi Year Tariff) Regulation 2 of 2023. The Petitioner further added that loan outstanding as on 1st April, 2024 was computed considering cumulative depreciation up to 31st March, 2024 as notional repayment of loan. In addition to Interest and Finance Charges on Loan, the Petitioner has also claimed the benefit of re-financing resulting in reduction of interest rate from 10.20% to 8.63%.
- 5.1.24 The total Interest and Finance Charges on Loan claimed by the Petitioner for

the period FY 2024-25 to FY 2028-29 is as follows:

Table 5-9: I&FC on Loan as claimed by the petitioner for the period FY 2024-25 to FY 2028-29

	Rs. in crore				
Particular	2024-25	2025-26	2026-27	2027-28	2028-29
Interest and Finance Charges on Loan	205.04	170.81	135.93	101.04	66.15
Benefit of Re-financing	37.19	30.98	24.66	18.33	12.02
Pass through of benefit of Re-financing	12.40	10.33	8.22	6.11	4.01
Total Interest and Finance Charges on Loan	217.44	181.14	144.14	107.15	70.15

Commission's View

5.1.25 Clause 31 of (Multi Year Tariff) Regulation 2 of 2023 specifies the provisions related to Interest and Finance Charges on Loan. The relevant extract of the Regulation is as follows:

"31.1 The loans arrived at in the manner indicated in clause 27 on the assets put to use shall be considered as gross normative loan for calculation of interest on loan:

Provided that in case of retirement or replacement or de-capitalisation of assets, the loan capital approved as mentioned above, shall be reduced to the extent of outstanding loan component of the original cost of such assets based on documentary evidence.

31.2 The normative loan outstanding as on 01.04.2024, shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.03.2024, from the gross normative loan.

31.3 The loan repayment during each year of the Control Period shall be deemed to be equal to the depreciation allowed for that year, up to the ceiling of seventy five percent (75%) of asset cost or actual debt component used for funding such asset in case the debt funding is higher than seventy five percent (75%) of the asset cost.

31.4 Notwithstanding any moratorium period availed, the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed.

31.5 The rate of interest shall be the weighted average rate of interest computed on the basis of the actual long-term loan portfolio at the beginning of each year:

Provided that at the time of Truing-up, the weighted average rate of interest computed on the basis of the actual long-term loan portfolio during the concerned year shall be considered as the rate of interest:

Provided further that if there is no actual long-term loan for a particular year but normative long-term loan is still outstanding, the last available weighted average rate of interest for actual long-term loan shall be considered:

Provided also that if the generating entity or the licensee or the SLDC, as the

case may be, does not have actual long-term loan even in the past, the weighted average rate of interest of its other Businesses regulated by the Commission shall be considered:

Provided also that if the generating entity or the licensee or the SLDC, as the case may be, does not have actual long-term loan, and its other Businesses regulated by the Commission also do not have actual long-term loan even in the past, then the weighted average rate of interest of the entity as a whole shall be considered:

Provided also that if the entity as a whole does not have actual long-term loan, then the Base Rate at the beginning of the respective year shall be considered as the rate of interest for the purpose of allowing the interest on the normative loan.

31.6 The interest on loan shall be computed on the normative average loan of the year by applying the weighted average rate of interest:

Provided that at the time of Truing-up, the normative average loan of the concerned year shall be considered on the basis of the actual asset capitalisation approved by the Commission for the year.

31.7 The above interest computation shall exclude interest on loan amount, normative or otherwise, to the extent of capital cost funded by Consumer Contribution, Deposit Works, Grants or Capital Subsidy.

31.8 The finance charges incurred for obtaining loans from financial institutions for any Year shall be allowed by the Commission at the time of Truing-up, subject to prudence check:

Provided that the finance charges such as credit rating charges, collection facilities charges, financing cost of delayed payment surcharge, bank charges and other finance charges of similar nature shall be part of A&G expenses.

31.9 The excess interest during construction on account of time and/or cost overrun as compared to the approved completion schedule and capital cost or on account of excess drawal of the debt funds disproportionate to the actual requirement based on Scheme completion status, shall be allowed or disallowed partly or fully on a case to case basis, after prudence check by the Commission based on the justification to be submitted by the Generating Company or Transmission Licensee or Distribution Licensee along with documentary evidence, as applicable:

Provided that where the excess interest during construction is on account of delay attributable to an agency or contractor or supplier engaged by the generating entity or the transmission licensee, any liquidated damages recovered from such agency or contractor or supplier shall be taken into account for computation of capital cost:

Provided further that the extent of liquidated damages to be considered shall depend on the amount of excess interest during construction that has been allowed by the Commission:

Provided also that the Commission may also take into consideration the impact of time overrun on the supply of electricity to the concerned Beneficiary.

31.10 The generating entity or the licensee or the SLDC, as the case may be, shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event, the costs associated with such re-financing shall

be borne by the Beneficiaries and the net savings shall be shared between the Beneficiaries and them in the ratio of 2:1, subject to prudence check by the Commission:

Provided that refinancing shall not be done if such refinancing including other costs associated with such refinancing results in net increase in interest:

Provided further that if refinancing is done and it results in net increase on interest, then the rate of interest shall be considered equal to the Base Rate as on the date on which the Petition for determination of Tariff is filed:

Provided also that the re-financing shall not be subject to any conditions that are not in line with standard loan documents:

Provided also that the generating entity or the licensee or the SLDC, as the case may be, shall submit documentary evidence of the costs associated with such re-financing:

Provided also that the net savings in interest shall be computed after factoring all the terms and conditions, and based on the weighted average rate of interest of actual portfolio of loans taken from Banks and Financial Institutions recognised by the Reserve Bank of India, before and after re-financing of loans:

Provided also that the net savings in interest shall be calculated as an annuity for the term of the loan, and the annual net savings shall be shared between the entity and Beneficiaries in the specified ratio.

.....”

- 5.1.26 It is observed that the Petitioner has also claimed the sharing of the benefits of refinancing of loan for each year of the period of FY 2024-25 to FY 2028-29. The Commission in its Order dated 23.03.2023 has approved the sharing of gains/losses on account of refinancing in FY 2020-21 and the Commission has not approved any sharing of gains for FY 2021-22. The Petitioner being aggrieved by the Commission's MTR Order for not allowing the sharing of refinancing during FY 2021-22 and challenged the above said MTR Order before the Hon'ble APTEL, which is still pending. As the issue of sharing of refinancing for FY 2021-22 is sub-judice, the Commission is not allowing the sharing of benefits of refinancing for the period FY 2024-25 to FY 2028-29, subject to outcome to judgement of Hon'ble APTEL.
- 5.1.27 The Commission has considered the approved true up closing loan as opening loan base for FY 2024-25. The same is subject to truing up based on approved true up closing loan base for FY 2023-24.
- 5.1.28 The Commission observed that latest actual interest rate available is for first half (April'23 to Sep'23) of FY 2023-24. The Commission has provisionally considered the weighted average of actual interest rate pertaining to various loans for approving the interest and finances on loan for the period FY 2024-25

to FY 2028-29 subject to truing up based on actuals after prudence check.

- 5.1.29 The interest and finance Charges approved by the Commission for the period FY 2024-25 to FY 2028-29 is as shown in table below:

Table 5-10: I&FC on Loan approved for the period FY 2024-25 to FY 2028-29

Rs. in crore					
Particular	2024-25	2025-26	2026-27	2027-28	2028-29
Opening Loan	2529.61	2129.25	1728.89	1328.53	928.17
Addition during the Year	0.00	0.00	0.00	0.00	0.00
Repayment during the Year	400.36	400.36	400.36	400.36	400.36
Closing Loan	2129.25	1728.89	1328.53	928.17	527.81
Interest rate	8.24%	8.24%	8.24%	8.24%	8.24%
Interest on loan	191.85	158.88	125.90	92.93	59.96

Interest on Working Capital (IoWC)

Petitioner's Claim

- 5.1.30 The Petitioner submitted that Interest on Working Capital is claimed in accordance to clause 33 of (Multi Year Tariff) Regulation 2 of 2023. The rate of interest on working capital has been computed as 10.04% (1 Year MCLR of SBI plus 150 basis points) as on January 2024.
- 5.1.31 The Interest on Working Capital claimed by the Petitioner for period FY 2024-25 to FY 2028-29 is as follows below:

Table 5-11: Interest on Working Capital as claimed for the period FY 2024-25 to FY 2028-29

Rs. in crore					
Particular	2024-25	2025-26	2026-27	2027-28	2028-29
Interest on Working Capital	96.66	96.59	96.49	96.37	96.39

Commission's View

- 5.1.32 Clause 33 of (Multi Year Tariff) Regulation 2 of 2023 specifies the provisions related to Interest on Working Capital. The relevant extract of the Regulation is as follows:

"Generation

(a) In case of coal-fired thermal generating stations, working capital shall cover:

(i) Cost of coal towards stock, if applicable, for ten (10) days for pit-head Generating Stations and twenty (20) days for non-pithead Generating Stations, for generation corresponding to target availability, or the maximum coal stock storage capacity, whichever is lower;

(ii) Cost of coal for thirty (30) days for generation corresponding to target availability;

(iii) Cost of secondary fuel oil for one (1) month corresponding to target availability;

- (iv) Normative Operation and Maintenance expenses for one (1) month;
- (v) Maintenance spares at one percent (1%) of the opening Gross Fixed Assets for the Year; and
- (vi) Receivables for sale of electricity equivalent to forty-five (45) days of the sum of annual fixed charges and energy charges approved in the Tariff Order, computed at target availability and excluding incentive, if any: minus
- (vii) Payables for fuel (including oil and secondary fuel oil) to the extent of thirty (30) days of the cost of fuel computed at target availability, depending on the modalities of payment:

Provided that in case the Fuel Supply Agreement provides for payment of cost of fuel in advance, the payables for fuel shall not be deducted for the purpose of computing the working capital requirement to the extent of actual payment of such advance, as substantiated by documentary evidence: Provided further that for the purpose of Truing-up, the working capital shall be computed based on the scheduled generation or target availability of the generating station, whichever is lower:

Provided also that for the purpose of Truing up, the working capital shall be computed based on the actual average stock of coal and limestone or normative stock of coal and limestone of the generating station, whichever is lower: Provided also that for the purpose of Truing-up for any year, the working capital requirement shall be re-computed on the basis of the values of revised normative Operation & Maintenance expenses and actual Revenue from sale of electricity excluding incentive, if any, and other components of working capital approved by the Commission in the Truing-up before sharing of gains and losses....."

5.1.33 The Commission computed the working capital in accordance of clause 33.1. (a) of (Multi Year Tariff) Regulation 2 of 2023. Further, the rate of interest on working capital is considered on normative basis in accordance to clause 33.6 of (Multi Year Tariff) Regulation 2 of 2023 equal to Base Rate as on the date of Petition filling plus 150 basis points. The Interest on Working Capital approved by the Commission for period FY 2024-25 to FY 2028-29 is as shown below:

Table 5-12: Interest on Working Capital as approved for the period FY 2024-25 to FY 2028-29

Rs. in crore					
Particular	2024-25	2025-26	2026-27	2027-28	2028-29
Cost of Coal	172.97	172.97	172.97	172.97	172.97
Cost of Coal Generation	259.45	259.45	259.45	259.45	259.45
Cost of secondary fuel oil	2.46	2.46	2.46	2.46	2.46
O&M expenses	20.79	21.54	22.34	23.18	24.07
Maintenance spares	77.45	77.45	77.45	77.45	77.45
Receivables	560.44	557.98	555.61	552.89	551.16
Minus: Payables for fuel	261.90	261.90	261.90	261.90	261.90
Total Working Capital	831.65	829.95	828.37	826.49	825.64
Rate of Interest	10.15%	10.15%	10.15%	10.15%	10.15%
Interest on Working Capital	84.41	84.24	84.08	83.89	83.80

Return on Equity (RoE)

Petitioner's Claim

- 5.1.34 The Petitioner has considered 30% of the capital cost as opening equity based as specified in the (Multi Year Tariff) Regulation 2 of 2023 for determination of Return of Equity.
- 5.1.35 In accordance to Regulation 29.2(a) of (Multi Year Tariff) Regulation 2 of 2023, the Petitioner has considered the base rate as 15.5% for computation of Return on Equity for the period FY 2024-25 to FY 2028-29 is as follows:

Table 5-13: Return on Equity as claimed for the period FY 2024-25 to FY 2028-29

Rs. in crore					
Particular	2024-25	2025-26	2026-27	2027-28	2028-29
Return on Equity	485.68	486.33	486.33	486.33	486.33

Commission's View

- 5.1.36 Clause 29 of (Multi Year Tariff) Regulation 2 of 2023 specifies provisions related to Return on Equity. The relevant extract of the Regulation is as follows:

"29 Return on Equity

29.1 Return on Equity shall be computed in rupee terms, on the equity base determined in accordance with clause 27.

29.2 Return on Equity shall be computed at the following base rates:

(a) Thermal generating stations: 15.50%;

.....

29.3 The Return on Equity shall be computed in the following manner:

(a) Return at the allowable rate as per this clause, applied on the amount of equity capital at the commencement of the Year; plus

(b) Return at the allowable rate as per this Regulation, applied on 50 per cent of the equity capital portion of the allowable capital cost, for the investments put to use in generation business or transmission business or distribution business or SLDC, for such Year.

- 5.1.37 The Commission observed that the Petitioner has computed the Return on Equity taking into account the projected equity addition in additional capitalisation during the year. The Commission further observes that the Return on Equity considered by the Petitioner is in line with (Multi Year Tariff) Regulation 2 of 2023.
- 5.1.38 The Commission has recomputed the Return on Equity based on approved GFA and return on Equity as 15.50% in line with clause 29.2.(a) of the (Multi Year Tariff) Regulation 2 of 2023.
- 5.1.39 The Return on Equity as approved by the Commission for the period FY 2024-25 to FY 2028-29 is as follows:

Table 5-14: Return on Equity as approved for the period FY 2024-25 to FY 2028-29

Rs. in crore					
Particular	2024-25	2025-26	2026-27	2027-28	2028-29
Opening Equity	2323.60	2323.60	2323.60	2323.60	2323.60
Addition during the Year	0.00	0.00	0.00	0.00	0.00
Closing Equity	2323.60	2323.60	2323.60	2323.60	2323.60
Rate of RoE	15.50%	15.50%	15.50%	15.50%	15.50%
Return on Equity	360.16	360.16	360.16	360.16	360.16

Tax on RoE

Petitioner's Claim

- 5.1.40 The Petitioner has considered the effective tax rate as 25.17% for grossing up the Base rate of Return on Equity and compute the post-tax RoE for FY 2024-25 to FY 2028-29.

Commission's View

- 5.1.41 Clause 30 of (Multi Year Tariff) Regulation 2 of 2023 specifies the Tax on Return on Equity. The relevant extract of the Regulation is as follows:

"30.1 The Base rate of Return on Equity allowed by the Commission under clause 29.2 shall be grossed up with the effective Income Tax rate of the respective entity for the respective financial year:

Provided that the effective Income Tax rate shall be considered on the basis of actual Income Tax paid in respect of the financial year in line with the provisions of the relevant Finance Acts by the concerned generating entity or licensee, as the case may be:

Provided further that the actual Income Tax on the amount of income from Delayed Payment Charges or Interest on Delayed Payment or Income from Other Business or income from any source that has not been considered for computing the Aggregate Revenue Requirement or income from efficiency gains and incentive approved by the Commission shall be excluded for the calculation of effective Income Tax rate:

Provided also that in case of generating entity or licensee paying Minimum Alternate Tax (MAT), the effective Income Tax rate shall be considered as MAT rate including surcharge and cess:

Provided also that if no Income Tax has been paid by the Company as a whole, then the effective Income Tax rate shall be considered as "Nil".

30.2 Rate of pre-tax Return on Equity shall be rounded off to three decimal places and shall be computed as per the formula given below:

Rate of pre-tax return on equity = Base Rate / (1-t);

Where "Base Rate" is the rate of Base Return on Equity in accordance

with clause 29.2;

"t" is the effective Income Tax rate in accordance with clause 30.1."

5.1.42 The Commission observed that the Petitioner in addition to generation business is also engaged in coal business. The audited Accounts of the Petitioner is prepared on consolidated basis there is no bifurcation of regulated business (thermal business) and other business of the Petitioner. As the audited accounts are prepared on consolidated basis, it would be difficult to ascertain and bifurcate the tax paid among the different business of the Petitioner.

5.1.43 The Hon'ble APTEL in its judgement dated 4th April, 2007 in appeal no. 251 of 2006 has ruled as under:

"The consumers in the licensee's area must be kept in a water tight compartment from the risks of other business of the licensee and the Income Tax payable thereon. Under no circumstance, consumers of the licensee should be made to bear the Income Tax accrued in other businesses of the licensee. Income Tax assessment has to be made on stand alone basis for the licensed business so that consumers are fully insulated and protected from the Income Tax payable from other businesses."

5.1.44 Accordingly, the Commission is of the view that the tax of other business/unregulated business cannot be passed to consumers. On standalone basis the generating plant under the new company is entitled for Tax benefit and only MAT is applicable. Thus, the Commission is not inclined to consider the effective tax rate and allows only MAT rate of 17.47% towards Return of Equity for computation of Tax on Return of Equity for the period FY 2024-25 to FY 2028-29.

5.1.45 The Commission directs the Petitioner to separate the audited accounts of its generation business from other business and furnish the separate audited accounts related to generation business at the time of truing up for examination.

Table 5-15: Tax on RoE approved for the period FY 2024-25 to FY 2028-29
Rs. in crore

Particular	2024-25	2025-26	2026-27	2027-28	2028-29
Opening Equity	2323.60	2323.60	2323.60	2323.60	2323.60
Addition during the Year	0.00	0.00	0.00	0.00	0.00
Closing Equity	2323.60	2323.60	2323.60	2323.60	2323.60
Rate of RoE	15.50%	15.50%	15.50%	15.50%	15.50%
Tax Rate	17.47%	17.47%	17.47%	17.47%	17.47%
Effective Tax Rate	18.78%	18.78%	18.78%	18.78%	18.78%
Tax on Return on Equity	76.24	76.24	76.24	76.24	76.24

Non-Tariff Income

Petitioner's Claim

- 5.1.46 The Petitioner has claimed the Non-Tariff Income for the period FY 2024-25 to FY 2028-29 as shown in table below:

Table 5-16: Non-Tariff Income claimed for the period FY 2024-25 to FY 2028-29

<i>Rs. in crore</i>					
Particular	2024-25	2025-26	2026-27	2027-28	2028-29
Non-Tariff Income	3.90	4.09	4.29	4.51	4.73

Commission's View

- 5.1.47 Clause 43 of (Multi Year Tariff) Regulation 2 of 2023 specifies Non-Tariff Income. The relevant extract of the Regulation is as follows:

"43 Non-Tariff Income

43.1 The amount of Non-Tariff Income of the Generating Company as approved by the Commission shall be deducted while determining its Annual Fixed Charge: Provided that the Generating Company shall submit full details of its forecast of Non-Tariff Income to the Commission in such form as may be stipulated by the Commission. 43.2 The Non-Tariff Income shall include:

- a) Income from rent of land or buildings;***
- b) Net income from sale of de-capitalised assets;***
- c) Income from sale of scrap;***
- d) Income from statutory investments;***
- e) Interest income on advances to suppliers/contractors;***
- f) Income from rental from staff quarters;***
- g) Income from rental from contractors;***
- h) Income from hire charges from contractors and others;***
- i) Income from sale of ash/rejected coal;***
- j) Income from advertisements; k) Income from sale of tender documents;***
- l) Any other Non-Tariff Income: 44 Operational Norms for Generating"***

- 5.1.48 The Commission approves the Non-Tariff Income as claimed by the Petitioner subject to prudence check on actuals at the time of truing up. The Non-Tariff Income approved by the Commission for the period FY 2024-25 to FY 2028-29 is as follows:

Table 5-17: Non-Tariff Income approved for the period FY 2024-25 to FY 2028-29

Rs. in crore					
Particular	2024-25	2025-26	2026-27	2027-28	2028-29
Non-Tariff Income	3.90	4.09	4.29	4.51	4.73

Incentive

Petitioner's Claim

- 5.1.49 The Petitioner has estimated the incentive based on the projected generation over the normative PLF and at the rate as specified in Clause 46.6 of (Multi Year Tariff) Regulation 2 of 2023. The incentive claimed by the Petitioner for the period FY 2024-25 to FY 2028-29 is as shown in table below:

Table 5-18: Incentive claimed by petitioner for period FY 2024-25 to FY 2028-29

Rs. in crore					
Particular	2024-25	2025-26	2026-27	2027-28	2028-29
Incentive	18.66	31.69	31.69	31.84	31.69

Commission's View

- 5.1.50 Clause 46.6 of (Multi Year Tariff) Regulation 2 of 2023 specifies provisions related to incentive. The relevant extract of the Regulation is as follows:

"46 Computation and Payment of Capacity Charges and Energy Charges for Thermal Generating Stations

C. Incentive

46.6 Incentive shall be payable at a flat rate of 50.0 paise/kWh for actual energy generation in excess of ex-bus energy corresponding to Normative Annual Plant Load Factor.

- 5.1.51 The Commission is of the view that incentive shall be bills on actuals as per Clause 46.6 of (Multi Year Tariff) Regulation 2 of 2023. Thus, the Commission has not allowed any incentive based on projected PLF.

Annual Fixed Charges (AFC)

- 5.1.52 Based on the above, the Annual Fixed Charges (AFC) claimed by the Petitioner and as approved by the Commission is as shown in the Tables below:

Table 5-19: Annual Fixed Charges as approved for the period FY 2024-25 to FY 2028-29

Particulars	2024-25		2025-26		2026-27	
	Claimed	Approved	Claimed	Approved	Claimed	Approved
Operation & Maintenance Expenses	356.20	249.48	376.17	262.85	397.25	276.95
Depreciation	403.52	400.36	404.17	400.36	404.17	400.36
Interest and finance charges on loan	217.44	191.85	181.14	158.88	144.14	125.90
Interest on Working Capital	96.66	84.41	96.59	84.24	96.49	84.08
Return on Equity	485.68	436.40	486.33	436.40	486.33	436.40
Less: Non-Tariff Income	3.90	3.90	4.09	4.09	4.29	4.29
Annual Fixed Charges	1555.60	1358.60	1540.30	1338.63	1524.09	1319.40

Particulars	2027-28		2028-29	
	Claimed	Approved	Claimed	Approved
Operation & Maintenance Expenses	419.52	291.82	443.05	307.48
Depreciation	404.17	400.36	404.17	400.36
Interest and finance charges on loan	107.15	92.93	70.15	59.96
Interest on Working Capital	96.37	83.89	96.39	83.80
Return on Equity	486.33	436.40	486.33	436.40
Less: Non-Tariff Income	4.51	4.51	4.73	4.73
Annual Fixed Charges	1509.04	1300.88	1495.35	1283.26

Operations Parameters

Petitioner's Claim

5.1.53 The Petitioner in its 3rd prayer has requested the Commission not to apply the components of varied figures of normative/ operational parameters stated in the Regulation No. 02 of 2023 as the same are less beneficial to SCCL. However, the Petitioner has claimed the operational parameters as per Regulation for the period FY 2024-25 to FY 2028-29 as shown in the table below:

Table 5-20: Operational Parameters as claimed for period FY 2024-25 to FY 2028-29

Particular	2024-25	2025-26	2026-27	2027-28	2028-29
Normative PLF	%	85	85	85	85
Normative PAF	%	85	85	85	85
Auxiliary Consumption	%	5.75	5.75	5.75	5.75

Commission's View

5.1.54 Clause 44 of (Multi Year Tariff) Regulation 2 of 2023 specifies the operational

parameters. The relevant extract of the Regulation is as follows:

"44 Operational Norms for Generating Stations

44.1 Recovery of capacity charge, energy charge and any incentive by the generating station shall be based on the achievement of operational norms specified in this Regulation.

44.2 The Normative Annual Plant Availability Factor (NAPAF) for Thermal Generating Stations for full recovery of Annual Fixed Charges shall be 85 per cent.

44.3 Normative Annual Plant Load Factor (NAPLF) for incentive for thermal Generating Stations/Units shall be 85 per cent.

44.7 Auxiliary Energy Consumption for all coal-based thermal Generating Stations shall be as given in the Table below:

Particulars	With Natural Draft cooling tower or without cooling tower
(i) 62.5 MW	10.00%
(ii) 250 MW series	8.50%
(iii) 500 MW & above	
Steam driven boiler feed pumps	5.25%
Electrically driven boiler feed pumps	7.75%

Provided that for thermal Generating Stations with induced draft cooling towers and where tube type coal mill is used, the norms shall be further increased by 0.5% and 0.8%, respectively:

Provided further that additional Auxiliary Energy Consumption as follows may be allowed for plants with Dry Cooling Systems:

Type of Dry Cooling System	(% of gross generation)
Direct cooling air cooled condensers with mechanical draft fans	1.0%
Indirect cooling system employing jet condensers with pressure recovery turbine and natural draft tower	0.5%

Provided also that for thermal Generating Stations with Flue Gas De-sulphuriser (FGD), additional Auxiliary Energy Consumption shall be allowed on case-to-case basis after prudence check.

- Auxiliary Energy Consumption for hydro generating stations be as under:

Type of Station	Auxiliary Energy Consumption
Surface	
Rotating Excitation	0.7%

Type of Station	Auxiliary Energy Consumption
Static	1.0%
Underground	
Rotating Excitation	0.9%
Static	1.2%

- In case of In case of pumped storage hydro generating stations, the quantum of electricity required for pumping water from down-stream reservoir to up-stream reservoir shall be arranged by the beneficiaries duly taking into account the transmission and distribution losses up to the bus bar of the generating station. In return, beneficiaries shall be entitled to equivalent energy of 75% of the energy utilized in pumping the water from the lower elevation reservoir to the higher elevation reservoir from the generating station during peak hours and the generating station shall be under obligation to supply such quantum of electricity during peak hours."

5.1.55 The Commission has carried out due diligence and prudence check while framing the Regulation. Further, only after stakeholder's consultation the draft Regulations are finalised and notified. Thus, the Commission is not inclined to Petitioner's prayer to relax or vary from the normative norms specified in the Regulation.

5.1.56 The Commission has approved the operational parameters for the Petitioner on normative basis in accordance to clause 44 of (Multi Year Tariff) Regulation, 2 of 2023 as shown in the table below:

Table 5-21: Operational Parameters as approved for the period FY 2024-25 to FY 2028-29

Particular	2024-25	2025-26	2026-27	2027-28	2028-29
Normative PLF	%	85	85	85	85
Normative PAF	%	85	85	85	85
Auxiliary Consumption	%	5.75	5.75	5.75	5.75

Energy Charges

Petitioner's Claim

5.1.57 The Petitioner has computed the energy charges based on clause 46(B) of (Multi Year Tariff) Regulation 2 of 2023. The Petitioner further added that the estimated energy charge for the first year of the Control Period has been worked out based on coal & oil data for September-2023, October-2023 & November-2023.

Table 5-22: Energy Charge Rate (ECR) as claimed for the period FY 2024-25 to FY 2028-29

Particulars	Units	2024-25	2025-26	2026-27	2027-28	2028-29
Auxiliary Consumption	%	5.75	5.75	5.75	5.75	5.75
Gross Station Heat Rate	kcal/kWh	2300	2300	2300	2300	2300
Secondary Fuel oil consumption	ml/kWh	0.5	0.5	0.5	0.5	0.5
Calorific Value of Secondary Fuel	kcal/ml	10.00	10.00	10.00	10.00	10.00
Landed Price of Secondary Fuel	Rs./ml	0.07	0.07	0.07	0.07	0.07
Gross Calorific Value of Coal	kcal/kg	3719	3719	3719	3719	3719
Landed Price of Coal	Rs./kg	5867	5867	5867	5867	5867
Specific Coal Consumption	kg/kWh	0.617	0.617	0.617	0.617	0.617
Rate of Primary Fuel	Rs./kWh	3.841	3.841	3.841	3.841	3.841
Rate of Secondary Fuel	Rs./kWh	0.035	0.035	0.035	0.035	0.035
Energy Charge Rate (ECR)	Rs./kWh	3.876	3.876	3.876	3.876	3.876

Commission's View

5.1.58 Clause 46(B) of Regulation 2 of 2023 stipulates the methodology for determination of ECR. The relevant extract of the Regulation is stipulated below:

"B. Energy Charges

46.3 The Energy Charges shall cover landed cost of primary fuel and secondary fuel oil and shall be worked out on the basis of total energy scheduled to be supplied to the Beneficiary/ies during the calendar month on ex-power plant basis, at the Energy Charge Rate of the month (with fuel price adjustment) as per the following formula:

$$\text{Energy Charges (Rs)} = (\text{Energy Charge Rate in Rs/kWh}) \times [\text{Scheduled Energy (ex-bus) for the month in kWh}]$$

46.4 Energy Charge Rate (ECR) in Rs/kWh shall be computed up to three decimal places and shall be the sum of the cost of normative quantities of primary and secondary fuel for delivering ex-bus one kWh of electricity, and shall be computed as per the following formula:

$$\text{ECR} = (\text{GSHR} - \text{SFC} \times \text{CVSF}) \times \text{LPPF} / \text{CVPF} + \text{SFC} \times \text{LPSFI} \times 100 / (100 - \text{AUX})$$

Where,

AUX = Normative Auxiliary Energy Consumption in percentage;

CVPF = Weighted average Gross Calorific Value of coal as received in kcal/kg less 85 kcal/kg on account of variation during storage at generating station; in case of blending

of fuel from different sources, the weighted average Gross Calorific Value of primary fuel shall be arrived in proportion of blending ratio;

CVSF = Calorific value of secondary fuel, in kcal/ml;

GSHR = Normative Gross Station Heat Rate, in kcal/kWh;

LPPF = Weighted average landed price of primary fuel, in Rs./kg, as applicable, during the month; in case of blending of fuel from different sources, the weighted average landed

price of primary fuel shall be arrived in proportion of blending ratio;

SFC = Normative Secondary Fuel Oil Consumption, in ml/kWh;

LPSFi = Weighted average landed price of secondary fuel in Rs./ml during the month:

Provided that the landed cost of primary fuel and secondary fuel for tariff determination shall be based on actual weighted average cost of primary fuel and secondary fuel of the three (3) preceding months, and in the absence of landed costs for the three (3) preceding months, latest procurement price of primary fuel and secondary fuel for the generating Station, preceding the first month for which the Tariff is to be determined for existing stations, and immediately preceding three (3) months in case of new generating stations shall be taken into account:

Provided further that the landed cost of fuel shall mean the total cost of coal delivered to the generating station and shall include the base price of fuel corresponding to the grade/quality/calorific value of fuel inclusive of royalty, taxes and duties as applicable, washery charges as applicable,

transportation cost by rail/road or any other means, charges for third-party sampling, and, for the purpose of computation of energy charges, shall be arrived at after considering normative transit and handling losses as percentage of the quantity of fuel dispatched by the fuel supply company during the month:

Provided also that any refund of taxes and duties along with any amount received on account of penalties from fuel supplier shall have to be adjusted in fuel cost:

Provided also that the Energy Charges, for the purpose of billing/Fuel Surcharge shall be worked out Station-wise/Unit-wise based on weighted average rate based on scheduled generation from each Unit.

.....”

5.1.59 The Commission has approved the Norms of Operation of the Petitioner in clause 44 of (Multi Year Tariff) Regulation 2 of 2023 for the period FY 2024-25 to FY 2028-29. The Approved norms of operation in accordance with the (Multi Year Tariff) Regulation 2 of 2023 is detailed as under:

Table 5-23: Norms of operation as approved in MYT Regulation No.2 of 2023

Parameter	Units	Approved in MYT Regulation No.2 of 2023
Normative Annual Plant Availability Factor	%	85.00
Normative Annual PLF	%	85.00
Auxiliary Consumption	%	5.75
Gross Station Heat Rate	kcal/kWh	2300.00
Secondary Fuel Oil Consumption	ml/kWh	0.50
Transit Loss	%	0.80

5.1.60 In accordance to the provisions of clause 46.4 of Regulation No.2 of 2023, the

Commission has considered the latest available actual fuel price and GCV for the period from Sep'23 to Nov'23 for primary and secondary fuel. Further, in regard to coal allocation from Naini coal mines, the Commission is of the view that the coal allocation is not within the purview of the Commission. In the best interest of the electricity consumers of the State, SCCL shall have to pursue with the concerned authorities for transfer of coal allocation from Naini Coal Block to its own mines in Telangana.

- 5.1.61 Accordingly, the tentative fuel prices and GCV considered by the Commission for computing the Base ECR is as shown in the Table below:

Table 5-24: Tentative fuel prices and GCV considered

Particulars	Units	Value
Calorific Value of Secondary Fuel	kcal/ml	10.00
Landed Price of Secondary Fuel	Rs./ml	0.07
Wt. Avg. Gross Calorific Value of Coal	kcal/kg	3808.80
Landed Price of Coal	Rs./kg	5.86

- 5.1.62 Based on the above norms of operation and tentative fuel prices and GCV, the base ECR computed by the Commission is as shown in the Table below:

Table 5-25: Base Energy Charge Rate approved for the period FY 2024-25 to FY 2028-29

Particulars	Units	Base Year i.e., FY 2024-25
Auxiliary Consumption	%	5.75
Gross Station Heat Rate	kcal/kWh	2300.00
Secondary Fuel oil consumption	ml/kWh	0.50
Calorific Value of Secondary Fuel	kcal/ml	10.00
Landed Price of Secondary Fuel	Rs./ml	0.07
Wt. Avg. Gross Calorific Value of Coal	kcal/kg	3808.80
Landed Price of Coal	Rs./kg	5.86
Specific Coal Consumption	kg/kWh	0.60
Energy Charge Rate (ECR)	Rs./kWh	3.785

- 5.1.63 The variation in fuel prices and GCV shall be billed in accordance with clause 46.5 of Regulation No.2 of 2023.

- 5.1.64 The indicative MYT tariff based on the above is as shown in the Table below:

Table 5-26: Indicative MYT Tariff approved for the Period FY 2024-25 to FY 2028-29

Particulars	2024-25		2025-26		2026-27	
	Claimed	Approved	Claimed	Approved	Claimed	Approved
Net Generation (MU)	8794.66	8421.43	9055.24	8421.43	9055.24	8421.43
AFC (Rs. Crore)	1555.60	1358.60	1540.30	1338.64	1524.09	1319.40
AFC per unit (Rs./kWh)	1.77	1.61	1.70	1.58	1.68	1.57
Base ECR (Rs./kWh)	3.84	3.78	3.84	3.78	3.84	3.78
Total Tariff (Rs./kWh)	5.61	5.40	5.54	5.37	5.52	5.35

Particulars	2027-28		2028-29	
	Claimed	Approved	Claimed	Approved
Net Generation (MU)	9081.30	8444.50	9055.24	8421.43
AFC (Rs. Crore)	1509.04	1300.88	1495.35	1283.26
AFC per unit (Rs./kWh)	1.66	1.54	1.65	1.52
Base ECR (Rs./kWh)	3.84	3.78	3.84	3.78
Total Tariff (Rs./kWh)	5.50	5.33	5.49	5.31

Applicability

5.1.65 The Generation Tariffs determined for each year of the Control Period from FY 2024-25 to FY 2028-29 are applicable from 1st April to 31st March of the respective Financial Year. However, as few months of FY 2024-25 are over, the Commission directs the Petitioner to recover/adjust the difference in revenue recoverable in accordance with the Tariff approved in this Order vis-a-vis the Tariff charged from April 2024 till the issue of this Order in 6 equal monthly instalments.

Commission's Directives

5.1.66 The Commission's earlier Directives and new Directives issued in this order are enclosed at Appendix.

This Order is corrected and signed on this the 28th June. 2024.

Sd/-	Sd/-	Sd/-
(BANDARU KRISHNAIAH)	(M. D. MANOHAR RAJU)	(T. SRIRANGA RAO)
MEMBER	MEMBER	CHAIRMAN

//CERTIFIED COPY//

Appendix Commission's Directives

Earlier Directives

a. Separate Accounts

SCCL shall maintain separate books of accounts for Power Generation activity.

b. Efficiency improvement measures

The Commission directs SCCL to submit the status of the efficiency improvement measures implemented by SCCL and the results of the same in its End-control period review petition.

New Directives

a. Revised AFC for FY 2022-23

The Commission directs the petitioner to recover/adjust the difference in revenue recoverable in accordance with the Tariff approved in this order vis-à-vis the Tariff charged from April 2022.

b. Sharing of Losses and Gains

The Commission directs SCCL to bill to the beneficiary's viz., TGDISCOMs the claim towards total sharing/passing through of gains/losses approved in this order as per the AFC and other charges approved after truing-up for FY 2022-23.

c. Capital Woks

SCCL must implement flexible operation scheme as per CEA Regulations.

d. Incentives

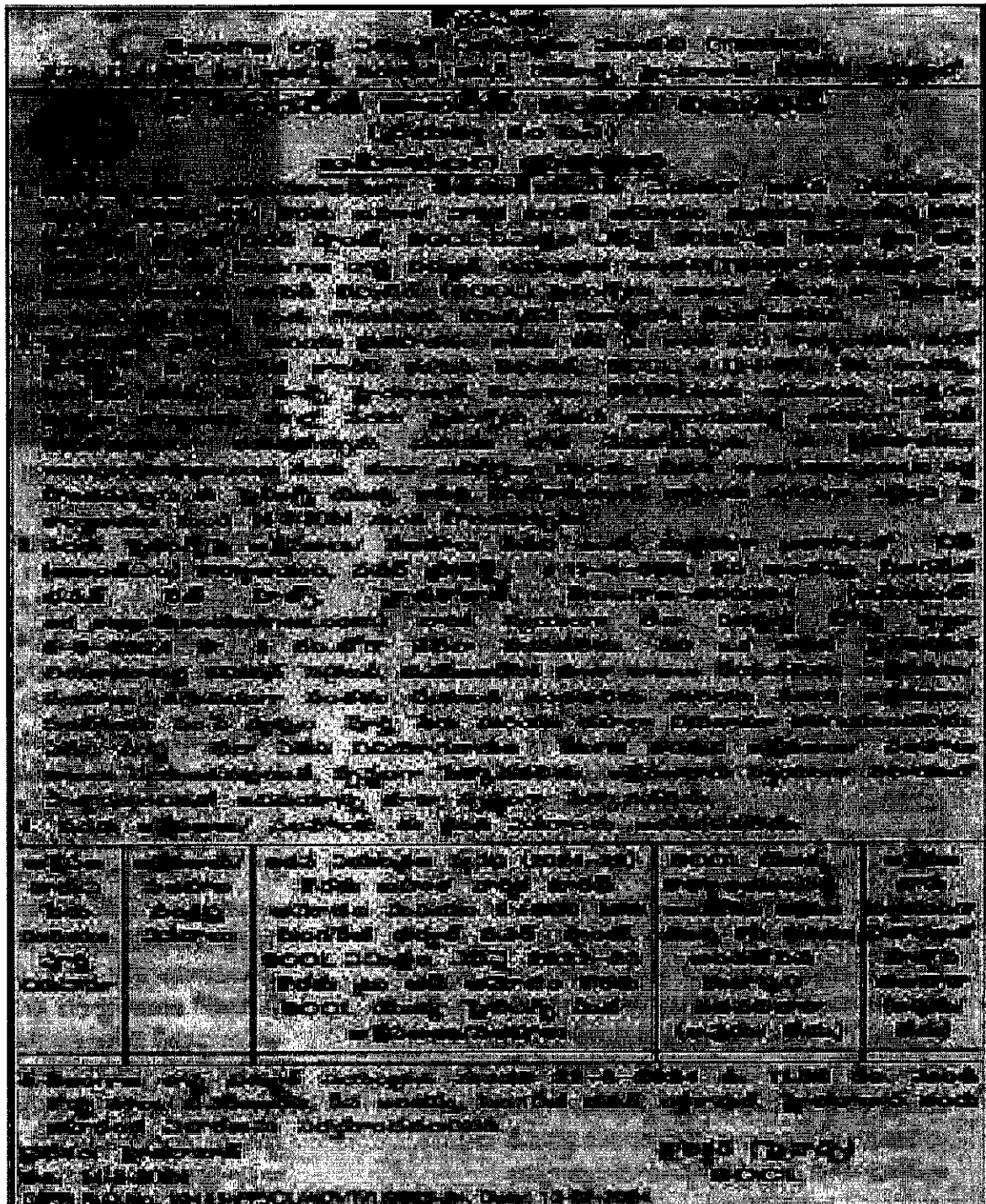
The Incentive for achieving the normative PLF and additional generation over and above normative PLF are to be recovered directly from Beneficiaries in accordance to Regulation No.1 of 2019.

e. Coal from Integrated Mine(Naini)

The Commission directs to expedite the process to start the production from Naini coal block to reduce the burden on the Consumers.

Annexure-I (A)

Newspaper clippings appeared in EENADU, VELUGU on 14.02.2024



Newspaper clippings appeared in THE HANS INDIA, THE HINDU, THE MUNISIF
(Urdu) on 14.02.2024

152

**BEFORE THE HON'BLE TELANGANA STATE
ELECTRICITY REGULATORY COMMISSION (TSERC)**
D.No. 11-4-660, 5th Floor, Singareni Bhavan, Red Hills, Hyderabad-500 004

THE SINGARENI COLLIERIES COMPANY LIMITED
(A Government Company)

PUBLIC NOTICE

(1) Notice is hereby given to all that the Singareni Collieries Company Limited (SCCL) filed before the Telangana State Electricity Regulatory Commission (TSERC) for approval of Multi Year Tariff for the fifth control period (2024-29) and approval of true up for FY 2022-23 for 2800 MW Singareni Thermal Power Plant, SCCL. These filings have been taken on record by the Hon'ble Commission in O.P. No. 04 of 2024.

(2) Copies of filings and proposals referred are available in the office of the Chief (E&M), Power Projects, Singareni Collieries Company Limited, SCCL, #11-4-660, 3rd floor, Singareni Bhavan, Red Hills, Hyderabad, Telangana, 500004. Interested persons may inspect/peruse the said filings and take note thereof during office hours at the said office free of cost. These proposals are also available on www.sccclines.com and the same may be accessed at www.tserc.gov.in. A copy of these filings can be obtained from the above office from 14-02-2024 onwards on payment of photocopying charges of the filings.

(3) Objections/suggestions, if any, on the said filings together with supporting material may be sent to the office of Chief (E&M), Power Projects, #11-4-660, 3rd Floor, Singareni Bhavan, Red Hills, Hyderabad, Telangana-500004 (Email: ed_stop@sccclines.com) in person or through Registered Post so as to reach on or before 05-03-2024 by 05:00 PM. A copy of same must also be filed with the Commission Secretary, TSERC, at the address mentioned above. The objections / Suggestions should be duly signed and should carry full name and postal address of the person(s) sending the objections / Suggestions. If the objections/suggestions are filed on behalf of any organization or any category of consumers, it should be clearly mentioned. If the objector also wants to be heard in person it may also be specifically mentioned.

4. The objection/suggestion should accompany the following statement as an overleaf.

Name & full address of the Objector	Brief details of objection (s)/ suggestion (s)	Objections / Suggestions against filings made by SCCL for approval of Multi Year Tariff for the fifth control period (2024-29) and approval of true up for FY 2022-23 for 2800 MW Singareni Thermal Power Plant SCCL.	Whether copy of objection & proof of delivery at SCCL's office enclosed (Yes/No)	Whether Objector wants to be heard in person (Yes/ No)

5. Telangana State Electricity Regulatory Commission intends to conduct a Public Hearing at Court Hall, TSERC, 5th Floor, Singareni Bhavan, Lakdi-ka-pul, Hyderabad on 22-03-2024 from 11:00 hrs onwards.

Place: Hyderabad, Date: 14-02-2024

DPR No: 337-PP/CL-AGENCY/ADVT/1/2023-24, Dt: 13-02-2024

**Sd/- Director
(Finance) SCCL**

Annexure-I (B)

Newspaper clippings appeared in EENADU, VELUGU on 14.03.2024

ఆంధ్రప్రదేశ్ విద్యుత్ నియంత్రణ సంస్థ (TSERC)
 ఓ.ఎం. 11-4-80, 5వ అంతస్తు, సింగరేణి భవన్, రెవెన్యూ, హైదరాబాద్-500004, తెలంగాణ

సింగరేణి కలర్స్ కంపెనీ లిమిటెడ్
 (ప్రైవేట్ లిమిటెడ్)
విద్యుత్ సరఫరా ప్రకటన

SOCL కి చెందిన సింగరేణి కలర్స్ కంపెనీ లిమిటెడ్ ఏప్రిల్ 2024-25 ఫైనల్ బిల్లుల వాల్డ్ ఫోర్మ్ లో
 ఉన్నట్లు 2x600 MW సింగరేణి థర్మల్ పవర్ ప్లాంట్ నిర్మాణం వల్ల 2022-23 నుండి
 కుటుంబ ఆదాయ పరిమితికి యాదృచ్ఛికంగా కుటుంబ ఆదాయ పరిమితికి పైగా
 విద్యుత్ సరఫరా అందుతుంది. దీనివల్ల పబ్లిక్ హియరింగ్ పై కేసులను ఆంధ్ర విద్యుత్
 నియంత్రణ సంస్థ TSERC నుండి గమనించే తీరు ఈ క్రింది విధంగా ఉన్నది.

కార్యకలాపం వివరం	ప్రస్తుత సెడ్యూలు	నివారించబడిన సెడ్యూలు
అప్రోచ్, సబ్స్టేషన్ నిర్మాణం పై కేసు	5-3-2024 (మంగళవారం)	14-3-2024 (గురువారం)
అప్రోచ్, సబ్స్టేషన్ నిర్మాణం పై కేసు	12-3-2024 (మంగళవారం)	20-3-2024 (గురువారం)
అప్రోచ్, సబ్స్టేషన్ నిర్మాణం పై కేసు	22-3-2024 (గురువారం) 1,100 గా మార్చే కేసు వల్ల TSERC, 5వ అంతస్తు, సింగరేణి భవన్	నాన్-ఆప్టిమైజ్డ్

ప్రతి, హైదరాబాద్, తేది: 14-3-2024 **2025 (2వ పేజీ)**
 PR/ADVT/PER/STPP/80 **SCCL**
 DIPR F.O. No. 11050-PP/CL/ADVT/1/2023-24 Dt. 13-3-2024

Newspaper clippings appeared in THE HANS INDIA, THE HINDU, THE MUNISIF (URDU) on 14.03.2024

**BEFORE THE HONORABLE TELANGANA STATE
 ELECTRICITY REGULATORY COMMISSION (TSERC)**
 O.M. 11-4-80, 5th floor, Singareni Bhavan, Revenue, Hyderabad-500004, Telangana

The Singareni Collieries Corporation Limited

Notice is hereby given to all interested parties to appear before the Commission for FY 2024-25 and
 filing up of FY 2022-23 for 2x600 MW Singareni Thermal Power Plant owned by
 SOCL that the Hon'ble TSERC due to administrative reasons is scheduled the public
 hearing as below:

Description of Event	Existing Schedule	Revised Schedule
Public Hearing	08.04.2024 (Monday) from 11:00 hrs onwards at Court Hall, TSERC, 5th floor, Singareni Bhavan	19.04.2024 (Friday) from 11:00 hrs onwards at Court Hall, TSERC, 5th floor, Singareni Bhavan

Any further changes will be available online and can be accessed through the
 website of myTSERC.gov.in, www.socilife.com

Place: Hyderabad
 Date: 08.04.2024

PR/2024-25/ADVT/PER/STPP/80
 R.O. No. 11057-PP/CL/AGENCY/ADVT/1/2023-24, Dtd: 14.04.2024

Sd/-
 Director (Finance)
 SCCL

Annexure-I(C)

Newspaper clipping appeared EENADU, VELUGU on 07.04.2024

తెలంగాణ విద్యుత్ నియంత్రణ మండలి (TSERC)
డి.ఎం. 11-4-2024. 5వ అంతస్తు, సింగరేణి భవన్, రెడ్ హిల్స్, హైదరాబాద్- 500 004 నమోద

ది సింగరేణి కాలరీస్ కంపెనీ లిమిటెడ్ (ప్రభుత్వ కంపెనీ)
ప్రకటనలు ప్రకటించు

SCCLకి తాము చేయబడిన FY 2024-25 కొరత ఉత్పాదక భారత ఖాతా అర్థ నియమా 2x800 MW సింగరేణి తర్వాత మరల పైంటి నిమిత్తం FY 2022-23 యొక్క ప్రాజెక్ట్ ఉపయోగ నిమిత్తం తయారుచేసిన ఒక ఉపయోగములను తెలియజేయుచు ఏమిటా తర్వాత పైంటి భారతం వల్ల గొరతులయ్యిన TSERC భారత కాలరీస్ కంపెనీ (ప్రైవేట్ లిమిటెడ్) ఈ కింది విధంగా తయారు చేయబడిన ప్రకటనలు

కార్యకలాపం వివరం	ప్రస్తుత పేర్కొనబడిన	వివరించబడిన పేర్కొనబడిన
ఉపయోగ నియమా	08.04.2024 (మంగళవారం) త. 11:00 గంటల నుండి 12:00 వరకు TSERC 5వ అంతస్తు, సింగరేణి భవన్	19.04.2024 (శుక్రవారం) త. 11:00 గంటల నుండి 12:00 వరకు TSERC 5వ అంతస్తు, సింగరేణి భవన్

* తయారు చేయబడిన కార్యకలాపం అర్హత కోసం www.tserc.gov.in www.socmines.com వెబ్సైట్ల ద్వారా తెలుసుకోవచ్చు.

ప్రకటన హైదరాబాద్, తేది: 08-04-2024 **రెజిస్టర్డ్ డైరెక్టర్, SCCL**

PR/2024-25/ADVT/PER/STPP/01
DIPR P.O.No. 11917-PP/CL/ADM/1/2023-24, DL 08-4-2024

Newspaper clipping appeared in THE HANS INDIA, THE HINDU, THE MUNISIF (URDU) on 07.04.2024

BEFORE THE HON'BLE TELANGANA STATE ELECTRICITY REGULATORY COMMISSION (TSERC)
D.No.11-4-2024, 5th Floor, Singareni Bhavan, Red Hills, Hyderabad-500 004

The Singareni Collieries Company Limited

NOTICE

Notice is hereby given to all in respect to Multi-year tariff petition for FY 2024-25 and Truing up of FY 2022-23 for 2x800MW Singareni Thermal Power Plant submitted by SCCL that the Hon'ble TSERC due to administrative reasons re-scheduled the public hearing as below:

Description of Event	Existing schedule	Revised schedule
Public hearing	08.04.2024 (Monday) from 11:00 hrs onwards at Court Hall, TSERC, 5th floor, Singareni Bhavan.	19.04.2024 (Friday) from 11:00 hrs onwards at Court Hall, TSERC, 5th floor, Singareni Bhavan.

Any Further changes will be available online and can be accessed through the websites of www.tserc.gov.in, www.socmines.com.

Place: Hyderabad
Date: 08.04.2024
PR/2024-25/ADVT/PER/STPP/01
R.O. No. : 1067-PP/CL-AGENCY/ADVT/1/2023-24, Date: 08.04.2024

Sd/-
Director (Finance)
SCCL

Annexure-II**List of stakeholders who submitted written Objections/Suggestions**

Sl. No.	Name and address of the stakeholders
1	Sri M.Venugopala Rao, Senior Journalist & Convenor, Centre for Power Studies, H.No.1-100/MP/101, Monarch Prestige, Journalists' Colony, Gopanpally, Serlingampally Mandal, Hyderabad 500 032
2	Southern Power Distribution Company of Telangana Limited, Corporate Office, 6-1-50, Mint Compound, Hyderabad 500 063

Annexure-III

List of stakeholders who participated in Public Hearing held on 19.04.2024

Sl. No.	Name and address of the stakeholders
1	Sri M.Venugopala Rao, Senior Journalist & Convenor, Centre for Power Studies, H.No.1-100/MP/101, Monarch Prestige, Journalists' Colony, Gopanpally, Serlingampally Mandal, Hyderabad – 500 032
2	M/s Southern Power Distribution Company of Telangana Ltd., Corporate Office, 6-1-50, Mint Compound, Hyderabad
3	P. Shiva Rao, Advocate, SCCL

Annexure - C : TGERC order dated 29.04.2025



TELANGANA ELECTRICITY REGULATORY COMMISSION

Vidyut Niyantran Bhavan, G.T.S. Colony, Kalyan Nagar, Hyderabad 500 045

ORDER

ON

THE FILINGS MADE BY

SINGARENI COLLIERIES COMPANY LIMITED (SCCL)

IN THE MATTER OF

REVISED ARR AND TARIFF PROPOSAL FOR FY 2025-26

AND TRUE-UP FOR FY 2023-24

FOR 2X600 MW SINGARENI THERMAL POWER PLANT

ON

29.04.2025

TABLE OF CONTENTS

CHAPTER 1 INTRODUCTION	2
1.1 BACKGROUND	2
1.2 STATUTORY AND REGULATORY PROVISIONS.....	3
1.3 PRESENT PETITION	4
1.4 ADMISSION OF PETITION AND REGULATORY PROCESS	5
1.5 DATA GAPS AND PETITIONER'S RESPONSES	5
1.6 PUBLIC NOTICE.....	5
1.7 PUBLIC HEARING.....	6
CHAPTER 2 SUMMARY OF FILINGS	7
2.1 PETITIONER'S SUBMISSIONS	7
2.2 REVISED TARIFF PROPOSAL FOR FY 2025-26	8
2.3 ENERGY CHARGES FOR FY 2025-26	9
CHAPTER 3 ISSUES RAISED BY STAKEHOLDERS, RESPONSES OF PETITIONER AND COMMISSION'S ANALYSIS AND FINDINGS	10
TRUE UP FOR FY 2023-24	10
3.1. ADDITIONAL CAPITALISATION FOR FY 2023-24	10
3.2. OPERATIONS AND MAINTENANCE EXPENSES.....	15
3.3. DEPRECIATION	18
3.4. INTEREST AND FINANCE CHARGES.....	19
3.5. INTEREST ON WORKING CAPITAL	24
3.6. RETURN ON EQUITY.....	28
3.7. NON-TARIFF INCOME.....	33
3.8. OTHER CHARGES.....	34
3.9. ENERGY CHARGES	36
3.10. SUMMARY OF ANNUAL FIXED CHARGE APPROVED AND SHARING OF GAIN/LOSS	38
3.11. SHARING OF GAINS/LOSSES	39
REVISED ARR AND TARIFF FOR FY 2025-26	41
3.12. PETITION FOR REVISED TARIFF FOR FY 2025-26	41
3.13. ADDITIONAL CAPITALISATION.....	42
3.14. OPERATIONS AND MAINTENANCE EXPENSES	43
3.15. DEPRECIATION.....	48
3.16. INTEREST AND FINANCE CHARGES (I&FC) ON LOAN	51
3.17. INTEREST ON WORKING CAPITAL (IOWC)	56
3.18. RETURN ON EQUITY (ROE)	61
3.19. TAX ON ROE.....	62
3.20. NON-TARIFF INCOME	65
3.21. INCENTIVE	66
3.22. OPERATING NORMS	67
3.23. TARIFF FOR FLUE GAS DESULPHURISATION (FGD) SYSTEM	68
3.24. INTEGRATED MINE (NAINI).....	69
3.25. ANNUAL FIXED CHARGES (AFC)	70
3.26. ENERGY CHARGES	71
3.27. APPLICABILITY	74
3.28. COMMISSION'S DIRECTIVES	75
APPENDIX.....	76
ANNEXURE-I.....	77
ANNEXURE-II.....	79
ANNEXURE-III.....	79

List of Tables

TABLE 2.1 SUMMARY OF ARR AS CLAIMED FOR FY 2023-24	7
TABLE 2.2: AFC AND ENERGY CHARGE CLAIMED BY THE PETITIONER FOR FY 2025-26	8
TABLE 2.3: SUMMARY OF ECR AS CLAIMED BY THE PETITIONER FOR FY 2025-26	9
TABLE 3.1 : ADDITIONAL CAPITALISATION CLAIMED AND APPROVED FOR FY 2023-24	14
TABLE 3.2 : SUMMARY OF O&M EXPENDITURE CLAIMED FOR FY 2023-24	16
TABLE 3.3 : EMPLOYEE COST COMPUTED BY THE COMMISSION FOR FY 2023-24	16
TABLE 3.4: EMPLOYEE COST CLAIMED, COMPUTED AND APPROVED FOR FY 2023-24	16
TABLE 3.5 : A&G EXPENSES COMPUTED FOR FY 2023-24	17
TABLE 3.6 : A&G EXPENSES AT ACTUALS CLAIMED AND APPROVED FOR FY 2023-24	17
TABLE 3.7 : R&M EXPENSES COMPUTED BY THE COMMISSION FOR FY 2023-24	17
TABLE 3.8: R&M EXPENSES CLAIMED, RECOMPUTED AND APPROVED FOR FY 2023-24	17
TABLE 3.9: O&M EXPENSES CLAIMED AND APPROVED FY 2023-24	17
TABLE 3.10: DEPRECIATION AS CLAIMED FOR FY 2023-24	18
TABLE 3.11: DEPRECIATION CLAIMED AND APPROVED FOR FY 2023-24	19
TABLE 3.12: INTEREST AND FINANCE CHARGES ON LOAN AS CLAIMED FOR FY 2023-24	20
TABLE 3.13: INTEREST RATE DUE TO LOAN REFINANCING DURING FY 2020-21	23
TABLE 3.14: I&FC ON LOAN CLAIMED AND APPROVED FOR FY 2023-24	24
TABLE 3.15: INTEREST ON WORKING CAPITAL CLAIMED FOR FY 2023-24	24
TABLE 3.16: INTEREST ON WORKING CAPITAL CLAIMED AND APPROVED FOR FY 2023-24	28
TABLE 3.17: RETURN ON EQUITY INCLUDING TAX AS CLAIMED FOR FY 2023-24	28
TABLE 3.18: RETURN ON EQUITY INCLUDING INCOME TAX CLAIMED AND APPROVED FOR FY 2023-24	33
TABLE 3.19: NON-TARIFF INCOME CLAIMED FOR FY 2023-24	33
TABLE 3.20: NON-TARIFF INCOME CLAIMED AND APPROVED FOR FY 2023-24	34
TABLE 3.21: OTHER CHARGES CLAIMED FOR FY 2023-24	34
TABLE 3.22: OTHER CHARGES CLAIMED AND APPROVED FOR FY 2023-24	36
TABLE 3.23: ENERGY CHARGE RATE (ECR) CLAIMED FOR FY 2023-24	36
TABLE 3.24: ENERGY CHARGE RATE (ECR) APPROVED FOR FY 2023-24	38
TABLE 3.25: ANNUAL FIXED CHARGE (AFC) CLAIMED AND APPROVED FOR FY 2023-24	38
TABLE 3.26: SUMMARY OF APPROVED SHARING OF LOSS TO THE BENEFICIARIES	40
TABLE 3.27: ADDITIONAL CAPITALISATION CLAIMED FOR FY 2025-26	42
TABLE 3.28: O&M EXPENSES CLAIMED FOR FY 2025-26	43
TABLE 3.29: NORMATIVE EMPLOYEE COSTS COMPUTED FOR FY 2025-26	47
TABLE 3.30: NORMATIVE A&G EXPENSES COMPUTED FOR FY 2025-26	47
TABLE 3.31: NORMATIVE R&M EXPENSES COMPUTED FOR FY 2025-26	47
TABLE 3.32: O&M EXPENSES APPROVED FOR FY 2025-26	47
TABLE 3.33: DEPRECIATION CLAIMED FOR FY 2025-26	48
TABLE 3.34: DEPRECIATION CLAIMED AND APPROVED FOR FY 2025-26	50
TABLE 3.35: I&FC ON LOAN CLAIMED BY THE PETITIONER FOR FY 2025-26	51
TABLE 3.36: I&FC ON LOAN CLAIMED AND APPROVED FOR FY 2025-26	55
TABLE 3.37: INTEREST ON WORKING CAPITAL CLAIMED FOR 2025-26	56
TABLE 3.38: INTEREST ON WORKING CAPITAL CLAIMED AND APPROVED FOR FY 2025-26	60
TABLE 3.39: RETURN ON EQUITY CLAIMED FOR FY 2025-26	61
TABLE 3.40: RETURN ON EQUITY CLAIMED AND APPROVED FOR THE PERIOD FY 2025-26	62
TABLE 3.41: TAX ON RoE CLAIMED AND APPROVED FOR FY 2025-26	64
TABLE 3.42: NON-TARIFF INCOME CLAIMED FOR FY 2025-26	65
TABLE 3.43: NON-TARIFF INCOME CLAIMED AND APPROVED FOR FY 2025-26	66
TABLE 3.44: INCENTIVE CLAIMED BY PETITIONER FOR FY 2025-26	66
TABLE 3.45: ANNUAL FIXED CHARGES CLAIMED AND APPROVED FOR FY 2025-26	70
TABLE 3.46: ENERGY CHARGE RATE (ECR) CLAIMED FOR FY 2025-26	71
TABLE 3.47: NORMS FOR ENERGY CHARGE RATE FOR FY 2025-26	73



TABLE 3.48: TENTATIVE FUEL PRICE AND GCV CONSIDERED..... 73

TABLE 3.49: BASE ENERGY CHARGE RATE CLAIMED AND APPROVED FOR FY 2025-26..... 73

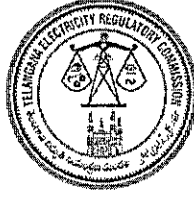
TABLE 3.50: INDICATIVE TARIFF APPROVED FOR FY 2025-26 74

List of Abbreviations

A&G	Administrative and General
ACT	The Electricity Act, 2003
AAD	Advance Against Depreciation
AFC	Annual Fixed Charges
APTEL	Appellate Tribunal for Electricity
ARR	Aggregate Revenue Requirement
BFP	Boiler Feed Pump
BHEL	Bharat Heavy Electricals Limited
BMCR	Boiler Maximum Continuous Rating
BoP	Balance of Plant
BTG	Boiler, Turbine and Generator
CCDAC	Coal Conservation & Development Advisory Committee
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
CFB	Circulating Fluidised Bed
CFL	Compact Fluorescent Lamps
CIL	Coal India Limited
CIP	Capital Investment Plan
CISF	Central Industrial Security Force
CPCB	Central Pollution Control Board
COD	Commercial Operation Date
CPI	Consumer Price Index
CSR	Corporate Social Responsibility
DC	Designated Consumer
DMFT	District Mineral Foundation Trust
DPR	Detailed Project Report
EA 2003	Electricity Act, 2003
EPC	Engineering, Procurement and Construction
EPCA	Environment Pollution Control Authority
ERP	Enterprise Resource Planning
ESP	Electrostatic Precipitator
FGD	Flue Gas Desulphurisation
FSA	Fuel Supply Agreement
FY	Financial Year
GCV	Gross Calorific Value
GFA	Gross Fixed Assets

GoT	Government of Telangana
GSHR	Gross Station Heat Rate
GST	Goods and Services Tax
HPSV	High-Pressure Sodium Vapour Lamps
ICB	International Competitive Bidding
IDC	Interest During Construction
IDCT	Induced Draft Cooling Tower
Ind AS	Indian Accounting Standard
IoWC	Interest on Working Capital
IT	Information Technology
KTPP	Kakatiya Thermal Power Plant
kWh	Kilo Watt hour
MAT	Minimum Alternative Tax
MCLR	Marginal Cost of Funds based Lending Rate
MGR	Merry-Go-Round
MMT	Million Metric Tonne
MoC	Ministry of Coal
MoEF&CC	Ministry of Environment, Forest & Climate Change
MoP	Ministry of Power
MoU	Memorandum of Understanding
MU	Million Units
MW	Mega Watt
MYT	Multi-Year Tariff
NAPAF	Normative Annual Plant Availability Factor
NAPLF	Normative Annual Plant Load Factor
NH	National Highway
NHAI	National Highways Authority of India
NIT	Notice Inviting Tender
NOx	Nitrogen Oxides
NTPC	National Thermal Power Corporation Limited
O&M	Operations and Maintenance
O.P.	Original Petition
OEM	Original Equipment Manufacturer
OFC	Optical Fibre Communication
PAF	Plant Availability Factor
PAT	Perform, Achieve and Trade
PFC	Power Finance Corporation
PLF	Plant Load Factor

PPA	Power Purchase Agreement
PSC	Pre-Stressed Concrete
PVC	Price Variation Clause
R&M	Repairs & Maintenance
RCC	Reinforced Cement Concrete
RCE	Revised Capital Expenditure
RDO	Revenue Division Officer
REC	Rural Electrification Corporation
RITES	Rail India Technical and Economic Service
RoE	Return on Equity
RUB	Railway Under Bridge
S&T	Signalling and Telecommunication
SBI	State Bank of India
SCCL	Singareni Collieries Company Limited
SLC	Standing Linkage Committee
SLDC	State Load Despatch Centre
SMET	State Mineral Exploration Trust
SPCB	State Pollution Control Board
SOx	Sulphur Oxides
TNSEB	Tamil Nadu State Electricity Board
TGERC	Telangana Electricity Regulatory Commission
TGGENCO	Telangana Power Generation Corporation Limited
TGMDC	Telangana Mineral Development Corporation
TGNPDCL	Northern Power Distribution Company of Telangana Limited
TGPCC	Telangana Power Coordination Committee
TGSPDCL	Southern Power Distribution Company of Telangana Limited
TGTRANSCO	Transmission Corporation of Telangana Limited
UDL	Undischarged Liability
WPI	Wholesale Price Index



TELANGANA ELECTRICITY REGULATORY COMMISSION

Vidyut Niyantran Bhavan, G.T.S. Colony, Kalyan Nagar, Hyderabad 500 045

O.P. No. 30 of 2024

Dated 29.04.2025

Present

Dr. Justice Devaraju Nagarjun, Chairman

Between:

The Singareni Collieries Company Limited,
Kothagudem Collieries, Bhadradri Kothagudem District 507 101. Petitioner
AND

1. Southern Power Distribution Company of Telangana Limited,
Corporate Office, # 6-1-50, Mint Compound, Hyderabad 500 063;
2. Northern Power Distribution Company of Telangana Limited,
H.No.2-5-31/2, Corporate Office, Vidyut Bhavan,
Nakkalagutta, Hanamkonda, Warangal 506 001. Respondents.

Singareni Collieries Company Limited (SCCL or petitioner) has filed the present petition on 28.11.2024 in accordance with Sections 62, 86(1)(a) & 86(1)(b) of the Electricity Act, 2003 read with clause 3.13.1, and other applicable clauses provided in Regulation No.1 of 2019 for true-up of generation tariff from 1st April 2023 to 31st March 2024. SCCL has also filed the revised tariff petition for FY 2025-26 for 2x600 MW Singareni Thermal Power Plant (STPP) in accordance with Regulation No.2 of 2023.

The Commission, in exercise of its powers under the Electricity Act, 2003, Regulation No.1 of 2019; Regulation No. 2 of 2023 and after considering Petitioner's submissions, suggestions and objections of the other stakeholders, responses of Petitioner, issues that are raised during the Public Hearing and all other relevant material, passed the following:

Order

Chapter 1 Introduction

1.1 Background

- 1.1.1 Telangana Electricity Regulatory Commission (herein referred to as TGERC or the Commission) was constituted by the Government of Telangana (GoT) in terms of the provisions of Schedule XII(C)(3) of the A.P. Reorganisation Act of 2014, read with Section 82 of the Electricity Act, 2003 (Act) vide G.O.Ms.No.3, Energy (Budget) Department, dated 26.07.2014.
- 1.1.2 The Singareni Collieries Company Limited (SCCL) is a coal mining company incorporated under the Companies Act, 1956. The Company is owned by Government of Telangana (GoT) with 51.096% shareholding. The other shareholders of the company are Government of India (GoI) and private shareholders in the ratio of 48.902% and 0.002% respectively.
- 1.1.3 SCCL has entered in the business of power generation by setting up a 2x600 MW coal based thermal power plant viz., Singareni Thermal Power Plant (STPP) in Jaipur of Mancherial District, Units I & II of STPP achieved COD on 25.09.2016 and 02.12.2016 respectively.
- 1.1.4 SCCL had entered into a Power Purchase Agreement (PPA) on 18.01.2016 with two distribution companies of Telangana (TGDiscoms) for the power generated from STPP which will be sold to them at a tariff decided by the Commission. The PPA shall remain valid for a period of 25 years from the COD of the last Unit (i.e., Unit-II).
- 1.1.5 The Commission in its Order dated 28.08.2020 trued-up the capital cost and fixed charges of the STPP plant up to 31.03.2019 and determined tariff during the MYT period 2019-2024.
- 1.1.6 The Commission in its Order dated 23.03.2023 has carried out mid-term review of the control period 2019-2024.
- 1.1.7 The Commission, in its Order dated 28.06.2024 has carried out True up for FY 2022-23 and Multiyear tariff for FY 2024-25 to FY 2028-29.

1.2 Statutory and Regulatory Provisions

1.2.1 As per Section 62 of the Electricity Act, 2003 the Commission determines the tariff for supply of electricity by a generating Company to a distribution licensee, Further the Commission is empowered to determine tariff for generation and sale of electricity within the State under Section 86(1)(a) & 86(1)(b) of the Act.

1.2.2 The Commission had notified (Terms and Conditions for Determination of Generation Tariff) Regulations, 2019 [Regulation No.1 of 2019] which came into force from the date of its publication in Telangana Gazette i.e., on 01.02.2019. As per clause 3.13.1 and other applicable clauses provided in Regulation No.1 of 2019 and clause 6.2 and other applicable clauses as provided in Telangana Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023 [Regulation 2 of 2023] the SCCL is required to file a petition for truing-up of generation tariff for STPP for FY 2023-24 ARR for and proposal for revised tariff & charges for FY 2025-26. For the sake of convenience, the applicable clauses of Regulation No.1 of 2019 and Regulation 2 of 2023 are reproduced below:

Regulation No.1 of 2019

“3.13 End of the control period Review

3.13.1 The Generating Entity shall file a petition for End of the control period Review and truing-up of the Aggregate Revenue Requirement and revenue for FY 2021-22 and FY 2022-23, and provisional truing-up for the FY 2023-24, by November 30, 2023. Provided that the Petition shall include information in such form as may be stipulated by the Commission, together with the Accounting Statements, extracts of Books of Account and such other details, including cost accounting reports or extracts thereof, as it may require to assess the reasons for and extent of any difference in operational and financial performance from the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff.

3.13.2 The scope of the End of control period Review shall be a comparison of the actual operational and financial performance vis-à-vis the approved forecast for the third, fourth and fifth Year(s) of the control period;

3.13.3 Upon completion of the review under clause 3.13.2 of this Regulation, the Commission shall attribute any variations or expected variations in

performance, for variables specified under clause 6.7 & clause 6.8 of this Regulation, to factors within the control of the petitioner (controllable factors) or to factors beyond its control (uncontrollable factors).

3.13.4 Any variations or expected variations in performance, for variables other than those specified under clause 6.7 of this Regulation, shall not ordinarily be reviewed by the Commission during the control period and shall be attributed entirely to controllable factors:

3.13.5 Where the petitioner believes, for any variable not specified under clause 6.7, that there is a material variation or expected variation in performance for any Year on account uncontrollable factors, it may apply to the Commission for inclusion of such variable"

Regulation No.2 of 2023

6.2 The petitions to be filed for each Control Period under this Regulation are as under:

d) After first year of the Control Period and onwards, the annual petitions by generating entity shall comprise of:

- i. True-up of preceding year for Generation Business;*
- ii. True-up of preceding year for Integrated Mine;*
- iii. Proposal of revised tariff for ensuing year of control period for Generation Business;*
- iv. Proposal of Revised input price of coal supplied from Integrated mine for the ensuing year of the Control Period.*

1.3 Present Petition

1.3.1 SCCL has filed the present petition on 28.11.2024 in accordance with Sections 62, 86(1)(a) & 86(1)(b) of the Electricity Act, 2003 read with clause 3.13.1, and other applicable clauses provided in Regulation No.1 of 2019 for trueing-up of generation tariff from 1st April 2023 to 31st March 2024. SCCL has also filed the revised tariff petition for FY 2025-26 for 2x600 MW Singareni Thermal Power Plant (STPP) in accordance with Regulation No.2 of 2023.

1.3.2 SCCL has submitted that while filing present Aggregate Revenue Requirement (ARR)/Tariff proposals, the SCCL has endeavoured to comply with the various applicable legal and Regulatory directions of the Commission including the directions contained in the 'Conduct of Business' Regulations, 2015 (Regulation

No.2 of 2015), Regulation No.1 of 2019 and Regulation No.2 of 2023 notified by the Commission.

- 1.3.3 SCCL further submitted that based on the information available it has made bonafide efforts to comply with the directions of the Commission and discharge its obligations to the best of its abilities.

1.4 Admission of Petition and Regulatory Process

- 1.4.1 The petition was scrutinized thoroughly and found to be generally in order as required under Conduct of Business Regulation, 2015 (Regulation No.2 of 2015). Thereby, the original petition was taken on record by assigning the O.P.No.30 of 2024.

1.5 Data Gaps and petitioner's Responses

- 1.5.1 After taking the petition on record, the Commission has sought for some additional information which the petitioner has submitted. The Commission has considered the original filings and additional information submitted by the petitioner.

1.6 Public Notice

- 1.6.1 The petitioner, in conformity of the Commission's directions, issued Public Notice for inviting objections/suggestions of the stakeholders on the filing of the True-up for FY 2023-24 and Revised Tariff Proposal for FY 2025-26 in two (2) English, two (2) Telugu daily and One (1) Urdu daily newspapers on 14.12.2024 [Annexure-1]. In the Public Notice it was also stated the intention of the Commission to conduct Public Hearing in the Court Hall of TGERC, Vidyut Niyamtran Bhavan, GTS Colony, Kalyan Nagar, Hyderabad, on 21.01.2025 from 11.00 hrs onwards. The filings (along with supporting material) were hosted by the Petitioner as well as the Commission on their respective websites.

Response to the Public Notice

- 1.6.2 In response to the Public Notice, two (2) stakeholder's have submitted Objections/Suggestions on the filings of True-up for FY 2023-24 and Revised Tariff Proposal for FY 2025-26. The details of stakeholders who have submitted written objections/suggestions on filings is enclosed at Annexure-II.
- 1.6.3 The Petitioner was directed to furnish reply on the objections/suggestions of

stakeholders in writing, marking copy of the same to the Commission, by 11.01.2025.

The objections/suggestions of stakeholders and the responses of the Petitioner on the same have been posted on both the websites of the Petitioner and the Commission.

1.7 Public Hearing

- 1.7.1 The Commission has conducted the Public Hearing on 21.01.2025 in attendance of the Petitioner, the Respondents, and the other interested stakeholders. During the Public Hearing, the Petitioner has made brief submissions on its filings and then the Commission heard the Respondents and other stakeholders. The Petitioner responded on the issues raised by the objectors and on directions of the Commission filed a written submission regarding the same. The list of persons who have presented their objections/suggestions in Public Hearing held on 21.01.2025 is enclosed at Annexure-III.

(171)

Chapter 2 Summary of Filings

2.1 Petitioner's Submissions

2.1.1 The petition is filed for approval of Truing-up for FY 2023-24 and Revised Tariff Proposal for FY 2025-26 for 2x600 MW Singareni Thermal Power Plant.

2.1.2 The Petitioner has made the following submissions in their original filings and the additional submissions:

- a) Annual Accounts of SCCL for FY 2023-24;
- b) Audited details of the break-up of Actual capital cost of STPP up to 31.03.2024.
- c) The details of Additional Capitalisation for FY 2024-25 and FY 2025-26.

True-up for FY 2023-24

2.1.3 The summary of the true-up of Aggregate Revenue Requirement for FY 2023-24 as claimed by the petitioner is shown in table below:

Table 2.1 Summary of ARR as claimed for FY 2023-24

(Rs. in Crore)

Particulars	MYT/Tariff Order	True-Up requirement
	Approved	Claimed
Annual Fixed Charges		
Operation & Maintenance Expenses	225.07	314.28
Depreciation	400.36	401.03
Interest and finance charges on loan	195.58	247.71
Interest on Working Capital	85.63	116.28
Return on Equity	436.40	482.82
Annual Fixed Charges	1343.03	1562.11
Energy Charges		
Energy Charge Rate (Rs./kWh)	3.803	3.817
Scheduled Energy-Ex-bus (MUs)	8308.458	8308.458
Energy Charges	3159.66	3171.34
Other Charges		
Incentive	0.00	0.00
water charges, Audit fee & Tariff filing fee	0.00	35.50
Other Charges	0.00	35.50
Total Gross ARR	4502.69	4768.95
Less: Non-Tariff Income	13.33	5.16
ARR to be recovered from Tariff	4489.36	4763.79

*** It is observed that the values shown under MYT/Tariff Order are MTR Order revised approved values for FY 2022-23.**

2.2 Revised Tariff Proposal for FY 2025-26

2.2.1 The AFC claimed by the SCCL for FY 2025-26 is shown in table below:

Table 2.2: AFC and Energy Charge claimed by the Petitioner for FY 2025-26
(Rs. in Crore)

Particulars	FY 2025-26		
	MYT/Tariff Order	April-March	April-March
	Approved	Revised Proposal-1	Revised Proposal-2
Annual Fixed Charges			
Operation & Maintenance Expenses	262.86	350.19	365.81
Depreciation	400.36	403.85	445.36
Interest and finance charges on loan	158.88	184.16	178.63
Interest on Working Capital	84.24	89.81	90.62
Return on Equity	436.40	486.55	486.55
Annual Fixed Charges	1342.73	1514.56	1566.97
Energy Charges			
Energy Charge Rate (Rs./kWh)	3.785	3.785	3.785
Scheduled Energy-Ex-bus (MUs)	8421.426	8882.874	8882.874
Variable Charges	0.00	0.00	0.00
Energy Charges	3187.51	3362.17	3362.17
Other Charges			
Incentive	0.00	23.07	23.07
water charges, Audit fee & Tariff filing fee	0.00	10.41	10.41
Sub Total (Other Charges)	0.00	33.48	33.48
Total Gross ARR	4530.24	4910.21	4962.62
Less: Non-Tariff Income	4.09	5.37	5.37
ARR to be recovered from Tariff	4526.15	4904.84	4957.25

2.3 Energy Charges for FY 2025-26

2.2.1 The Energy Charge Rates (ECR) projected by SCCL for FY 2025-26 are as shown in table below:

Table 2.3: Summary of ECR as claimed by the Petitioner for FY 2025-26

Particulars	Units	MYT/Tariff Order	April-March
		Approved	Revised Proposal
Auxiliary Consumption	%	5.75	5.75
Gross Station Heat Rate	kcal/kWh	2300.00	2300.00
Secondary Fuel oil consumption	ml/kWh	0.50	0.50
Calorific Value of Secondary Fuel	kcal/ml	10.00	10.00
Landed Price of Secondary Fuel	Rs./ml	0.07	0.07
Gross Calorific Value of Coal	kcal/kg	3808.80	3808.80
Landed Price of Coal	Rs./kg	5.86	5.86
Specific Coal Consumption	kg/kWh	0.603	0.60
Rate of Energy Charge from Primary Fuel	Rs./kWh	3.749	3.749
Rate of Energy charges from Secondary Fuel	Rs./kWh	0.036	0.036
ECR	Rs./kWh	3.785	3.785

Chapter 3

Issues raised by Stakeholders, responses of Petitioner and Commission's Analysis and Findings

True up for FY 2023-24

Objections/suggestions made on filings

TGSPDCL on behalf of TGSPDCL & TGNPDCL has filed objections/ suggestions on True-up for FY2023-24 and on Revised tariff petition for FY2025-26. The Petitioner has filed replies on the objections/suggestions received from the stakeholder in writing and during public hearing. For the sake of clarity, the objections/suggestions raised by the stakeholder and responses of the Petitioner have been consolidated and summarised issue-wise and concluded all the objections/suggestions made in writing and the responses to them by the Petitioner.

3.1. Additional Capitalisation for FY 2023-24

Petitioner's Claim

- a) The petitioner has claimed Rs.49.29 crore as additional capitalisation for FY 2023-24. In justification of additional capitalisation, the petitioner has submitted that the claim towards additional capitalisation for FY 2023-24 contains major items like Generator exciter assembly (with PMG) and repair of unit-2 Generator rotor amounting to Rs 38.31 Crore. It is claimed that from the past experiences when any of this equipment fails for whatever the reason and order was placed for replacement, the Original Equipment Manufacturer (OEM) require a high lead time of around one year to supply a new one or at least four months' time for refurbishment as the input material for these modules are to imported from other countries.
- b) This resulted in the units to be shut down in the range of four months to one year which impacted the cash flow of both SCCL and TG Discoms. SCCL will lose due to non-recovery of full fixed charges while TGDiscoms also will be incurring loss from the arrangement of alternative power supply from the market. Therefore, a win-win situation will be achieved if the petitioner is allowed to make the required capital expenditure.

- c) The Commission has approved initial spares of STPP in its earlier order below 2.5% of the GFA upto cut-off date, and still Rs.100 crore is required to reach the limit of 4% ceiling for spares as per Regulation as calculated by SCCL and it is requested to allow for the proposed exciter assembly and other capital expenditure as these expenditures are within specified ceiling limits.
- d) Further, as per the directives of Civil Courts additional amount of Rs. 2.91 crore was paid for enhanced compensation for already acquired land which is within the original scope and spilled over to the current control period and occurred due to a change in law.

Stakeholders' Submissions

- a) The stakeholders have submitted that out of additional capitalization claim of Rs.49.29 Cr for FY 2023-24, the major claim is of Rs. 38.31 Cr towards Generator exciter assembly (with PMG) and repair of Unit-2 Generator Rotor, which was claimed by SCCL and was disallowed by the Commission vide order dated 23.03.2023 in Mid Term Review petition in OP No. 77 of 2022 & vide order dated 17.11.2023 in R.P (SR) No. 79 of 2023 in OP No. 77 of 2022, since, the claim was beyond the Original Scope of Works. Hence, the claim is not tenable again in the present petition.

Petitioner's Replies

The petitioner has submitted the following

- a) The projected PLF during the FY 2024-29 is around 91%. The Generator exciter assembly is necessary for the successful execution of the generation plan. In case of failures for whatever reason orders placed the OEM results in a high lead time of around one year to supply a new one or at least four months for refurbishment. Hence, it needs special attention.
- b) As per PPA, STPP is expected to meet the availability norms set by the regulator and full fixed charges can be claimed only after achieving the normative availability. If such equipment is not provided, SCCL will loose due to non-recovery of full fixed charges while TGDIs will also be incurring loss from arrangement of alternative power supply from the market.
- c) It is submitted that the short-term power markets are highly volatile and unpredictable. Therefore, the shutdown of units in the range of four months

to one year will impact the cash flow of both SCCL and TGDISCOMs. Therefore, a win-win situation may be achieved if STPP is allowed to make required capital expenditures.

- d) As stated by the stakeholders, SCCL did not claim the generator exciter assembly and repair of unit-2 Generating rotor amounting to Rs 38.31 crore as additional capitalisation in mid-term review petition. STPP has purchased one generator exciter to meet the exigencies as both the units are of the same capacity.
- e) As per clause 17.9.5 of TGERC Tariff Regulation 2019 additional capitalisation on several items are prohibited after cut-off Date. The Regulation contains a comprehensive list of such items. The additional capitalisation claims of STPP do not fall into this prohibited category and these items are required for successful running of the plant at normative availability. Accordingly, the Commission by the application of general prudence can consider these items for capitalisation.
- f) Further, as per the directives of Civil Courts additional amount of Rs. 2.91 crores was paid for enhanced compensation for already acquired land which is within the original scope and spilled over to the current control period and occurred due to a change in law.

Therefore, the petitioner submitted that objections made by the stakeholders have no merit for consideration

Commission's Analysis and Findings

- a) The petitioner has claimed an amount of Rs. 49.29 Crores for FY 2023-24 as additional capitalisation. The Commission has examined the additional capitalisation claimed by the Petitioner, which was incurred for activities such as Procurement of Generator Exciter Assembly and Repair of Generator Rotor, Widening of portico Ramp of Building, Enhanced Compensation paid for land as per Court directives, Retaining Wall around coal stock yard, Procurement of various pipes, Equipment for security, Laying of 33kV/11kV/3.3kV OHT Lines for Railway Siding, Construction of Quarters and other amenities in Township, CSR works in nearby villages, Furniture for Admin and service buildings, other civil works etc.
- b) This was strongly opposed by the DISCOMs / Objectors on the ground that the

Petitioner has made an attempt to claim said amounts in O. P. No. 77 of 2022 in mid-term review petition including Rs. 38.31 crores as Spill Over works, however, the Commission by Order dated 17.11.2023 has rejected the said request. Therefore this Commission shall not entertain additional expenditure.

In order to appreciate the submissions of both sides the relevant Regulations (Regulation No.1 of 2019) are considered as referred hereunder.

"Clause 7.19.1 - The capital expenditure actually incurred or projected to be incurred, on the following counts within the Original Scope Of Work, after the COD and up to the Cut-Off date, may be admitted by the Commission subject to Prudence Check. Any additional capitalization after COD needs prior approval of the Commission

- a) *Un-discharged liabilities recognized to be payable at a future date;*
- b) *Works deferred for execution;*
- c) *Procurement of initial capital spares within the Original Scope of Work in accordance with clause 7:12 of these Regulations;*
- d) *Liabilities to meet award of arbitration or for compliance of the order or decree of a court of law*
- e) *Change in law or compliance of any existing law;*
- f) *Any expenses to be incurred on account of need for higher security and safety of the Station/Unit as advised or directed by appropriate Government Agencies of statutory authorities responsible for national security/internal security;*
- g) *Deferred works relating to ash pond or ash handling system and coal handling in the Original Scope of Work*
- h) *Any capital expenditure found justified after Prudence Check necessitated on account of modifications required or done in fuel receiving system arising due to non-materialization of coal supply corresponding to full coal linkage in respect of Thermal Generating Station as result of circumstances not Within the control of the Generating Station.*
- i) *Any liability for works executed prior to the Cut-Off date; after Prudence Check of the details of such un-discharged liability, total estimated cost of package, reasons for such withholding of payment and release of such payments, etc.*
- j) *Any liability for works admitted by the Commission after the Cut-Off Date to the extent of discharge of such liabilities by actual payments:*
- k) *Any additional capital expenditure which has become necessary for efficient operation.*

Provided that the claim shall be substantiated with the technical justification duly supported by documentary evidence like test results carried out by an independent agency in case of deterioration of assets, damage caused by natural calamities, Obsolescence of technology up-gradation of capacity for the Technical reason such as increase in fault

- level.
- l) *An additional capital expenditure for complying with statutory norms for Environment in accordance with the appropriate notifications of Ministry of Environment, Forest and Climate Change. Provided that, the Generating Company shall approach to the Commission for change in operational parameters such as change in normative Auxiliary Consumption on account of technology changes in the Generating Plant for e.g. installation of Flue Gas Desulfurization (FGD).*
- m) *In case of hydro Generating Stations, any expenditure, which has become necessary on account of damage caused by natural calamities (but not due to flooding of power house attributable to the negligence of the Generating Entity) and due to geological reasons after adjusting the proceeds from any insurance scheme, and expenditure incurred due to any additional work which has become necessary for successful and efficient plant operation."*
- c) On considering the above Regulations it is clear that the additional capitalization beyond the scope of work can be permitted only with prior approval from the Commission. Further, as per Clause 2.23 of Regulation No. 01 of 2019 read as under:
- "Cut-off Date" means the 31st March of the Year ending after two (2) Years of the Year of start of commercial operation of a Project and, in case a Project is declared to be under commercial operation in the last quarter of a Year, it shall mean the 31st March of the Year ending after three years of the Year of start of such commercial operation."*
- d) Therefore basing on the above clause, if the additional expenditure incurred is beyond the cut-off date such additional expenditure also cannot be permitted. Out of Rs. 49.29 crore of additional expenditure claimed, except Rs. 2.91 crore towards enhanced land compensation as per the directions of the civil court, rest of the expenditure incurred beyond the cut-off date cannot be considered as it was spent without obtaining prior approval of the Commission. In addition to that as rightly submitted by TGDIs in respect to the claim of petition for Rs 38.31 crores towards spill over expenses was rejected by the Commission by order dated 17.11.2023 in OP No.77 of 2022. Accordingly, the additional capitalisation claimed and approved for FY 2023-24 is as mentioned in the table below:

Table 3.1 : Additional Capitalisation claimed and approved for FY 2023-24
(Rs. in Crore)

Particulars	Approved in MTR Order dt 23.03.2023	Claimed	Approved
Additional Capitalisation	0.00	49.29	2.91

3.2. Operations and Maintenance Expenses

Petitioner's Claim

- a) The Petitioner claimed the O&M expenses as Rs. 314.28 Crores as against the approved value of Rs. 225.07 Crore in MYT which was subsequently revised in MTR Order dated 23.03.2023. The Petitioner in support of its claim has also submitted the Auditor Certificate.
- b) The Petitioner has submitted that the O&M expenses for the FY 2023-24 were approved relying on the STPP's actual expenses of control period FY 2016-19 after application of CPI&WPI. During FY 2016-19, the deployment of manpower was partial, repair & maintenance costs were very less which resulted in approval of less O&M expenses for FY 2023-24. The new plant when subjected to cyclical stress and extreme thermal conditions for longer period will gradually experience more wear and tear. Some machine parts also became useless in STPP. The rate of failure of equipment increased with increase in plant age. Capital spares were purchased and put in service in place of failed equipment. The additional O&M expenditures incurred for coal mill overhauling was absent during the initial years. The initial /mandatory spares purchased for coal mill and spares were consumed in first two and half years for annual mill overhauling. Hence the impact of O&M due to annual mill overhaul during 2016-17 to 2018-19 was almost nil. The O&M expenditure drastically increased from 2018-19 onwards after stored initial spares for coal mill were exhausted.
- c) It is further submitted that the deployment of CISF in the base year was only partial. Only 55% of its full capacity manpower was available and deployed for FY 2018-19. CISF personnel receive salary and other facilities as decided by the Central Government from time to time and is to be reimbursed by STPP which is booked under A&G expenditure. As per safety report, the STPP falls under the high security zone which is categorised as Hyper Sensitive Zone by Ministry of Home Affairs. Accordingly, the required CISF manpower of various ranks have been recommended by the authority for posting in STPP. All the above reasons resulted in increase in O&M expenses from approved values.
- d) The Petitioner has also requested to consider the cumulative WPI figures of the past control period i.e around 29.6% and to add with the K figure of the last control period which was 1.04 and to consider the K value for the purpose of computing

R&M expenditure as 1.34 in place of 1.08.

- e) Though the Discoms have raised objection in respect of many heads it has not chosen to raise any objection on O&M expenses
- f) The O&M expenses approved in MTR Order dated 23.03.2023, claimed by SCCL in True up petition is detailed in Table below:

Table 3.2 : Summary of O&M expenditure claimed for FY 2023-24

(Rs. in Crore)

Particulars	Approved in MTR Order dt 23.03.2023	Claimed
Employee Expenses	225.07	171.86
A&G Expenses		51.93
R & M Expenses		90.49
O&M Expenses	225.07	314.28

Commission's Analysis and Findings

- a) The clause 19 of the Regulation No.1 of 2019 stipulates the norms for determination of O&M expenses as (i) Employee cost, (ii) R&M expenses and (iii) A&G expenses.
- b) The Commission has computed the normative Employee expenses, normative R&M expenses and normative A&G expenses as per Regulation No.1 of 2019. The computed normative O&M expenses were compared with the actual expenses as claimed by the petitioner and approved the least of computed normative expenses and actual expenses as claimed is approved as below:

Employee Cost:

Table 3.3 : Employee cost computed by the Commission for FY 2023-24

(Rs. in Crore)

Particulars	EMPb	CPI Inflation	Provision	EMPn
	(a)	(b)	(c)	(a*b)+(c)
Employee Cost	107.02	1.042		111.51

Table 3.4: Employee cost claimed, computed and approved for FY 2023-24

(Rs. in Crore)

Financial Year	Approved in MTR Order dt 23.03.2023	Claimed	Recomputed by the Commission	Approved
FY 2023-24	110.24	171.86	111.51	111.51

A&G Expenses:

Table 3.5 : A&G expenses computed for FY 2023-24

(Rs. in Crore)

Particulars	A&G	Inflation Factor	Provision	A&Gn
	(a)	(b)	(c)	(a*b)+(c)
A&G Expenses	36.69	1.01		37.14

Table 3.6 : A&G expenses at actuals claimed and approved for FY 2023-24

(Rs. in Crore)

Financial Year	Approved in MTR Order dt 23.03.2023	Claimed	Recomputed by the Commission	Approved
FY 2023-24	35.84	51.93	37.14	37.14

R&M Expenses:**Table 3.7 : R&M expenses computed by the Commission for FY 2023-24**

(Rs. in Crore)

Particulars	Kn	GFA _n	WPI Inflation	R&M _n
	(a)	(b)	(c)	(a*b*c)
R&M Expenses	1.14%	7745.32	1.00	87.94

Table 3.8: R&M expenses claimed, recomputed and approved for FY 2023-24

(Rs. in Crore)

Financial Year	Approved in MTR Order dt 23.03.2023	Claimed	Recomputed by the Commission	Approved
FY 2023-24	81.27	90.49	87.94	87.94

O&M Expenses:

- c) The relevant clause of Regulation No.1 of 2019 related to O&M expenses is as follows:

"19.1 The O&M expenses for each year of the control period shall be approved based on the formula shown below:

$$O\&M_n = (R\&M_n + EMP_n + A\&G_n) \times 99\%$$

- d) Basing on the above Regulation, the O&M expenses claimed by petitioner and approved by the Commission for FY 2023-24 is as shown below:

Table 3.9: O&M Expenses claimed and approved FY 2023-24

(Rs. in Crore)

Particulars	MTR Order	Claimed	Approved
-------------	-----------	---------	----------

	dt 23.03.2023		
Employee Expenses		171.86	111.51
A&G Expenses		51.93	37.14
R & M Expenses		90.49	87.94
O&M Expenses	225.07	314.28	234.22*

*As per Regulation 1 of 2019 O&M Expenses =99% of sum of Employee Expenses, A&G Expenses and R&M Expenses

3.3. Depreciation

Petitioner's Claim

The petitioner has claimed the depreciation of Rs.401.03 Crore against the approved value of Rs.400.36 crore in MTR order dated 23.03.2023. The same is detailed in Table below:

Table 3.10: Depreciation as claimed for FY 2023-24

(Rs. in Crore)

Particulars	Approved in MTR Order dated 23.03.2023	Claimed
Depreciation	400.36	401.03

Stakeholders' Submissions

- The Petitioner has submitted higher depreciation sums of Rs. 401.03 cr., for FY 2023-24 against approval of the Commission at a constant Value of Rs. 400.36 Cr in the Mid-term review order dated 23.03.2023.
- Since no additional Capitalization was allowed to the petitioner in the Midterm review and there would be no change in the GFA (Gross Fixed Asset) of STPP Project, the Commission is requested to restrict the recovery of Depreciation by the Petitioner to the already approved figure of Rs. 400.36 Crore.

Petitioner's Replies

- The Petitioner has submitted that the respondents, without considering the fact that there are certain capitalizations done as per Court directives and for compliance of CEA regulation which is in the nature of change in law events, has stated that the depreciation should not increase. Accordingly, this fact needs to be considered for capitalization, consequently the effect of depreciation is required to be allowed by the Commission.

Commission's Analysis and Findings

- The Commission has taken note that the petitioner has taken the closing GFA approved for True up of FY2022-23 as opening GFA value for FY 2023-24.

Further, the Commission has allowed an additional capitalization of Rs. 2.91 crore for FY 2023-24 against a claim of Rs.49.29 crore.

- b) The depreciation can be permitted in accordance with Clause 10 of the Regulation No. 1 of 2019 considering the approved GFA and additional capitalization of Rs.2.91 crore. The depreciation rate of 5.16% is considered in accordance to Clause 10.6 of the Regulation No. 1 of 2019 and after prudent check of the actual depreciation rates filed by the Petitioner. After prudence check, the deprecation claimed and approved for FY 2023-24 is detailed in Table below:

Table 3.11: Depreciation claimed and approved for FY 2023-24

(Rs. in Crore)

Particulars	Approved in MTR Order dt 23.03.2023	Claimed	Approved
Opening GFA	7,745.32	7,745.32	7,745.32
Addition during the year	0.00	49.29	2.91
Closing GFA	7,745.32	7,794.61	7,748.23
Rate of Depreciation	5.17%	5.16%	5.16%
Depreciation	400.36	401.03	399.83

3.4. Interest and Finance Charges

Petitioner's Claim

- a) The Petitioner has claimed the interest and finance charges on loan as Rs. 247.71 Crore against the approved value of Rs. 195.58 Crore in MTR order dated 23.03.2023. The Petitioner further added that the Commission in its Mid Term review Order dated 23.03.2023 allowed the refinancing of loan and has claimed the sharing of gains of Rs 16.17 Crore accrued due to refinancing of loans in the FY2020-21.
- b) The petitioner has submitted that the weighted average rate of interest on actual loans of both SBI and ICICI combined for FY 2023-24 is 8.43%. Rate of interest of SBI loan is calculated as one-year MCLR plus spread of 0.25 and the same will be reset every year on 15th October. The rate of interest of SBI loan has increased from 8.80% to 9.20% w.e.f 15.10.2024, accordingly, the same is considered while calculating estimated interest for 2024-25 and 2025-26.
- c) The Petitioner has undertaken loan refinancing during FY 2020-21. Regulations specifically allows for refinancing of loans as long it results in net savings. This loan restructuring dated 15.10.2020 has resulted in instantaneous reduction of

interest to the tune of 3.05% (10.20% to 7.15%). Regulation No 1 of 2019 provides for the generating entity making every effort to refinance the loan as long as it results in net savings on interest and in that event refinancing charge shall be borne by beneficiary, whereas, the net savings shall be shared to the beneficiary. Petitioner has requested to allow the sharing of savings in interest as claimed.

- d) The interest and finance charges on loan approved in MTR Order dated 23.03.2023, claimed by the Petitioner for FY 2023-24 is detailed in Table below:

Table 3.12: Interest and Finance Charges on Loan as claimed for FY 2023-24

(Rs. in Crore)

Particulars	Approved in MTR Order dt 23.03.2023	Claimed
Interest and finance charges on Loan	195.58	247.71

Stakeholders' Submissions

- a) The stakeholders have stated that the petitioner has added the additional loan component of Rs.34.51 Cr for FY 2023-24 for the additional capitalisation of Rs.49.29 Cr and additional loan component of Rs.17.50 Cr for FY 2024-25 to the outstanding loan balances approved in the mid Term Review order dated 23.03.2023 even without obtaining approval of the Commission and worked out higher interest sums arbitrarily by applying the rate of interest @8.43% to 8.83% as against the rate of interest approved @7.16% p.a for FY 2023-24 and @8.24% p.a for FY 2025-26, which is not in accordance with the Mid Term Review order dated 23.03.2023/MYT order dated 28.06.2024. If there is a change in interest rate on outstanding loan, then the net savings have to be reworked. The petitioner has also claimed 1/3rd share of savings of interest amount accrued due to loan refinancing while truing up for FY 2023-24 and also for the FY 2024-25 & 2025-26 by simply citing the relevant clause 31 of Regulation No 2 of 2023.
- b) The Commission in its MTR order had allowed 1/3rd share of gains of net savings to STPP/SCCL as a one time basis during FY 2020-21 and allowed the beneficiaries to retain the net savings for subsequent years without sharing. Disregarding the set procedure, the Petitioner has trued-up the expenditures by

claiming 1/3rd share of gain of loan refinancing even for the balance period of the previous control period which is not permissible.

- c) Further, the Petitioner has continued to claim 1/3rd share of gains of loan refinancing even for FY 2024-25 and 2025-26 by referring clause 31 of Regulation No 2 of 2023. In the said Regulation, it is specifically prescribed that the net savings in interest shall be calculated as an Annuity for the term of the Loan whereas such methodology was not prescribed in Regulation No. 1 of 2019. In Annuity computation methodology, present values of interest cost saving before and after loan refinancing have to be worked out by considering the discount rate at the interest rate of Post refinancing. The Petitioner has not carried out such exercise. If further loan refinancing is taken up by the Petitioner in FY 2024-25 & 2025-26, then Regulation No 2 of 2023 allows such claim. Petitioner's claim for unilaterally adjusting 1/3rd share of gain to it is legally not permissible. Hence, it is requested to restrict the Interest Rate @7.16% as approved in the MTR and disallow the sharing of 1/3rd share of gain on loan refinancing for FY 2023-24 and also to restrict the rate of interest on loan @8.24% for FY 2024-25 and FY 2025-26 to as approved in MTR/MYT order and disallow the sharing of 1/3rd share of gain on loan refinancing for FY 2024-25 and FY 2025-26.

Petitioner's Replies

- a) The Petitioner has stated that clause 12.6.3 of Regulation No 1 of 2019 provides that changes to terms and conditions of the refinanced loans shall be reflected from the date of refinancing and it is easy to understand that how further changes in interest rates falls within these terms and conditions. Further clause 12.5 of the same Regulation provides that the rate of interest on loan shall be based on weighted average rate of actual loan portfolio.
- b) Accordingly, in terms of the said regulation, post financing and rate of interest applicable for actual refinanced loan portfolio is required to be allowed in the tariff. Further the stakeholders have stated that the methodology for loan refinancing as allowed by the Commission in MTR order is final and should be the basis for truing up of interest and financing charges even for forth coming FY 2023-24. It is submitted that non sharing of gain out of loan refinancing in FY 2021-22 which is a deviation to clause 12.6 of Regulation No 1 of 2019 has been challenged

before Hon'ble APTEL and the approval for refinancing was never under challenge.

- c) The last proviso 31.10 of Regulation No 2 of 2023 states that the net savings in interest shall be calculated as an annuity for the term of loan but the net savings shall be shared between the parties on annual basis. Calculation of net savings in interest based on annuity method is only required to apply prudence to approve refinancing. Refinancing has already been approved in the previous control period. Hence annuity method as suggested by the stakeholder is not relevant in this matter. The same proviso stipulates the annual savings shall be shared, which the petitioner has calculated and submitted.
- d) Once the approval for refinancing of the loan has been allowed by the Commission and as the truing up of FY 2023-24 was not done in the mid-term review order dated 23.03.2023, the Commission may decide sharing ratio of benefit out of the said refinancing arranged which attained finality as no party challenged, it is appropriate to pass orders on refinancing arrangement for FY 2023-24.
- e) Hence, it is requested to decide the sharing ratio of net savings for FY 2023-24 and also to apply the prescribed ratio of 2:1 for the sharing of gains in the control period 2024 - 29.

Commission's Analysis and Findings

- a) The Commission has approved the Interest and Finance Charges on loan in accordance with Clause 12 of the Regulation No. 1 of 2019. The closing loan balance approved for FY 2022-23 after true up in 5th MYT order dated 28.06.2024 has been considered as the opening loan balance for FY 2023-24. The approved depreciation of Rs.399.83 crore has been considered as the normative repayment for the year.
- b) The Commission has computed the weighted average rate of interest on loan based on the actual loan portfolio and respective interest rates. The Commission in its MTR Order dated 23.03.2023 approved the refinancing of loan for FY 2020-21 and FY 2021-22 and passed on the benefits and relevant paras are extracted below:

3.9.14 The Commission on consideration of loan refinancing has arrived at weighted average rate of interest @8.84% for the FY 2020-21 and the details are as given below:

Table 3.13: Interest rate due to loan refinancing during FY 2020-21

Particulars	Before swapping 197 days (01.04.2020 to 14.10.2020)	After swapping 168 days (15.10.2020 to 31.03.2021)
Average Net Loan	3,876.98	3,719.10
Interest on loan	213.35	122.39
Wt Average Interest on loan for FY 2020-21 (A)		8.84%
Interest rate before loan refinancing (B)		10.20%
Reduction in interest rate due to loan refinancing (C= B-A)		1.36%

The Commission has computed the reduction in interest on loan amount by using the reduction in interest rate due to loan refinancing and approved average loan balance.

3.9.16 The Commission has considered the reduced interest on loan from FY 2020-21 to FY 2023-24. Though there is reduction in interest rate due to loan refinancing and after sharing of gains/loss as per clause 12.6 of Regulation No.1 of 2019, the net interest on loan for FY 2020-21 has increased as the refinancing charges are to be passed on to beneficiaries as per Regulation No.1 of 2019. The benefit of reduced rate of interest on loan due to loan refinancing is passed on to beneficiaries from FY 2021-22 to FY 2023-24....."

- c) It is observed that the Petitioner has also claimed the sharing of benefits of refinancing of loan during FY 2023-24. The Commission in its Order dated 23.03.2023 has approved the sharing of gains on account of refinancing in FY 2020-21. Since entire gain on account of loan refinancing has already been permitted to be shared by the petitioner in FY 2020-21 on one time basis, nothing was left for sharing the gains for FY 2021-22. The Petitioner has challenged the MTR order dated 23.03.2023 before the Hon'ble APTEL being aggrieved for not sharing the gains on account of refinancing for FY 2021-22 and is still pending.
- d) The Commission after passing on the benefits due to loan refinancing in the FY 2020-21 as a one time basis and approved the revised rate of interest of 7.16% for the FY 2022-23 and FY 2023-24.
- e) On prudent check of actual loan statements submitted by the Petitioner, Commission allowed the rate of interest of 8.43% for FY 2023-24. Since the Commission has already passed on the benefits due to loan refinancing as a one-time basis and that the rate of interest has also increased from approved rate of interest of 7.16% in the MTR, since there is no gain available on account of

refinancing from the date of passing of MTR order the Commission is not inclined to accept the claim of the Petitioner.

- f) Accordingly, the interest and finance charges on loan claimed by Petitioner and approved is shown in the table below:

Table 3.14: I&FC on Loan claimed and approved for FY 2023-24

(Rs. in Crore)

Particulars	Approved in MTR Order dt 23.03.2023	Claimed	Approved
Opening Loan		2,929.99	2,929.96
Addition		34.51	2.04
Repayment		401.03	399.83
Closing Loan		2,563.46	2,532.17
Interest rate		8.43%	8.43%
Interest on loan		231.54	230.15
Sharing of Benefits of Refinancing		16.17	0.00
Interest & Finance Charges on loan	195.58	247.71	230.15

3.5. Interest on Working Capital

Petitioner's Claim

- a) The Petitioner has claimed Interest on working capital for FY 2023-24 as Rs. 116.28 Crore in accordance to Clauses 13.1 to 13.4 of Regulation No. 1 of 2019 against the approved value of Rs. 85.63 Crore in MTR Order dated 23.03.2023. The Petitioner has considered the Interest rate as 10.07% for computation of interest on working capital.
- b) The interest on working capital approved in MTR Order dated 23.03.2023, claimed is detailed in Table below:

Table 3.15: Interest on Working Capital claimed for FY 2023-24

(Rs. in Crore)

Particulars	Approved in MTR Order dt 23.03.2023	Claimed
Interest on Working Capital	85.63	116.28*

*IoWC claimed@10.07% interest rate

Stakeholders' Submissions

- a) The stakeholders have submitted that the petitioner has considered cost of coal of Bridge Linkage pricing which will be higher than the notified price of coal, by 20 to 30% (Rs.5860 to 5930 per Ton). By considering high price of coal being supplied to STPP under Bridge Linkage policy, the Working Capital would be

higher which is not in consonance with the Commission's order dated 01.04.2024 in O.P.No.13 of 2023, wherein the Commission has disallowed the levy of additional premium by SCCL on the basic price of coal for the corresponding coal grade. Hence, it is requested to restrict the Working Capital claim considering the notified basic price of coal, else it translates into higher fixed charges and ultimately a burden on the end consumers.

Petitioner's Replies

- a) The Ministry of Coal (MoC), Govt. of India has allocated captive Coal Block/Mine (NAINI) to STPP/SCCL in the year 2016. The coal produced from the Nain Block in Odisha State would be utilized at STPP (being the Specified End Use Plant). To facilitate the immediate requirement of Coal to STPP project, a Short-term Linkage was granted under the Policy of Bridge Linkage, till the commencement of Coal Supply to STPP gets from its Captive Coal Block (Naini). The extension of bridge linkage will be decided by Standing Linkage Committee (SLC), MOC, Govt. of India after deliberation in the meeting duly considering the recommendations received from Ministry of Power (MoP).
- b) SCCL is supplying coal to Power sector (Bridge linkage and Non Bridge linkage holders) by regulating supplies to Non Power customers. Sales realisation from non-regulated sector is more by Rs.1628/T than sales realisation from Bridge Linkage and Non Bridge Linkage supplies to power. Therefore, by foregoing the revenues, SCCL is supplying coal to Bridge Linkage and Non Bridge Linkage customers based on the request of Ministry of Coal considering the importance of power sector across the country. In the recent order of Standard Linkage Committee it was clearly stated that the price of such bridge linkage supply has to be solely decided by SCCL/CIL.
- c) The Commission in STPP's True up for FY 2022-23 and MYT for FY 2024-25 to FY 2028-29 order dated 28.06.2024 has allowed the coal cost including the premium superseding its earlier order dt. 01.04.2024. Accordingly, the Commission is requested to allow the coal cost as claimed.
- d) The Petitioner has also stated that SCCL is exploring swapping of coal from Naini mines since long, TANGEDCO has shown interest in swapping of coal from SCCL to Naini coal mine and accordingly letters were addressed to TGPCC/TGDiscoms to give consent for entering into swapping arrangement. Once coal production starts from Naini coal mine and consent is received from

TGPCC/TGDiscoms the same will be taken up with Ministry of Coal, Gol.

Commission's Analysis and Findings

- a) The Commission has computed the working capital requirement for FY 2023-24 in accordance with clause 13 of Regulation No.1 of 2019, considering the following:
- Cost of coal towards stock corresponding to 30 days generation corresponding to target availability.
 - Cost of coal for 30 days of generation corresponding to target availability.
 - Cost of secondary fuel oil for two months of generation corresponding to target availability.
 - Maintenance spares @ 20% of the O&M expenses
 - O&M expenses for one month.
 - Receivables equivalent to two months of capacity charges and energy charges for sale of electricity calculated on target availability.
 - Minus payables for fuel (including secondary fuel oil) to the extent of thirty days of the cost of fuel computed at target availability.
- b) The Petitioner claimed cost of coal of bridge linkage pricing which was admittedly higher than notified price of coal. This aspect has been contested by various stakeholders stating that on account of claim of cost of coal as bridge linkage pricing would certainly make the consumers feel hardship. SCCL was originally formed for doing coal business. Subsequently it also entered into power generation business. The fuel for the power being produced is the coal thereby the objections of the stakeholders is that the SCCL which has been doing the coal business has been supplying the coal to its vertical STPP on premium price by loading the cost on the consumers. It is submitted by the stakeholders that on account of non-mining of Naini coal mine allotted to SCCL in the year 2016 for supply of coal, the STPP had to buy the coal necessarily from SCCL. It is also submitted that deliberately serious efforts are not put by the STPP to mine the Naini coal block which would have resulted in availability for the coal at cheaper price.

- c) On the contrary the submissions of SCCL would go to show that this Commission while considering the true up for FY 2022-23 and MYT for the period FY 2024-25 to FY 2028-29 has considered the premium price of coal contrary to its own order dated 01.04.2024 in O. P. No. 13 of 2023. Aggrieved by this order of true up and MYT passed on 28.06.2024 the DISCOMs have preferred an appeal before Hon'ble APTEL in Appeal No. 19 of 2024 and same is also pending for consideration before Hon'ble APTEL.
- d) This Commission has gone through the orders carefully and closely. While detailed reasoning was given in the orders dated 01.04.2024 in O. P. No. 13 of 2023 in paragraphs 26 to 31, typically no reasons were given in True up and MYT order dated 28.06.2024 as to why this Commission has accepted the premium price of coal and as to why the Commission is differing with the earlier order dated 01.04.2024 in O. P. No. 13 of 2023 and considering premium price of coal. Therefore, on considering both the orders passed by the previous Commission (this Commission has taken charge on 30.10.2024) is of the view that the detailed reasoned order passed in O. P. No. 13 of 2023 dated 01.04.2024 is to be preferred than order passed on 28.06.2024 in True up for FY 2022-23 and MYT for FY 2024-25 to FY 2028-29.
- e) Even otherwise both the orders in O. P. No. 13 of 2023 dated 01.04.2024 and Order dated 28.06.2024 in True up for the year FY 2024-25 to FY 2028-29 are before the Hon'ble APTEL for consideration. Therefore the issue as to whether SCCL can claim the premium rate for coal being supplied to STPP, without mining the coal in the Naini coal mine allotted to it and whether the STPP can get the coal from SCCL for notified prices will be decided by the Hon'ble APTEL. Until then, as already observed above, this Commission in so far as this petition is concerned, is of the view that the SCCL cannot claim Bridge Linkage Premium price for supply of coal to the STPP. Therefore, the Commission disallows the claim of the SCCL in claiming Bridge Linkage Premium price of coal while truing up for FY 2023-24.
- f) With regard to rate of IoWC, the relevant clause of Regulation is as follows:
- "13.3 Rate of interest on working capital shall be on normative basis and shall be considered as the Bank Rate plus 150 basis points as on filing date or as on 1st April of the financial Year during the MYT period in which the Generating Station or Unit thereof is declared under*

commercial operation, whichever is later.

Provided that for the purpose of Truing-up for any year, interest on working capital shall be allowed at a rate equal to the weighted average Bank Rate prevailing during the concerned Year plus 150 basis points."

- g) The petitioner has claimed the interest rate as 10.07% considering actual SBI MCLR rate during FY 2023-24. The Commission on a prudent check has considered the rate of interest of 10.08% in accordance with clause 13.3 of Regulation No.1 of 2019 as against of 10.07% claimed by the petitioner by correcting the numerical error in computation of weighted average rate of interest.
- h) Accordingly, the IoWC claimed and approved is detailed in Table below:

Table 3.16: Interest on Working Capital claimed and approved for FY 2023-24
(Rs. in Crore)

Particulars	Approved in MTR Order dt 23.03.2023	Claimed	Approved
Cost of coal, towards stock		267.83	226.11
Cost of coal for generation		267.83	226.11
Cost of secondary fuel oil		1.55	1.50
O&M expenses		26.19	19.52
Maintenance spares		62.86	46.84
Receivables		796.70	685.08
Minus: Payables for Fuels		268.61	226.86
Total Working Capital requirement		1,154.35	978.30
Interest rate (%)		10.07	10.08
Interest on working capital	85.63	116.28	98.58

3.6. Return on Equity Petitioner's Claim

- a) The petitioner has claimed the Return on Equity (RoE) for FY 2023-24 as Rs.482.82 crore against the approved value of Rs.436.40 crore in MTR order dated 23.03.2023. The petitioner has considered the effective tax rate as 25.17% for grossing up the base rate of Return of Equity (15.50%). The details are as given below:

Table 3.17: Return on Equity including Tax as claimed for FY 2023-24
(Rs. in Crore)

Particulars	MTR Order dt 23.03.2023	Claimed
Return on Equity	436.40	482.82

Stakeholders' Submissions

- a) Stakeholders have submitted that the petitioner has claimed RoE at the base rate of 15.5% on enhanced equity after considering additional capitalisation of Rs.49.29 crores, without obtaining approval of the Commission. The petitioner has grossed up simple RoE with regular income tax rate @25.168% (rate applicable for SCCL company as a whole for coal and power business) as against the concessional MAT rate of 17.472% allowed by the Commission. The Commission has disallowed grossing up of RoE with higher Income Tax rate in the Mid Term Review Order dated 23.03.2023 and also Multi Year Tariff order dated 28.06.2024, since the claim was not in consonance with the Regulation No.1 of 2019. The petitioner is asking enhanced equity and RoE grossing up based on audited figures for FY 2023-24.
- b) It further submitted that in APTEL judgement in Appeal No. 37 of 2010 it was held that the State Commission has to make prudent check of the expenditure and is not bound by Certificates of Auditor and requested the Commission to restrict the claim of RoE to the approved figures of Rs.436.40 crores, and that applicable Regulation provides that income tax has to be considered for the generating station on standalone basis and STPP cannot claim SCCL's tax rate and being a regulated entity, only MAT rate to be allowed in computation of RoE.

Petitioner's Replies

- a) The petitioner has submitted that the objections made by the stakeholders by relying on Mid Term Review Order dated 23.03.2023 without considering the fact that the said order is applicable only for trued up period of FY 2019-22. The Commission needs to again consider prudent check of the expenditure, facts and reasons submitted before them in terms of specified tariff regulation in the present petition. STPP opted for payment of Corporate Income Tax at the reduced Tax rate of 25.168% without MAT credit entitlement and exemptions as per the Taxation (Amendment) Ordinance 2019..
- b) The petitioner has also submitted that, since STPP is a regulated entity and needs to pay MAT rates is incorrect, misleading and lacks merit. STPP is not a separate legal entity and no applicable tariff regulation states that prevails over it the income tax laws. SCCL is an income tax assessee whereas STPP is not

a separate assessee. STPP is an integral part of SCCL. Infact an entity needs to pay tax as per applicable income tax rate of the country and tariff regulations only have to allow effective tax rate paid by embedding the same in RoE computation during truing up. Stakeholder's argument is that STPP being a generating Company may take benefit of 801A and pay income tax only on MAT rate. However actual payment of income tax cannot be based on such assumptions and presumptions because STPP is not a Company separate from SCCL. As the tax is being paid on actual basis and the PPA also stipulates that such tax is to be reimbursed, the stakeholders ought not have objected for the same.

- c) It is submitted that the objection was also that the State Commission is not bound by the Certificates of Auditors. It cannot be denied that the State Commission is not bound by the figures as given in audited statements, since the audit only reflects the amount that has been incurred, but the issue of prudent check i.e., whether such expenditure was required or not lies with the Commission. But regarding correctness of amount incurred towards permissible component, the Commission needs to rely on the figures found in the Auditor's certificate. Not bound does not mean the Commission has to totally disregard the certified amounts.
- d) It is submitted that existing domestic companies have to pay income tax either by opting Section 115 BA (25%) or Section 115BAA(22%) of Income Tax Act. The domestic Company who has opted for special taxation regime under section 115BAA is exempted from provision of MAT. The Companies are expected to pay applicable corporate tax rates under normal circumstances. The provision of MAT is attracted only when tax payable by a domestic Company computed as per normal provisions of the act is less than 15% of the book profit. This may happen when events like making large provisions, transfer amounts to reserve funds etc., takes place. If MAT rate is not triggered, then 115BAA is more attractive than 115BA. Hence tax liability is lesser under 115BAA.
- e) In the presence of MAT rates, good domestic Companies generally pay corporate tax rates and MAT rates are triggered when Companies try to reduce tax liability by resorting to accounting manoeuvre. Further the Commission in order dated 28.10.2014 for truing up of FY 2022-23 has allowed the actual tax

rate @25.17% in place of MAT by changing its earlier stand in Mid Term Review Order dated 23.03.2023 where MAT rate @17.472% was allowed. Hence the Commission is requested to allow income tax rate based on the same principle to STPP also.

Commission's Analysis and Findings

- a) The Commission has considered the approved capitalization of Rs.2.91 crore only against the claim of Rs.49.29 crore for computation of RoE.
- b) In respect of computation of return on equity, the objection raised by Objectors/licensees is that the petitioner/generator concerned grossed up the RoE with regular income tax at the rate of 25.168 % which is applicable for SCCL Company as a whole for Coal and Generation business as against the concessional MAT rate of 17.472% allowed by this Commission for STPP for generation business. Thereby the RoE has gone up abnormally.
- c) The generator on the other hand has submitted that SCCL has opted for corporate income tax at a reduced rate of 25.168 % without MAT credit entitlements and exemptions as per the taxation (amendment ordinance – 2019). It is also submitted that SCCL is an income tax assessee whereas STPP which is doing generating business is not a separate tax assessee, thereby STPP is integral part of SCCL. It is further submitted that the income tax actually paid by SCCL includes STPP, as STPP is one of its verticals. The Income Tax paid is at the rate of 25.168 %. It is also further submitted that basing on Clause 11.3 of Regulation No. 1 of 2019 the petitioner has paid the income tax and thereby entitled to claim the same and that the petitioner has opted for MAT rate without any basis.
- d) The relevant part of the Regulation No. 1 of 2019 in so far as payment of Income tax are extracted here under:

"11.3.4. Rate of return on equity shall be rounded off to 3 decimal places and shall be computed as per the formula given below:

Rate of pre-tax return on equity = Base rate/(1-t)

Where "t" is the effective tax rate in accordance to Clause 11.3.1 of this regulation and shall be calculated in the beginning of every financial year based on the estimated profit and tax to be paid estimated in line with the provisions of the relevant finance act applicable for that financial year to the generating entity on pro-rate basis by excluding the income of non-generation and the corresponding tax thereof.

11.3.5 In case of generating entity paying the minimum alternate tax (MAT) , it shall be considered as MAT rate including surcharge and cess."

- e) On critically examining the above provisions, it is clear that the petitioner is expected to pay effective tax rate in case if generating entity is not opting for Minimum Alternate Tax (MAT). However there is a rider, that the above provision is applicable only in respect of a Company which is exclusively confined for the business of generation of electricity, but here even according to Petitioner the STPP is an integral part of SCCL and that SCCL alone is a legal entity and paying the income tax. Further, STPP is not a legal entity by itself and not paying the income tax. Therefore the income tax paid by the SCCL includes both Coal business and Generation business. In principle when the issue of True-up comes for consideration, this Commission is expected to award true, reliable and acceptable expenses of the generating Company. Merely because STPP has submitted audit accounts it does not mean that the same has to be accepted unless it is clearly evident from the record that the generating Company is doing exclusive generation business. The regulations of this Commission are not clear as to how Income tax is to be awarded in case if a generating Company also does other business. The Regulations are also not clear that in case a generating Company is also doing other business and the income tax being paid is for both the businesses whether MAT rate of income tax can be awarded to the generating Company.
- f) The present Commission has gone through the MTR order passed by previous Commission where in the previous Commission has concluded that generating Company is entitled for MAT rate at 17.472% instead of actual income tax paid on the ground that in case if the actual income tax paid is allowed the interest of the consumers will get affected. Further it is to be kept in mind that the Commission is under an obligation to strike a balance between the interest of the consumer and Generator. While due diligence is required to be done by the Commission in disallowing unwanted, unnecessary expenditure sought by the generator, at the same time while considering the interest of the consumer all the genuine expenses of the generator that can be allowed as per the Regulation shall be permitted. The tariff order has to be decided basing on the Regulations but not on emotions. Considering the fact that the generating Company STPP is not a separate legal entity and has not paid income tax and on paper there is no

data to demonstrate that the businesses of STPP and SCCL are separate.

- g) Further, keeping in view that restricting the tax to MAT was challenged by the petitioner before the Hon'ble APTEL in Appeal No. 149 of 2024, this Commission is of the opinion that even for this True up of FY 2023-24 also the applicable income tax for calculating true up/down is only MAT rate at the rate for 17.472%. However, the generator is at liberty to claim actual income tax paid in case the Hon'ble APTEL allows the appeal of the generator and directs the DISCOMs to pay actual income tax paid by the generator.
- h) Accordingly, the Return on Equity including tax approved in MTR Order dated 23.03.2023, claimed and approved is detailed in Table below:

Table 3.18: Return on Equity including Income Tax claimed and approved for FY 2023-24

(Rs. in Crore)

Particulars	Approved in MTR Order dt 23.03.2023	Claimed	Approved
Opening Equity	2,323.60	2,323.60	2,323.60
Addition during the year	0.00	14.79	0.87
Closing Equity	2,323.60	2,338.38	2,324.47
Rate of RoE	15.50%	15.50%	15.50%
Tax Rate	17.47%	25.17%	17.47%
Effective Tax Rate	18.78%	20.71%	18.78%
RoE including Income Tax	436.40	482.82	436.45

3.7. Non-Tariff Income

Petitioner's Claim

- a) The petitioner has claimed the Non-Tariff Income (NTI) on actuals as given in table below:

Table 3.19: Non-Tariff Income claimed for FY 2023-24

(Rs. in Crore)

Particulars	Approved in MTR Order dt 23.03.2023	Claimed
Non-Tariff Income (NTI)	13.33	5.16

Stakeholders' Submissions

- a) The stakeholders have submitted that the claim of non-tariff income in the True-up for FY 2023-24 is Rs. 5.16 Cr against the approval of Rs. 13.33 Cr vide Midterm review order dated 23.03.2023. This claim is much less than the

approval due to which the annual fixed charges claim increased. Hence, the stakeholders requested the Commission to do a prudent check of the same.

Petitioner's Replies

- a) The Petitioner has submitted that, the non- tariff income claimed is on actual basis for truing up period of FY 2023-24 and the same is un-controllable factor, accordingly, requested to allow the same.

Commission's Analysis and Findings

- a) The Commission after prudent check and based on audited accounts in terms of clause 16(a) of Regulation No.1 of 2019 allows the NTI as claimed by Petitioner and shown in table below:

Table 3.20: Non-Tariff Income claimed and approved for FY 2023-24

(Rs. in Crore)

Particulars	Approved in MTR Order dated 23.03.2023	Claimed	Approved
Non-Tariff Income (NTI)	13.33	5.16	5.16

3.8. Other Charges

Petitioner's Claim

- a) The Petitioner has claimed other charges (water charges, Audit fee & Tariff filing fee) on actuals of FY 2023-24 as given in table below:

Table 3.21: Other Charges claimed for FY 2023-24

(Rs. in Crore)

Particulars	Approved in MTR Order dated 23.03.2023	Claimed
Other Charges	-	35.50

Stakeholders' Submissions

- a) The stakeholders have submitted that the claim for FY 2023-24 has increased abnormally to Rs.33.97 Cr (includes arrears for FY 2017-18 to FY 2022-23) from Rs. 2.24 Cr in FY 2022-23. Hence, the abnormal increase in water charges claim is not tenable and the Commission is requested to restrict the claim in line with previous approved values.

Petitioner's Replies

- a) The petitioner has submitted that Irrigation Department of Telangana Government has sent demand notice treating the water source from river Godavari as reservoir after Sundilla, Annaram and Medigadda barrages have been commissioned under Kaleshwaram project. As such higher royalty charges, O&M charges, HT current consumption charges of downstream barrages are also apportioned to STPP. Arrears amounting to Rs.25.27 Crores was demanded for the period 08/2019 to 03/2023. The demand of higher charges is in accordance with GO Ms No. 34 issued for allocation of 1TMC water to STPP from foreshore of Sundilla barrage under Kaleshwaram project. Water charges are statutory in nature and has to be paid to the Telangana irrigation department as per the State Government orders. The Commission is requested to allow the claim of water charges for FY 2024-25 & FY 2025-26 in line with order dt.28.10.2024 in the matter of TGGENCO MYT.
- b) It is further submitted that the expenditures on account of license fee, tariff filing fee and audit fee is required to be allowed under aggregate revenue requirement based on actuals. The same is as per clause 19.6 of Regulation 1 of 2019. Accordingly, the Commission is requested to allow other charges as claimed.

Commission's Analysis and Findings

- a) The Commission directed the Petitioner to submit the details of Water Charges, Tariff filing fee and audit fees as claimed for FY 2023-24. The Petitioner in its reply has submitted documentary evidence with regard to the Water charges raised by the Irrigation & CAD Department of Telangana and claimed water charges of Rs. 33.97 Crore for FY 2023-24.
- b) The Commission has observed that Water Charges of Rs. 25.27 Crore out of Rs. 33.97 Crore are for period prior to the FY 2023-24. In this regard, the Commission sought clarification from the Petitioner that the water charges of Rs. 25.27 Crore for the period prior to the FY 2023-24 is neither claimed in earlier truing up petitions nor approved in the True up orders of the Commission.
- c) Further, the Commission observed that Water Charges of Rs. 33.97 Crore amount is yet to be paid to Irrigation & CAD Department of Telangana. Since, the

actual payment is not done by the Petitioner to Irrigation Department of Telangana, the Commission disallows the claim of water charges for an amount of Rs.33.97 crores for FY 2023-24.

- d) The clause 19.6 of Regulation No.1 of 2019 stipulates that any expenditure on account of license fee, initial or renewal, fee for determination of tariff and audit fee shall be allowed on actual basis, over and above the A&G expenses approved by the Commission. Therefore, the Commission after prudent check allows the other charges such as Audit Fee of Rs. 0.02 Crore & Tariff Filing fee of Rs. 1.51 Crore. The other charges claimed and approved is detailed in table below:

Table 3.22: Other Charges claimed and approved for FY 2023-24
(Rs. in Crore)

Sr. No.	Particulars	MTR Order dated 23.03.2023	Claimed	Approved
1	Water charges	-	33.97	0.00
2	Tariff Filing fee	-	1.51	1.51
3	Audit fees	-	0.02	0.02
4	Other Charges	-	35.50	1.53

3.9. Energy Charges

Petitioner's Claim

- a) The Petitioner submitted that Energy Charges have been computed as per clause 21 of Regulation No.1 of 2019. The Energy Charge Rate (ECR) claimed by Petitioner for FY 2023-24 is as shown in the Table below:

Table 3.23: Energy Charge Rate (ECR) claimed for FY 2023-24
(Rs. Crore)

Particulars	Legend	Units	Claimed
Auxiliary Consumption	AUX	%	6.13
Gross Station Heat Rate	GSHR	kcal/kWh	2314.73
Secondary Fuel oil consumption	SFC	ml/kWh	0.15
Calorific Value of Secondary Fuel	CVSF	kcal/ml	10.01
Landed Price of Secondary Fuel	LPSF	Rs./ml	0.07
Gross Calorific Value of Coal	CVPF	kcal/kg	3836.04
Landed Price of Coal	LPPF	Rs./kg	5.93
Specific Coal Consumption		kg/kWh	0.60
Rate of Energy Charge from Primary Fuel		Rs./kWh	3.806
Rate of Energy Charge from Secondary Fuel		Rs./kWh	0.011
ECR		Rs./kWh	3.817

Stakeholders' Submissions

- a) The stakeholders have submitted that petitioner has been claiming the Energy charges in respect of the power supplied from STPP Project, based on the Coal pricing under the Bridge Linkage Policy wherein an additional premium of 20% to 30% has been charged over and above the SCCL Notified Price of Coal, (Rs. 5.86 to 5.93 per Kg), By considering high price of Coal, the Energy charges claimed are higher which is not tenable, since the Commission vide order dated 01.04.2024 in OP No. 13 of 2023 disallowed the levy of additional premium by SCCL on the notified basic price of coal for the corresponding coal grade. The stakeholders requested to restrict the pricing of Coal to STPP at Notified Prices published by SCCL from time to time in terms of Commission's order dated 01.04.2024 in OP No. 13 of 2023 and in terms of the clause 50.4 of Regulation No. 2 of 2023, else it translates into higher Energy Charges and burden the end consumers.

Petitioner's Replies

- a) The Petitioner has submitted that
- i. The average unit price of STPP for FY 2023-24 is around Rs. 5.39/- (Energy charge of Rs.3.81/- and Fixed charge of Rs.1.58/-) which is less compared to other state generating stations. The present pricing of coal is completely aligned with the best interest of consumers in the state of Telangana , since the same is lesser than most efficient prices discovered through bidding. STPP comes among top five state sector generating stations in the merit order.
 - ii. Further, the Commission in True-up of FY 2022-23 and MYT of FY 2024-25 to FY 2028-29 order dated 28.06.2024 has allowed the coal cost including the premium by superseding its earlier order dated 01.04.2024. Therefore the Commission is requested to allow the coal cost as pass through and as claimed for calculation of energy charges.

Commission's Analysis and Findings

- a) The Commission has already considered the issue of premium price being claimed by the SCCL for supply of coal to STPP by giving reasons for disallowing the claim of the SCCL for premium price for supply of coal. Accordingly, while calculating energy charges, the landed price of coal has to be calculated appropriately.

- b) Clause 21 of the Regulation No. 1 of 2019 stipulates the methodology for determination of ECR. The Auxiliary Consumption, Gross Station Heat Rate, Secondary Fuel oil consumption, Calorific Value of Secondary Fuel are controllable factors and are considered on normative basis. Further, the landed price of secondary fuel, weighted average gross calorific value of coal and landed price of coal are uncontrollable factors and considered on actuals basis. Based on the above methodology and details submitted by the Petitioner, the Commission has recomputed and approved the ECR for FY 2023-24 as follows:

Table 3.24: Energy Charge Rate (ECR) approved for FY 2023-24

Particulars	Units	Claimed	Approved
Auxiliary Consumption (AUX)	%	6.13	5.75
Gross Station Heat Rate (GHR)	kcal/kWh	2314.73	2303.88
Secondary Fuel oil consumption (SFC)	ml/kWh	0.15	0.15
Calorific Value of Secondary Fuel (CVSF)	kcal/ml	10.01	10.01
Landed Price of Secondary Fuel (LPSF)	Rs./ml	0.07	0.07
Wt. Avg. Gross Calorific Value of Coal (CVPF)	kcal/kg	3836.04	3836.04
Landed Price of Coal (LPPF)	Rs./kg	5.93	5.05
Specific Coal Consumption	kg/kWh	0.60	0.60
Coal Cost/kWh	Rs./kWh	3.806	3.213
Secondary Fuel oil Cost/kWh	Rs./kWh	0.011	0.011
Energy Charge Rate (ECR) (Rs./kWh)	Rs./kWh	3.817	3.224

- c) Any variation in fuel prices on account of change in the GCV of coal or gas or liquid fuel shall be billed in accordance with the provisions under Clauses 21.10 and 21.11 of Regulation No.1 of 2019.

3.10. Summary of Annual Fixed Charge approved and Sharing of Gain/Loss

- a) The summary of AFC claimed and approved for FY 2023-24 is given in table below:

Table 3.25: Annual Fixed Charge (AFC) claimed and approved for FY 2023-24
(Rs. in Crore)

Particulars	MTR Order dated 23.03.2023	Claimed	Approved	Variance with MTR Order
Operation & Maintenance Expenses	225.07	314.28	234.22	9.15
Depreciation	400.36	401.03	399.83	(0.53)

Particulars	MTR Order dated 23.03.2023	Claimed	Approved	Variance with MTR Order
Interest and finance charges on loan	195.58	247.71	230.15	34.58
Interest on Working Capital	85.63	116.28	98.58	12.95
Return on Equity	436.40	482.82	436.45	0.06
Less: Non-Tariff Income	13.33	5.16	5.16	(8.17)
Annual Fixed Charges	1,329.70	1,556.96	1,394.08	64.38
Incentive	-	-	-	-
Water charges, Audit fee & Tariff filings fee	-	35.50	1.53	1.53
Total	1,329.70	1,592.45	1,395.61	65.90

3.11. Sharing of Gains/Losses

- a) The Commission has approved the sharing of gains/losses in accordance with the relevant clauses of Regulation No.1 of 2019. The relevant clauses are extracted hereunder:

6.6. Uncontrollable factors

The "uncontrollable factors" shall comprise the following factors, which were beyond the control of, and could not be mitigated by the Petitioner, as determined by the Commission:

6.6.1. Force Majeure events

6.6.2. Change in law

6.6.3. Variation in fuel cost on account of variation in price of primary and/or secondary fuel prices

6.6.4. Variation in market interest rates for long-term loan

6.6.5. Variation in freight rates

6.6.6. Non-Tariff Income

6.7. Controllable factors

Variations or expected variations in the performance of the Petitioner, which may be attributed by the Commission to controllable factors include, but are not limited to the following:

6.7.1. Variations in capitalisation on account of time or cost overruns or inefficiencies in the implementation of a capital expenditure scheme not attributable to an approved change in its scope, change in statutory levies or Force Majeure Events;

6.7.2. Variation in interest and finance charges, return on equity, and depreciation on account of variation in capitalisation as specified in clause 6.8.1 above;

6.7.3. Variation in performance parameters, such as Availability, Auxiliary Consumption, Secondary fuel oil consumption, Gross Station Heat Rate.

6.7.4. Variation in amount of interest on working capital;

6.7.5. Variation in Operation And Maintenance Expenses;

6.7.6. Variation in coal transit losses.

6.8. Mechanism for pass through of gains or losses on account of uncontrollable factors

6.8.1 The uncontrollable cost shall be determined based on a petition filed by the concerned Generating Entity.

6.8.2 The aggregate gain or loss to a Generating Entity on account of variation in cost of fuel from the sources considered in the Tariff Order, including blending ratio of coal procured from different sources, shall be passed through as an adjustment in its energy charges on a monthly basis, as specified in clause 21.6 of this Regulation.

6.8.3 The consequential impact of decisions of higher Courts or Tribunals or Review Orders passed by the Commission on the Generating Entity

(a) for the first and second Years of the Control Period shall be addressed in the Mid-term Review Order

(b) for the third, fourth or fifth Years of the Control Period shall be addressed in the End of Control Period Review Order

6.9 Mechanism for sharing of gains or losses on account of controllable factors

6.9.1 The approved aggregate gain to the Generating Entity on account of controllable factors shall be dealt with in the following manner:

(a) Two-third (2/3rd) of the amount of such gain shall be passed on as a rebate in tariff over such period as may be stipulated in the Order of the Commission.

(b) The balance amount of such gain shall be retained by the Generating Entity.

6.9.2 The approved aggregate loss to the Generating Entity on account of controllable factors shall be dealt with in the following manner:

(a) One-third (1/3rd) of the amount of such loss may be passed on as an additional charge in tariff over such period as may be stipulated in the Order of the Commission.

(b) The balance amount of such loss shall be absorbed by the Generating Entity.

b) The summary of approved sharing of loss is as detailed in table below:

Table 3.26: Summary of approved sharing of loss to the beneficiaries

(Rs. Crore)

Particulars	Variance in AFC	Sharing of Gains/Loss
Operation & Maintenance Expenses	9.15	3.05
Depreciation	(0.53)	(0.53)
Interest and finance charges on loan	34.58	34.58
Interest on Working Capital	12.95	4.32
Return on Equity	0.06	0.06
Less: Non-Tariff Income	(8.17)	(8.17)
Other charges	1.53	1.53

Particulars	Variance in AFC	Sharing of Gains/Loss
Sharing of Gains/Losses	65.90	51.18

- c) The Commission directs the Petitioner to bill the beneficiaries' viz., TGDISCOMs the claim towards total sharing/passing through of losses approved in this order as per the AFC and other charges for FY 2023-24.

Revised ARR and Tariff for FY 2025-26

3.12. Petition for revised tariff for FY 2025-26

Stakeholders' Submissions

- a) The Stakeholders have submitted that since FY 2024-25 is yet to be completed and the audited figures for FY 2024-25 would not be available to the Petitioner. As such, the exercise of Tariff determination for FY 2025-26, basing on the actual audited figures of expenditure for FY 2023-24 at the time of truing up of expenditure for FY 2024-25 may be taken up subsequently in the next year Annual Tariff Petition / Mid-Term Performance Review.

Petitioner's Replies

- a) The Petitioner has submitted that the True up petition for FY 2023-24 and revised tariff proposal for FY 2025-26 is submitted as required in terms of Regulation No. 1 of 2019 and Regulation No. 2 of 2023. They further, submitted that both the proposals in the present filing are submitted in compliance with the timelines provided in clause 6 of Regulation No. 2 of 2023.

Commission's Analysis and Findings

- a) TGSPDCL on behalf of both the DISCOMs has submitted that the tariff determination for the FY 2025-26 may be taken up subsequently in the next year annual tariff petition since audit figures of FY 2024-25 are not available with the Commission. This submission of DISCOMs cannot be considered since the petitioner has submitted proposals for revised tariff for FY 2025-26 basing on the Regulation No. 02 of 2023. It is true that the audit accounts for the year FY 2024-25 are not available, thereby the only basis on which the revised tariff for the FY 2025-26 can be determined is audit accounts of FY 2023-24. However as per the Regulation No. 02 of 2023 the Petitioner is expected to file True-up in respect of

revised tariff for the year FY 2025-26 basing on the audit accounts of FY 2025-26.

3.13. Additional Capitalisation

Petitioner's Claim

- a) The Petitioner has claimed Rs.20.77 crore as additional capitalisation for FY 2025-26 in accordance with clause 22.3 (ii): Change in law or compliance of any existing law of Regulation No. 2 of 2023.
- b) The Petitioner in the Format 3.1 submitted that the Commission has granted the in-principle approval for implementation of flexible operation scheme as per CEA Regulations vide para 5.1.16 in its order dated 28.06.2024 and further submitted for implementation of the following:
 - 1) Supply of Advance Process Control (APC) server, suitable panels with server (Workstation) to be installed in the control room.
 - 2) The network interlinking cable between existing DCS and APC
 - 3) Low flow operation package for Axial fans
 - 4) BFP low flow operation package
 - 5) Enriching of coal burners for minimum 3 no's of elevation
 - 6) Health monitoring system for Boiler (BOSMON)
 - 7) Turbine Stress monitoring system (TSCMON)+
- c) The Petitioner has requested the Commission to allow Rs.20.77 crore towards implementation of flexible operation scheme as per CEA Regulations.

Table 3.27: Additional Capitalisation claimed for FY 2025-26

(Rs. in Crore)

Particulars	Approved in MYT Order dt 28.06.2024	Claimed
Additional Capitalisation	0.00	20.77

Stakeholder's Submissions

- a) The stakeholders have submitted that the petitioner has claimed Additional Capitalization of Rs. 20.77 Cr for FY 2025-26 towards implementation of the flexible operation Scheme notified by CEA, however the Commission vide order dated 28.06.2024 in MYT petition in OP No. 4 of 2024, has deferred the said claim while observing that the same will be taken into consideration at the time of the True-up of the relevant year and granted in-principal approval for the works

towards the compliance of CEA Regulations. Hence, this claim is not acceptable in the present petition.

Commission's Analysis and Findings

- a) The Petitioner has also claimed an amount of Rs. 20.77 crore for FY 2025-26 towards implementation of flexible operation scheme notified by the CEA. The stake holder however has raised objections on the ground that this Commission has deferred the same in O. P. No. 4 of 2024 dated 28.06.2024.
- b) On considering the rival contentions and on perusal of the orders in MYT petition in O. P. No 4 of 2024 dated 28.06.2024, this Commission has agreed in- principle for the proposal of the petitioner for implementation of the flexible operation scheme and directed the Petitioner to implement the scheme initially and to approach the Commission for the expenditure incurred by way of True-up. However, the Petitioner has again claimed this amount with the expenditure in the FY 2025-26. Therefore, the request of the Petitioner cannot be considered and the Petitioner is permitted to implement the scheme by incurring the expenditure and come back to the Commission at appropriate time with True-up petition.

3.14. Operations and Maintenance Expenses

Petitioner's Claim

- a) The Petitioner has submitted that the O&M expenses (Employee expenses, A&G expenses and R&M expenses) are claimed based on actuals of the control period after applying the formula provided in Clause 45 of Regulation No. 2 of 2023. The O&M expenses claimed by the Petitioner for FY2025-26 is as follows:

Table 3.28: O&M Expenses claimed for FY2025-26

(Rs. in Crore)

Particulars	Approved in MYT Order dt 28.06.2024	Claimed
Employee Expenses	128.22	190.40
A&G Expenses	42.41	58.26
R & M Expenses	92.23	117.14
O&M Expenses	262.85	365.81

Stakeholder's Submissions

- a) Employee Expenses have increased significantly (in the range of 48%-49%) during FY 2024-25 & FY 2025-26 vis-à-vis previous approved cost. R&M expenses and A&G expenses have also gone up considerably.
- b) The Petitioner's claim of O & M expenses has to be restricted to those already approved and trued up with actual WPI/CPI inflation factors.
- c) The O & M expenses for FY 2025-26 are to be restricted taking into consideration the methodology stipulated at clause 45 of Regulation No. 2 of 2023.
- d) The Petitioner has claimed K factor as 1.34% for computation of R&M expenses by revising the GFA claim to Rs.7794.61 Cr (including additional capitalisation) for FY 2025-26 against the approved K factor of 1.08% for approved GFA of Rs.7745.43 Cr vide orders dated 23.03.2023 & 28.06.2024.
- e) K factor is a constant factor which is fixed depending on the GFA approved. WPI inflation is only the varying component and average of last 5 years is taken. Whereas the Commission has considered K factor as 1.08% instead of 1.04% though there is no change in GFA approved for the control period FY 2019-20 to FY 2023-24 vis-à-vis GFA for FY 2024-25 to FY 2028-29. The same is challenged by TGDIs before Hon'ble APTEL vide DFR No.498 of 2024 and the matter is subjudice. Hence it is requested to restrict K factor in the computation of R&M expenses to 1.04% as approved in previous order dated 23.03.2023 as their revised GFA is not tenable after cut-off date as per orders dated 23.03.2023 and 28.06.2024.

Petitioner's Replies

- a) The Petitioner has replied that the O&M expenses for the FY 2023-24 were approved relying on the actual expenses of control period FY 2016-19 after application of CPI&WPI. During FY 2016-19, the deployment of manpower was partial, repair & maintenance costs were very less which resulted in less O&M expenses for FY 2023-24. The new plant when subjected to cyclical stress and extreme thermal conditions for longer period will gradually experience more wear and tear. Some machine parts are also becoming useless. Such sequence of

events took place in STPP. The rate of failure of equipment increased with increase in plant age. Capital spares were purchased and put in service in place of failed equipment. The additional O&M expenditures incurred for coal mill overhauling was absent during the initial years. The initial /mandatory spares purchased for coal mill and spares were consumed in first two and half years for annual mill overhauling. Hence the impact of O&M due to annual mill overhaul during 2016-17 to 2018-19 was almost nil. The O&M expenditure drastically increased beyond 2018-19 after initial spares provided for coal mill were exhausted.

- b) It is further submitted that the deployment of CISF in the base year was only partial. Only 55% of its full manpower capacity was available and deployed for FY 2018-19. CISF personnel receive salary and other facilities as decided by the Central Government from time to time and is to be reimbursed by STPP, which is booked under A&G expenditure. As per safety report, the STPP falls under the high security zone and is categorised as Hyper Sensitive Zone by Ministry of Home Affairs. Accordingly, the required CISF manpower of various ranks have been recommended by the authority for posting in STPP. All the above reasons resulted in increase in O&M expenses from approved values. Accordingly, the Petitioner requested to allow the actual O&M expenses for the FY 2023-24 as claimed.
- c) The Petitioner has also requested to consider the cumulative WPI figures of the past control period i.e around 29.6% to add with the K figure of the last control period which was 1.04 and to consider the K value for the purpose of computing R&M expenditure as 1.34 in place of 1.08.

Commission's Analysis and Findings

- a) Clause 45 of Regulation 2 of 2023 specifies the components of O & M expenses and procedure for computation of each component of O & M expenses. The relevant extract of the Regulation is as follows:

"45 Operation and Maintenance (O&M) expenses

45.1 The O&M expenses for each generating station shall comprise of:

Employee cost including unfunded past liabilities of pension and gratuity;

Repairs and Maintenance (R&M) expenses; and

Administrative and Generation (A&G) expenses.

45.2 The O&M expenses for existing generating station for each year of the Control Period shall be approved based on the formula shown below:

$$O\&M_n = EMP_n + R\&M_n + A\&G_n$$

Where,

O&M_n – Operation and Maintenance expense for the n^{th} year;

- EMP_n – Employee Costs for the n^{th} year;
- R&M_n – Repair and Maintenance Costs for the n^{th} year;
- A&G_n – Administrative and General Costs for the n^{th} year;

45.3 The above components shall be computed in the manner specified below:

$$EMP_n = (EMP_{n-1}) \times (\text{CPI Inflation});$$

$$R\&M_n = K \times (GFA_n) \times (\text{WPI Inflation}) \text{ and}$$

$$A\&G_n = (A\&G_{n-1}) \times (\text{WPI Inflation})$$

Where,

EMP_{n-1} – Employee Costs for the $(n-1)^{th}$ year;

“K” is a constant specified by the Commission in %. Value of K for each year of the control period shall be determined by the Commission in the MYT order based on generating entity's filing, benchmarking of repair and maintenance expenses, approved repair and maintenance expenses vis-à-vis GFA approved by the Commission in past and any other factor considered appropriate by the Commission;

GFA_n - Opening Gross Fixed Asset of the generating station for the n^{th} year;

A&G_{n-1} – Administrative and General Costs for the $(n-1)^{th}$ year;

CPI Inflation – is the point to point change in the Consumer Price Index (CPI) for Industrial Workers (all India) as per Labour Bureau, Government of India; in case CPI Inflation is negative, the escalation/change shall be 0%;

WPI Inflation – is the point to point change in the Wholesale Price Index (WPI) as per the Office of Economic Advisor of Government of India:

Provided that the employee cost and A&G expenses for the first year of the Control Period shall be worked out considering the average of the trued-up expenses after adding/deducting the share of efficiency gains/losses, for the immediately preceding Control Period, excluding abnormal expenses, if any, subject to prudence check by the Commission and duly escalating the same for 3 years with CPI Inflation for employee costs and WPI Inflation for A&G expenses.....”

- b) In accordance with clause 45 of Regulation No 2 of 2023, the Commission has computed the employee expenses for FY 2025-26 by considering the trued-up expenses of FY 2023-24 and escalated twice with CPI inflation factor approved in MYT Order dated 23.10.2023. The details are shown in table below:

Table 3.29: Normative Employee Costs computed for FY 2025-26

(Rs. in Crore)

Particulars	Employee Cost for FY 2023-24	CPI Inflation	Employee Cost
	(a)	(b)	(a*b*b)
FY 2025-26	111.51	1.058	124.86

- c) The Commission has computed the A&G Expenses for FY 2025-26 by considering the trued-up expenses of FY 2023-24 and escalated twice with WPI inflation factor approved in MYT Order dated 23.10.2023. The details are shown in table below:

Table 3.30: Normative A&G Expenses computed for FY 2025-26

(Rs. in Crore)

Particulars	A&G Expenses for FY 2023-24	WPI Inflation	A&G
	(a)	(b)	(a*b*b)
FY 2025-26	37.14	1.049	40.89

- d) With regard to R&M Expenses, the Commission has considered the K factor same as approved in MYT Order dated 28.06.2024. The normative R&M Expenses of FY 2025-26 is computed by multiplying the opening GFA, with K factor and WPI inflation as approved in MYT Order dated 28.06.2024.

Table 3.31: Normative R&M Expenses computed for FY 2025-26

(Rs. in Crore)

Particulars	K	Opening GFA	WPI Inflation	R & M Expenses
	(a)	(b)	(c)	(a*b*c)
R&M Expenses	1.08%	7748.23	1.049	87.93

- e) Based on the employee expenses, A& G Expenses and R & M Expenses computed on normative basis as above, the O&M Expenses approved by the Commission for FY 2025-26 is as shown below:

Table 3.32: O&M expenses approved for FY 2025-26

(Rs. in Crore)

Particulars	MYT Order dt 28.06.2024	Claimed	Approved
Employee Expenses	128.22	190.40	124.86
A&G Expenses	42.41	58.26	40.89
R & M Expenses	92.23	117.14	87.93
O&M Expenses	262.86	365.81	253.67

3.15. Depreciation

Petitioner's Claim

- The Petitioner submitted that the depreciation is claimed in accordance with Clause 28 of Regulation No 2 of 2023.
- The opening capital cost for the purpose of depreciation was considered as Rs. 7794.61 Crore. The depreciation rates for different assets for each financial year were computed based on the asset capitalization schedule as considered in this tariff petition adopting the straight-line method of depreciation and rates specified in Annexure-I of Regulation No 2 of 2023.
- It is stated further that the balance depreciable value as on 1st April, 2024 was computed by deducting the cumulative depreciation claimed up to 31st March, 2024. The Petitioner has considered the opening GFA for FY 2024-25 as Rs. 7805.62 Crore for determination of depreciation.
- The depreciation as claimed by the Petitioner for FY2025-26 is as follows:

Table 3.33: Depreciation claimed for FY 2025-26

(Rs. in Crore)

Particulars	Approved in MYT Order dt 28.06.2024	Claimed
Opening GFA	7,745.32	7,819.62
Addition during the year	0.00	20.77
Closing GFA	7,745.32	7,840.39
Rate of Depreciation	5.17%	5.69%
Depreciation	400.36	445.36

Stakeholder's Submissions

- The Petitioner has claimed higher depreciation sums of Rs. 402.81 cr. for FY 2024-25 and Rs.403.85 Cr for FY 2025-26 against approval of the Commission at a constant Value of Rs. 400.36 Cr vide the Mid-term review order dated 23.03.2023/ MYT order dated 28.06.2024. Since no additional Capitalization was

allowed in the Mid-term review /MYT order and there would be no change in the GFA (Gross Fixed Asset) of STPP Project, the Commission is requested to restrict the recovery of Depreciation by the Petitioner to the already approved figure of Rs. 400.36 Crore.

Petitioner's Replies

- a) The Petitioner has submitted that the Respondents, without considering the fact that there was capitalization as per Court directives and for compliance of CEA Regulation which is in the nature of change in law events, has stated that the depreciation should not increase. Accordingly, this fact needs to be considered for capitalization, consequently the effect of depreciation is required to be allowed by the Commission.

Commission's Analysis and Findings

- a) Clause 28 of Regulation No 2 of 2023 specifies provisions related to Depreciation. The relevant extract of the Regulation is as follows:

"28 Depreciation

28.1 The generating entity, licensee, and SLDC shall be permitted to recover depreciation on the value of fixed assets used in their respective regulated businesses, computed in the following manner:

(a) The approved original cost of the fixed assets shall be the value base for calculation of depreciation:

Provided that the depreciation shall be allowed on the entire capitalised amount of the new assets after reducing the approved original cost of the retired or replaced or de-capitalised assets.

(b) Depreciation shall be computed annually based on the straight line method on the basis of the expected useful life specified in the Annexure I to this Regulation.

(c) The salvage value of the asset shall be considered at ten per cent of the allowable capital cost and depreciation shall be allowed upto a maximum of ninety per cent of the allowable capital cost of the asset:

Provided that the generating entity or Licensee or SLDC shall submit certification from the Statutory Auditor for the capping of depreciation at ninety per cent of the allowable capital cost of the asset:

Provided further that the salvage value of Information Technology equipment and computer software shall be considered at zero per cent of the allowable capital cost.

28.2 Land other than the land held under lease and the land for reservoir in case of hydel Generating Station shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the assets.

28.3 In case of existing assets, the balance depreciable value as on 01.04.2024 shall be worked out by deducting the cumulative depreciation

as admitted by the Commission up to 31.03.2024 from the gross depreciable value of the assets:

Provided that depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the year, depreciation shall be charged on pro rata basis.

28.4 The generating entity or Licensee or SLDC shall submit the depreciation computations separately for assets added up to 31.03.2024 and assets added on or after 01.04.2024.

28.5 Depreciation allowed for each year of the Control Period shall be deemed to be equal to the loan repayment, up to the ceiling of seventy five percent (75%) of asset cost or actual debt component used for funding such asset in case the debt funding is higher than seventy five percent (75%) of the asset cost:

Provided that depreciation allowed for each year of the Control Period beyond seventy five percent (75%) of asset cost or actual debt component used for funding such asset in case the debt funding is higher than seventy five percent (75%) of the asset cost, shall be utilised for reduction of equity during that year.”

- b) The Commission observed that the Petitioner has computed the depreciation considering the projected additional capitalisation during the year, and that the depreciation rate considered by the Petitioner is not in line with Regulation No 2 of 2023. In additional information the Petitioner has submitted revised claim of depreciation computation in accordance with Annexure-I of Regulation No 2 of 2023.
- c) Since the additional capitalization is approved to the extent of Rs.2.91 crore only the Commission has computed the depreciation based on approved GFA, additional capitalization and depreciation rate as approved in MYT order dated 28.06.2024.
- d) The depreciation claimed and approved by the Commission for FY 2025-26 is as follows:

Table 3.34: Depreciation claimed and approved for FY 2025-26

(Rs. in Crore)

Particulars	Approved in MYT Order dt 28.06.2024	Claimed	Approved
Opening GFA	7,745.32	7,819.62	7,748.23
Addition during the year	0.00	20.77	0.00
Closing GFA	7,745.32	7,840.39	7,748.23
Rate of Depreciation	5.17%	5.69%	5.17%
Depreciation	400.36	445.36	400.51

3.16. Interest and Finance Charges (I&FC) on Loan

Petitioner's Claim

- a) The Petitioner submitted that the interest and finance charges on loan for FY 2025-26 have been computed in accordance with clause 31 of Regulation No 2 of 2023. The interest and finance charges on loan claimed by the Petitioner for FY 2025-26 is as follows:

Table 3.35: I&FC on Loan claimed by the petitioner for FY 2025-26
(Rs. in Crore)

Particulars	Approved in MYT Order dt 28.06.2024	Claimed
Opening Loan	2,129.25	2,139.33
Addition during the Year	0.00	14.54
Repayment during the Year	400.36	445.36
Closing Loan	1,728.89	1708.51
Interest rate	8.24%	8.83%
Interest on loan	158.88	169.86
Savings in interest passed to Generators	0.00	8.77
Total - Interest on loan	158.88	178.63

Stakeholder's Submissions

- a) The stakeholders have stated that the Petitioner has added an additional loan component of Rs.34.51 Cr for FY 2023-24 for the additional capitalisation of Rs.49.29 Cr and additional loan component of Rs.17.50 Cr for FY 2024-25 to the outstanding loan balances, approved in the mid Term Review order dated 23.03.2023/MYT order dated 28.06.2024, without obtaining approval of the Commission and worked out higher interest sums arbitrarily by applying the rate of interest @8.43% to 8.83% as against the rate of interest approved @7.16% p.a for FY 2023-24 and @8.24% p.a for FY 2025-26, This is not in accordance with the Mid Term Review order dated 23.03.2023/MYT order dated 28.06.2024. It is submitted if there is a change in interest rate on outstanding loan, then the net savings have is to be reworked, and that the Petitioner has also claimed 1/3rd share of savings of interest amount accrued due to loan refinancing while truing up for FY 2023-24 and also for the FY 2024-25 & 2025-26 by simply citing the relevant clause 31 of Regulation No 2 of 2023.

- b) Further it is submitted that the Petitioner has continued to claim 1/3rd share of gains of loan refinancing even for FY 2024-25 and 2025-26 by referring clause 31 of Regulation No 2 of 2023. In the said Regulation, it is specifically prescribed that the net savings in interest shall be calculated as an Annuity for the term of the Loan whereas such methodology was not prescribed in Regulation No. 1 of 2019. In Annuity computation methodology, present values of interest cost saving before and after loan refinancing have to be worked out by considering the discount rate at the interest rate of post refinancing. The Petitioner has not carried out such exercise. Further if the loan refinancing is taken up by the Petitioner in FY 2024-25 & 2025-26, then Regulation 2 of 2023 allows such claim. Petitioner's claim for unilaterally adjusting 1/3rd share of gain to it is legally not permissible. Hence, it is requested to restrict the Interest Rate @7.16% as approved in the MTR/MYT Order and disallow the sharing of 1/3rd share of gain on loan refinancing for FY 2023-24. The rate of interest on loan is to be restricted to @8.24% for FY 2024-25 and FY 2025-26 as approved in MTR/MYT order and disallow the sharing of 1/3rd share of gain on loan refinancing for FY 2024-25 and FY 2025-26.

Petitioner's Replies

- a) The last proviso to Clause 31.10 of Regulation No 2 of 2023 states that the net savings in interest shall be calculated as an annuity for the term of loan but the net savings shall be shared between the parties on annual basis. Calculation of net savings in interest based on annuity method is only required to apply prudence to approve refinancing. Refinancing has already been approved in the previous control period. Hence annuity method as suggested by the stakeholder is not relevant in this matter. The same proviso stipulates the annual savings shall be shared, which the petitioner has calculated and submitted.
- b) Hence, it is requested to decide the sharing ratio of net savings for FY 2023-24 and also to apply the prescribed ratio of 2:1 for the sharing of gains in the control period 2024 - 29.

Commission's Analysis and Findings

- a) Clause 31 of Regulation No 2 of 2023 specifies the provisions related to Interest and Finance Charges on Loan extracted as under :

31 Interest and finance charges on loan

31.1 The loans arrived at in the manner indicated in clause 27 on the assets put to use shall be considered as gross normative loan for calculation of interest on loan:

Provided that in case of retirement or replacement or decapitalisation of assets, the loan capital approved as mentioned above, shall be reduced to the extent of outstanding loan component of the original cost of such assets based on documentary evidence.

31.2 The normative loan outstanding as on 01.04.2024, shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.03.2024, from the gross normative loan.

31.3 The loan repayment during each year of the Control Period shall be deemed to be equal to the depreciation allowed for that year, up to the ceiling of seventy five percent (75%) of asset cost or actual debt component used for funding such asset in case the debt funding is higher than seventy five percent (75%) of the asset cost.

31.4 Notwithstanding any moratorium period availed, the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed.

31.5 The rate of interest shall be the weighted average rate of interest computed on the basis of the actual long-term loan portfolio at the beginning of each year:

Provided that at the time of Truing-up, the weighted average rate of interest computed on the basis of the actual long-term loan portfolio during the concerned year shall be considered as the rate of interest:

Provided further that if there is no actual long-term loan for a particular year but normative long-term loan is still outstanding, the last available weighted average rate of interest for actual long-term loan shall be considered:

Provided also that if the generating entity or the licensee or the SLDC, as the case may be, does not have actual long-term loan even in the past, the weighted average rate of interest of its other Businesses regulated by the Commission shall be considered:

Provided also that if the generating entity or the licensee or the SLDC, as the case may be, does not have actual long-term loan, and its other Businesses regulated by the Commission also do not have actual long-term loan even in the past, then the weighted average rate of interest of the entity as a whole shall be considered:

Provided also that if the entity as a whole does not have actual long-term loan, then the Base Rate at the beginning of the respective year shall be considered as the rate of interest for the purpose of allowing the interest on the normative loan.

31.6 The interest on loan shall be computed on the normative average loan of the year by applying the weighted average rate of interest:

Provided that at the time of Truing-up, the normative average loan of the concerned year shall be considered on the basis of the actual asset capitalisation approved by the Commission for the year.

31.7 The above interest computation shall exclude interest on loan amount, normative or otherwise, to the extent of capital cost funded by Consumer Contribution, Deposit Works, Grants or Capital Subsidy

31.8 The finance charges incurred for obtaining loans from financial institutions for any Year shall be allowed by the Commission at the time of Truing-up, subject to prudence check:

Provided that the finance charges such as credit rating charges, collection facilities charges, financing cost of delayed payment surcharge, bank charges and other finance charges of similar nature shall be part of A&G expenses.

31.9 The excess interest during construction on account of time and/or cost overrun as compared to the approved completion schedule and capital cost or on account of excess drawal of the debt funds disproportionate to the actual requirement based on Scheme completion status, shall be allowed or disallowed partly or fully on a case to case basis, after prudence check by the Commission based on the justification to be submitted by the Generating Company or Transmission Licensee or Distribution Licensee along with documentary evidence, as applicable:

Provided that where the excess interest during construction is on account of delay attributable to an agency or contractor or supplier engaged by the generating entity or the transmission licensee, any liquidated damages recovered from such agency or contractor or supplier shall be taken into account for computation of capital cost:

Provided further that the extent of liquidated damages to be considered shall depend on the amount of excess interest during construction that has been allowed by the Commission:

Provided also that the Commission may also take into consideration the impact of time overrun on the supply of electricity to the concerned Beneficiary.

31.10 The generating entity or the licensee or the SLDC, as the case may be, shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event, the costs associated with such refinancing shall be borne by the Beneficiaries and the net savings shall be shared between the Beneficiaries and them in the ratio of 2:1, subject to prudence check by the Commission:

Provided that refinancing shall not be done if such refinancing including other costs associated with such refinancing results in net increase in interest:

Provided further that if refinancing is done and it results in net increase on interest, then the rate of interest shall be considered equal to the Base Rate as on the date on which the Petition for determination of Tariff is filed:

Provided also that the re-financing shall not be subject to any conditions that are not in line with standard loan documents:

Provided also that the generating entity or the licensee or the SLDC, as the case may be, shall submit documentary evidence of the costs associated with such re-financing:

Provided also that the net savings in interest shall be computed after factoring all the terms and conditions, and based on the weighted average rate of interest of actual portfolio of loans taken from Banks and Financial Institutions recognised by the Reserve Bank of India, before and after refinancing of loans:

Provided also that the net savings in interest shall be calculated as an annuity for the term of the loan, and the annual net savings shall be shared between the entity and Beneficiaries in the specified ratio.

31.11 Interest shall be allowed only on the amount held in cash as security deposit from Transmission System Users, Distribution System Users and Retail consumers at the Bank Rate as on 1st April of the Year for which the interest is payable:

Provided that at the time of Truing-up, the interest on the amount of security deposit for the year shall be considered on the basis of the actual interest paid by the Licensee during the year, subject to prudence check by the Commission.

- b) It is observed that the Petitioner has also claimed the sharing of benefits of refinancing of loan for FY 2025-26.
- c) The Commission has already passed on the benefits due to loan refinancing in the FY 2020-21 on a one time basis and approved the revised rate of interest of 7.16% for the FY 2022-23 and FY 2023-24. The submission of the Petitioner in respect of passing on the benefits of loan refinancing can be considered only for MYT period 2019-24, as the rate of interest for control period was 10.20%. Subsequently due to loan refinancing, the interest rate was reduced which has rightly been passed on as per Regulation. However the Commission has allowed rate of interest of 8.24% for MYT period FY 2024-25 to FY 2028-29 in MYT order dated 28.06.2024.
- d) Thereby, in this control period unless the rate of interest is further reduced by refinancing the Petitioner cannot seek the benefit.
- e) The Commission has considered the approved True up closing loan of FY 2023-24 as opening loan base for FY 2024-25 and closing loan of FY 2024-25 as opening loan base for FY 2025-26. The Commission considered interest rate of 8.24%, which is the same as approved in the MYT Order 28.06.2024.
- f) The interest and finance Charges claimed and approved for FY 2025-26 is as shown in table below:

Table 3.36: I&FC on Loan claimed and approved for FY 2025-26
(Rs. in Crore)

Particulars	Approved in MYT Order dt 28.06.2024	Claimed	Approved
Opening Loan	2,129.25	2,139.33	2,131.66
Addition during the Year	0.00	14.54	0.00
Repayment during the Year	400.36	445.36	400.51

Closing Loan	1,728.89	1708.51	1,731.15
Interest rate	8.24%	8.83%	8.24%
Interest on loan	158.88	169.86	159.07
Savings in interest passed to Generators	0.00	8.77	0.00
Total - Interest on loan	158.88	178.63	159.07

3.17. Interest on Working Capital (IoWC)

Petitioner's Claim

- The Petitioner submitted that the Interest on working capital has been worked out in accordance with Clause 33 of Regulation No 2 of 2023 for FY 2025-26.
- The coal & oil components of working capital have been computed based on 20 days coal stock for non-pit head stations corresponding to target availability or maximum storage capacity whichever is lower and cost of coal for 30 days of generation corresponding to target availability and 1 month's cost of secondary fuel for target availability.
- The maintenance spares @1% of GFA expenses, 1 month's normative O&M expenses and forty five days receivables have been added with the above to arrive at gross working capital. Net working capital has been worked out by subtracting 1 month's payable for coal & oil computed at target availability from gross working capital.
- The rate of interest on working capital for revised tariff of FY 2025-26 has been computed as 10.45% which is 150 basis points more than the 1-year MCLR of SBI prevailing as on October 2024.
- The Interest on working capital claimed for the FY 2025-26 is given below:

Table 3.37: Interest on Working Capital claimed for 2025-26
(Rs. in Crore)

Particulars	Approved in MYT Order dt 28.06.2024	Claimed
Cost of coal, towards stock	172.97	173.00
Cost of coal for generation	259.45	259.50
Cost of secondary fuel oil	2.46	2.49
O&M expenses	21.54	30.48
Maintenance spares	77.45	78.20
Receivables	557.98	585.51
Less:		
Payables for Fuels	261.90	261.99
Total Working Capital requirement	829.95	867.18

Interest rate	10.15	10.45
Interest on working capital	84.24	90.62

Stakeholders' Submissions

- a) The stakeholders have submitted that the petitioner has considered cost of coal of Bridge Linkage pricing which will be high priced than the notified price of coal, higher by 20 to 30% (Rs.5860 to 5930 per Ton). By considering high price of coal being supplied to STPP under Bridge Linkage policy, the Working Capital would be higher which is not in consonance with the Commission's order dated 01.04.2024 in O.P.No.13 of 2023 where in the Commission has disallowed the levy of additional premium by SCCL on the basic price of coal for the corresponding coal grade. Hence requested to restrict the Working Capital claim considering the notified basic price of coal, else it translates into higher fixed charges and ultimately a burden on the end consumers.

Petitioner's Replies

- a) The Ministry of Coal, Govt. of India has allocated captive Coal Block/Mine (NAINI) to STPP/SCCL in the year 2016. The coal produced from the Nain Block in Odisha State would be utilized at STPP (being the Specified End Use Plant). However, to facilitate the immediate requirement of Coal to STPP project, a Short-term Linkage was granted under the Policy of Bridge Linkage, till the commencement of Coal Supply to STPP gets from its Captive Coal Block (Naini).
- b) SCCL supplies Coal to STPP as per recommendation of standing linkage committee under MOU. The extension of bridge linkage will be decided by standing linkage committee (SLC), MOC, Govt. of India after deliberation in the meeting duly considering the recommendations received from Ministry of Power (MoP).
- c) SCCL is supplying coal to Power sector (Bridge linkage and Non Bridge linkage holders) by regulating supplies to Non Power customers. Sales realisation from non-regulated sector is more by Rs.1628/T than sales realisation from Bridge Linkage and Non Bridge Linkage supplies to power. Therefore, by foregoing the revenues, SCCL is supplying coal to Bridge Linkage and Non Bridge Linkage customers based on the request of Ministry of Coal considering the importance of power sector across the country.
- d) In the recent order of Standard Linkage Committee it was clearly stated that the price of such bridge linkage supply has to be solely decided by SCCL/CIL.

- e) The Commission in STPP's True up of FY 2022-23 and MYT of FY 2024-25 to FY 2028-29 order dated 28.06.2024 has allowed the coal cost including the premium superseding its earlier order dt. 01.04.2024. Accordingly, the Commission is requested to allow the coal cost as claimed.
- f) The Petitioner has also stated that SCCL is exploring swapping of coal from Naini mines since long, TANGEDCO has shown interest in swapping of coal from SCCL to Naini coal mine, accordingly letters were addressed to TGPCC/TGDiscoms to give consent for entering into swapping arrangement. Once coal production starts from Naini coal mine and consent is received from TGPCC/TGDiscoms the same will be taken up with Ministry of Coal, Gol.

Commission's Analysis and Findings

- a) Clause 33 of Regulation 2 of 2023 specifies the provisions related to Interest on Working Capital. The relevant extract of the Regulation is as follows:

"Generation

(a) In case of coal-fired thermal generating stations, working capital shall cover:

(i) Cost of coal towards stock, if applicable, for ten (10) days for pit-head Generating Stations and twenty (20) days for non-pithehead Generating Stations, for generation corresponding to target availability, or the maximum coal stock storage capacity, whichever is lower;

(ii) Cost of coal for thirty (30) days for generation corresponding to target availability;

(iii) Cost of secondary fuel oil for one (1) month corresponding to target availability;

(iv) Normative Operation and Maintenance expenses for one (1) month;

(v) Maintenance spares at one percent (1%) of the opening Gross Fixed Assets for the Year; and

(vi) Receivables for sale of electricity equivalent to forty-five (45) days of the sum of annual fixed charges and energy charges approved in the Tariff Order, computed at target availability and excluding incentive, if any: minus

(vii) Payables for fuel (including oil and secondary fuel oil) to the extent of thirty (30) days of the cost of fuel computed at target availability, depending on the modalities of payment:

Provided that in case the Fuel Supply Agreement provides for payment of cost of fuel in advance, the payables for fuel shall not be deducted for the purpose of computing the working capital requirement to the extent of actual payment of such advance, as substantiated by

documentary evidence: Provided further that for the purpose of Truing-up the working capital shall be computed based on the scheduled generation or target availability of the generating station, whichever is lower:

Provided also that for the purpose of Truing up, the working capital shall be computed based on the actual average stock of coal and limestone or normative stock of coal and limestone of the generating station, whichever is lower: Provided also that for the purpose of Truing-up for any year, the working capital requirement shall be re-computed on the basis of the values of revised normative Operation & Maintenance expenses and actual Revenue from sale of electricity excluding incentive, if any, and other components of working capital approved by the Commission in the Truing-up before sharing of gains and losses..”

- b) The Petitioner claimed cost of coal of bridge linkage pricing which was admittedly higher than notified price of coal. This aspect has been contested by various stakeholders stating that on account of claim of cost of coal as bridge linkage pricing would certainly make the consumers feel hardship. SCCL was originally formed for doing coal business. Subsequently it also entered into power generation business. The fuel for the power being produced is the coal thereby the objections of the stakeholders is that the SCCL which has been doing the coal business has been supplying the coal to its vertical STPP on premium price by loading the cost on the consumers. It is submitted by the stakeholders that on account of non-mining of Naini coal mine allotted to SCCL in the year 2016 for supply of coal, the STPP had to buy the coal necessarily from SCCL. It is also submitted that deliberately serious efforts are not put by the STPP to mine the Naini coal block which would have resulted in availability for the coal at cheaper price.
- c) On the contrary the submissions of SCCL would go to show that this Commission while considering the true up for FY 2022-23 and MYT for the period FY 2024-25 to FY 2028-29 has considered the premium price of coal contrary to its own order dated 01.04.2024 in O. P. No. 13 of 2023. Aggrieved by this order of true up and MYT passed on 28.06.2024 the DISCOMs have preferred an appeal before Hon'ble APTEL in Appeal No. 19 of 2024 and same is also pending for consideration before Hon'ble APTEL.
- d) This Commission has gone through the orders carefully and closely. While detailed reasoning was given in the orders dated 01.04.2024 in O. P. No. 13 of 2023 in paragraphs 26 to 31, typically no reasons were given in True up and MYT

order dated 28.06.2024 as to why this Commission has accepted the premium price of coal and as to why the Commission is differing with the earlier order dated 01.04.2024 in O. P. No. 13 of 2023 and considering premium price of coal. Therefore, on considering both the orders passed by the previous Commission (this Commission has taken charge on 30.10.2024) is of the view that the detailed reasoned order passed in O. P. No. 13 of 2023 dated 01.04.2024 is to be preferred than order passed on 28.06.2024 in True up for FY 2022-23 and MYT for FY 2024-25 to FY 2028-29.

- e) Even otherwise both the orders in O. P. No. 13 of 2023 dated 01.04.2024 and Order dated 28.06.2024 in True up for the year FY 2024-25 to FY 2028-29 are before the Hon'ble APTEL for consideration. Therefore the issue as to whether SCCL can claim the premium rate for coal being supplied to STPP, without mining the coal in the Naini coal mine allotted to it and whether the STPP can get the coal from SCCL for notified prices will be decided by the Hon'ble APTEL. Until then, as already observed above, this Commission in so far as this petition is concerned, is of the view that the SCCL cannot claim Bridge Linkage Premium price for supply of coal to the STPP. Therefore, the Commission disallows the claim of the SCCL in claiming Bridge Linkage Premium price of coal while truing up for FY 2023-24.
- f) The Commission computed the working capital in accordance with clause 33.1. (a) of Regulation No 2 of 2023. Further, the rate of interest on working capital is considered on normative basis in accordance with clause 33.6 of Regulation No 2 of 2023 which is Base Rate as on the date of Petition filing plus 150 basis points. Accordingly, the Interest on Working Capital claimed and approved for FY 2025-26 is as shown below:

Table 3.38: Interest on Working Capital claimed and approved for FY 2025-26

(Rs. in Crore)

Particulars	Approved in MYT Order dt 28.06.2024	Claimed	Approved
Cost of coal, towards stock	172.97	173.00	158.06
Cost of coal for generation	259.45	259.50	240.38
Cost of secondary fuel oil	2.46	2.49	2.61
O&M expenses	21.54	30.48	21.14
Maintenance spares	77.45	78.20	77.48
Receivables	557.98	585.51	523.02

Less:			
Payables for Fuels	261.90	261.99	241.68
Total Working Capital requirement	829.95	867.18	781.00
Interest rate	10.15	10.45	10.50
Interest on working capital	84.24	90.62	82.01

3.18. Return on Equity (RoE)

Petitioner's Claim

- a) The Petitioner considered 30% of the capital cost as equity as per Regulation No 2 of 2023. The relevant portion is reproduced below:

"27.1...Provided that in case of generating entity, Licensee, and SLDC, if any fixed asset is capitalised on account of capital expenditure project prior to 01.04.2024, debt-equity ratio allowed by the Commission for determination of tariff for the period ending 31.03.2024 shall be considered"

Clause 29.2(a) of Regulation No 2 of 2023 provides that the base rate for computation of return on equity shall be 15.5%. Further, the base rate of RoE is required to be grossed up with the effective tax rate as per clause 30.1 of Regulation No 2 of 2023.

- b) Accordingly, the return on equity is computed by applying base rate of return as 15.5% and effective tax rate of 25.168%. The return on equity claimed for FY 2025-26 is given below:

Table 3.39: Return on Equity claimed for FY 2025-26

(Rs. in Crore)

Particulars	Approved in MYT Order dt 28.06.2024	Claimed
Return on Equity	360.16	486.55

Stakeholders' Submissions

There are no objections from stakeholders

Commission's Analysis and Findings

- a) Clause 29 of Regulation No 2 of 2023 specifies provisions related to Return on Equity. The relevant extract of the Regulation is as follows:

"29 Return on Equity

29.1 Return on Equity shall be computed in rupee terms, on the equity base determined in accordance with clause 27.

29.2 Return on Equity shall be computed at the following base rates: (a)

Thermal generating stations: 15.50%;

.....

29.3 The Return on Equity shall be computed in the following manner:

(a) Return at the allowable rate as per this clause, applied on the amount of equity capital at the commencement of the Year; plus

(b) Return at the allowable rate as per this Regulation, applied on 50 per cent of the equity capital portion of the allowable capital cost, for the investments put to use in generation business or transmission business or distribution business or SLDC, for such Year.

.....”

- b) The Commission has observed that the Petitioner has computed the Return on Equity taking into account the projected equity addition in additional capitalisation during the year. The Commission has recomputed the Return on Equity based on approved GFA and rate of Return on Equity as 15.50% in line with clause 29.2.(a) of the Regulation No 2 of 2023.
- c) The Return on Equity claimed and approved for FY 2025-26 is as follows:

Table 3.40: Return on Equity claimed and approved for the period FY 2025-26

(Rs. in Crore)

Particulars	Approved in MYT Order dt 28.06.2024	Claimed	Approved
Opening Equity	2,323.60	2,345.88	2,324.47
Addition during the year	0.00	6.23	0.00
Closing Equity	2,323.60	2,352.12	2,324.47
Rate of RoE	15.50%	15.50%	15.50%
Return on Equity	360.16	364.10	360.29

3.19. Tax on RoE

Petitioner's Claim

- a) The Petitioner has considered the effective tax rate as 25.17% for grossing up the Base rate of Return on Equity and computed the post-tax RoE for FY 2025-26.

Stakeholders' Submissions

There are no objections from stakeholders

Commission's Analysis and Findings

- a) Clause 30 of Regulation No 2 of 2023 specifies the provisions of Tax on Return on Equity. The relevant extract of the Regulation is as follows:

"30.1 The Base rate of Return on Equity allowed by the Commission under clause 29.2 shall be grossed up with the effective Income Tax rate of the respective entity for the respective financial year:

Provided that the effective Income Tax rate shall be considered on the basis of actual Income Tax paid in respect of the financial year in line with the provisions of the relevant Finance Acts by the concerned generating entity or licensee, as the case may be:

Provided further that the actual Income Tax on the amount of income from Delayed Payment Charges or Interest on Delayed Payment or Income from Other Business or income from any source that has not been considered for computing the Aggregate Revenue Requirement or income from efficiency gains and incentive approved by the Commission shall be excluded for the calculation of effective Income Tax rate:

Provided also that in case of generating entity or licensee paying Minimum Alternate Tax (MAT), the effective Income Tax rate shall be considered as MAT rate including surcharge and cess:

Provided also that if no Income Tax has been paid by the Company as a whole, then the effective Income Tax rate shall be considered as "Nil".

30.2 Rate of pre-tax Return on Equity shall be rounded off to three decimal places and shall be computed as per the formula given below:

Rate of pre-tax return on equity = Base Rate / (1-t);

Where "Base Rate" is the rate of Base Return on Equity in accordance with clause 29.2;

"t" is the effective Income Tax rate in accordance with clause 30.1."

- b) The Commission has observed that the Petitioner in addition to generation business is also engaged in coal business. The audited Accounts of the Petitioner is prepared on consolidated basis as there is no bifurcation of Generation business and other business, thereby it would be difficult to ascertain and bifurcate the tax paid among the different business of the Petitioner. Though the audited accounts are prepared on consolidated basis, based on the data available it will be difficult to segregate the profit & loss and income tax of STPP. There is no data as to how much tax is levied and paid exclusively for generation business. In fact the tax paid is on consolidated basis for both coal and generation business.

- c) The Hon'ble APTEL in its judgement dated 4th April, 2007 in Appeal no. 251 of 2006 has ruled as under:

"The consumers in the licensee's area must be kept in a water tight compartment from the risks of other business of the licensee and the Income Tax payable thereon. Under no circumstance, consumers of the licensee should be made to bear the Income Tax accrued in other businesses of the licensee. Income Tax assessment has to be made on standalone basis for the licensed business so that consumers are fully insulated and protected from the Income Tax payable from other businesses."

- d) The Petitioner/generator has grossed up the RoE with regular income tax at the rate of 25.168 % which is applicable for SCCL company as a whole for Coal and Generation business as against the concessional MAT rate of 17.472% allowed by this Commission for STPP for generation business.
- e) On the other hand it has submitted that SCCL has opted for corporate income tax at a reduced rate of 25.168 % without MAT credit entitlements and exemptions as per the taxation (amendment ordinance – 2019). SCCL is an income tax assessee whereas STPP which is doing generating business is not a separate tax assessee, and STPP is integral part of SCCL. The income tax actually paid by SCCL includes STPP, which is one of its verticals.
- f) In earlier order, the Commission has stated that the tax of other business/unregulated business cannot be passed to consumers. Thus, the Commission is not inclined to consider the effective tax rate and allows only MAT rate of 17.472% towards Return of Equity for computation of Tax on Return of Equity for the FY 2025-26.
- g) The tax on RoE claimed and approved for FY 2025-26 is as shown in table below:

Table 3.41: Tax on RoE claimed and approved for FY 2025-26

(Rs. in Crore)

Particulars	Approved in MYT Order dt 28.06.2024	Claimed	Approved
Opening Equity	2,323.60	2,345.88	2,324.47
Addition during the year	0.00	6.23	0.00
Closing Equity	2,323.60	2,352.12	2,324.47
Rate of RoE	15.50%	15.50%	15.50%
Return on Equity	360.16	364.10	360.29

Tax Rate	17.47%	25.17%	17.47%
Effective Tax Rate	18.78%	20.71%	18.78%
Tax on Return on Equity	76.24	122.45	76.24
RoE grossed up with effective income tax rate	436.40	486.55	436.54

3.20. Non-Tariff Income

Petitioner's Claim

- a) The Petitioner has claimed Non-Tariff Income for the period FY 2025-26 as shown in table below:

Table 3.42: Non-Tariff Income claimed for FY 2025-26

(Rs. in Crore)

Particulars	Approved in MYT Order dt 28.06.2024	Claimed
Non-Tariff Income	4.09	5.37

Stakeholders' Submissions

There are no objections from stakeholders.

Commission's Analysis and Findings

- a) Clause 43 of Regulation 2 of 2023 specifies treatment of Non-Tariff Income. The relevant extract of the Regulation is as follows:

"43 Non-Tariff Income

43.1 The amount of Non-Tariff Income of the Generating Company as approved by the Commission shall be deducted while determining its Annual Fixed Charge: Provided that the Generating Company shall submit full details of its forecast of Non-Tariff Income to the Commission in such form as may be stipulated by the Commission.

43.2 The Non-Tariff Income shall include:

- Income from rent of land or buildings;
- Net income from sale of de-capitalised assets;
- Income from sale of scrap;
- Income from statutory investments;
- Interest income on advances to suppliers/contractors;
- Income from rental from staff quarters;
- Income from rental from contractors;
- Income from hire charges from contractors and others;
- Income from sale of ash/rejected coal;
- Income from advertisements;
- Income from sale of tender documents;
- Any other Non-Tariff Income

- b) After prudent check, considering the above referred Regulation, the Commission approves the Non-Tariff Income as claimed by the Petitioner. The Non-Tariff Income approved by the Commission for the period FY 2025-26 is as follows:

Table 3.43: Non-Tariff Income claimed and approved for FY 2025-26
(Rs. in Crore)

Particulars	Approved in MYT Order dt 28.06.2024	Claimed	Approved
Non-Tariff Income	4.09	5.37	5.37

3.21. Incentive

Petitioner's Claim

- a) The Petitioner has estimated the incentive based on the projected generation over the normative PLF and at the rate as specified in Clause 46.6 of Regulation No 2 of 2023. The incentive claimed by the Petitioner for the period FY 2025-26 is as shown in table below:

Table 3.44: Incentive claimed by petitioner for FY 2025-26
(Rs. in Crore)

Particulars	2025-26
Incentive	23.07

Stakeholders' Submissions

- a) The stakeholders have submitted that the Incentive stipulated in the Regulation 2 of 2023 is binding on the parties and the petitioner has to claim the Energy Bills including Incentives as prescribed. But the Petitioner may not be allowed to claim an Incentive for power generation beyond the Target PLF, by using high-priced Bridge Linkage Coal, as this will burden the beneficiaries with higher Energy Charges and is against the Commission's order dated 01.04.2024 in OP No. 13 of 2023 as well as additional payment of Incentive. Both claims will be a loss proposition to TGDISCOMs.

Petitioner's Replies

- a) The Petitioner has submitted that if actual PLF reaches more than normative PLF, the incentive is required to be paid in terms of clause 46.6 of Regulation No 2 of 2023.

Commission's Analysis and Findings

- a) Clause 46.6 of Regulation No 2 of 2023 specifies provisions related to incentive.
The relevant extract of the Regulation is as follows:

"46 Computation and Payment of Capacity Charges and Energy Charges for Thermal Generating Stations

.....

C. Incentive

46.6 Incentive shall be payable at a flat rate of 50.0 paise/kWh for actual energy generation in excess of ex-bus energy corresponding to Normative Annual Plant Load Factor.

....."

- b) The Commission is of the view that incentive can only be billed on actuals as per Clause 46.6 of Regulation No 2 of 2023.

3.22. Operating Norms

Stakeholders' Submissions

- a) The stakeholders have submitted that the Operational Norms as stipulated in the Regulation No 2 of 2023 are binding on the parties and the Petitioner has to claim the Energy Bills as per the Norms prescribed.

Petitioner's Replies

- a) The petitioner has submitted that the norms for truing up period of FY 2023-24 was already approved by the Commission in order dated 28.8.2020 in para 5.2.8. The operating norms for FY 2025-26 is considered as approved by the Commission vide its order dated 28.06.2024, accordingly, requested to allow the same.

Commission's Analysis and Findings

- a) Operating Norms are approved in accordance with the provisions of Regulation No. 2 of 2023. This aspect was also considered by the Commission while considering in MYT and passed a reasoned order while observing that in case the Petitioner/generator has got any objection/issue or questions in respect of following operating norms as determined by the Commission in Regulation No. 2 of 2023 then it is expected to agitate by filing a separate petition for amendment or otherwise of the Regulation. Without challenging Regulation on operating norms either by the generator or the stakeholder cannot question the operating

norms thereby it is again restated that all the stakeholders follow norms as per Regulation.

3.23. Tariff for Flue Gas Desulphurisation (FGD) System

Petitioner's Claim

- a) The Commission has deferred the claim of capitalization for the FGD system and state that it would carry out prudence check of the cost of FGD system in the true up of relevant year after commissioning of the same. The relevant portion of the order dated 29.12.2023 on CIP and Business plan for FY 2024-29 is extracted hereunder:

"4.2.12 SCCL submitted that it has awarded the works of FGD system through competitive bidding process. The works being still in progress, the Commission is not expressing any opinion on the proposed completion cost at this stage. The Commission shall carry out the prudence check of the cost of FGD system in true up for the relevant year after commissioning of the same".

Accordingly, the cost of this system together with its effect on the tariff components and additional auxiliary energy shall be submitted after commissioning of the system in truing up petition of the relevant year. Thus the Petitioner reserves the right to submit the same at a subsequent period. The Petitioner further submitted in replies. The cost of FGD system together with its effect on the tariff components and additional auxiliary energy shall be submitted after commissioning of the system in truing up petition of relevant year. Thus, the Petitioner reserves its right to submit the same at a subsequent period.

Stakeholders' Submissions

- a) The Petitioners have submitted that the Commission vide order dated 29.12.2023 in OP Nos. 25 of 2023 & 26 of 2023 directed that the prudence check of the execution cost shall be carried out in True-up for the relevant year after commissioning of the same.

Petitioner's Replies

- a) The cost of FGD system together with its effect on the tariff components and additional auxiliary energy shall be submitted after commissioning of the system

in true up petition of relevant year. Thus, the Petitioner reserves its right to submit the same at a subsequent year.

Commission's Analysis and Findings

- a) The Commission in its MYT order dated 28.06.2024 and Business Plan, & Capital Investment Plan for FY 2024-25 to FY 2028-29 order dated 29.12.2023 has already given its view on the FGD system and implementation of flexible operation scheme as per CEA Regulation. Accordingly, the cost for FGD system shall be considered after commissioning of the FGD system and prudent check of the final executed cost in true-up for the relevant year.

3.24. Integrated Mine (Naini)

Petitioner's Claim

- a) Since petitioner is working on swapping of coal from Naini coal mines Odisha, no proposal of input cost of coal from Naini mines is submitted before the Commission. The Petitioner reserves the liberty to submit the same as when is found that it is needed in disposal of this petition.

Stakeholders' Submissions

- a) The stakeholders have submitted that the Petitioner has not submitted any details for determination of input cost of coal from Naini coal block to compare it with SCCL coal for swapping of coal blocks. Further, the delay of commissioning of the Naini Captive Coal Mine to SCCL/STPP Project is entirely attributable to SCCL and the beneficiaries cannot be burdened for long under the Bridge Linkage Coal Pricing, which is a Short term linkage and whereas the Petitioner is taking undue advantage of the same and charging coal price with additional 20%-30% premium over and above the Notified Price of corresponding grade of coal. Unless the price of bridge linkage coal being supplied to STPP is regulated in terms of the Commission's order dated 01.04.2024 in OP No. 13 of 2023 in the interest of end consumers, no swapping of coal can be expected from SCCL.

Petitioner's Replies

- a) The petitioner has submitted that

- I. The delay in transfer of forest land by Odisha Government has delayed the start of coal production from Naini coal mine. Accordingly, the delay of coal production is not attributable to the Petitioner.
- II. Further, the Petitioner has been exploring swapping of coal from Naini mines since long, TANGEDCO had shown interest in swapping of coal from SCCL to Naini coal mine. Accordingly, letters were addressed to TGPCC/TGDISCOMs to give consent for entering into swapping arrangement. Once coal production starts from Naini coal mine & consent is received from TGPCC/TGDISCOMs the same will be taken up with Ministry of Coal, Gol.

Commission's Analysis and Findings

- a) The Commission directs the Petitioner to expedite the process of commercially commissioning of the integrated mine at Naini so that as claimed by the stakeholder/Discom, the coal cost, may likely to come down and benefit the consumers.

3.25. Annual Fixed Charges (AFC)

- a) Based on the above, the Annual Fixed Charges (AFC) claimed by the Petitioner and approved by the Commission is as shown in the Tables below:

Table 3.45: Annual Fixed Charges claimed and approved for FY 2025-26
(Rs. in Crore)

Particulars	Approved in MYT Order	Claimed	Revised Claim	Approved
Annual Fixed Charges				
Operation & Maintenance Expenses	262.85	350.19	365.81	253.67
Depreciation	400.36	403.85	445.36	400.51
Interest and finance charges on loan	158.88	184.16	178.63	159.07
Interest on Working Capital	84.24	89.81	90.62	82.01
Return on Equity	436.40	486.55	486.55	436.54
Less: Non-Tariff Income	4.09	5.37	5.37	5.37
Annual Fixed Charges	1,338.63	1,509.19	1561.60	1,326.43

3.26. Energy Charges

Petitioner's Claim

- a) The Petitioner has considered the Energy Charges for FY 2025-26 as approved by the Commission in MYT order dated 28.06.2024. Further, it is stated that adjustment of ECR on account of variation in price or heat value of fuel shall be done as specified in clause 46.5 of Regulation No 2 of 2023.

Table 3.46: Energy Charge Rate (ECR) claimed for FY 2025-26

(Rs. in Crore)

Particulars	Legend	Units	MYT/Tariff Order Approved	Revised claim
Auxiliary Consumption	AUX	%	5.75	5.75
Gross Station Heat Rate	GSHR	kcal/kWh	2300.00	2300.00
Secondary Fuel oil consumption	SFC	ml/kWh	0.50	0.50
Calorific Value of Secondary Fuel	CVSF	kcal/ml	10.00	10.00
Landed Price of Secondary Fuel	LPSF	Rs./ml	0.07	0.07
Gross Calorific Value of Coal	CVPF	kcal/kg	3808.80	3808.80
Landed Price of Coal	LPPF	Rs./kg	5.86	5.86
Specific Coal Consumption		kg/kWh	0.60	0.60
Rate of Energy Charge from Primary Fuel		Rs./kWh	3.749	3.749
Rate of Energy Charge from Secondary Fuel		Rs./kWh	0.036	0.036
ECR		Rs./kWh	3.785	3.785

Commission's Analysis and Findings

- a) Clause 46(B) of Regulation No 2 of 2023 stipulates the methodology for determination of ECR. The relevant extract of the Regulation is as follows:

"B. Energy Charges

46.3 The Energy Charges shall cover landed cost of primary fuel and secondary fuel oil and shall be worked out on the basis of total energy scheduled to be supplied to the Beneficiary/ies during the calendar month on ex-power plant basis, at the Energy Charge Rate of the month (with fuel price adjustment) as per the following formula:

$$\text{Energy Charges (Rs)} = (\text{Energy Charge Rate in Rs/kWh}) \times [\text{Scheduled Energy (ex-bus) for the month in kWh}]$$

46.4 Energy Charge Rate (ECR) in Rs/kWh shall be computed up to three decimal places and shall be the sum of the cost of normative quantities of primary and secondary fuel for delivering ex-bus one kWh of electricity, and shall be computed as per the following formula:

$$\text{ECR} = (\text{GSHR} - \text{SFC} \times \text{CVSF}) \times \text{LPPF} / \text{CVPF} + \text{SFC} \times \text{LPSF} \} \times 100 / (100 -$$

AUX)

Where,

AUX = Normative Auxiliary Energy Consumption in percentage;

CVPF = Weighted average Gross Calorific Value of coal as received in kcal/kg less 85 kcal/kg on account of variation during storage at generating station; in case of blending of fuel from different sources, the weighted average Gross Calorific Value of primary fuel shall be arrived in proportion of blending ratio;

CVSF = Calorific value of secondary fuel, in kcal/ml;

GSHR = Normative Gross Station Heat Rate, in kcal/kWh;

LPPF = Weighted average landed price of primary fuel, in Rs./kg, as applicable, during the month; in case of blending of fuel from different sources, the weighted average landed price of primary fuel shall be arrived in proportion of blending ratio;

SFC = Normative Secondary Fuel Oil Consumption, in ml/kWh;

LPSFi = Weighted average landed price of secondary fuel in Rs./ml during the month:

Provided that the landed cost of primary fuel and secondary fuel for tariff determination shall be based on actual weighted average cost of primary fuel and secondary fuel of the three (3) preceding months, and in the absence of landed costs for the three (3) preceding months, latest procurement price of primary fuel and secondary fuel for the generating Station, preceding the first month for which the Tariff is to be determined for existing stations, and immediately preceding three (3) months in case of new generating stations shall be taken into account:

Provided further that the landed cost of fuel shall mean the total cost of coal delivered to the generating station and shall include the base price of fuel corresponding to the grade/quality/calorific value of fuel inclusive of royalty, taxes and duties as applicable, washery charges as applicable, transportation cost by rail/road or any other means, charges for third-party sampling, and, for the purpose of computation of energy charges, shall be arrived at after considering normative transit and handling losses as percentage of the quantity of fuel dispatched by the fuel supply company during the month:

Provided also that any refund of taxes and duties along with any amount received on account of penalties from fuel supplier shall have to be adjusted in fuel cost:

Provided also that the Energy Charges, for the purpose of billing/Fuel Surcharge shall be worked out Station-wise/Unit-wise based on weighted average rate based on scheduled generation from each Unit.

....."

- b) The approved norms of operation in accordance with the Regulation No. 2 of 2023 are as follows.

Table 3.47: Norms for Energy Charge rate for FY 2025-26

Parameter	Units	Approved in MYT Regulation No.2 of 2023
Normative Annual Plant Availability Factor	%	85
Normative Annual PLF	%	85
Auxiliary Consumption	%	5.75
Gross Station Heat Rate	kcal/kWh	2300.00
Secondary Fuel Oil Consumption	ml/kWh	0.50
Transit Loss	%	0.80

- c) In accordance with the provisions of Clause 46.4 of Regulation No.2 of 2023, the Commission has considered basic notified price of coal and GCV for primary and secondary fuel.
- d) Accordingly, the fuel prices and GCV considered by the Commission for computing the Base ECR is as shown in the Table below:

Table 3.48: Tentative Fuel Price and GCV considered

Particulars	Units	FY 2025-26
Calorific Value of Secondary Fuel	kcal/ml	10.00
Landed Price of Secondary Fuel	Rs./ml	0.07
Wt. Avg. Gross Calorific Value of Coal	kcal/kg	3600.00
Landed Price of Coal	Rs./kg	5.06

- e) Based on the above norms of operation, fuel prices and GCV, the base ECR computed by the Commission is as shown in the Table below:

Table 3.49: Base Energy Charge Rate claimed and approved for FY 2025-26
(Rs. in Crore)

Particulars	Units	Approved in MYT Order	Claimed	Approved
Auxiliary Consumption (AUX)	%	5.75	5.75	5.75
Gross Station Heat Rate (GHR)	kcal/kWh	2300	2300	2300
Secondary Fuel oil consumption (SFC)	ml/kWh	0.50	0.50	0.50
Calorific Value of Secondary Fuel (CVSF)	kcal/ml	10.00	10.00	10.00
Landed Price of Secondary Fuel (LPSF)	Rs./ml	0.07	0.07	0.07

Particulars	Units	Approved in MYT Order	Claimed	Approved
Wt. Avg. Gross Calorific Value of Coal (CVPF)	kcal/kg	3808.80	3808.80	3600.00
Landed Price of Coal (LPPF)	Rs./kg	5.86	5.86	5.06
Specific Coal Consumption	kg/kWh	0.60	0.60	0.64
Coal Cost/kWh	Rs./kWh	3.749	3.749	3.43
Secondary Fuel oil Cost/kWh	Rs./kWh	0.036	0.036	0.04
Energy Charge Rate (ECR) (Rs./kWh)	Rs./kWh	3.785	3.785	3.462

f) The variation in fuel prices and GCV shall be billed in accordance with Clause 46.5 of Regulation No.2 of 2023.

g) The indicative MYT tariff based on the above is as shown in the Table below:

Table 3.50: Indicative Tariff approved for FY 2025-26.

Particulars	Approved in MYT Order FY 25 to FY 29	Claim	Revised Claim	Approved
Net Generation (MU)	8,421.43	8,882.87	8,882.87	8,421.43
AFC (Rs. Crore)	1,338.64	1,509.19	1,561.60	1,326.43
AFC per unit (Rs./kWh)	1.58	1.699	1.758	1.575
Base ECR (Rs./kWh)	3.78	3.785	3.785	3.462
Total Tariff (Rs./kWh)	5.37	5.484	5.543	5.037

3.27. Applicability

- The tariff for 2 x 600 MW Singareni Thermal Power Plant as determined for FY 2024 - 2025 as part of 5th control period FY 2024 - FY 2025 to FY 2028 – FY 2029 Will cease to be effective after 31.03.2025. Even prior to passing of the orders the ECI as per the proceedings dated 06.02.2025 has issued model code of conduct on account of biennial elections to Telangana Legislative Council from Hyderabad local authorities constituency.
- In view of the model code of conduct and to avoid vacuum this Commission has felt it necessary to extend the subsisting Tariff to be levied and collected by the SCCL from the TGDISCOMs in the state of Telangana, from 01.04.2025 until the orders are passed after receiving permission of The ECI or cessation of Model Code of Conduct whichever is earlier.
- Accordingly, the Commission in exercise of powers conferred under section 94

(2) of the Act, 2003 read with section 28 of the Telangana Electricity Reform Act, 1998, has passed an interim order dated 28.03.2025 extending the tariff for 2 x 600 MW Singareni Thermal Power Plant as determined by order dated 28.06.2024 in O. P. No. 4 of 2024 to be applicable from 01.04.2025 till a fresh order is passed by the Commission.

- d) The Generation Tariff determined for FY 2025-26 is applicable from 01.05.2025 to 31.03.2026.

3.28. Commission's Directives

- a) The Commission's Directives issued in this order are enclosed at Appendix.

This Order is corrected and signed on this the 29th day of April, 2025.

Sd/-
Dr. Justice Devaraju Nagarjun
Chairman

//CERTIFIED COPY//

Appendix

Commission's Directives

a. Separate Accounts

The SCCL directed to maintain separate books of accounts for Power Generation activity and submit audited accounts in respect of payment of income tax for generation business and coal business.

b. Efficiency improvement measures

The SCCL is directed to submit the status of the efficiency improvement measures implemented by SCCL and the results of the same in the next tariff filings.

c. Sharing of Losses and Gains

The SCCL is directed to submit the bill to the beneficiary's viz., TGDISCOMs the claim towards total sharing/passing through of losses approved in this order as per the AFC and other charges for FY 2023-24.

d. Capital Woks

The SCCL is directed to implement flexible operation scheme as per CEA Regulations.

e. Incentives

The Incentive for achieving the normative PLF and additional generation over and above normative PLF are to be recovered directly from Beneficiaries in accordance with Clause 46.6 of Regulation No.2 of 2023.

f. Coal from Integrated Mine (Naini)

The SCCL is directed to expedite the commercial production of coal from Naini coal block to reduce the burden on the Consumers.

Annexure-I

Public Notice

Newspaper clippings appeared in Hans India, Prabhata Velugu, Munsif Daily,
EENADU, The Hindu News Papers

BEFORE THE HONOURABLE
TELANGANA ELECTRICITY REGULATORY COMMISSION (TGERC)
Vidyut Niyamtran Bhavan, G.T.S Colony, Kalyan Nagar, Hyderabad 500045

THE SINGARENI COLLIERIES COMPANY LIMITED
(A Government Company)

PUBLIC NOTICE

1. Notice is hereby given to all that the Singareni Collieries Company Limited (SCCL) filed before the Telangana Electricity Regulatory Commission (TGERC) for approval of Annual Tariff Petition for FY 2025-26 containing Revised Tariff Proposal for FY 2025-26 and True Up of FY 2023-24 for 2x600 MW Singareni Thermal Power Plant, SCCL. These filings have been taken on record by the Hon'ble Commission in O.P. No. 30 of 2024.

2. Copies of the filings and proposals referred are available in the Office of the Singareni Collieries Company Limited, SCCL, #11-4-660, 3rd floor, Singareni Bhavan, Red Hills, Hyderabad, Telangana, 500004. Interested persons may inspect/peruse the said filings and take note thereof during office hours at the said office free of cost. These proposals are also available on www.sccclmines.com and the same may be accessed at www.tgerc.telangana.gov.in. A copy of these filings can be obtained from the above office from 14.12.2024 onwards on payment of photocopying charges of the filings.

3. Objections/suggestions, if any, on the said filings together with supporting material may be sent to the office of Director (Finance), Power Projects, #11-4-660, 3rd floor, Singareni Bhavan, Red Hills, Hyderabad, Telangana, 500004 (Email: ed-stpp@sccclmines.com) in person or through Registered Post so as to reach on or before 04.01.2025 by 5 PM. A copy of same must also be filed with the Commission Secretary, TGERC, at the address mentioned above. The objections/suggestions should be duly signed and should carry full name and postal address of the person(s) sending the objections/suggestions. If the objections/suggestions are filed on behalf of any organization or any category of consumers, it should be clearly mentioned. If the objector also wants to be heard in person it may also be specifically mentioned. The objection/suggestion should accompany the following statement as an overleaf:

Name & full address of the objector	Brief details of Objection(s)/Suggestion(s)	Objections / Suggestions against filings made by SCCL for approval of Annual Tariff Petition for FY 2025-26 containing Revised Tariff Proposal for FY 2025-26 and True Up of FY 2023-24 for 2x600 MW Singareni Thermal Power Plant, SCCL	Whether copy of objection & proof of delivery at SCCL's office enclosed (Yes/No)	Whether Objector wants to be heard in person (Yes/No)

4. Telangana Electricity Regulatory Commission intends to conduct a Public Hearing at Court Hall, TGERC, 1st floor, B Block, Vidyut Niyamtran Bhavan, G.T.S Colony, Kalyan Nagar, Hyderabad 500 045, on 21.01.2025 from 11:00 hrs onwards.

Sd/-
Director (Finance),
SCCL

Place: Hyderabad.
Date: 14.12.2024.

DPR No. 733/2024-AGENCY/ADU/10024/25

Annexure-II

List of stakeholders who submitted written Objections/Suggestions

Sl. No.	Name and address of the stakeholders
1	M/s Southern Power Distribution Company of Telangana Ltd., Corporate Office, 6-1-50, Mint Compound, Hyderabad
2	M/s Northern Power Distribution Company of Telangana Ltd., H.No: 2-5-31/2, Corporate Office, Vidyut Bhavan, Nakkalagutta, Hanamkonda, Warangal

Annexure-III

List of stakeholders who participated in Public Hearing held on 21.01.2025

Sl. No.	Name and address of the stakeholders
1	M/s Southern Power Distribution Company of Telangana Ltd., Corporate Office, 6-1-50, Mint Compound, Hyderabad
2	M/s Northern Power Distribution Company of Telangana Ltd., H.No: 2-5-31/2, Corporate Office, Vidyut Bhavan, Nakkalagutta, Hanamkonda, Warangal

Annexure - D : APTEL judgment dated 28.08.2025

IN THE APPELLATE TRIBUNAL FOR ELECTRICITY
(Appellate Jurisdiction)

APL No. 256 OF 2024 & IA No. 880 OF 2024 & IA No. 920 OF 2024 &
IA No. 794 OF 2025

&

APL No. 19 OF 2025 & IA No. 1907 OF 2024

Dated: 28th August, 2025

Present : Hon`ble Mr. Justice Ramesh Ranganathan, Chairperson
Hon`ble Ms. Seema Gupta, Technical Member (Electricity)

In the matter of:

APL No. 256 OF 2024 & IA No. 880 OF 2024 & IA No. 920 OF 2024 &
IA No. 794 OF 2025

In the matter of:

SINGARENI COLLIERIES COMPANY LIMITED,

Through its Deputy General Manager,

Having office at:

Kothagudem, Collieries

Bhadadri Kothagudem District,

Telangana State – 507101.

... **Appellant(s)**

VERSUS

1. TELANGANA STATE ELECTRICITY REGULATORY COMMISSION,

Through its Secretary,

Having office at:

5th Floor, Singareni Bhavan, Red Hills,

Lakdi-ka-pul,

Hyderabad 500 004

... **Respondent No.1**

2. SOUTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED,

Through its Chairman and Managing Director,

Having office at:

Corporate office # 6-1-50,

Mint Compound,

Hyderabad, Telangana – 500 063

... **Respondent No.2**

3. NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED,

Through its Chairman and Managing Director,

Having office at:

H. No. 2-5-31/2, Corporate Office,
Vidyut Bhawan, Nakkalgutta, Hanamkonda,
Warangal, Telangana – 506001.

... **Respondent No.3**

Counsel on record for the
Appellant(s)

: Hemant Singh
Mridul Chakravarty
Biju Mattam
Lakshyajit Singh
Bagdwal
Supriya Rastogi
Agarwal
Nehul Sharma
Chetan Kumar Garg
Robin Kumar
Harshit Singh
Lavanya Panwar
Alchi Thapliyal
Sanjeev Singh Thakur
for App. 1

Counsel on record for the
Respondent(s)

: Somanadri Goud
Katam
for Res. 1

Anand K. Ganesan
Swapna Seshadri
Kriti Soni
Aishwarya Subramani
for Res. 2

Anand K. Ganesan
Swapna Seshadri
Kriti Soni
Aishwarya Subramani
for Res. 3

APL No. 19 OF 2025 & IA No. 1907 OF 2024

1. SOUTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED,

Through its Chief Engineer (IPC),
 Corporate office # 6-1-50,
 Mint Compound,
 Hyderabad, Telangana – 500 063

... **Appellant No.1**

2. NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED,

Through its Chief Engineer (IPC),
 H. No. 2-5-31/2, Corporate Office,
 Vidyut Bhawan, Nakalgutta, Hanamkonda,
 Warangal, Telangana – 506 001.

... **Appellant No.2**

VERSUS

1. TELANGANA ELECTRICITY REGULATORY COMMISSION,

Through its Secretary,
 Vidyut Niyamtran bhavan, G.T.S. colony,
 Kalyan Nagar,
 Hyderabad 500 045

... **Respondent No.1**

2. SINGARENI COLLIERIES COMPANY LIMITED,

Through its Deputy General Manager,
 Having office at:
 Kothagudem, Collieries
 Bhadadri Kothagudem District,
 Telangana State – 507 101.

... **Respondent No.2**

Counsel on record for the
 Appellant(s)

: Anand K. Ganesan
 Swapna Seshadri
 Harsha V Rao
 Aishwarya Subramani
 for App. 1

Anand K. Ganesan
 Swapna Seshadri
 Harsha V Rao

Aishwarya Subramani
for App. 2

Counsel on record for the
Respondent(s)

: Somanadri Goud
Katam
for Res. 1

Hemant Singh
Mridul Chakravarty
Biju Mattam
Sourav Roy
Supriya Rastogi
Agarwal
Chetan Kumar Garg
Lakshyajit Singh
Bagdwal
Ankita Bafna
Harshit Singh
Nehul Sharma
Alchi Thapliyal
Sanjeev Singh Thakur
Lavanya Panwar
Indrayudh Chowdhury
Devansh Pundir
for Res. 2

JUDGMENT

(PER HON'BLE MRS. SEEMA GUPTA, TECHNICAL MEMBER, ELECTRICITY)

1. Appeal No. 256 of 2024 has been preferred by M/s Singareni Collieries Company Limited ("**SCCL**") assailing the order dated 01.04.2024 (hereinafter referred as "**Impugned Order 1**") passed by the **Telangana State Electricity Regulatory Commission** in OP No. 13 of 2023 wherein premium charged by SCCL to its STPP for the coal supplied under Bridge Linkage was denied. Appeal No. 19 of 2025 has been preferred by Southern Power Distribution Company of Telangana Limited and Northern Power Distribution Company of Telangana Limited

(hereinafter referred as “**Telangana DISCOMs**”) assailing the order dated 28.06.2024 (hereinafter referred as “**Impugned Order 2**”) passed by the **Telangana State Electricity Regulatory Commission** (hereinafter referred to as “**State Commission/TSERC**”) in OP No. 4 of 2024 wherein State Commission has trued up the financials of “**SCCL**” for FY 2022-23 and approved MYT for control period FY 2024-25 to FY 2028-29 wherein premium charged by SCCL to its STPP for the coal supplied under Bridge Linkage was considered.

2. The issues involved in both the appeals are connected and are sort of cross appeals, they are being disposed of with this common judgment. The facts in these appeals are not in dispute. Therefore, for the sake of convenience, the description of the parties is given hereunder as per Appeal No. 19 of 2025.

3. **Appellant No.1- Southern Power Distribution Company of Telangana Limited** and **Appellant No.2-Northern Power Distribution Company of Telangana Limited** are the Distribution licensees, and are entrusted with the function of distribution of electricity in their respective areas of operation in the State of Telangana and collectively referred here-in-under as Telangana Discoms.

4. **Respondent No. 1, the Telangana State Electricity Regulatory Commission** is the Electricity Regulatory Commission for the State of Telangana exercising powers and discharging functions under the provisions of the Electricity Act, 2003. **Respondent No. 2- M/s Singareni Collieries Company Limited (“SCCL”)** is a coal mining company incorporated under the Companies Act, 1956.

FACTS OF THE CASE

5. The facts that are necessary and required for disposal of these appeals are narrated below in nutshell.

The SCCL entered into the business of power generation by establishing a 2X660 MW coal based thermal plant i.e. Singareni Thermal Power Plant (“STPP”), in which Unit I&II achieved COD on 25.09.2016 and 02.12.2016. The entire power generated from STPP is to be sold to the Telangana DISCOMs at a tariff determined by State Commission under the Power Purchase Agreement (“PPA”) dated 18.01.2016. The PPA was to remain valid for a period of 25 years from the COD of the last unit i.e. Unit II.

6. In order to meet the coal requirements of STPP, SCCL was allotted NAINI coal block in the State of Odisha. Since it was anticipated that coal production from NAINI coal block would commence in December 2020, as an interim measure, until the operationalization of the coal mine by SCCL, STPP applied for and obtained Bridge Linkage, the short term linkage for a fixed period of three years, from the Standing Linkage Committee of Ministry of Coal. The initial Bridge Linkage was granted for the period between 13.08.2015 to 12.08.2018 from the SCCL and pursuant to obtaining the Bridge Linkage, SCCL executed a Memorandum of Understanding (MoU) dated 01.11.2017 with STPP setting the price structure for coal to be supplied. While the PPA dated 18.01.2016 contained Annexures III & IV which provided for computation of variable charges based on coal price to be as decided by SCCL, the State

Commission by its Orders dated 22.10.2021 in O.P. No. 08 of 2016, directed that the above clauses to be deleted and replaced as under:

"For any billing month, the variable charges shall be determined as per TGERC Regulations".

7. An amended PPA was entered on 22.05.2024. STPP upon achieving COD of Unit I on 25.09.2016 and Unit II on 02.12.2016 started utilizing coal as per MoU dated 01.11.2017 with pricing for G5- G8 grades coal & washary grade G9 coal at notified price of power sector and for G9 to G15 grade, the notified basic price plus 20% of notified basic price of power sector and started supplying power to Telangana DISCOMs.

8. On 06.04.2018, SCCL and STPP, entered into a supplementary MoU modifying the pricing structure and created two new slabs namely, bridge linkage and non-bridge linkage for FY 2018-19 w.e.f. 01.04.2018. Under the said MoU, for coal supply up to 75% of agreed quantity, the tariff payable was notified as basic price of coal applicable for power sector with a premium of 20% and for supply of coal beyond 75% of agreed quantity the tariff payable was notified as basic price of coal applicable for non-power sector with a premium of 20%.

9. Subsequently, since the Bridge Linkage provided to STPP was stated to expire as of 13.08.2018, in the meeting of the Standing Linkage Committee held on 10.04.2018, Bridge Linkage was extended up to 2023 with tapering basis from 2021 to 2023 and further extended for the year 2023-24 in the Standing Linkage Committee meeting dated 21.02.2023.

10. SCCL raised a supplementary invoice after completion of FY 2018-19, claiming 20% 'additional premium on the notified prices applicable to the non-power sector for supply of coal beyond 75% of agreed quantity, which was objected by Telangana DISCOMS claiming it to be contrary to the TSERC/CERC Tariff Regulations.

11. The Telangana DISCOMS had filed OP No. 13 of 2023 before TSERC praying to direct SCCL to provide coal supply to STPP at the Notified Basic Price corresponding to the coal grade being supplied without any additional charge/ premium in terms of the MOUs signed between SCCL and STPP. When the Orders in OP No. 13 of 2023 were reserved, SCCL filed O.P. No. 04 of 2024 before TSERC seeking approval of Multi Year Tariff (MYT) for the control period FY 2024-25 to FY 2028-29 and True-up for FY 2022-23. In the said petition, SCCL had taken into consideration the premium on the coal price.

12. The State Commission, vide its order dated 01.04.2024 ("**Impugned Order 1**") , disposed of OP No. 13 of 2023, in favour of the Telangana DISCOMS, holding as under:

... the petitioners are entitled to the relief as prayed for, whereby the respondent is estopped from levying any premium on the coal price for whatever quantities agreed to be supplied in terms of the PPA. The respondent also shall continue to desist from levying any premiums henceforth until it has started production from the Naini coal block allotted to it as it is denuding the petitioners the benefit of cheaper coal availability through the variable cost paid by the petitioners, which is ultimately beneficial to the end consumers.

13. The State Commission, vide its Order dated 28.06.2024 (**"Impugned Order 2"**), disposed of O.P. No. 4 of 2024 filed by SCCL/STPP approving energy charge rate and fixed charges taking into consideration premium on coal price, which according to Telangana Discom is in contravention to TSERC Order dated 01.04.2024 in OP No. 13 of 2023 (**"Impugned Order 1"**). The Telangana Discom also stated that R & M expenses approved under **"Impugned Order 2"** were contradictory to its earlier orders dated 28.08.2020 (MYT Order) and 23.03.2023 (mid-term review order in O. P. No. 77 of 2022).

14. The Telangana DISCOMS, filed a petition seeking review of the **"Impugned order 2"** passed in O.P. No. 4 of 2024, which was dismissed by State Commission by its Order dated 28.10.2024. Telangana DISCOMS, aggrieved by the Order dated 28.06.2024 passed in O.P. No. 4 of 2024 on the issues of fixation of energy charge rate and annual fixed charges in so far as the same runs contrary to the **"Impugned Order 1"** dated 01.04.2024, and the approval of R & M expenses contradictory to its earlier orders dated 28.08.2020 (MYT Order) and 23.03.2023 (mid-term review order in O.P. No 77 of 2022), has preferred Appeal No. 19 of 2025.

15. The SCCL, challenging the order dated 01.04.2024 passed in OP No. 13 of 2023 (Impugned Order 1) to the extent that the State Commission has overstepped its jurisdiction by deciding the cost of coal to be charged by the SCCL for coal supplied through Bridge Linkage and also recovery of the said cost from Telangana DISCOMs, when power is supplied under the PPA by STPP, has preferred Appeal No. 256 of 2024.

SUBMISSIONS OF TELANGANA DISCOMs

16. Ms Swapna Seshadri, learned counsel for Telangana Discoms submitted that Telangana Discoms have signed the Power Purchase Agreement (PPA) dated 18.01.2016 (the “PPA”) with the thermal generating plant of SCCL, i.e., the 2x600 MW located in Jaipur, Mancherial District, Telangana (the “STPP”), though without mentioning the source of coal, but with the understanding that the STPP would receive coal from the Naini Coal Block, as a captive coal block and a mine integrated with the STPP, and allocated to STPP in terms of the Allotment Agreement dated 30.03.2015. It is further submitted that SCCL is primarily a coal mining company and the STPP is housed within SCCL, with no separation in terms of accounts and personnel. Since SCCL did not develop the Naini Coal block in time, STPP applied for ‘Bridge Linkage’ to the Ministry of Coal, i.e., coal to bridge the time between the operationalization of the STPP and the captive coal mine, as per the Bridge Linkage Policy Guidelines of the Ministry of Coal dated 08.02.2016. Pursuant to grant of the bridge linkage, SCCL and STPP signed a Memorandum of Understanding dated 01.11.2017 (the “MoU”), which was amended from time to time and imposition of the ‘premium’ over the Notified Price is incorporated in these MoUs, to which the Telangana Discoms are not a party and there was no consultation with the Discoms, while signing these MOUs. There is no authority granted to coal companies to impose Premium on such Bridge Linkage in the Policy Guidelines.

Regarding the contention of SCCL that coal pricing falls exclusively within the domain of coal companies, as a result, Electricity Regulatory Commissions are barred from oversight on the same, learned counsel submitted that it is an unwarranted extrapolation of the effect of the deregulation of coal pricing under

the Colliery Control Order, 2000. The cost of coal along with other cost elements – like loading charges, transportation charges, washery charges, etc., constitute part of the variable charges and are determined by the State Commission under Section 86(1) (a) read with Section 62. The costs so determined, are passed on the beneficiary, i.e., the Telangana Discoms and form part of the cost of power purchase in determination of retail supply tariff under Section 86(1)(a)&(b). The Colliery Control Order, 2000 merely removed the function of price determination from the Government of India in relation to coal. There was no positive function assigned to the coal companies, nor a judicial or regulatory bar on its oversight. Coal suppliers operate akin to any other supplier to a power plant and are subject to the same regulatory framework. SCCL contention seems to read as an exclusive authority to itself to fix whatever rates it deems fit including premiums with the impression that there is no other authority which seems to have this power, however, learned counsel submitted that such an interpretation, if accepted, would amount to coal companies assuming authority not conferred upon them either under the Colliery Control Orders or the Bridge Linkage Guidelines.

17. It is further submitted that the tariff payable to the STPP Division of SCCL for power generation is determined by the State Commission under Section 62 of the Electricity Act, 2003. The PPA, forming the basis of such tariff, was approved by the State Commission vide Order dated 22.10.2021 in O.P. No. 8 of 2016, wherein the Commission directed certain revisions to the PPA, the revisions relevant to the present appeal are set out hereinbelow.

- (a) Replacement of Article 4.3 that Variable Charges shall be determined as per TSERC Regulation

(b) Deletion of Annexure III (Computation of Variable Charges) & Annexure IV (Computation of Delivered Cost of Coal – Thermal Plants)

18. Learned counsel submitted that upon execution of the 3rd Supplementary MoU, which was executed on 16.04.2021, the Telangana Discoms filed Petition O.P. No. 13 of 2023 under Section 86(1)(f) of the Act, challenging the imposition of premium by SCCL as being contrary to the PPA and the applicable Regulations, specifically invoking the jurisdiction of the State Commission contending that such imposition is contrary to Clause 21.6.1 of the TSERC (Terms and Conditions of Generation Tariff) Regulations, 2019. Further, in its reply filed in O.P. No. 13 of 2023, SCCL contended that the imposition of premium was required to be treated as a pass-through under change in law and that only the Central Electricity Regulatory Commission would have the jurisdiction to determine the input price of the Naini Coal Block and that the State Commission does not have the jurisdiction, since SCCL comes under the control of Ministry of Coal. Learned counsel further submitted that the State Commission in exercise of its powers under Section 86(1)(f), has held that the Premium could not form part of the coal cost under “**Impugned Order 1**” dated 01.04.2024 in OP No. 13 of 2023.

19. Regarding the contention of SCCL, being advanced before this Tribunal that coal companies possess an exclusive right to determine the price of coal recoverable from consumers and that the State Commission lacks jurisdiction to determine the coal cost; learned counsel submitted that it is - premised on two incorrect assumptions that State Commission has *fixed* the coal price and/or determined what elements would be included in the landed cost of coal and whether Premium form part of the coal price?

20. Learned counsel submitted that it is not disputed that SCCL, like other coal companies, determines the price at which it wishes to sell the coal to its consumers like the STPP, however, that does not take away the regulatory power of the State Commission to assess the prudence and reasonableness of cost components and pass through only such components it considers prudent. The status of coal companies is no different than any other vendor or service provider that states a price for its product/service. As part of 'regulating' electricity purchase and procurement, the State Commission has the authority to determine and conduct a prudence check on all components of price of electricity. Even in the absence of specific regulations, the State Commission retains the jurisdiction to undertake such prudence checks guided by the principles under Section 61 of the Electricity Act, 2003. In this regard, the observations of the Supreme Court in "**Municipal Corporation of Delhi v. Gagan Narang**" 2025 SCC OnLine SC 19 , are apposite. By referring to another Supreme Court judgment in "**PTC India Ltd. v. Central Electricity Regulatory Commission**" (2010) 4 SCC 603, learned counsel contended that the Supreme Court has considered the scope of the regulatory functions of the Electricity Regulatory Commissions, in the presence and de hors regulations. In either of the cases i.e., whether the State Commission undertakes the prudence check in exercise of its powers under the Regulations framed or in the absence thereof, the source of such power is under Section 62 read with Section 86 of the Electricity Act 2003 only. The power to determine tariff, which inherently includes the authority to allow or disallow specific cost components, is an integral part of the Commission's statutory regulatory functions. Furthermore, even when the State Commission exercises its powers under Section 86 (1) (f), it is not that it loses its power for tariff fixation or the principles contained under Section 61, 62 or 64 of the Electricity Act, 2003.

21. Learned counsel contended that the input price of captive coal mines allocated under the Coal Mines (Special Provisions) Act, 2015 is also being determined by the Appropriate Commission under the framework of the Electricity Act, 2003, to ensure that the transfer price of coal from mine to power plant is neither arbitrary nor inflated. This reinforces the settled legal position that the Appropriate Commission not only possesses the jurisdiction but is statutorily obligated to ensure that all components of the electricity price are reasonable, irrespective of whether coal is procured through linkage, auction, or captive sources.

22. Learned counsel submitted that SCCL has erroneously contended that the Telangana Discoms case on the State Commission's jurisdiction is based solely on Regulations 21.8 and 21.9 of the TSERC Tariff Regulations, 2019, in fact, the Telangana Discoms have consistently maintained that such jurisdiction flows directly from the Electricity Act, 2003. The Tariff Regulations framed by the State Commission are only in furtherance of the power to regulate tariff conferred on it comprehensively by the Electricity Act, 2003. It is well settled that delegated legislation cannot confer jurisdiction beyond the Parent Act. While the vires of the Regulations are immune from being challenged before this Tribunal, as held in *PTC India Ltd. v. CERC*, it itself holds that any question of interpretation of the Regulations would very much lie before this Tribunal.

23. Regarding the contention of SCCL that the scope of the State Commission's jurisdiction is limited to disallowing procurement from the concerned sources i.e. in case cost of coal is high then plant may be denied scheduling, learned counsel submitted that it is erroneous and contrary to the statutory mandate under Sections 62 and 86(1)(a) and (b)

of the Electricity Act, 2003. The Multi Year Tariff Regulations framed by the State Commission envisage a detailed scrutiny of all cost components for each control period, and empower the Commission to regulate and determine tariffs accordingly. Further, any dispute arising out of the PPA falls squarely within the adjudicatory domain of the State Commission. In exercise of its regulatory functions, the Commission is empowered to apply various methods to regulate electricity price including prescription of normative operational and financial parameters (e.g., normative interest rates without interfering with a bank's autonomy), determining price caps, monitoring market alignment, enforcing competitive bidding etc. Thus, the regulatory oversight of the State Commission encompasses all aspects of tariff determination and the manner of its exercise is a matter within its exclusive jurisdiction. As such, in the context of the present appeals, the Commission has not determined the price at which coal mining companies may charge to its consumers but has merely determined, based on prudence, what component of such cost may be passed through by STPP to the TS Discoms.

24. Learned Counsel placing reliance upon the scope of the TSERC Generation Tariff Regulations, 2019, referred to the provisions contained in Regulations 21, 21.1, 21.8 and 21.9 thereof. As per Regulation 21.8, the landed cost of fuel includes the following components; (a) the price of fuel corresponding to its grade and quality of fuel; (b) Royalty and taxes as applicable; (c) transportation costs by rail, road, or any other means, and (d) normative transit and handling losses. Furthermore, in terms of Regulation 21.9 of the said Regulations, where fuel is procured from sources other than those mutually agreed upon between the generator and the beneficiary, the State Commission is entitled to make a prudence check in approving the price of alternative fuel and if there is an increase

in price of fuel above the stated threshold then prior consultation with the beneficiary is required. It is, therefore, evident that generators do not have unchecked power to decide prices in any situation. Any 'Premium' on the coal price is not contemplated in the above cost components. It is further asserted that the TSERC 2023 Regulation (Regulation 46.4, 2nd Proviso) expanded the categories to include washery charges and sampling charges and the State Commission has not recognised "premium" as one of the components of landed cost of fuel.

25. Learned counsel submitted that SCCL has taken two conflicting stands like (a) Premium is part of the 'price' of coal; and (b) Definition of landed cost of fuel is an inclusive definition and must include the premium also.

Firstly, it is submitted that the premium does not constitute a part of the coal price. The Price Notifications issued by coal companies from time to time, pursuant to the deregulation of pricing under the Colliery Control Order, 2000 (framed under the Essential Commodities Act, 1955), clearly delineate the basic price separately for the power and non-power sectors and wherever there is a premium to be levied, that is indicated separately. Notably, there is no mention of any premium applicable to bridge linkage consumers. Additionally, other elements of the landed cost—such as loading charges, royalty, taxes, and sampling charges are individually itemized. This notified price is universally considered to be the default price of coal save any terms agreed contractually or any price discovered in the spot market.

Secondly, the definition of "landed cost" as employed in the relevant Regulation is not inclusive in nature; rather, the use of the expression "shall include" in this context must be read exhaustively in so far as the

categories mentioned therein. Whether a statutory list is to be interpreted as exhaustive or inclusive depends on the context of the list. In this regard, learned counsel placed reliance on the judgment of the Supreme Court in **"South Gujarat Roofing Tiles Manufacturers Association v. State of Gujarat"** (1976) 4 SCC 601.

However, on SCCL's contention that the definition of "landed cost" is inclusive and may extend to include premium, it is submitted that, in the absence of a specific provision in the Regulations, the State Commission is entitled to adjudicate, applying Section 61 of the Electricity Act, 2003, what cost components to be included in the landed cost of coal. This principle has recently been reiterated and expanded by the Supreme Court in **"Power Grid Corporation of India Ltd. v. Madhya Pradesh Power Transmission Co. Ltd. & Ors."** 2025 SCC OnLine SC 1128.

Regarding the contention of SCCL that accepting this would amount to fixing prices for services provided by other entities, such as the Railways, learned counsel submitted that while railways can determine the cost of providing the transportation, however, if it seeks to levy arbitrary and unjustified levy of over the top costs, it cannot be the case that the State Commissions are restrained from evaluating what is or what is not a reasonable cost for a particular service and deny pass through of the same. The affected party which is the generator would be free to avail of any remedy available in law to address the costs. The State Commission, under Section 61 of the Electricity Act, 2003, does not fix prices of third-party services like those of railways. Instead, it conducts a prudence check on the cost components claimed by generators as part of the landed coal cost, to ensure only reasonable and justifiable expenses are passed on to consumers, an action well within its regulatory mandate.

Further, it is submitted that the State Commission is empowered to examine each cost component such as water cess, GCV-related charges, or any other levy to determine its admissibility in tariff. The same principle applies to the premium, which is a separate component levied over and above the basic coal price and does not form part of the coal mining cost. Therefore, regulatory scrutiny of such components does not equate to price fixation for external service providers but is a necessary function of tariff determination under the regulatory framework.

26. Learned counsel for the SCCL has relied on certain MoUs entered into with other generators to justify the imposition of premium; however, such MoUs pertain to projects not located in Telangana and whose beneficiaries are unidentified. Further, SCCL has been supplying coal to the STPP to meet 100% of its availability requirement, even though it was required to supply only on best efforts basis and that too to the extent of 75% of the Agreed Requirement which is 90% of normative requirement of the plant operating at 85% PLF (with 80% being the Target PLF in the PPA between STPP & TS Discoms). As a result, STPP by consistently declaring full availability, recovered its entire fixed costs, and earned substantial incentives, while simultaneously recovering premiums over and above the notified price of coal at its discretion.

27. Regarding the contention of SCCL that increase in cost of coal was marginal or lower than other sources, learned counsel submitted that the legality of the cost sought to be imposed on Telangana Discoms must be assessed on individual basis under the applicable Regulations and the PPA. The parties under the PPA had agreed to reduce coal costs using a captive coal block, and in its absence, the Bridge Linkage was provided by the Government. The key issue is whether SCCL acted as per the

applicable policy. It is not relevant to compare from spot market prices or the conduct of other coal companies and it is an admitted fact that SCCL supplied coal to STPP to comply with its 10% statutory mandate, which allowed STPP to declare higher-than-normative availability and claim incentives, fixed, and variable charges—all sourced from SCCL's own operations. SCCL must follow the Government Policy and cannot arbitrarily choose its coal recipients.

28. Learned counsel also submitted that SCCL, being a government company, is required to maintain transparency in its pricing, which must be available in the public domain. The end beneficiaries cannot be left without recourse to challenge the pricing imposed by coal companies. While a price notification published publicly may be challenged before the appropriate forum, a pricing term within a private contractual arrangement cannot be questioned by third parties. Therefore, it is impermissible to include a cost component in the landed price of coal that is beyond regulatory oversight. The learned counsel submitted that it is only the State Commission that exercises regulatory oversight herein as it is within the domain of the State commission to determine what would and would not constitute landed cost of coal for the purposes of computation of ECR.

SUBMISSION OF SCCL

29. Mr Sanjay Sen, learned senior counsel representing SCCL submitted that main issue in the present case is regarding the jurisdiction of State Commission to, inter alia, hold that State commission, while exercising powers under Section 86 (1)(b) of the Electricity Act 2003 to regulate Power Purchase Agreements executed by generating company with the State Discom, can also regulate the price of coal and /or issue

directions to the supplier of coal in the matter of coal pricing. Learned senior counsel pointed out that specifically following findings and conclusions made by State Commission in the **Impugned Order 1** dated 01.04.2024 are wrong and deserves to be set aside; there is no factual or legal basis to come to these findings like.

- (a) It is not clear from record as to whether SCCL was authorized to notify the tariff, even for Bridge Linkage coal supplied to end use plants;
- (b) SCCL appears to have overstepped its authority in determination of tariff of coal and not only fixed the tariff for coal supplied but also added the premium to be paid for coal;
- (c) The action of the SCCL in determining not only the coal price but also including premium to the said price is beyond the agreement
- (d) STPP did not pay any interest in establishing the captive coal mine expeditiously and went before SLC seeking extension of time repeatedly. Such attitude of STPP shows ulterior intention to continue the bridge linkage of coal obtained pending establishment of the captive coal mine.
- (e) TSDISCOMs are entitled to relief as prayed for, whereby SCCL is estopped from levying any premiums henceforth until it has started production from the Naini coal block allotted to it as it is denuding the Telangana DISCOMs the benefit of cheaper coal availability through the variable cost paid by the Telangana DISCOMs, which is ultimately beneficial to the end consumers

30. Learned senior counsel submitted that it is an admitted position that the SCCL supplied coal from its own coal mines, which are not captive to its thermal power plant; namely the Singareni Thermal Power Plant

("STPP"/"the Power Project"). The SCCL operates primarily as a coal company, akin to Coal India Ltd. Coal, being a scarce natural resource, was nationalized, and its distribution is regulated by the Central Government and accordingly, the SCCL supplies coal in accordance with prevailing central policies in which price of coal is determined by the Coal companies, which are government companies.

31. The Consumers of coal obtain coal linkage through the Ministry of Coal, based on decisions of the Standing Linkage Committee, which are binding on coal companies. The SCCL supplies coal under the Bridge Linkage route to other similar consumers at the same price at which coal is supplied to its own generating station. The extant coal policy does not authorize any person or authority, apart from the coal company, to determine or regulate coal prices. Consequently, the electricity regulator, being a tribunal (statutory body) with limited jurisdiction, could not have exercised jurisdiction on matter concerning the price of coal. The impugned order does not refer to any provision of the statute or regulation in relation to its jurisdiction to determine / regulate the price of coal. It does not have the powers of judicial review.

32. As per the extant policy relating to Bridge Linkage, the Ministry of Coal, by letter dated 30.08.2016, confirmed that the Standing Linkage Committee ("**SLC**"), in its meeting dated 18.03.2016, granted Bridge Linkage for operating SCCL's 2 x 600 MW Thermal Generating Station. This Bridge Linkage, initially granted as an interim measure, has been extended from time to time and is expected to continue until coal becomes available from the allocated Naini Coal Block in Odisha. The linkage was specifically granted to meet the coal requirements of the SCCL plant during the period when the Naini Coal Block was not operational. The

Naini Coal block faced delays due to forest clearance and other regulatory issues. Since the power plant was ready for commissioning, the Ministry of Coal/SLC recommended allocation of coal from the SCCL's own mines under Bridge Linkage to ensure fuel supply continuity. Further, extensions were granted by the SLC in meetings dated 10.04.2018, 21.02.2023, and 13.02.2024, after the SCCL explained the delay in operationalising the Naini Coal Block. Once the Ministry of Coal/ SLC accepted such reasons and extended the linkage, the State Regulatory Commission cannot, thereafter, sit on judgment over the decision of Ministry of coal and / or find fault with the Appellant for not operationalizing the coal block, including the continuation of Bridge Linkage beyond the initial 3 years or its pricing. The State Commission's contrary findings deserve to be set aside. Pursuant to the Bridge Linkage grant, the Appellant executed multiple MoUs dated 01.11.2017, 06.04.2018, 30.03.2020, 12.11.2020, 16.04.2021, 28.03.2022, and 29.03.2023.

33. Learned senior counsel placing reliance on the provision of the Electricity Act, 2003 and the TSERC (Terms and Conditions of Generation Tariff) Regulations, 2019 submitted that there are no provisions that permits / allows the electricity regulator to exercise jurisdiction on matters of coal pricing; specific reliance was placed on Regulation 21.6, which governs computation of the Energy Charge Rate (ECR) and is based on the weighted average "landed price" of primary fuel for computation of the ECR. Regulation 21.8, clarifies that the landed cost of fuel for the month to include the price of fuel corresponding to the grade and the quality of fuel inclusive of royalty, taxes and duties as applicable, transportation, cost by rail/ road or any other bills and provides that for the purpose of computation of energy charge, the cost shall be arrived at after considering the normative transit and handling losses as a percentage of

the quantity of coal dispatched by the coal supply company during the month as notified by the Central Commission. Regulation 21.9 deals with the use of alternate source of fuel supply, other than as agreed by the Generating Entity and beneficiaries in their PPA and on account of shortage of fuel or optimization of economical operation through blending, and certain restrictions are thereafter imposed; however, the said provision has neither been relied upon in the Impugned Order 1 nor is it applicable in the present case. As such, the PPA does not specify any particular source of coal, including the Naini Coal Block. Further, the coal supplied under Bridge Linkage cannot be construed as an 'alternate source' within the meaning of the said Regulation, as its supply is not occasioned by shortage or blending requirements, rather, Bridge Linkage constitutes the primary and approved source of coal supply to the Appellant's generating station, in accordance with the prevailing coal distribution policy.

34. Learned senior counsel submitted that the Impugned Order 1 does not at all refer to or rely upon any provision of the TSERC Tariff Regulations, 2019 or the PPA dated 18.01.2016 and its amendment dated 22.05.2024. Notably, neither the original nor the amended PPA defines any specific coal source. The PPA provides that the variable charge is computed on the basis of the landed cost of coal. Although the amended PPA was executed after the Impugned Order 1, it also does not confer any jurisdiction upon TSERC to regulate coal pricing. The amendment to the variable charge clause in the original PPA merely aligns it with Regulation 21.6 of the 2019 Regulations. The reliance on CERC Regulations is misplaced, as the transfer pricing principles therein pertain to captive coal blocks and are inapplicable to the present case.

35. Learned senior counsel submitted that the National Coal Distribution Policy 2007 and as amended in the year 2016, is limited only to the manner in which coal can be distributed amongst various users. In addition to the National Coal Distribution Policy, the Ministry of Coal has issued a policy guideline through Office Memorandum dated 08.02.2016, providing for the grant of Bridge Linkage to certain end-use power plants that have been allocated coal blocks ; thus neither the said policy nor the Office Memorandum provides for any authority to regulate or control the price of coal, whether by the Central Government or by any agency or authority appointed by the Central Government.

36. Learned senior counsel submitted that the relevant statutory / policy framework entitles SCCL and other coal companies i.e. Coal India Limited and its subsidiaries, to determine the price of coal. Initially, clause 4 of the Colliery Control Order, 1945 empowered the Central Government to fix the sale price, or the maximum or minimum sale price, or both, subject to which coal may be sold by colliery owners and any such notification may fix different prices for different classes, grades and sizes of coal; and different collieries. However, this was subsequently replaced by the Colliery Control Order, 2000 ("CCO, 2000"), under which the role of Central Government was only to prescribe, by notification, the classes, grades and sizes into which coal may be categorized and the specifications for each such class, grade or size of coal. As such, with effect from 01.01.2000, the Central Government did not play any role in fixation of price of coal. Similarly, earlier section 3(2)(c) of the Essential Commodities Act, 1955 also empowered the Central Government to control / regulate price of coal as an essential commodity, as specified in the Schedule. Through the amendment dated 24.12.2006 to the Essential Commodities Act, 1955, 'coal' was deleted from the list of essential

commodities with effect from 12.02.2007. The said deletion was also recognized by MoC in Clause 9 of the New Coal Distribution Policy, 2007 dated 18.10.2007. Consequently, the said Policy only provides for the manner in which the coal is to be distributed but does not provide for the pricing of coal. The Bridge Linkage Policy Guidelines issued vide O.M dated 08.02.2016, clarifies that the role of Coal Controller was only limited to quantification and regularization. Therefore, it is upto CIL/ SCCL to determine the price of Bridge Linkage coal, and since the coal was to be supplied on "*best efforts basis*" it was upto the seller to levy premium on the same. It is further pointed out that in the SLC meeting dated 21.02.2023 regarding extension of bridge linkage to the Appellant, it was recommended that "*The rate for coal supplies against extended Bridge Linkages would be decided by CIL/ SCCL*". Therefore, it is evident that the pricing of coal, including under Bridge Linkage arrangements, or otherwise is to be decided by CIL/SCCL.

37. Learned senior counsel placing reliance on the judgment of the Supreme Court in "***Pallavi Refractories v. Singareni Collieries Company Limited & Ors.***", ((2005) 2 SCC 227) submitted that the decision relating to fixing the price of coal is taken by the Coal company in terms of the extant law and policy and the reasons for differential pricing. In addition, reliance was placed on the judgment of the Supreme Court in "***Ashoka Smokeless Coal India (P) Ltd. v. Union of India & Ors.***", ((2007) 2 SCC 640) , and submitted that the judgement provides a historical overview of the coal sector in India and it enumerates the manner in which the price of coal was de-controlled over the years. With reference to Impugned Order 2 dated 28.06.2024 State Commission, while truing up the financials of SCCL for FY 2022-23 and approving the Multi Year Tariff for the control period of FY 2024-25 to FY

2028-29, has allowed the Energy Charge Rate (ECR) by taking into consideration Bridge Linkage coal price along with premium. However, as regards the issue of computation of 'K-factor' for the purpose of approval of R&M expenses, this issue may be remanded to the State Commission for fresh consideration.

38. Learned senior counsel concluded that in view of above submissions and also a reading of the Colliery Control order 1945 and the Colliery Control order 2000 (*Ann.-J to IA for Addl. Docs. @ Pg. 278, V-I*), it is clear that the coal company has been vested with the power to determine the price of coal. A statutory body created under the provisions of the Electricity Act, 2003 cannot regulate the price of coal and/or issue directions to a coal company as to what it should charge for supply of coal under Bridge Linkage or otherwise and requested Tribunal to set aside the Impugned Order 1.

Analysis and Deliberation

39. Heard Mr. Sanjay Sen, learned Senior Counsel appearing on behalf of SCCL and Ms. Swapna Seshadri, learned Counsel appearing on behalf of Telangana Discoms. The main issue, which emerges for deliberation is, whether premium charged on coal price by SCCL for coal supplied to its thermal plant under Bridge coal linkage can be denied by State Commission as pass through in Energy Charge Rate (ECR) under **Impugned Order 1** dated 01.04.2024 or the same is to be allowed as pass through in ECR as per **Impugned Order 2** dated 28.06.2024. As regards the issue of computation of 'K-factor' for the purpose of approval of R&M expenses in the **Impugned Order 2** dated 28.06.2024, raised by learned counsel for Telangana Discoms, the learned Senior Counsel for

SCCL has consented that this issue may be remanded back to the State Commission for fresh consideration. Elaborate submissions have been made by learned Counsel on behalf of Telangana Discoms and learned Senior Counsel on behalf of SCCL regarding the jurisdiction of State Commission over denial of premium paid on coal price under Bridge coal linkage by Singareni STPP to SCCL.

40. It is a fact that SCCL was allotted NAINI coal blocks located in the State of Odisha to meet coal requirement of its 2 X600 MW Thermal Power project (STPP) vide allotment letter dated 13.08.2015. The power purchase Agreement was entered into between SCCL and Telangana Discoms on 18.01.2016 for supply of 100% power generated from the said STPP, at a tariff to be determined by State Commission and the PPA to remain valid for 25 years from COD of the plant. SCCL has submitted that it had applied for grant of bridge linkage for supply of coal for STPP, as commencement of coal production from Naini coal mines as per Allotment Agreement was scheduled for December 2020, while commissioning of generating units of STPP was expected in 2016. It is noted that Ministry of Coal, GOI vide its notification No 23021/3/2015-CPD dated 08.02.2016 issued guidelines for grant of "Bridge Linkage" to specified end use plants of Central and State Public Sector Undertaking (both in Power as well as Non-Power) which have been allotted coal mines/blocks. The Bridge linkage is to act as a short term linkage to bridge the gap between requirement of coal of a specified end use plants of Central and State PSUs and the commencement of production from the linked allotted coal mines/blocks, and this bridge linkage may be granted for a fixed period of three years from the date of allotment of coal mine/block, and the following

procedure for grant of Bridge Linkage is mentioned in the above notification:

“PROCEDURE:

- (i) *Every plant desirous of availing 'Bridge Linkage' shall be required to apply to Ministry of Coal (MoC) in the prescribed format (enclosed) along with prescribed processing fee. The prescribed application fee should be paid through a Demand Draft amounting to Rs. 2000/- (Two thousand only) per Mega Watt, subject to a maximum of Rs. 5,00,000/- (Rs. Five Lakh only), in favour of "Pay and Accounts Officer, Ministry of Coal" payable at New Delhi. The application fees/processing fees once remitted and deposited would be "Non Refundable", whether the application/request is accepted or rejected by the Competent Authority for grant of 'Bridge Linkage'. If a particular End Use Plant has already submitted an application with processing fee in the Ministry of Coal for grant of normal coal linkage in respect of that particular unit for which bridge linkage is requested then this unit would not be required to pay processing fee again. It will simply apply in the prescribed format to Ministry of Coal without payment of application fee. After receipt of application, the existing procedure of getting reports/recommendation from concerned Ministries etc. in each individual case, similar to the normal procedure for authorizing LoA, would be followed by the Ministry of Coal.*
- (ii) *After receipt of application for 'Bridge Linkage' and before sending it to the concerned Ministry, a certification shall be obtained from CA-III Section of MoC regarding allotment of coal mine/ block to the applicant and specified end use plants (EUPs) thereof.*
- (iii) *On receipt of recommendation from the concerned Ministry, the request shall be placed before the Standing Linkage Committee (Long Term) [(SLC(LT))] meeting for each individual case, The recommendation of SLC (LT) shall be submitted for approval by the Competent Authority. Thereafter, CIL/SCCL shall be intimated accordingly who shall decide the grade, source, etc. The quantification shall be done by Coal Controller Organisation (CCO) and informed to CIL/SCCL and applicant allottee company.*

- (iv) *Coal Controller shall be responsible for quantification and regularization of 'Bridge Linkage' in consultation with CIL/ SCCL. Based on approval by SLC (LT), Ministry of Coal shall intimate details of the approved schedule to CIL/SCCL, which shall be duly incorporated in the MoU to be concluded between concerned coal company and allottee company “.*

41. It is noted from the letter dated 30.08.2016 of Ministry of Coal, that in terms of Ministry of Coal, GOI notification dated 08.02.2016, bridge linkage was approved for the STPP from the SCCL for three years valid from 13.08.2015 to 12.08.2018 and source of which was to be finalised by SCCL in consultation with Railways. It is an admitted position that such Bridge Linkage was extended from time to time in following manner:

Date of granting linkage	Duration	Period
10.04.2018	5 years	2018 – 2021 2021 to 2023 on tapering basis
21.02.2023	1 year	2023 – 2024 on tapering basis
13.02.2024	1 Year	On tapering basis

42. Thus, bridge linkage for the STPP has been provided in terms of Notification dated 08.02.2016 of the Ministry of Coal, from SCCL, the company which also owns the STPP, and we believe that same must have been made after considering all relevant factors which lead to delay in development of allotted capital coal mine at NAINI for the STPP and need of Bridge linkage for longer duration, which is within the purview of Ministry of Coal and beyond our jurisdiction.

43. Further, no dispute has been raised by Telangana Discoms before us regarding the allocation of Bridge Linkage by SCCL for its STPP, other than levy of Premium over cost of coal supplied under it. However, we note that

State Commission in Para 27 of **Impugned Order 1** dated 01.04.2024 has made observation about lack of interest on the part of SCCL in developing the captive coal mine and to seek Bridge linkage, which smacks of ulterior intention of SCCL to continue the bridge linkage of coal whereby it gets power to determine the coal price according to its whims and fancies and burdening the end consumer. Such remarks by State Commission, in our view, is unwarranted since grant of Bridge Linkage in the event of delay in coal supply from captive coal mines, and its source falls within the purview of Ministry of Coal.

44. Broad Policy Regime in Coal Sector with regard to fixing coal price

Highlights of Judgements, pertaining to present issue, relied on by learned Senior counsel for SCCL, are as summarised below:

Pallavi Refractories v. SCCL and Ors. reported as (2005) 2 SCC 227

The appeals by grant of special leave had been filed by the writ petitioners the appellants herein, against the common order passed by the High Court of Andhra Pradesh in a group of writ petitions. The High Court in the impugned judgment has upheld clause 10 of Price Notification No. 3/96-97 dated 14-3-1997 issued by M/s Singareni Collieries Co. Ltd., which imposed a 20% higher coal price on non-core/unlinked sector industries compared to core/linked sector industries. The appellants - coal based small industries, contended that this dual pricing was arbitrary and violated Article 14 of the Constitution. The Respondent, a government-owned company, defended the pricing policy on grounds of financial necessity and the essential national role of core industries. The Supreme Court upheld the High Court's decision, ruling that the classification between core and non-core industries was rational, based on consumption levels and national importance, and that dual

pricing did not amount to hostile discrimination. It further held that there is no such law that a particular commodity cannot have dual fixation of price. Dual fixation of price based on reasonable classification from different types of customers have met with approval of courts. The High Court rightly came to the conclusion that Clause 10 of the price notification did not violate the equality clause of Article 14 of the Constitution and also emphasized that price fixation is a policy matter, largely beyond judicial review, unless it is shown to be arbitrary or discriminatory, which was not the case here. The appeals were accordingly dismissed.

***Ashoka Smokeless Coal India (P) Ltd. v. Union of India & Ors.,
 reported as (2007) 2 SCC 640***

In this case, the validity and/or legality of a scheme framed by the Coal India Limited for sale of coal by Electronic Auction (E-Auction) was in question. The Supreme Court opined that, the coal companies evolve price fixation but, they have been doing so at the instance of the Central Government. The Central Government seeks to exercise its statutory power. However, such a power is confined to four corners of the Colliery Control Order, 2000. When there is no control over price, the Central Government is forbidden to issue any direction which will have an impact thereover. The Supreme Court further highlighted that in relation to fixation of price or other related matters, the Central Government, therefore, has no say. Under Colliery Control Order, 2000, the power of the Central Government is limited exclusively to regulating the supply of coal i.e., determining the recipient, quantity, mode, period, or source of supply. It has no authority to regulate price, as coal pricing was deregulated post-2000. Supply and/or disposal of coal which is governed by Colliery Control Order, 2000, pertains solely to matters such as: to whom the supply would be made, what would be the quantity, the mode,

period or the source of supply. Such a power to issue directions would not include fixation of price. Consequently, the Central Government lacks the power, whether directly or indirectly, to issue any directions under Clause 6 read with Clause 9 of the said order that effectively regulate or influence pricing under the guise of regulating disposal of coal, such as through e-auctions. Therefore, the Central Government cannot issue any direction which would have direct or indirect impact on price of coal.

45. It is understood, from the submissions made, that India's coal pricing policy has undergone a significant transformation—from rigid government control to a more market-responsive framework. Until 1990s, coal prices were regulated under the provisions of the Colliery Control Order, 1945 and the Essential Commodities Act, 1955. In the year 1996, the Government of India began deregulating coal prices, which ultimately culminated in the Colliery Control Order, 2000. This Order redefined coal governance by emphasizing quality assurance, ensuring transparency, and enhancing regulatory accountability, while paving the way for price deregulation and market-based coal allocation in subsequent reforms.

46. It is noted that the Coal was originally classified as an “essential commodity” under the Essential Commodities Act, 1955; however, pursuant to an amendment dated 24.12.2006, coal was omitted from the list of essential commodities with effect from 12.02.2007. Post Colliery Control Order 2000, coal prices were no longer fixed by the Government but were instead notified by coal companies and were influenced by cost of production, transportation charges, quality parameters, and prevailing market demand. While the Government of India does not exercise control over price fixation, it retains powers to regulate supply and quality through the Coal Controller. The Coal Controller ensures correct grade declarations, quality surveillance, and adjudication of disputes between

consumers and collieries. Learned counsel for the Telangana Discoms have also admitted that Colliery Control Order, 2000 did remove the pricing function from Government of India with regard to coal but there is no bar of judicial /regulatory oversight. Learned Senior counsel for SCCL also submitted that post Colliery Control Order 2000, Central Government did not play any role in fixation of coal price; deletion of coal from the list of essential commodities stands duly recognized by the Ministry of Coal under the New Coal Distribution Policy, 2007 dated 18.10.2007 and the said policy only specifies the manner in which coal is to be allocated and distributed among various categories of consumers/users.

47. Thus, from the above, it is clear that the post Colliery Order 2000 era, it is the coal companies which can fix the price of coal and same position has been affirmed by the Supreme Court in its judgements "***Pallavi Refractories v. Singareni Collieries Company Limited & Ors.***", (2005) 2 SCC 227) and "***Ashoka Smokeless Coal India (P) Ltd. v. Union of India & Ors.***", ((2007) 2 SCC 640). The coal prices are no longer fixed by the Government, however they are subjected to regulatory oversight and Government retains powers to regulate supply and quality through the Coal Controller. The question in the present case is whether such regulatory oversight/control can be extended to the price of coal charged by coal companies on the end consumer under Bridge Linkage Arrangement, which in the present case is by SCCL to STPP, and whether the premium charged by coal companies can be regulated by the Electricity Regulator i.e. State Commission, which is deliberated in subsequent paragraphs.

MOUs entered into between SCCL and the STPP and provisions of TSERC Regulation 2019

48. Learned counsel for the Telangana Discoms have submitted that pursuant to getting Bridge Linkage, SCCL and STPP signed Memorandum of Understanding (“MoU”) dated 01.11.2017, which was amended from time to time and imposition of premium over the Notified price of coal is incorporated in these MoUs to which Telangana Discom is neither a party nor was consulted when these MoUs were signed.

49. It is noted from point (iv) of the Procedure under Ministry of Coal Notification dated 08.02.2016, that based on approval by SLC, Ministry of Coal shall intimate details of approved schedule to SCCL/CIL, which shall have to be duly incorporated in the MoU to be concluded between the concerned coal company and allottee company. Signing of MoU between the concerned coal company and allottee company has been contemplated under the Ministry of Coal, GoI Notification dated 08.02.2016. Thus, even hypothetically, if it is considered that bridge linkage was assigned to STPP from CIL instead of SCCL, then also STPP and CIL would be required to enter into the MoU for such Bridge linkage.

50. Regarding the contention of Telangana Discoms that, in terms of Regulation 21.9 of the TSERC Regulations 2019, when fuel is procured from sources other than those mutually agreed upon between the generator and the beneficiary, and there is an increase in price of fuel above the stated threshold then prior consultation with the beneficiary is required. Regulation 21.9, as reproduced below:

“ 21.9. In case of part or full use of alternative source of fuel supply by coal based Thermal Generating Stations other than as agreed by the Generating Entity and Beneficiaries in their power purchase agreement for supply of contracted power on account of shortage of

fuel or optimization of economical operation through blending, the use of alternative source of fuel supply shall be permitted to Generating Station.

Provided that in such case, prior permission from Beneficiaries shall not be a precondition, unless otherwise agreed specifically in the power purchase agreement:

*Provided further that the weighted average price of use of alternative source of fuel shall not exceed 30% of base price of fuel, however the Commission will make a prudent check in approving the price of alternative fuel, considering the improved GCV and impact of energy rate on account of increased price of alternative source of fuel
 Provided also that where the energy charge rate based on weighted average price of use of fuel including alternative source of fuel exceeds 30% of base energy charge rate as approved by the Commission for that year or energy charge rate based on weighted average price of use of fuel including alternative sources of fuel exceeds 20% of energy charge rate based on weighted average fuel price for the previous month, whichever is lower shall be considered and in that event, prior consultation with Beneficiary shall be made not later than three Days in advance."*

51. Regulation 21.9 deals with the use of alternate source of fuel supply on account of shortage of fuel or optimization of economical operation through blending and prior consultation has been mandated under some conditions. However we note that prior permission from beneficiaries is not a precondition unless otherwise agreed specifically in the power purchase agreement. No provision of PPA was referred to by learned counsel for Telangana Discoms, which mandates such prior consultation with them. In our view, the coal supplied under Bridge Linkage cannot be, as such, construed as alternate source of fuel for blending purposes, and therefore shall be construed as primary and approved source of coal supply, and Regulation 21.9 is inapplicable; and accordingly we do not find merit in this submission of Telangana Discoms.

52. Our attention is drawn to the fact that though the NAINI coal block was allotted to STPP in 2015, the PPA was signed on 18.01.2016 between the Telangana Discom and SCCL/STPP for supply of 100% power from the STPP to Telangana Discom, which makes no mention of source of coal under Annexure IV of the said PPA, and it was agreed that cost of coal shall be as per SCCL coal marketing department. In our considered view, even if Telangana Discoms have signed the PPA with the understanding that allotted coal mine was NAINI, they had accepted while signing the PPA on 18.01.2016, that the cost of coal, which shall be used for computation of variable energy charge shall be as per SCCL and they shall be liable for payment of variable energy charge based on the cost of coal worked out by SCCL itself. The said PPA dated 18.01.2016, was amended only on 22.05.2024 as per State Commission order dated 22.10.2021, which included that *"For any billing month, the variable charges shall be determined as per TSERC Regulations"*. In the amended PPA also, source of coal has not been mentioned. On this count also we do not find merit in the submissions of Telangana Discoms that prior consultation from Telangana Discom was required by STPP for entering into the MoU with the SCCL for Bridge Linkage.

53. Regarding the provision of variable charge to be as per TSERC Regulations as per amended PPA dated 22.05.2024, we note that in the TSERC (terms and conditions of Generation Tariff) Regulations, dated 04.01.2019, (**"TSERC Regulations 2019"**), under Regulation 21.6, in the formula for calculation of Energy Charge Rate (ECR), LPPF has been considered, which is defined as under :

LPPF = Weighted average landed price of primary fuel in Rupees per kg, per litre or per standard cubic meter, as applicable during the month (in case of blending of fuel from different sources, the weighted average landed price of primary fuel shall be arrived in proportion to blending ratio.

54. Regulation 21.8 of TSERC Regulations 2019, defines landed price of coal as below:

"21.8 The landed cost of fuel for the month shall include price of fuel corresponding to the grade and quality of fuel inclusive of royalty, taxes and duties as applicable, transportation cost by rail/road or any other means (all these parameters to be shown separately), and, for the purpose of computation of energy charge, and in case of coal shall be arrived at after considering normative transit and handling losses as percentage of quantity of coal dispatched by the coal supply company during the month as notified by the Central Electricity Regulatory Commission, for respective Year unless specifically approved by the Commission;

Provided that any refund of taxed and duties along with any amount received on account of penalties from fuel supplier shall be adjusted in the fuel cost."

55. It has been contended by learned Counsel for Telangana Discoms that definition of landed cost of coal is not inclusive; the words "shall include" should be read exhaustively and does not include premium. In support of this contention, learned Counsel relied on the Supreme Court judgement in **"South Gujarat Roofing Tiles Manufacturers Association v. State of Gujarat"** ((1976) 4 SCC 601). Learned counsel for Telangana Discoms, referring to sample price notification of SCCL dated 10.06.2023, also contended that though said price reveal the basic Price separately for power and non-power sector and wherever there is a premium to be levied, that is indicated separately, however, there is no mention of any premium for bridge linkage

consumers, in addition all other components of the landed cost – loading charges, royalties, taxes, sampling charges, etc. are indicated separately and thus premium does not form part of basic price itself.

56. Per contra, learned Senior counsel for SCCL argued that Bridge linkage is the primary source of coal available till operationalization of Naini coal block as per prevailing coal distribution policy notification dated 08.02.2016 and the landed cost of such fuel is the delivered price of coal at the generation plant and shall include premium and other charges, if any, in the cost of coal as per TSERC Regulations 2019.

57. As noted hereinabove, the first few lines of Regulation 21.8 of the TSERC Regulations read as *“the landed cost of fuel for the month shall include price of fuel corresponding to the grade and quality of fuel inclusive of royalty, taxes and duties as applicable, transportation cost by rail/road or any other means (all these parameters to be shown separately),”*

58. While the first limb of the afore-extracted portion of Regulation 21.8 uses the word *“include”*, the second limb uses the word *“inclusive of”* which also means *“include”*. Use of the word ‘includes’ conveys an extensive meaning. The word *“include”* is generally used in interpretation clauses in order to enlarge the meaning of words or phrases occurring in the body of the statute and, when it is so used, these words or phrases must be construed as comprehending not only such things as they signify according to their natural import but also those things which the interpretation clause declares that they shall include. (**ESI Corpn. v. High Land Coffee Works**, (1991) 3 SCC 617; **Oswal Fats & Oils Ltd. v. Commr. (Admn.)**, (2010) 4 SCC 728; **Municipal Corpn. of Greater Bombay v. Indian Oil Corpn. Ltd.**, 1991 Supp (2) SCC 18 : AIR

1991 SC 686; Associated Indem Mechanical (P) Ltd. v. W.B. Small Industries Development Corpn. Ltd., (2007) 3 SCC 607; CTO v. Rajasthan Taxchem Ltd., (2007) 3 SCC 124; P. Kasilingam v. P.S.G. College of Technology, 1995 Supp (2) SCC 348).

59. The word “include”, a word of extension, is used in an interpretation clause when it seeks to expand and enlarge the meaning of the words or phrases occurring in the body of the statute. (**Forest Range Officer v. P. Mohammed Ali, 1993 Supp (3) SCC 627; Doypack Systems (P) Ltd. v. Union of India, (1988) 2 SCC 299; CTO v. Rajasthan Taxchem Ltd., (2007) 3 SCC 124**). It gives extension and expansion to the meaning and import of the preceding words or expressions. When the word “include” is used, it must be construed as comprehending not only such things as they signify according to their natural import, but also those things which the interpretation clause declares that they shall include. In using the word “includes”, the legislature does not intend to restrict the definition. It makes the definition enumerative, but not exhaustive. The term defined will retain its ordinary meaning, but its scope would be extended to bring within it matters which its ordinary meaning may or may not comprise. (**Mamta Surgical Cotton Industries v. Commr. (Anti-Evasion), (2014) 4 SCC 87**).

60. **Craies on Statute Law** (7th Edn., 1.214) states that an interpretation clause which extends the meaning of a word does not take away its ordinary meaning, and is *not meant to prevent* the word receiving its ordinary, popular, and natural sense whenever that would be properly applicable, but to enable the word as used in the Act to be applied to something to which it would not ordinarily be applicable. (**Black Diamond Beverages v. CTO, (1998) 1 SCC 458**).

61. Both, in **“Bharat Co-op Bank (Mumbai) Ltd vs Employee Union” (2007) 4 SCC 685** and in **“P. Kasilingam v. P.S.G College of Technology” 1995 Supp2 (2) SCC 348**, the Supreme Court has held that, when the word “includes” is used in the definition, the legislature does not intend to restrict the definition; it makes the definition enumerative but not exhaustive; the word “include”, when used, enlarges the meaning of the expression defined, that is to say, the term defined will retain its ordinary meaning but its scope would be extended to bring within it matters, which in its ordinary meaning may or may not comprise; and only if the use of word “means” is followed by the word “includes” then it is indicative of the legislative intent to make the definition exhaustive and would cover only those which fall within the purview of the definition.

62. The expression “means and includes” indicates “an exhaustive explanation of the meaning which, for the purposes of the Act/Regulations, must invariably be attached to these words or expressions”. (**Dilworth v. Commissioner of Stamps [1899 AC 99, 105-106:(1895-9) All ER Rep Ext 1576]**; **Mahalakshmi Oil Mills v. State of A.P. (1989) 1 SCC 164, 169**). The use of these words suggests that the provision is intended to cover only those categories specified therein. (**P. Kasilingam v. P.S.G. College of Technology, 1995 Supp (2) SCC 348**). It must be understood to be an extensive explanation of the meaning which must invariably be attached to these words or expressions.

63. It is clear, therefore, that, by use of the word “include/ inclusive of” in a statutory provision, Rule or Regulation, the legislature or the rule/regulation making authority, ordinarily, intends to make the provision enumerative and not exhaustive, and to indicate that the provision

comprises of other things not explicitly specified therein. It is only if the word “means” or “means and includes” is used therein, can the statutory provision be said to have, ordinarily, intended to exhaustively define the said provision, make the definition a hard and fast definition, and prevent any other meaning to be assigned to the said expression, than that is put down in the definition. (**P.Kasilingam & Ors. Vs. P.S.G. College of Technology (AIR 1995 SC 1395: 1995 SCC Supl. (2) page 348; Gough v. Gough: (1891) 2 QB 665; Punjab Land Development and Reclamation Corpn. Ltd. v. Presiding Officer, Labour Court: (1990) 3 SCC 682**). The provision, wherein the word “include” is used, would require it to be read as not only comprehending such things as they signify according to their natural meaning, but also those things which the provision declares that they shall include. Significantly Regulation 28.1 uses the expression “include/ inclusive of”, and not the word “means” or the expression “means and includes”.

64. Since reliance is placed on behalf of the Respondent Discoms, on **South Gujarat Roofing Tiles Manufacturers Assn. v. State of Gujarat, (1976) 4 SCC 601**, to contend that the word “include”, as used in Regulation 28.1, should be read as “means” or to be understood as exhaustive, we shall briefly note the facts of the said case and the law declared therein.

In this case, manufacturers of Mangalore pattern roofing tiles challenged a Gujarat Government notification under the Minimum Wages Act, 1948, which fixed minimum wages for workers in the “potteries industry” as defined in Entry 22 of the Act’s Schedule. The key issue was whether roofing tiles fell within the scope of Entry 22, which listed nine specific pottery items. The appellant, an association of tile manufacturers, challenged a subsequent Government notification dated May 12, 1975,

which revised and applied minimum wages to their industry on the basis that roofing tiles were included in Entry 22. The key legal question was the interpretation of the word “includes” in the Explanation to Entry 22, which listed nine specific pottery items (like crockery, glazed tiles, toys, etc.). The appellants contended that the Explanation was exhaustive and roofing tiles were excluded. The Gujarat High Court rejected this contention and held that roofing tiles to be covered; the Supreme Court reversed this finding, holding that the term “includes” in the given context was used in a restrictive (not expansive) sense, effectively meaning “means” and thus limiting Entry 22 only to the nine enumerated articles. Thus word includes has been used here in the sense of means. The Court found no legislative intent to cover all pottery products and held that had such intent existed, no such specific list would have been needed. The Supreme Court quashed the 1975 notification as it applied to Mangalore roofing tiles and allowed the appeal.

65. As held in **South Gujarat Roofing Tiles Manufacturers Assn**, the word “include” is susceptible of another construction which may become imperative if the context of the Act is sufficient to show that it was not merely employed for the purpose of adding to the natural significance of the words or expressions used. It may be equivalent to “mean and include” and in that case it may afford an exhaustive explanation of the meaning which, for the purposes of the Act, must invariably be attached to those words or expressions. (**Oswal Fats & Oils Ltd. v. Commr. (Admn.)**, (2010) 4 SCC 728). The word “includes” is also used in interpretation clauses to mean “comprises” or “consists of” or “means and includes”, depending on the context. (**N.D.P. Namboodripad v. Union of India**, (2007) 4 SCC 502). While, ordinarily, the word “includes” is used in a provision to enlarge the meaning of the expression defined, on rare

occasions, the said word is used to give an exhaustive explanation, and to be understood to mean “comprise”, “consist of” or “means and includes”.

66. Relying on **South Gujarat Roofing Tiles Manufacturers Association vs State of Gujarat: (1976) 4 SCC 601**, Mrs. Swapna Seshadri, learned Counsel for the Respondent, would commend that the word “inclusive of”, as used in Regulation 21.8 of the PSERC Regulations 2018, be understood as the word “means”, giving the words used therein an exhaustive meaning.

67. In examining whether such a contention merits acceptance, it would be necessary for us to analyze what Regulation 21.8 stipulates. The first limb of Regulation 21.8 uses the word “include”, and the second limb “inclusive of”. While the word “include” in the first limb is used in the context of the landed cost of fuel and provides that the said landed cost shall include the price of fuel corresponding to the grade and quality of the fuel; the second limb qualifies the price of fuel to be inclusive of (or, in other words, include) royalty, taxes and duties as applicable, transportation cost by rail, road and by other means.

68. It is settled law that where either the legislature or the Regulation making authority use the same expression in different parts of the very same provision, or in two continuous provisions, the said expression must be understood to carry the very same meaning, for words are generally used in the same sense throughout in a statute unless there is something repugnant in the context. (**Bhogilal Chunilal Pandya v. State of Bombay: AIR 1959 SC 356**). Ordinarily the rule of construction is that the same expression where it appears more than once in the same statute,

more so in the same provision, must receive the same meaning unless the context suggests otherwise. (**Suresh Chand v. Gulam Chisti, (1990) 1 SCC 593 : 1990 SCC OnLine SC 93**). In other words, where the legislature uses the same expression in the same statute at two places or more, then the same interpretation should be given to that expression unless the context requires otherwise. (**Raghubans Narain Singh v. U.P. Government, 1966 SCC OnLine SC 37**). On the other hand, when two different words are used by the same statute, one has to construe these different words as carrying different meanings. (**Kailash Nath Agarwal v. Pradeshia Industrial & Investment Corpn. of U.P. Ltd. (2003) 4 SCC 305; Kurapati Bangaraiah vs Govt of AP: (2015) 5 ALD 622**) for, if the field of the two provisions were to be the same, the same words would have been used. (**B.R. Enterprises v. State of U.P (1999) 9 SCC 700; Kurapati Bangaraiah vs Govt of AP: (2015) 5 ALD 622**).

69. If the legislative intention was to distinguish and, while stating landed cost of fuel, it was intended to confine it only to the price of fuel, it would have sufficed to use the word "means" or "means and includes". and there would have been no necessity of using the word "includes", or use similar expressions, ie "includes"/"inclusive of", in two consecutive limbs of Regulation 28(1). Consequently, the word "include"/ "inclusive of" must be given the very same meaning both in the first and second limb of Regulation 21.8.

70. Accepting the submission of Mrs. Swapna Seshadri, learned Counsel for the Telangana Discoms, would require us to hold that the landed cost of fuel would mean the price of fuel corresponding to the grade and quality of fuel and nothing else. Likewise, in the second limb, the words "price of fuel" must then be held to comprise only royalty, taxes and

duties and transportation cost, and nothing else. The emphasis placed by the learned Counsel is with respect to use of the word “inclusive of” in the second limb of Regulation 28.1. As the same meaning, for the word “include/inclusive of”, must be given both in the first and second limb, we find it difficult to agree with the submission that the Regulation making authority intended for the landed cost of fuel for that month only to mean the price of fuel and nothing more. Since there is nothing repugnant in the context, we are of the view that the words “include/inclusive of” must be given its ordinary meaning, and as only providing an enumerative list of matters which would fall within the ambit of the provision, and as to bring within its ambit even those matters which are not expressly stipulated therein.

71. Accepting the construction placed, on behalf of the Telangana - Discoms, on the second limb of Regulation 21.8, that the price of fuel is confined only to royalty, taxes and duties as applicable, and transportation cost by rail/road or any other means, alone and nothing more, would also result in exclusion of the actual consideration paid for purchase of fuel therefrom, and would result in the first and second limb of the said regulation contradicting each other.

72. On the expression “include/inclusive of” in Regulation 21.8, being construed as it ordinarily should, we must express our agreement with the submission urged by Mr. Sanjay Sen, learned Senior Counsel appearing on behalf of the Appellant, that the landed cost of fuel, as referred to in Regulation 21.8, would also bring within its ambit the premium charged by the coal company on the price of coal supplied to the generating company/station.

73. The words “landed cost” of fuel would be the landed cost which the generating company would have incurred in procuring fuel till its door-step, and as the price at which coal was procured by the generating station includes the premium charged by the coal company also, we find it difficult to hold that Regulation 21.8 intended to exclude such premium from the price of coal. Further, as the price of coal charged by the coal company on the generating station includes the premium, such premium would also form part of the price of fuel which the generating station is obligated to pay to procure coal from the coal company, and would undoubtedly form part of the landed cost.

74. Viewed from any angle, we must express our inability to agree with the submission, urged on behalf of the Telangana Discoms, that the first limb of Regulation 21.8 implicitly excludes the premium, charged by the coal company for bridge linkage coal, from the ambit of landed cost of fuel or that the second limb confines price of fuel only to royalty, taxes and duties as applicable, transportation cost by rail/road or any other means, and nothing more.

75. Learned senior Counsel for SCCL contended that pricing of coal supplied under Bridge linkage at a premium is a general practice and in that regard cited notifications of coal price of MCL/CIL, which were also submitted by them to State Commission and were referred to in the **Impugned Order 1** dated 01.04.2024.

MCL/CIL Prices Notification dated 31.05.2023

Grade of Coal (a)	MCL/CIL Notified Basic Price for Power Sector (Regulated Sector) Rs. per Ton (b)	Premium levied by MCL/CIL @ 40% flat (c) = (b) x 40%	Total Price of Coal Applicable to Bridge Linkage Customers of
----------------------	---	---	---

			Power Sector (d) = (b) + (c)
G-9	1240.00	496.00	Rs.1736.00
G-10	1120.00	448.00	Rs.1568.00
G-11	965.00	386.00	Rs.1351.00
G-12	896.00	358.00	Rs.1254.40

SCCL's Prices Notification dated 29.04.2023

Grade of Coal	SCCL Notified Basic Price for Power Sector (Regulated Factor) Rs. Per Ton	Premium levied by SCCL @ 20% flat	Premium levied by SCCL @ 30% flat	Total Price of Coal Applicable to Bridge Linkage Customers of Power Sector@ 20% premium	Total Price of Coal Applicable to Bridge Linkage Customers of Power Sector@ 30% premium
G-9	3050.00	610/-	915/-	Rs.3660/-	Rs.3965/-
G-10	2910.00	582/-	873/-	Rs.3492/-	Rs.3783/-
G-11	2420.00	484/-	726/-	Rs.2904/-	Rs.3146/-
G-12	2150.00	430/-	645/-	Rs.2580/-	Rs.2795/-

76. We take note that SCCL is a Government coal mining company jointly owned by the Government of Telangana and Government of India and MOUs signed by SCCL with the STPP are on the same terms and conditions, which it is imposing on other beneficiaries under Bridge Linkage, such as Mahengenco (a Maharashtra Government owned generating Company) and NTPC. The Respondent SCCL has placed on record the MOU dated 13.04.2022 signed with NTPC for the supply of coal for the period 01.04.2022 to 31.03.2023 (i.e. FY 2022-23) under Bridge Linkage, which also included the premium over notified basic price of coal; the basis price of coal shall be as per SCCL price notification. Respondent -SCCL has also placed on the record its internal note dated 11.04.2022, regarding signing of MOU quantities and pricing for FY 2022-23 for sector wise coal allocation, wherein 20% price over and above notified base price has been approved to be charged for Bridge Linkage.

77. The fact that Respondent -SCCL is charging same premium to all the customers under Bridge Coal linkage has not been refuted by the Telangana Discom except for the submissions that MoU with other generators depends upon their respective contracting terms and concerned Regulations and regulatory treatment of other MOU is within the scope and functions of the Appropriate Commission.

78. From the Minutes of Meeting of Standing Linkage Committee dated 10.04.2023 held for power sector on 21.02.2023, which recommended further extension of Bridge Linkage for the STPP of SCCL for one year, it is noted that rate for the coal supplies against extended Bridge Linkage is to be decided by CIL/SCCL and recorded as under :

"Additional Agenda Item No. 8: Bridge Linkage extension for Singareni Thermal Power Plant 2 x 600 MW of SCCL:

Record of Discussions: Project Proponent informed that the delay in the operationalization of Naini coal block is not on the account of SCCL and Stage-II Forest Clearance is pending with MoEF&CC. It was also stated that Singareni Thermal Power Plant (2 x 600 MW) (Stage-1) is running at a very high PLF and therefore, to meet the requirement of the plant, extension of Bridge Linkage is required.

Representative of Nominated Authority informed that the issue of Forest Clearance is being taken up with MoEF&CC and issue would be resolved in a month's time. Representative of Nominated Authority also recommended for extension of Bridge Linkage on tapering basis. Ministry of Power / CEA also recommended for extension of Bridge Linkage in order to avoid loss of generation from the Singareni Thermal Power Plant (2 x 600 MW) (Stage- 1) linked with Naini coal mine.

Recommendations: In view of the recommendation of Ministry of Power and the Nominated Authority, SLC (LT) recommended for extension of

Bridge Linkage to Singareni Thermal Power Plant (2 x 600 MW) of SCCL for a period of 1 year on tapering basis from SCCL. The rate for coal supplies against extended Bridge Linkages would be decided by CIL / SCCL.

79. We also take note that the Minutes of Meeting of Standing Linkage Committee dated 28.02.2024 for the SLC meeting held on 13.02.2024, which recommended further extension of Bridge Linkage for the STPP of SCCL for one year, also specifies that rate for the coal supplies against extended Bridge Linkage is to be decided by CIL/SCCL.

80. Thus, in view of above observations, we are of the view that SCCL has been authorized to fix price of coal under Bridge linkage, and since the definition of landed cost of coal is enumerative in TSERC Regulations 2019, it therefore includes the total price charged by coal company to the generator, and SCCL has not arbitrarily fixed high price for its own STPP in supplying coal under Bridge Linkage as it seems to have charged same premium over price of coal, to other generators under Bridge Linkage.

Jurisdiction of State Commission over the price of coal including the premium under Bridge Linkage for the purpose of calculation of Energy Charge for the STPP

81. Learned Counsel for the Telangana Discoms has contended that State Commission has inherent subject matter jurisdiction on all components of electricity price under Electricity Act 2003 and in the absence of any regulation, State Commission can undertake same exercise guided by Section 61 of the Electricity Act 2003 and in this regard reliance is placed upon the judgments of the Supreme Court in “**Municipal Corporation of Delhi v Gagan Narang,**” (2025) SCC

OnLine SC 19 and **“PTC India Ltd V Central Electricity Regulatory Commission” (2010)4 SCC 603** and **“Power Grid Corporation of India Ltd. v. Madhya Pradesh Power Transmission Co. Ltd. & Ors.”, 2025 SCC OnLine SC 1128** and further submitted that when State Commission exercises power under Section 86 (1)(f) of the EA 2003, it does not lose its power for tariff fixation or the principles contained under Section 61, 62 or 64 of EA 2003. Learned Counsel for Telangana DISCOMs also submitted that input price of captive coal mines, allocated under the coal mines Special Provision Act 2015 is being determined by Appropriate Electricity Regulatory Commission under the aegis of EA 2003, which reinforces the position that Electricity Regulatory Commission has jurisdiction; and that all components of price of electricity are reasonable-regardless of whether the coal is procured through linkage, auction or captive sources.

82. Per Contra, learned Senior counsel for SCCL placing reliance on the provisions of the Electricity Act, 2003 and the TSERC Regulations, 2019 submitted that there are no provisions that permits / allows the electricity regulator to exercise jurisdiction on matters of coal pricing.

83. Since the present *lis* is not about determining the price of coal from captive mines by Electricity Regulatory Commission for which learned counsel for Telangana Discoms has submitted that Regulations have been framed under the Electricity Act 2003, and admittedly, same are not applicable to the present case, it is unnecessary for us to make any observation on the same.

84. As mentioned in previous paragraphs, as per Colliery Order 2000, it is the coal companies which can fix the price of coal and same position has been reiterated by the Supreme Court in its Judgements in **“Pallavi**

Refractories v. Singareni Collieries Company Limited & Ors., ((2005) 2 SCC 227) and ***Ashoka Smokeless Coal India (P) Ltd. v. Union of India & Ors.***, ((2007) 2 SCC 640).

85. Regarding the contention raised by learned counsel for Telangana Discoms that SCCL is charging premium over its basic notified price under Bridge Linkage on STPP and is unduly enriching themselves and therefore State Commission is right in denying such premium as pass through in Energy Charge rate. We do not find merit in this submission, as coal companies have been authorised to fix price of coal which they charge to the consumer and Ministry of Coal while granting Bridge Linkage from SCCL to STPP has left determination of such coal price to SCCL, and the premium charged by SCCL over the price of coal for Bridge Linkage for STPP is same, which SCCL charges to other generators for providing coal under Bridge Linkage. Further, even if it is assumed that since SCCL and STPP are one company and SCCL could have given concession, then it would lead to differential/discriminatory pricing of coal under Bridge Linkage to other generators in Power Sector, as same premium over coal price is being charged by SCCL under Bridge Linkage to other generators such as Mahengenco, NTPC etc. Hypothetically, if it is assumed that Bridge Linkage to STPP was provided by CIL and not by SCCL, who also charges premium over the Bridge Linkage, in that situation STPP would have no control over such premium. Therefore, the contention of undue enrichment by parent company i.e. SCCL supplying coal to its STPP, does not hold good. In these circumstances denial of pass through of such premium over the price of coal under Bridge Linkage shall adversely affect the Energy Charge for the STPP, which in our view, is not justified. Thus, whether Coal under Bridge linkage is sourced from CIL or SCCL, both are the Government

companies and as the same price is charged on all the generators who are assigned Bridge Linkage, the treatment of such premium as pass through in Energy Charge Rate should be same.

86. The State Commission/TSERC is a creation of the Electricity Act, and the jurisdiction which it is entitled to exercise must be confined to what is stipulated under the Electricity Act, and the Rules and Regulations made thereunder, and not beyond. The jurisdiction conferred on the Regulatory Commission, both Central and States, is by the Electricity Act, 2003, an Act of Parliament. Wherever jurisdiction is given to a court (or Tribunal) by an Act of Parliament, and such jurisdiction is only given upon certain specified terms contained in that Act, these terms must be complied with, in order to create and confer jurisdiction on it for, if they be not complied with, it would lack jurisdiction. (**Nusserwanjee Pestonjee v. Meer Mynodeen Khan** [LR (1855) 6 MIA 134 (PC); **Mohd. Hasnuddin v. State of Maharashtra, (1979) 2 SCC 572**). As it derives its powers from the express provisions of the Electricity Act, the powers, which have not been expressly given by the said Act, cannot be exercised by the State Regulatory Commission. (**Rajeev Hitendra Pathak v. Achyut Kashinath, (2011) 9 SCC 541**). An authority created by a statute must act under the Act and not outside it. As it is a creation of the statute, it can only decide the dispute in terms of the provisions of the Act. (**K.S. Venkataraman & Co. v. State of Madras, AIR 1966 SC 1089; Mysore Breweries Lt. v. Commissioner of Income-Tax, (1987) 166 ITR 723 (KAR)**). The State Regulatory Commission can exercise jurisdiction only when the subject matter of adjudication falls within its competence, and the order that may be passed is within its authority, and not otherwise. (**Dakshin Haryana Bijli Vitaran Nigam Ltd. v. Princeton Park Condominium: 2007 Aptel**

764; BSES Rajdhani Power Limited v. Delhi Electricity Regulatory Commission, 2009 SCC OnLine APTEL 52).

87. The State Commission, no doubt, have been empowered to regulate the price at which Discoms shall purchase the electricity but has the duty to balance the interest of Consumers on one hand and that of Generators and Discoms on other hand, and also to act as per the provisions of Electricity Act 2003. In the absence of any specific provisions in the Electricity Act 2003 to regulate the price of coal which coal companies charge under the Bridge linkage, adjudication by the State Commission under section 86 of the Electricity Act has to be in terms of the provisions of the Electricity Act and the Regulations framed under Section 181 of the Electricity Act. As deliberated in previous paragraphs, Regulations framed in the present case does not provide an exhaustive list of cost to be included in the landed cost of coal to be considered under Energy Charge Rate, and premium paid would form part of price of fuel and form part of landed cost. We find that the State Commission has erred in denying pass through of premium paid over the cost of coal under bridge linkage to STPP.

88. Judgements, relied on by learned counsel for Telangana Discoms pertaining to present issue are as summarised below:

Municipal Corporation of Delhi v. Gagan Narang & Ors., 2025 SCC OnLine SC 19

This case pertains to the Municipal Corporation of Delhi's (MCD) initiative to set up a Waste-to-Energy (WTE) project in Narela Bawana through a tariff-based bidding process, for which it sought approval from the Delhi Electricity Regulatory Commission (DERC) under Section 63 of the Electricity Act, 2003. The DERC approved the bid tariff of Rs. 7.38/KWh

and allowed the project to proceed. However, this approval was challenged by Gagan Narang before the Appellate Tribunal for Electricity (APTEL), which held that MCD, being neither a distribution licensee nor a generating company, could not seek tariff adoption under Section 63. On appeal, the Supreme Court reversed APTEL's decision and upheld DERC's orders, holding that MCD, as a statutory body mandated under the Solid Waste Management Rules, 2016, was competent to initiate the bidding process. The Court emphasized that Section 63 does not restrict who may initiate tariff adoption and it must be read harmoniously with Section 86(1)(b) of the Act which cast a duty upon State Commission to regulate electricity purchase and procurement process of Distribution licensee, and the price at which it shall be procured. In broader environmental obligations, restored approval to MCD's project in public interest.

PTC India Ltd. v. Central Electricity Regulatory Commission, (2010)
4 SCC 603

The Hon'ble Supreme Court while deciding the issue whether APTEL, constituted under the Electricity Act, 2003, has jurisdiction under Section 111 to examine the validity of Central Electricity Regulatory Commission (Fixation of Trading Margin) Regulations, 2006 framed in exercise of powers conferred under Section 178 of the Electricity Act 2003, held that the APTEL do not have the jurisdiction under 111 and 121 to examine the validity of the regulations. The Supreme Court further held that the hierarchy of regulatory powers and functions under Section 178 of Electricity Act, 2003, which deals with making of regulations by the Central Commission, under the authority of subordinate legislation, is wider than Section 79 (1) of the 2003 Act, which enumerates the regulatory functions

of the central commission, in specified areas, to be discharged by orders (decisions). A regulation under Section 178 is made under the authority of delegated legislation and consequently its validity can be tested only in judicial review proceedings before the Courts and not by way of appeal before the Appellate Tribunal for Electricity under Section 111 of the said Act. The CERC is empowered to take measures/steps in discharge of functions enumerated under section 79 (1) but the same has to be in conformity with the regulations made under section 178. The Supreme Court also held that 'to regulate' is an exercise which is different from making of regulations. However, making of a regulation under Section 178 is not a precondition to the Central Commission before taking any steps/measures under Section 79(1). Under Section 79(1)(g), the Central Commission is required to levy fees for the purpose of the Electricity Act 2003. An order imposing regulatory fees could be passed even in the absence of a regulation under Section 178, but the same has to be guided by the factors specified in Section 61. If levy is unreasonable, it could be the subject-matter of a challenge before the appellate authority under Section 111 as levy is imposed by an order/ decision-making process. However, if there is a regulation under Section 178 in that regard, then order levying fees under Section 79(1)(g) has to be in consonance with such regulation.

Power Grid Corporation of India Limited v Madhya Pradesh Power Transmission Company Limited and Others, 2025 SCC OnLine SC 1128 dated 15.05.2025

In this case, there was a delay in the construction and commissioning of an intra-State transmission element in Madhya Pradesh, which resulted in delayed commissioning of transmission element being implemented by

inter-State transmission Licensee, which then applied for the approval of the COD under Regulation 4(3) of 2014 Tariff Regulations. The Central Electricity Regulatory Commission (CERC) permitted the inter-State transmission licensee to claim compensation for the period prior to the COD, including liquidated damages, interest during construction, and incidental expenses from Intra State Licensee. Aggrieved by this order, Intra- State transmission licensee filed a Writ Petition before the High Court, alleging that the CERC had no power under the 2014 Tariff Regulations to levy compensatory transmission charges, and it committed a jurisdictional error and claimed that the CERC's decision effectively re-wrote the terms of the agreement between the parties. Inter-State Transmission licensee before the High Court claimed that in the Writ Petition, it has not stated that CERC does not have jurisdiction but has challenged the exercise of jurisdiction by CERC, which is not permissible in terms of availability of alternate remedy under Section 111 of Electricity Act, 2003. The High court admitted the said Writ Petition, which was challenged by Inter-State Transmission Licensee before the Supreme Court.

89. The Supreme Court held that sources of power for enactment of a regulation under Section 178 and regulatory orders under 79(1) are different. The former emanates from the power of delegated legislation whereas the latter is an ad hoc power which is limited to the specific parties and the situation in context of which order is given and orders under section 79 (1) are appealable under Section 111 of Electricity Act. The Supreme Court held that CERC was empowered under Section 79 of the Electricity Act, 2003 to pass such orders in the absence of specific regulations, and that its order was regulatory, not ultra vires. Thus, CERC is empowered to order for imposition of transmission charges on the party

whom delay is attributable and leaving the issue of consideration of liability of payment of transmission charges on intra -State transmission licensee in the specific facts of the case before appropriate authority i.e. APTEL, should Intra-State Transmission licensee choose to prefer an appeal before APTEL under Section 111 of the Electricity Act 2003. The High Court should not have entertained the writ petition given the availability of an alternative statutory remedy. Accordingly, the Supreme Court allowed the appeals and set aside the High Court's decision.

90. Let's us analyse the judgements relied upon by the Learned counsel for Discoms and their applicability in present case regarding the jurisdiction of the State Commission in denying premium paid under Bridge Linkage. In "***Municipal Corporation of Delhi vs Gagan Narang***", **2025 SCC online SC 19**, the broad outcome is that bodies like the Delhi Electricity Regulatory Commission (DERC) are empowered to regulate and approve tariffs for such WTE projects—even when project proponents are non-licensee entities fulfilling statutory obligations. In the "***PTC Vs CERC***", **(2010) 4 SCC 603**, broadly it has been held that "to regulate is an exercise which is different than making Regulations, and accordingly CERC is required to levy fee for the purpose of electricity Act 2003; an order imposing regulatory fee could be passed on even in the absence of Regulations. Thus, making of Regulation under Section 178 is not a precondition before taking any steps under Section 79 (1). However if there is a Regulation under Section 178 in that regard, the order under Section 79 has to be in consonance with such Regulation. In "***Power Grid Vs Madhya Pradesh***", **2025 SCC online SC 1128**, the Supreme Court held that sources of power for enactment of a regulation under Section 178 and regulatory orders under 79(1) are different and power under 79(1) is an ad hoc power which is limited to the specific parties and

the situation in context of which order is given and orders under section 79 (1) are appealable under Section 111 of Electricity Act. The Supreme Court held that CERC was empowered under Section 79 of the Electricity Act, 2003 to pass such orders in the absence of specific regulations, and that its order was regulatory, not ultra vires.

91. We take note that Section 61 of Electricity Act, 2003 deals with the jurisdiction of Appropriate Commission to specify terms and conditions for determination of Tariff and to frame Tariff Regulation accordingly; Section 62 of the Electricity Act is with regard to determination of Tariff, while Section 86 of the Electricity Act deals with the Functions of the State Commission. Learned counsel for Telangana Discoms has not drawn our attention to any specific provision of the Electricity Act 2003, which provides for determination of cost of coal by the Electricity Regulator. The State Commission has already framed the Tariff Regulations i.e. TSERC Regulations 2019 specifying Terms and conditions of Generation Tariff, applicable in present case, under the aegis of Electricity Act 2003, as referred to in above paragraphs, which has specified that landed cost of coal is to be considered while calculating the Energy Charge Rate, and it does not mention anything about determination of such landed cost of coal by State Commission.

92. In the present case, Regulations have already been framed by State Commission specifying various parameters for tariff determination with no specific provision with regard to determination of coal price while considering landed cost of coal in Energy Charge Rate; Post Colliery 2000 order, coal companies are authorised to fix coal price and as such there is no discrimination in price of coal charged by SCCL to its STPP under bridge linkage as compared to its other customers, so as to unduly enrich

itself. State Commission cannot therefore, be considered as having jurisdiction to determine the landed cost of coal and deny premium charged by coal companies as part of landed cost of coal. From the referred judgements, nowhere it can be inferred that powers beyond the provisions of the Electricity Act can be exercised by the Central/State Commission, as their powers are confined to the provisions of the Electricity Act. Learned Counsel for Telangana Discoms has not referred to any specific provision in Electricity Act, authorising State Commission to decide coal price. Therefore under its power to regulate power purchase cost of Discoms, State Commission cannot regulate such cost on which it does not have jurisdiction and accordingly judgements referred by Telangana Discoms ("**Municipal Corporation of Delhi v Gagan Narang, (2025) SCC OnLine SC19, "PTC India Ltd V Central Electricity Regulatory Commission (2010)4 SCC 603"** and "**Power Grid Corporation of India Ltd. v. Madhya Pradesh Power Transmission Co. Ltd. & Ors., 2025 SCC OnLine SC 1128**), in our considered view, are inapplicable to the facts and circumstances of the present case.

93. As such, we find that State Commission has taken contrary stand with regard to pass through of premium over coal price under Bridge Linkage, while denying the same in **Impugned Order 1** dated 01.04.2024 and allowing the same in **Impugned Order 2** dated 28.06.2024 in True up for FY 2022-23 and MYT for FY 2024 -25 to FY 2028 -29.

94. In view of above deliberations, we set aside the **Impugned Order 1** dated 01.04.2024 which denied the Premium paid over the coal price under Bridge Linkage by STPP to SCCL as pass through in Energy Charge Rate and dispose of Appeal No. 256 of 2024 in these terms. Under

Impugned Order 2 dated 28.06.2024, the issue of computation of 'K-factor' for the purpose of approval of R&M expenses, is remanded back to State Commission and Appeal 19 of 2025 is disposed of in these terms. All associated IAs in both the Appeals are also disposed of.

Pronounced in open court on this the 28th day of August 2025.

(Seema Gupta)
Technical Member (Electricity)

(Justice Ramesh Ranganathan)
Chairperson

Reportable / Non-Reportable

ts/ag/dk