

Before the
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Case No. 120 of 2008

**In the matter of Petition of Reliance Infrastructure Ltd. Generation Business’
(RInfra-G) for approval of Truing up for FY 2007-08, Annual Performance
Review for FY 2008-09 and Determination of Tariff for FY 2009-10**

Shri V. P. Raja, Chairman
Shri A. Velayutham, Member
Shri S. B. Kulkarni, Member

ORDER

Dated: May 28, 2009

In accordance with the MERC Tariff Regulations and upon directions from the Maharashtra Electricity Regulatory Commission (hereinafter referred as MERC or the Commission), Reliance Infrastructure Limited’s Generation Business (RInfra-G), submitted its application for approval of truing up of FY 2007-08, Annual Performance Review (APR) for FY 2008-09 and Tariff Petition for FY 2009-10, on affidavit. The Commission, in exercise of the powers vested in it under Section 61 and Section 62 of the Electricity Act, 2003 (EA 2003) and all other powers enabling it in this behalf, and after taking into consideration all the submissions made by RInfra-G, all the suggestions and objections of the public, responses of RInfra-G, issues raised during the Public Hearing, and all other relevant material, and after review of Annual Performance for FY 2008-09, determines the tariff for the Generation Business of RInfra for FY 2009-10 as under.



Abbreviations

A&G	Administrative and General
AFC	Annual Fixed Charge
APR	Annual Performance Review
ARR	Annual Revenue Requirement
ATE	Appellate Tribunal for Electricity
BHEL	Bharat Heavy Electricals Limited
BSES	BSES Limited (now known as Reliance Energy Limited)
CAGR	Compounded Annual Growth Rate
CEA	Central Electricity Authority
Commission/MERC	Maharashtra Electricity Regulatory Commission
CPI	Consumer Price Index
CPP	Captive Power Plant
Cr	Crore
Capex	Capital Expenditure
CWIP	Capital Work In Progress
DA	Dearness Allowance
DPR	Detailed Project Report
DTPS	Dahanu Thermal Power Station
EA 2003	Electricity Act, 2003
FAC	Fuel Adjustment Cost
FGD	Flue Gas Desulphurisation
HFO	Heavy Furnace Oil
GFA	Gross Fixed Assets
GoI	Government of India
IDBI	Industrial Development Bank of India
IDC	Interest During Construction
IWC	Interest on Working Capital
IT	Income Tax
kV	Kilo Volt
kVA	Kilo-Volt Amperes
kW	Kilo Watt
LDO	Light Diesel Oil
MAT	Minimum Alternate Tax
MoC	Ministry of Coal
MSLDC	Maharashtra State Load Despatch Centre
MSETCL	Maharashtra State Electricity Transmission Company Ltd.



MT	Metric Tonne
MW	Mega Watt
MYT	Multi Year Tariff
NFA	Net Fixed Assets
OEM	Original Equipment Manufacturer
O&M	Operation & Maintenance
PLF	Plant Load Factor
PLR	Prime Lending Rate
R&M	Repair & Maintenance
REC	Rate of Energy Charge
RInfra/REL	Reliance Infrastructure Limited/Reliance Energy Ltd.
RLA	Residual Life Assessment
RoE	Return on Equity
SBI	State Bank of India
SECL	South Eastern Coalfield Limited
SHR	Station Heat Rate
SLC	Standing Linkage Committee
TVS	Technical Validation Session
USL	United Shippers Ltd.
WPI	Wholesale Price Index



TABLE OF CONTENTS

1	BACKGROUND & BRIEF HISTORY.....	6
1.1	BACKGROUND	6
1.2	TARIFF REGULATIONS	6
1.3	COMMISSION'S ORDER ON ARR AND TARIFF PETITION FOR FY 2005-06 AND FY 2006-07	6
1.4	ATE ORDER	7
1.5	COMMISSION'S ORDER ON MYT PETITION OF REL-G FOR FY 2007-08 TO FY 2009-10.....	8
1.6	COMMISSION'S ORDER ON APR PETITION FOR REL-G FOR FY 2007-08 AND DETERMINATION OF TARIFF FOR FY 2008-09.....	9
1.7	RINFRA-G'S PETITION FOR TRUING UP FOR FY 2007-08, ANNUAL PERFORMANCE REVIEW FOR FY 2008-09 AND DETERMINATION OF TARIFF FOR FY 2009-10	9
1.8	ADMISSION OF PETITION AND PUBLIC PROCESS	10
1.9	ORGANISATION OF THE ORDER	11
2	TRUING UP OF AGGREGATE REVENUE REQUIREMENT FOR FY 2007-08	13
2.1	GROSS GENERATION AND PLANT LOAD FACTOR	35
2.2	AUXILIARY CONSUMPTION.....	37
2.3	STATION HEAT RATE	38
2.4	SECONDARY FUEL OIL CONSUMPTION	39
2.5	BLENDED OF COAL, FUEL PRICE AND FUEL CALORIFIC VALUE.....	39
2.6	TOTAL FUEL COSTS	41
2.7	O&M EXPENSES	41
2.7.1	Employee Expenses.....	42
2.7.2	A&G Expenses.....	43
2.7.3	R&M Expenses	43
2.8	CAPITAL EXPENDITURE AND CAPITALISATION	49
2.9	DEPRECIATION	50
2.10	INTEREST ON DEBT	51
2.11	INTEREST ON WORKING CAPITAL.....	52
2.12	RETURN ON EQUITY (RoE).....	53
2.13	INCOME TAX.....	53
2.14	NON TARIFF INCOME.....	55
2.15	REVENUE FROM SALE OF ELECTRICITY	55
2.16	SHARING OF GAINS AND LOSSES IN FY 2007-08.....	57
3	PERFORMANCE PARAMETERS.....	63
3.1	PERFORMANCE PARAMETERS	63
3.2	PERFORMANCE PARAMETERS	63
3.2.1	Availability.....	63
3.2.2	Auxiliary Consumption	64
3.2.3	Heat Rate	66
3.2.4	Secondary Fuel Consumption.....	67
4	ANALYSIS OF ENERGY AVAILABILITY, ENERGY CHARGE AND ANNUAL FIXED CHARGE FOR FY 2008-09 AND FY 2009-10.....	68
4.1	ENERGY AVAILABILITY, PLF AND GROSS GENERATION DURING FY 2008-09.....	69
4.2	ENERGY AVAILABILITY, PLF AND GROSS GENERATION DURING FY 2009-10.....	69
4.3	FUEL COSTS FOR FY 2008-09.....	70
4.4	FUEL COST FOR FY 2009-10.....	71
4.4.1	Total Fuel Costs, Variable Cost of Generation and Rate of Energy Charge.....	75
4.5	O& M EXPENSES FOR FY 2008-09.....	76
4.6	O& M EXPENSES FOR FY 2009-10.....	79
4.7	CAPITAL EXPENDITURE AND CAPITALISATION	80
4.8	DEPRECIATION.....	87



4.9	INTEREST EXPENSES.....	88
4.10	RETURN ON EQUITY (ROE).....	90
4.11	INTEREST ON WORKING CAPITAL FOR FY 2009-10.....	91
4.12	NON-TARIFF INCOME FOR FY 2008-09	92
4.13	NON TARIFF INCOME FOR FY 2009-10.....	92
4.14	INCOME TAX FOR FY 2008-09 AND FY 2009-10.....	92
4.15	INCOME TAX FOR FY 2009-10.....	93
4.16	SUMMARY OF ANNUAL FIXED CHARGE FOR DTPS FOR FY 2008-09 AND FY 2009-10.....	95
5	TARIFF OF RINFRA-G'S DAHANU THERMAL POWER STATION	97
5.1	TARIFF FOR DTPS.....	97
5.2	APPLICABILITY OF ORDER AND TARIFF	99



1 BACKGROUND & BRIEF HISTORY

1.1 Background

This Order relates to the Petition filed by Reliance Infrastructure Limited for its Generation business (RInfra-G) for truing up of expenses and revenue for FY 2007-08, Annual Performance Review for FY 2008-09 and tariff determination for FY 2009-10.

RInfra (formerly known as BSES Ltd and Reliance Energy Limited [REL]) is a vertically integrated utility carrying out the functions of Generation, Transmission, Wheeling and Retail Supply of electricity in the suburbs of Mumbai. RInfra has a generating plant at Dahanu, Maharashtra (Dahanu Thermal Power Station- DTPS) with installed capacity of 2 x 250 MW for supply of power to the city of Mumbai in the RInfra Licence area.

1.2 Tariff Regulations

The Commission, in exercise of the powers conferred by the EA 2003, notified the Maharashtra Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2005, (hereinafter referred as the Tariff Regulations) on August 26, 2005. These Regulations superseded the MERC (Terms and Conditions of Tariff) Regulations, 2004.

1.3 Commission's Order on ARR and Tariff Petition for FY 2005-06 and FY 2006-07

Reliance Energy Limited (REL) filed its Aggregate Revenue Requirement (ARR) Petition for FY 2005-06 on March 1, 2005, based on the draft Tariff Regulations. The Commission notified the MERC (Terms and Conditions of Tariff) Regulations, 2005 on August 23, 2005. In compliance with the Commission's directions issued vide its letter dated October 10, 2005, REL submitted its revised ARR Petition for FY 2005-06 providing the break up of ARR of Generation, Transmission and Distribution Function on November 22, 2005.



Subsequently, REL submitted its ARR and Tariff Petition for FY 2006-07 on February 24, 2006. After two Technical Validations sessions, the Commission vide its letter May 3, 2006 directed REL to submit its revised ARR and Tariff Petition for FY 2006-07 including a separate section on truing up of ARR for FY 2005-06. REL submitted its revised ARR and Tariff Petition for FY 2006-07 on May 10, 2006.

The Commission admitted the ARR Petition of REL for FY 2005-06 (Case No. 25 of 2005) and ARR and Tariff Petition of REL for FY 2006-07 (Case No. 53 of 2005) on May 18, 2006. The Commission issued its Order on the above said Petitions of REL on October 3, 2006.

1.4 ATE Order

The Commission, in the Tariff Order dated October 3, 2006, determined the revenue requirement of REL for FY 2006-07. In the same Order, the Commission also dealt with the truing up of cost and revenues for FY 2004-05 and FY 2005-06 based on actuals, subject to prudence check. REL challenged this Order of the Commission in the Appellate Tribunal for Electricity (ATE) on the issues of:

- a) Disallowance of actual Employee expenditure and A&G expenditure for FY 2004-05, FY 2005-06 and FY 2006-07,
- b) Disallowance of actual R&M expenditure for FY 2006-07,
- c) Disallowance of higher Income Tax for FY 2004-05 and FY 2005-06,
- d) Direction to reduce distribution loss level in FY 2006-07,
- e) Deviation in the operating norms of station heat rate, auxiliary consumption and secondary oil consumption for generation vis-à-vis the norms stipulated in the MERC Tariff Regulations, and
- f) Reversal of treatment on rebate given by REL to its consumers on account of Judgment passed by the ATE dated May 22, 2006 by including it in the ARR of REL as a distribution licensee by the Commission in the manner set out in paragraph 7.16 and 7.17 of Tariff Order for FY 2006-07. This issue was subsequently not pressed by REL, since the matter was sub-judice before the Hon'ble Supreme Court.

The ATE upheld the appeal of REL in its Judgment dated April 4, 2007 in Appeal No. 251 of 2006 as given below:

- a) The ATE upheld REL's appeal regarding the allowance of the actual employee expenditure, A&G expenditure and Income Tax of Rs. 207.34 crore, Rs. 102.02 crore and Rs. 101 crore, respectively, as claimed by REL as against the Commission approved figures of Rs. 161.85 crore, Rs. 74.05 crore and Rs. 7.64 crore, respectively, for FY 2004-05.

- b) The ATE also upheld REL's appeal regarding the allowance of the actual employee expenditure, A&G expenditure and Income Tax of Rs. 207.26 crore, Rs. 101.64 crore and Rs. 74 crore, respectively, as against the Commission approved figures of Rs. 182.76 crore, Rs. 77.48 crore and Rs. 26.96 crore, respectively, for FY 2005-06.
- c) The ATE upheld REL's appeal in the context of applicability of norms stipulated under the Tariff Regulations, and ruled that the Commission should not deviate from the operating norms for station heat rate, auxiliary consumption and specific consumption of secondary fuel as specified in the MERC Tariff Regulations, 2005, even though REL's performance was better than the norms.

1.5 Commission's Order on MYT Petition of REL-G for FY 2007-08 to FY 2009-10

REL submitted its ARR and Multi Year Tariff (MYT) Petition for its Generation Business (numbered as Case No. 74 of 2006) for the first Control Period from FY 2007-08 to FY 2009-10, on January 22, 2007. The Commission issued the MYT Order in Case No. 74 of 2006 for REL-G on April 18, 2007, which came into effect from April 18, 2007, and the tariffs were valid upto March 31, 2008. As the Annual Performance Review for FY 2007-08 and Tariff determination for FY 2008-09 were under process, the various Utilities filed Petitions for continuation of tariff determined for FY 2007-08 till the time of issuance of the respective Tariff Orders of each Utility. Accordingly, the Commission in its Order dated April 1, 2008 in Case No. 102 of 2007, extended the applicability of the aforesaid Tariff Orders for the Utilities till the revised tariffs were determined for FY 2008-09 under the APR framework and Orders issued thereunder. The Commission, in accordance with the ATE Order, approved REL-G's Annual Fixed Charges for the first Control Period based on the MERC Tariff Regulations.

1.6 Commission's Order on APR Petition for REL-G for FY 2007-08 and Determination of Tariff for FY 2008-09

REL-G submitted its Petition for Annual Performance Review (APR) for FY 2007-08 and determination of tariff for FY 2008-09 for its Generation Business on November 30, 2007 (numbered as Case No. 65 of 2007). The Commission issued the APR Order for RInfra-G in Case No. 65 of 2007 on April 21, 2008, which came into effect from April 21, 2008, and the tariffs were initially valid upto March 31, 2009, which was later extended till the revised tariff are determined for FY 2009-10 vide the Commission's Order dated April 15, 2009 in Case Nos. 152, 153 and 154 of 2008. REL-G has appealed against the Commission's Order on the APR for FY 2007-08 and determination of tariff for FY 2008-09, before the ATE (numbered as Appeal No. 111 of 2008). The ATE's decision on REL-G's Appeal is awaited.

1.7 RInfra-G's Petition for truing up for FY 2007-08, Annual Performance Review for FY 2008-09 and Determination of Tariff for FY 2009-10

In accordance with the Regulation 9.1 of MERC Tariff Regulations, the application for the determination of tariff has to be made to the Commission not less than 120 days before the date from which the tariff is intended to be made effective. Further, the first proviso to Regulation 9.1 states that the

“date of receipt of application for the purpose of this Regulation shall be the date of intimation about the receipt of a complete application in accordance with Regulation 8.4 above:”

The Commission had directed RInfra-G to submit the Petition for Annual Performance Review latest by November 30 of each year in accordance with Regulation 9.1 of the Tariff Regulations.

RInfra-G submitted its Petition for truing up for FY 2007-08, APR for FY 2008-09 and determination of tariff for FY 2009-10 for its Generation Business on December 20, 2008, based on actual audited expenditure for FY 2007-08, actual expenditure for first half of FY 2008-09, i.e., from April to September 2008, and revised estimated

expenses for October 2008 to March 2009, and projections for FY 2009-10. RInfra-G, in its Petition, requested the Commission to:

- admit the APR Petition;
- approve the Aggregate Revenue Requirement (ARR) for FY 2007-08;
- approve revised estimates of ARR of FY 2008-09 and FY 2009-10 for the purpose of determination of tariff for FY 2009-10.

The Commission, vide its letter dated January 10, 2009, forwarded the preliminary data gaps and information required from RInfra-G. RInfra-G submitted its replies to preliminary data gaps and information requirement on January 23, 2009.

The Commission scheduled a Technical Validation Session (TVS) on RInfra-G's Petition for approval of APR for FY 2008-09 and Tariff for FY 2009-10, on January 28, 2009, in the presence of authorised Consumer Representatives authorised on a standing basis under Section 94(3) of the EA 2003 to represent the interest of consumers in the proceedings before the Commission. The list of individuals, who participated in the TVS, is provided at **Appendix-1**. During the TVS, the Commission directed RInfra-G to provide additional information and clarifications on issues raised during the TVS. The Commission also directed RInfra-G to submit the draft Public Notice in English and Marathi in the format prescribed by the Commission.

1.8 Admission of Petition and Public Process

RInfra-G submitted its responses to the queries raised during the TVS on February 20, 2009, and the Commission admitted the APR Petition of RInfra-G on February 20, 2009.

In accordance with Section 64 of the EA 2003, the Commission directed RInfra-G to publish its application in the prescribed abridged form and manner, to ensure public participation. The Commission also directed RInfra-G to reply expeditiously to all the suggestions and objections from stakeholders on its Petition. RInfra-G issued the Public Notice in newspapers inviting suggestions and objections from stakeholders on its APR Petition. The Public Notice was published in The Times of India (English), Indian Express (English), Loksatta (Marathi) and Samana (Marathi), newspapers on February 25, 2009. The copies of RInfra-G's Petitions and its summary were made

available for inspection/purchase to members of the public at RInfra-G's offices and on RInfra-G's website (www.rinfra.com). The copy of the Public Notice and the Executive Summary of the Petition was also on the web site of the Commission (www.mercindia.org.in) in downloadable format. The Public Notice specified that the suggestions and objections, either in English or Marathi, may be filed in the form of affidavits along with proof of service on RInfra.

The Commission received written suggestions and objections expressing concerns on procedural issues, quantum of generation, capital expenditure, sharing of gains and losses, etc., and a host of other issues. The Public Hearing was held on **March 26, 2009 at 11:00 hours at Rangsharda Natya Mandir, Bandra Reclamation, Bandra (W), Mumbai 400 050**. The list of objectors, who participated in the Public Hearing, is provided in **Appendix- 2**.

The Commission has ensured that the due process, contemplated under law to ensure transparency and public participation has been followed at every stage meticulously and adequate opportunity was given to all the persons concerned to file their say in the matter. The Order is being issued well within the time period of 120 days from the date of admission of complete Petition, as stipulated under the EA 2003.

Though a common Public Hearing was held for processing the APR Petitions for FY 2008-09 and determination ARR and tariff for FY 2009-10 filed by RInfra-G (numbered as Case No. 120 of 2008), RInfra-T (numbered as Case No. 119 of 2008) and RInfra-D (numbered as Case No. 121 of 2008), the Commission is issuing separate Orders on the three Petitions filed by RInfra. This Order deals with the truing up for FY 2007-08, Annual Performance Review of FY 2008-09 and determination of tariff of RInfra-Generation Business for FY 2009-10. Various suggestions and objections that were raised on RInfra-G's Petition after issuing the Public Notice both in writing as well as during the Public Hearing, along with RInfra-G's response and the Commission's rulings have been detailed in Section 2 of this Order.

1.9 Organisation of the Order

This Order is organised in the following six Sections:

- **Section 1** of the Order provides a brief history of the quasi-judicial regulatory process undertaken by the Commission. For the sake of convenience, a list of abbreviations with their expanded forms has been included.

- **Section 2** of the Order lists out the various suggestions and objections raised by the objectors in writing as well as during the Public Hearing before the Commission. The various suggestions and objections have been summarized, followed by the response of RInfra-G and the rulings of the Commission on each of the issues.
- **Section 3** of the Order details the truing up of expenses and revenue of RInfra-G for FY 2007-08, including sharing of efficiency gains/losses due to controllable factors.
- **Section 4** of the Order details the performance parameters as approved by the Commission in the MYT Order for the first Control Period, APR Order for FY 2007-08, RInfra-G's proposal for performance parameters and the Commission's approach on performance parameters during FY 2008-09 and FY 2009-10.
- **Section 5** of the Order comprises the review of performance for FY 2008-09 and the Commission's analysis on various components of Energy Charge and Annual Fixed Charge of RInfra-G's Dahanu Thermal Power Station (DTPS) for FY 2009-10.
- **Section 6** of the Order details the tariff design for RInfra-G's DTPS and the approved Annual Fixed Charge and Energy Charge for FY 2009-10.

2 OBJECTIONS RECEIVED, RINFRA-G'S RESPONSE AND COMMISSION'S RULING

2.1 Procedure for APR filing and Public hearing

Consumer Human Right Activist (CHRA), Electrical Contractors Association of Maharashtra (ECAM) and several other objectors submitted that under the Multi Year Tariff (MYT) regime, the tariff revision can be undertaken only at the end of the first Control Period, i.e., after March 31, 2010. The MERC (Terms and Conditions of Tariff) Regulations, 2005 were notified on August 23, 2005 before notification of Tariff Policy (TP) and once the TP has been notified on January 6, 2006, it supersedes the MERC (Terms and Conditions of Tariff) Regulations, 2005. Section 5(h)(3) of TP stipulates that once the revenue requirement is established at the beginning of the Control Period, the Regulatory Commission should focus on the regulation of outputs and not the input cost elements and a comprehensive review of performance may be undertaken only at the end of the Control Period. Hence, MYT Tariff should not be revised till the end of the first Control Period, i.e., up to March 31, 2010. Further, the review of performance during the first Control Period should also be done only at the end of the first Control Period as per the TP. The objectors have stated that non-compliance with Central Government Policy by the Commission violates the law.

Several objectors submitted that the Commission should amend the MERC (Terms and Conditions of Tariff) Regulations, 2005, in order to incorporate the provisions of the Tariff Policy, 2006 in the context of MYT exercise.

ECAM, Shri Sandeep Ohri and several other objectors submitted that at the time of fixation of tariff for MYT Control Period, the Commission stated that all the expenses would be frozen at the levels approved in the MYT Orders; however, RInfra-G is asking for approval for additional expenses under each head of expense. They submitted that this additional expense should not be allowed at this stage. They added that if the electricity companies are allowed to increase tariff every year, then there is no sanctity to the MYT process.

Several objectors submitted that the tariff hike proposed by RInfra-G should not be approved by the Commission, and submitted that the generation tariff should be kept at the present levels till the end of the first Control Period, i.e., up to March 31, 2010.

Shri Sandeep Ohri and others submitted that as per Section 61 of the Electricity Act, 2003, the Commission should encourage competition, efficiency, economical use of resources, good performance and optimum investments and safeguard consumer's interest and at the same time, ensure recovery of cost of electricity in a reasonable manner. Several objectors submitted that the Commission should safeguard the consumers' interest and reduce the tariff.

Retailers Association of India, Shri Sandeep Ohri, Shri P. N. Sridharan, and Shri V. Thanumoorthy submitted that despite the Petitions submitted by RInfra-G being very voluminous with comprehensive data, only three weeks' time has been provided to the consumers for filing their objections, which was insufficient. Shri Jatin Sanghvi, CHRA and Shri V. Thanumoorthy suggested that the Petitioner should provide data in a way that can be understood by common people. Shri Jitendra Sharma and some other objectors submitted that the Public Hearing should be telecasted live on television, for greater public dissemination. Retailers Association of India submitted that there are various fundamental errors, faults and inconsistencies in the Petition. They added that sufficient data and time has not been provided to the consumers to enable them to analyse the Petition, thereby denying the opportunity to submit suggestions and objections, which violates the principle of natural justice. Further, the Petitioner has not complied with the statutory provisions of the Electricity Act, 2003, TP, National Electricity Policy and MERC (Terms and Conditions of Tariff) Regulations, 2005.

RInfra-G's Response

RInfra-G replied that the present Regulations provide for treatment of efficiencies and inefficiencies while determining the tariff.

RInfra replied that the issues raised relating to periodicity of tariff determination during the MYT period have been addressed by the Commission in its Tariff Order dated June 4, 2008 in Case No. 66 of 2007.

As regards the contentions of the objectors regarding the time frame for providing suggestions and objections, RInfra has not submitted any reply.

Commission's Ruling

As regards determination of tariff on annual basis, the Commission in its MYT Order for RInfra-G dated April 18, 2007 in Case No. 74 of 2006, has approved the Annual Fixed Charges and trajectory of performance parameters for RInfra-G's generating station at Dahanu for the Control Period from FY 2007-08 to FY 2009-10, while the tariff was determined for FY 2007-08 only, in accordance with Regulation 20.1 of the MERC (Terms and Conditions of Tariff) Regulations, 2005, which stipulates that the tariff will be determined on an annual basis. Accordingly, the Commission had approved the tariff of RInfra-G Dahanu Thermal Power Station (DTPS) for FY 2008-09 in its Order in Case No. 68 of 2007. Hence, the Commission in this Order is approving the tariff of RInfra-G station for FY 2009-10.

Moreover, Para 5.0 (h) (3) of the Tariff Policy (TP) referred by the objectors stipulates as under:

“Once the revenue requirements are established at the beginning of the control period, the Regulatory Commission should focus on regulation of outputs and not the input cost elements. At the end of the control period, a comprehensive review of performance may be undertaken.”

The Commission is of the view that the above provision of the Tariff Policy referred to by the objectors does not stipulate that the tariff cannot be determined on an annual basis.

The Public Notice was published on February 25, 2009 in leading newspapers and the Public Hearing in the matter was scheduled on March 26, 2009, i.e., four weeks after the Public Notice was published. Regulation 64 (a) of the MERC (Conduct of Business) Regulations, 2004 specifies that a minimum of three weeks time should be given before the Public Hearing for submission of objections and comments, as far as possible. Further, an additional time of 7 days was also provided to the objectors to file their rejoinders after the Public Hearing. Thus, the Commission has followed the due regulatory process in accordance with the provisions of EA 2003 and the Commission's Regulations.

On the issue of simplicity of information to be made available to stakeholders, the Commission directed the Petitioner to include an Executive Summary of the Petition and made it available to the public. Further, the Commission also directed the Petitioner to make available the soft copy of formats in MS Excel.

As regards the objection that the Utilities should not be allowed the projected increase in O&M expenses under the MYT framework, the Commission is of the view that there is merit in the suggestion and the Commission has further elaborated on this issue in the Section 3.7 of this Order.

2.2 Cost plus Tariff based Regulation vis-à-vis Performance Based Regulations

Juhu Schemes Residents Association (JSRA) and others submitted that the cost plus approach of determining the tariff must be abandoned and should be replaced with Performance Based Regulations, whereby the Commission should set the targets for key performance parameters and compute the tariff assuming that such targets are met. Juhu Schemes Residents Association further submitted that the private monopoly in the power sector has led to exploitation of the consumers. Further, the Generating Company sells power to the Transmission Companies at cost plus tariff, then the Transmission Company sell power to Distribution Companies at cost plus tariff, and then the Distribution Companies sell power to the consumers again at cost plus tariff. Hence, in an environment of cost plus tariff at all stages, where the price increase would be the sole objective of the licensees, efficiency and competition would be eliminated, resulting in higher prices and poor services.

RInfra-G's Response

RInfra submitted that the MERC Tariff Regulations provides for treatment of efficiencies and inefficiencies while determining tariffs.

Commission's Ruling

As regards the contentions raised regarding Performance based Regulations, the existing MERC Tariff Regulations stipulates a judicious mix of cost plus approach and Performance based Regulations to the extent practicable and feasible.

2.3 Third Party Scrutiny

Several objectors submitted that the facts and figures projected in RInfra-G's Petition appear to be contrary to the segment-wise Accounts of RInfra and it is necessary to appoint an independent auditor for the purpose of carrying out an audit of the Petition, and the Auditor's Report should be made available to the Public.

Shri Guruprasad Shetty and IHRA submitted that the Commission should appoint experts to scrutinize the financial and technical data submitted by the Utility. Shri Sandeep Ohri and others submitted that as per Clause 8.2.1(2) of TP, the State Electricity Regulatory Commission (SERC) should institute a system of independent scrutiny of financial and technical data submitted by the licensees, and enquired about the steps taken by the Commission to implement this provision of the TP. They added that the Commission should reject the Petition filed by RInfra as authenticity of the data is not ensured till date.

RInfra Response

RInfra has not submitted any reply to this objection.

Commission's Ruling

The Commission, with the help of its staff as well as consultants, undertakes the detailed scrutiny of the APR Petitions filed by the Utilities. The Commission has obtained the reconciliation statements towards reconciliation of expenses and revenue submitted in the APR Petitions with the expenses and revenue allocated to its various businesses as per the Audited Accounts. Further, the Audited Accounts of the Petitioner as well as the Allocation Statements for allocating the expenses and revenue to its various businesses are submitted by the Petitioner on affidavit and are duly certified by auditor. The Commission has recently notified the MERC (Uniform Recording, Maintenance and Reporting of Information) Regulations, 2009 on April 20, 2009 which is designed to show more clear segment-wise information for each of the Businesses regulated by the Commission.

2.4 Appointment of Consumer Representatives

Shri K Sampath, Shri Jude G. Tandon and others submitted that the Commission should appoint new Consumer Representatives under Regulation 18 of the MERC (Terms and Conditions of Tariff) Regulations, 2005, as the existing Consumer Representative remain absent during Public Hearings. The Petitions are being processed without consumer interest being taken care of, in the absence of the Consumer Representatives. Further, authorised Consumer Representatives have been grossly negligent in pointing out all discrepancies.

RInfra's Response

RInfra has not submitted any reply on this issue.

Commission's Ruling

The Commission does not agree with the contentions. The representatives of M/s Prayas Energy Group and M/s Mumbai Grahak Panchayat were present during the Technical Validation Session and the representatives of three authorised Consumer Representatives viz., M/s Prayas Energy Group, Mumbai Grahak Panchayat, and Thane Belapur Industries Association were present during the Public Hearing, and also made detailed submissions after study of the Petition filed by RInfra.

2.5 Operation & Maintenance (O&M) Expenses

JVPD Tenants and Residents Association and several others submitted that there is no transparency in the O&M expenses of RInfra for its Generation, Transmission and Distribution businesses, hence, a detailed scrutiny and audit needs to be carried out in this respect from FY 2004-05 to FY 2009-10. Further, JVPD submitted that in a Cost Plus environment, there is a tendency to be extravagant or impose costs on the electricity business to benefit other Divisions of the same Company. JVPD added that the Commission should direct the RInfra to submit a detailed explanation for the increase in O&M expenses and validate the same.

Lifestyle International Pvt. Ltd and some other Shopping Malls submitted that RInfra-G has recruited 41 graduate engineers during first half of FY 2008-09 to meet trained and skilled manpower requirement and the impact of additional recruitment has been shown as Rs. 6.5 crore. Further, RInfra-G has submitted the reasons for higher employee expenses as high attrition rate; however, RInfra-G has not provided the details of the number of employees who have left the Company during the said period. The data provided by RInfra-G in this regard is inadequate.

Energy Study Group submitted that RInfra-G has proposed an increase of 18% in O&M expenses, and the Commission should not approve more than 5% increase in O&M expenses.

RInfra's Response

RInfra replied that all the information sought by the Commission has been submitted and the same are part of the tariff determination and truing up process undertaken by the Commission from FY 2004-05 onwards. RInfra added that appropriate explanations regarding increase in O&M expenses have been submitted in the Petition.

Commission's Ruling

As deliberated in Section 3, the Commission has not allowed the increase in O&M expenses for FY 2007-08 as pass through. For FY 2007-08, the Commission has considered the variation between actual and approved O&M expenses as (gain)/loss on account of controllable factors and has carried out sharing of such (gain)/loss between Generating Company and Distribution Licensee in the ratio of proportion of 2:1 in accordance with the MERC Tariff Regulations.

For FY 2009-10, as detailed in Section 5 of the Order, the Commission has not allowed O&M expenses as submitted by RInfra.

2.6 Capital Expenditure

ECAM submitted that the very high and unrealistic capital expenditure incurred by RInfra-G directly affects the consumers in the form of Return on Equity. ECAM added that the Commission should not allow any additional expense over the capital expenditure already approved in the MYT Order. Dr. Ashok Pendse of Mumbai Grahak Panchayat submitted that the prudence of the capital expenditure should be checked and a part of it should be disallowed.

Shri Sandeep Ohri and several others referred to the ATE Judgment in the matter of Appeal No. 251 of 2006, which states that "*Merely incurring of expenditure by the licensee cannot be the grounds (for) passing on costs to the consumers*".

Janhit Manch, JSRA and several others submitted that the capital expenditure plan of RInfra-G is not transparent, and a detailed scrutiny and audit needs to be carried out in this respect for the period from FY 2006-07 to FY 2009-10. They added that in the

cost plus regime, there is a tendency to over invest in order to get additional benefits, which are linked to the capital expenditure. They further added that cost benefit analysis should be carried out for individual schemes and schemes should be approved only after prudence check for usefulness. Further, the capital base of RInfra-G should be reassessed as all the benefits are linked to the capital base, and RInfra should be directed to submit the detailed working of the reasonable return on the capital base.

Shri Tapan Sharma and several other objectors submitted that RInfra-G should reduce the capital expenditure in view of the economic slowdown and should not burden its consumers with this additional expenditure. They added that the RInfra-G is unable to realize the revenue to support the capital expenditure on account of approved DPRs and should hence, be prudent in undertaking capital expenditure. Several objectors submitted that the investments and operations of other divisions undertaking infrastructure projects including Metro-One project and investment in Reliance Power Limited needs to be scrutinized in the interest of electricity consumers.

Prayas Energy Group (PEG) submitted that the in principle clearance given by the Commission for Capex Schemes clearly states that *“in-principle clearance should not be construed as final approval for ARR purpose and the schemes will be open for scrutiny during tariff determination process/ARR review...”* Further, it is necessary to validate that the completed schemes have been completed within the scope and other parameters mentioned in the in-principle approval by the Commission and that the expected benefits are realised. As capital expenditure of such high magnitude has enormous tariff implications for years to come, it is very important to analyse the prudence as well as performance improvement and efficiency gains in monetary terms of such expenditure. Further, scrutiny of investment plans in terms of prudence and detailed cost benefit analysis should be carried out before passing on these costs to the consumers.

PEG submitted that RInfra has described the investment schemes individually in the Petition, but not the benefits of the schemes. PEG added that the Commission should scrutinize the individual capex schemes and approve the schemes based on the test of prudence and usefulness. PEG further submitted that the Commission has not done

this exercise in past and there is no defined procedure for undertaking the same. PEG further referred to a case in which the Delhi Electricity Regulatory Commission (DERC) scrutinized the capital expenditure of BSES Yamuna Power Limited and BSES Rajdhani Power Limited (group companies of Reliance Infrastructure Ltd), in the matter of ARR for the Control Period from FY 2007-08 to FY 2010-11 and found quite revealing results. Further, DERC disallowed the amount of Rs. 535 Crore in respect of capital expenditure and capitalisation thereof. PEG added that in the view of the above case, there is a need for detailed scrutiny of investment plans beyond in-principle clearance. PEG added that the tariff impact of such huge capital expenditure is largely subdued in initial years due to assumption of long-term of loan payment and depreciation considered based on normative approach. However, this capital expenditure has incremental impact on tariff.

RInfra's Response

RInfra replied that the details of the capital expenditure have been submitted in the Petition. RInfra added that the relevant Detailed Project Reports (DPRs) have been submitted to the Commission for its consideration.

The ARR is evaluated by the Commission in three phases, namely one for fixing tariff for the ensuing year, mid-year review through APR and finally through the truing up mechanism after the year is completed and the actual data is available.

RInfra submitted that the details of the equity component eligible for return is given in the Petition and computed in Form 8 of the Financial Model.

RInfra submitted that the need for capital expenditure has been explained in the Petition as well as in the DPR.

Commission's Ruling

The Commission shares with the concerns raised by several stakeholders regarding the excessive capital expenditure being undertaken by RInfra, and the impact of the same on the tariff. The Commission has carried out a detailed analysis regarding the capital expenditure and capitalisation and the treatment of the same in Section 5 of this Order. The Commission's computations in this regard, as well as the treatment of non-DPR capital expenditure has been elaborated subsequently in Section 3 on truing up of expenses and revenue for FY 2007-08 and in Section 5 while approving the revised revenue requirement for FY 2008-09 and FY 2009-10.

2.7 Return on Equity, Interest on Long-Term Capital and Working Capital

Shri Guruprasad Shetty and IHRA submitted that return on equity has increased enormously in the previous five years on account of high capital expenditure. This payment of whopping return on equity capital is injustice to the consumers.

They submitted that RInfra has misled the Commission that the funds of the Company are provided to shareholders. RInfra initially contributed Rs. 235 Crore and has taken back more than Rs. 460 Crore in last five years. Further, RInfra had Rs. 10,024 Crore as reserves and surplus and investment of Rs. 7,664 Crore, after payment to shareholders. The market value of this investment was Rs. 33,986 Crore in March 2008. Loans and advances given, along with current assets, amount to Rs. 9,673 Crore. They submitted that this money has been collected from poor consumers. However, on the contrary, RInfra is claiming that there is a 'Revenue Gap and Need for Additional Revenue Requirement'. RInfra has been overcharging the consumers for a long period of time and this over charged amount should be returned to the consumers.

They further submitted that as per the Profit & Loss Account and Balance Sheet, the net profit of RInfra has increased by Rs. 697 Crore (280%), operating income has increased by Rs. 2,175 Crore (152%), investment in markets has increased by nearly Rs. 7,000 Crore (1100%) and reserve and surplus has increased by Rs. 5,190 Crore (210%) in the past three years. They added that RInfra would not have made such huge money, had there been a Revenue Gap. They added that RInfra has manipulated the numbers to show higher revenue requirement.

Dadar Merchants' Association submitted that RInfra has net operating income of Rs. 6,331.50 Crore, net profits of Rs. 1,084.83 Crore and Reserve and Surplus of Rs. 10,024 Crore. Further, the profit of RInfra has increased to Rs. 1,094.93 Crore in March 2008 from Rs. 387 Crore in March 2005. Further, RInfra has earned profit of Rs. 301.75 Crore in FY 2007-08, in spite of high fuel price.

RInfra's Response

As regards the contention raised regarding the approved RoE, RInfra replied that RoE has to be segregated in two components namely:

§ Relating to shareholders, on the total performance of the Company including businesses other than regulated business;

§ Return on regulated business as computed and reflected in the Petition.

RInfra further submitted that the two returns on the equity stated above have their distinct nature including risks and therefore, should not be mixed. The RoE under regulated business forms a part of reserves for the benefit of shareholders of RInfra and any money invested therefrom is eligible for treatment as Equity or Loan in the regulated business as applicable.

RInfra submitted that the contents of the Petition, including equity, loan, etc., should be looked at as applicable for regulated business, whereas the financial statements of RInfra as a Company includes its activities beyond the regulated business and thus, accrual of benefit and the risks thereon are for the shareholders of the Company.

Commission's Ruling

The Commission clarifies that the computations of Return on equity, interest on long-term loan and working capital have been done only in accordance with the provisions of the MERC Tariff Regulations but has also addressed the issues related to return on equity, interest rate on long-term loan and working capital Section 3 and 6 of the Order, while analysing the various components of the Annual Fixed Charge of the generating station. The Commission as elaborated in Section 5 of the Petition agrees that with the stakeholders that due to huge capital investments in the last 4-5 years, the return on equity component of RInfra-G has increased substantially.

As regards the total reserves and surplus of the Company based on Audited Accounts, it is clarified that in accordance with the MERC Tariff Regulations, the Commission has provided return only on normative regulatory equity at the beginning of the year. Any investment by RInfra-G from the internal accruals (i.e. reserves and surplus) over and above the normative equity of 30% of the capital investments has been considered by the Commission as normative loan and the Commission on such normative loan has allowed a normative interest rate of 9% as against return of 14% on equity. Further, the total equity, reserves and surplus, and investments as reflected in the Audited Accounts of RInfra, are for the Company as a whole, which has other

Businesses, apart from the Businesses in Maharashtra regulated by the Commission and the Commission has not allowed RoE on that component.

2.8 Income Tax

Shri Guruprasad Shetty and several others submitted that RIntra reported a net profit of Rs. 1,084 Crore in FY 2007-08, and paid Rs. 121 Crore as Income Tax, which has been recovered from the consumers. They objected to such recovery from the consumers, since the income tax has to be paid out of the Company's profits.

JVPD Tenants & Residents Association submitted that the income tax paid by RIntra in previous years should be considered and adjusted. Shri Parag M. Alavani submitted that RIntra has paid higher income tax than that approved by the Commission, which has an impact on the electricity tariff.

RIntra's Response

RIntra replied that the income tax is considered on the principle as set out by the Judgment of the ATE dated April 4, 2007 in Appeal No. 251 of 2006 which states that income tax assessment has to be made on a stand alone basis for the regulated business.

Commission's Ruling

The Income Tax is considered as a part of the fixed charge, in accordance with Regulation 34.2 of the MERC Tariff Regulations, which stipulates as under:

“34.2.1 Income-tax on the income of the Generating Business of the Generating Company shall be allowed for inclusion in the annual fixed charges:

Further, in accordance with the principle set out by the Judgement of ATE dated April 4, 2007 in Appeal No. 251 of 2006, the income tax of the regulated business is assessed and allowed on standalone basis. The detailed principles and computations of Income Tax are given in Section 3 and Section 5 of the Order.

2.9 Involvement of Consumers by the ATE

Shri Guruprasad Shetty submitted that the ATE should involve consumers in matters that could be prejudicial to consumers interest. Further, the ATE should call for objections and suggestions on the matter, which affects the consumers.

RInfra's Response

RInfra has not submitted any reply on this issue.

Commission's Ruling

As regards the contention raised by Shri Guruprasad Shetty regarding the process adopted by the Hon'ble ATE, the Commission is the view that this aspect is not within its jurisdiction, and the objector may approach appropriate forum in this regard, if so felt necessary.

RINFRA-G SPECIFIC OBJECTIONS

2.10 Plant Load Factor (PLF) and Incentive on Higher PLF

The Tata Power Company Limited (TPC) objected that the methodology adopted by RInfra-G for computation of incentive on PLF (>80%) on the net generation is not in accordance with the MERC Tariff Regulations. TPC submitted that RInfra-G has computed incentive on the net generation after deducting actual auxiliary consumption from the gross generation while as per the Tariff Regulations; normative auxiliary consumption should have been deducted from gross generation for computing net generation from incentive similar to the approach followed by TPC-G.

Several Shopping Malls submitted that RInfra-G has estimated PLF of 94.90% for second half of FY 2008-09 while the actual PLF achieved in H1 of FY 2008-09 and FY 2007-08 was 103.26 % and 101.53%, respectively. RInfra-G has not provided any rationale for the reduction in PLF during second half of FY 2008-09.

Energy Study Group (ESG) submitted that RInfra-G has claimed Rs. 21.68 Crore towards PLF incentive, which is almost equal to the employee expenses. ESG added that PLF incentive is on higher side and should not be approved.

RInfra-G's Response

RInfra-G replied that the PLF incentive is applicable for generation in excess of 80% target PLF as per the Tariff Regulations. RInfra-G added that PLF incentive would work out higher with auxiliary consumption deducted on normative basis as the actual auxiliary consumption is lower than normative levels. The likely increase in PLF incentive will be approximately Rs. 0.72 Crore.

Commission's Ruling

The Commission does not agree with RInfra-G's submission in this regard as in a case when the actual auxiliary consumption is lower than normative auxiliary consumption, if the normative auxiliary consumption is deducted from the gross generation to arrive at net generation, then the quantum of energy eligible for incentive would be lesser as compared to net generation computed by deducting actual auxiliary consumption from the gross generation, and accordingly the PLF incentive would be lower. As detailed in Section 3 of the Order, the Commission has allowed the incentive on higher PLF by computing the net generation in excess of target PLF of 80% by deducting normative auxiliary consumption from the gross generation. As regards the suggestion of not allowing incentive at all, the incentive is allowed in accordance with the provisions of MERC Tariff Regulations and hence, it would be a violation of the law. Regarding reduction in revised estimated generation during second half of FY 2008-09, it is clarified that the Commission has not undertaken any provisional truing up for FY 2008-09 at this stage and hence, has not considered the revised estimated generation for FY 2008-09. The Commission during the APR exercise for FY 2009-10 will undertake the final truing up for FY 2008-09 based on actual performance for the entire year.

2.11 Income Tax

TPC submitted that RInfra-G has capitalised the Flue Gas Desulphurisation (FGD) in FY 2007-08 at an amount of Rs. 235 Crore. TPC submitted that such equipment would be entitled for 100% depreciation under Income Tax Act as given for "Air Pollution Control Equipment". TPC submitted that RInfra-G should revise the income tax liability for FY 2009-10 by considering 100% depreciation of the FGD equipment and should claim only Minimum Alternative Tax (MAT) for FY 2009-10.

Energy Study Group (ESG) submitted that RInfra-G has projected income tax of Rs. 33.27 Crore for FY 2009-10 as against the Commission's approval for Rs. 8.6 Crore,

and the Commission should not approve such increase on account of the fact that the increase in equity is negligible.

RInfra-G's Response

As regards the contention raised by ESG, RInfra-G referred to Section 3.14.2 of its Petition, wherein the details of Income Tax have been given, and submitted that the MAT rate was applicable till FY 2008-09. However, from FY 2009-10 onwards, the corporate tax rate is applicable; hence, there has been an increase in income tax.

As regards the contention raised by TPC, RInfra-G replied that in a year of MAT applicability, the unabsorbed depreciation has not been carried forward; hence, it has claimed income tax at corporate tax rates for FY 2009-10.

Commission's Ruling

As regards the contention raised regarding income tax computation for FY 2009-10, the Commission asked RInfra-G to submit the details related to the impact of capitalisation of FGD plant on income tax for FY 2009-10, MAT credit available due to tax payable on MAT basis for previous years as well as the approach adopted by RInfra-G for computing the income tax. RInfra-G, in its reply, submitted that the MAT credit will be available during FY 2009-10 and substantially reduced the income tax for FY 2009-10. The Commission has computed the income tax on MAT basis for FY 2009-10 as detailed in Section 5 of this Order.

2.12 Carrying Cost of Surplus

TPC submitted that RInfra-G has not considered the carrying cost on the surplus amount of Rs. 15.71 Crore in FY 2007-08, whereas in case of RInfra-D, it has considered carrying cost for under recovery in FY 2007-08. TPC submitted that RInfra should maintain uniformity in approach for all cases.

RInfra-G's Response

RInfra-G replied that the PLF incentive of Rs. 21.68 Crore has been included while computing the annual revenue requirement for FY 2007-08, and has been reflected in the revenue surplus of Rs. 15.71 Crore. RInfra-G added that as the accrued PLF incentive has been considered at the time of truing-up for FY 2007-08, no interest has been considered on the same.

Commission's Ruling

As regards the contention of carrying cost on the surplus of FY 2007-08, the Commission is of the view that as the surplus/gap based on the final truing up including efficiency gain/losses for the previous year would only be known at the time of truing up, hence, the same needs to be considered in the ensuing year's ARR and Tariff determination and it would not be appropriate to consider carrying cost on the same, irrespective of whether there is a revenue surplus or revenue gap in the previous year.

2.13 Generation Tariff

Dr. Ashok Pendse of Mumbai Grahak Panchayat submitted that the performance of Dahanu Thermal Power Station in terms of heat rate, auxiliary consumption and specific oil consumption are better than that of the Central Thermal Power Generating Stations; however, the cost of power of Dahanu Plant is much higher than that of the Central Thermal Power Generating Stations. He suggested that RInfra-G should a set trajectory for reduction in variable cost of power.

IHRA and Shri. Guruprasad Shetty submitted that net generation of Dahanu Plant has been projected to go down to 3943 MU in FY 2009-10 from 4089 MU in FY 2007-08, which has increased the cost of generation per kWh. This increase is being transferred to the consumers as this is a regulated business. In this regard, RInfra would have tried to reduce the generation cost if the tariff had been determined on a competitive basis. They further submitted that in FY 2007-08, RInfra-G has generated 4089 MU instead of 3222 MU and earned Rs. 192.47 Crore as additional revenue and further charged Rs. 75.69 Crore from the consumers for not being inefficient.

Shri Parag M. Alavani submitted that the total expenditure of RInfra-G has increased to Rs. 937.37 Crore in FY 2008-09 and Rs. 950.13 crore in FY 2009-10 from Rs. 780.44 Crore in FY 2008-09 and Rs. 750.18 crore in FY 2009-10, and RInfra-G has not submitted the justification for such increase. Energy Study Group submitted that RInfra-G has projected Rs. 950.13 Crore towards revenue expense, which is higher by Rs. 200 Crore as compared to the revenue expenses approved by the Commission.

Dadar Merchants' Association submitted that in FY 2007-08, TPC-G generated 11,080 MU for a total income of Rs. 6,440.58 Crore, while RInfra-G generated 8051 MU and had income of Rs. 6,331.50 Crore. Thus, RInfra-G has earned the same income even though its generation is lower by 3273 MU.

RInfra-G's Response

RInfra-G replied that its Dahanu plant is one of the best performing plants in the country. RInfra-G submitted that the variable cost (fuel-coal) is dependent on the administered price for domestic coal and market determined price for imported coal.

RInfra-G replied that the net generation of RInfra-G generation plant for FY 2009-10 has been projected after providing for the preventive maintenance expected to be undertaken during the year. The details for the same are available in Form 2.6 of RInfra-G financial model. RInfra-G added that the generation from DTSP reflects one of the best parameters and therefore, benefits the consumers.

RInfra-G submitted that the computation of efficiency gains has been done in accordance with MERC (Terms and Conditions of Tariff) Regulations, 2005 for contributing additional units generated from RInfra-G's low cost generation.

RInfra-G submitted that in the situation of shortage of power in the country, the price of power available in the market does not reflect the true generation cost. RInfra-G further replied that the cost of generation of power by RInfra-G and TPC-G is taken on actual basis in accordance with the MERC (Terms and Conditions of Tariff) Regulations, 2005. The additional power purchased is at the market price. Further, these costs are considered in the determination of ARR and RInfra-D does not have any profit element in these costs.

Commission's Ruling

The Commission has addressed the issues related to fuel expenses and total expenditure for FY 2008-09 and FY 2009-10 in Section 5 of the Order, while analysing the various components of the Annual Fixed Charge and determining the energy charges of DTSP.

2.14 Primary Fuel and Secondary Oil

IHRA and Shri Guruprasad Shetty submitted that the assumption of RInfra regarding higher price of Primary fuel (Coal) and Secondary Oil (LDO) for FY 2009-10 is not justifiable as the prices of almost all major commodities have gone down in the recent past. Further, the price of Fuel Oil has crashed to 119 cents per gallon in February 2009 from a peak of 420 cents per gallon in August 2008 and the price of crude oil has reduced to Rs. 2,271 per barrel in February 2009 from Rs. 5,272 per barrel. Further, the current prices are even lower than the prices prevailing in 2005, as

observed from New York Mercantile Exchange (NYMEX). They submitted that the fuel related expenses of RInfra-G should be lower in FY 2009-10 as compared to that in FY 2007-08 due to lower input cost. They further submitted that the projections for FY 2009-10 should be done based on the actuals of FY 2007-08, whereas RInfra-G has made projection for FY 2009-10 based on the estimated numbers of FY 2008-09.

Several Shopping Malls submitted that RInfra-G has projected 5% increase in prices for domestic coal for H2 of FY 2008-09 over prices prevailing in H1 of FY 2008-09. Further, the average price of domestic coal in FY 2008-09 has been considered by RInfra-G for FY 2009-10. They further submitted that the projection for FY 2009-10 is incorrect as the prices of commodities and the transportation cost is also decreasing.

They further submitted that the current coal price is Rs. 2,644/MT(US \$44) including transportation cost, while RInfra-G has estimated the price as Rs. 3,977/MT, which is incorrect.

They further submitted that RInfra-G has estimated Rs. 772.36 Crore as fuel cost for FY 2009-10 against the cost of Rs. 580.95 Crore approved by the Commission. RInfra-G has not provided any justification for such huge difference.

Energy Study Group submitted that RInfra-G has estimated Rs. 785.79 Crore towards fuel related expenses for FY 2008-09, whereas the Commission approved Rs. 619.09 Crore. Further, RInfra-G has proposed 35% hike over audited fuel expenses of FY 2007-08, and the Commission should not approve such hike in expenses.

RInfra-G's Response

RInfra-G submitted that the coal price does not move in the same manner as the fuel oil price. It would be observed from the information given in RInfra-G's Petition that the cost of imported coal was lower in H1 of FY 2008-09 as compared to that prevailing in H2 of the same year. The reverse trend is expected in FY 2009-10 and therefore, the average price for FY 2009-10 has been assumed similar to FY 2008-09.

RInfra-G replied that generation at Dahanu is coal based and is not directly related with the movement in fuel oil prices. Further, in the situation of shortage of power in the country, the price of power available in the market does not reflect the true generation cost.

RInfra-G submitted that there has been an increase in number of units generated vis-à-vis that approved by the Commission for FY 2008-09, as actual generation is projected at 4340 MU as against MERC approved quantum of 4128 MU. RInfra added that there has been an increase in the fuel prices (especially imported coal and secondary oil), which has been explained in Section 3.7 of RInfra-G's Petition.

Commission's Ruling

The Commission has addressed this issue in detail in Section 5 of the Order while determining the Energy Charges. As regards reduction in fuel prices in later part of FY 2008-09, the Commission obtained and analysed the month-wise actual fuel prices and observed that the liquid fuel prices have reduced from November 2008 onwards. The LDO price in October 2008 was Rs 38932/kL, which has reduced to Rs 36695/KL in February 2009. The Commission has considered the impact of reduction in oil prices while approving the energy charges for FY 2009-10.

2.15 Auxiliary Consumption

Several Shopping Malls submitted that the actual auxiliary consumption was 8.30% in FY 2007-08, while RInfra-G has estimated 9.14% for FY 2008-09 and FY 2009-10, which has resulted in a loss of approximately 36 MU. Also, RInfra-G has failed to provide any justification for such higher auxiliary consumption.

RInfra-G's Response

RInfra-G has not submitted any reply to this objection.

Commission's Ruling

As regards the contention raised regarding the increased auxiliary consumption for FY 2008-09 and FY 2009-10, it is clarified that over and above the normative auxiliary consumption, auxiliary consumption of Flue Gas Desulphurisation (FGD) plant has also been considered. Further, while determining the tariff for the ensuing year, the Commission determines the tariff based on normative performance parameters and impact of better or poorer actual performance with respect to normative performance parameters including sharing of efficiency gains/losses are considered at the time of truing up.

2.16 Station Heat Rate and Secondary Fuel Oil Consumption

Globus Stores Private Ltd. submitted that RInfra-G has considered Station Heat Rate of 2500 kcal/kWh for FY 2009-10, while the actual heat rate was 2303.19 in H1 of FY 2008-09, which has resulted in higher fuel cost for per kWh generation. They added that RInfra-G should revise the station heat rate to reflect the actual data. They added that RInfra-G has estimated consumption of secondary fuel at normative rate of 2 ml/kWh, which has resulted in increase in fuel cost by Rs. 22 Crore. Further, RInfra-G has not provided any plausible justification for the same.

RInfra-G's Response

RInfra-G has not submitted any reply to this objection.

Commission's Ruling

The MERC Tariff Regulations stipulate normative SHR of 2500 kcal/kWh and Secondary Fuel Consumption of 2 ml/kWh. In the Tariff Order for FY 2006-07 in Case No. 25 of 2005 and 53 of 2005, the Commission had approved SHR of 2350 kcal/kWh and Secondary Fuel Consumption of 0.8 ml/kWh for DTSP, with the view that the consumers should benefit from the historically better performance of RInfra-G in this regard, while at the same time retaining some incentive for RInfra-G to continue to achieve better than normative levels. However, the ATE, in its Judgment in Appeal No. 251 of 2006 ruled that the Commission should allow SHR and Secondary Fuel Consumption at normative levels stipulated in the MERC Tariff Regulations, and should not specify revised norms for Utilities, which have consistently performed better than the norm. Accordingly, the Commission while approving the tariff determines the variable cost of RInfra-G on normative basis by applying norms stipulated in the MERC Tariff Regulations and benefits of better actual or poorer performance with respect to normative performance parameters including sharing of efficiency gains/losses are considered at the time of truing up.

2.17 Efficiency gains due to operational performance

Shoppers Stop limited and several other Shopping Malls submitted that RInfra-G has determined Fuel Adjustment Cost (FAC) for FY 2007-08 by comparing the normative Rate of Energy Charges (REC) of Rs. 1.610 per kWh at ex bus with Rs. 1.552 per kWh approved by the Commission. However, the actual REC was Rs. 1.412 per kWh, which was lesser than the approved REC. RInfra-G has computed average FAC for FY 2007-08 based on Rs. 0.058 per kWh (Rs. 1.610 – Rs. 1.552) which worked out to

Rs. 23.72 Crore. Further, RInfra-G has worked out the efficiency gains by deducting the actual REC from the normative REC. They added that the computation of efficiency gains is not justifiable as it prima facie seems to be double counting of gains. They added that third party audit should be done in this regard.

RInfra-G's Response

RInfra-G has not submitted any reply to this objection.

Commission's Ruling

As regards the contention raised regarding the sharing of gains in fuel cost on account of better performance parameters, the Commission observed that RInfra-G has computed the efficiency gain based on net heat rate. If efficiency gain is computed on the basis of net heat rate, then the benefit of the better auxiliary consumption will get passed on twice as any gain in the net generation due to the reduction in the auxiliary consumption is realised through the extra sales by RInfra-G. Therefore, the Commission has considered the efficiency gain on account of fuel cost on the basis of gross heat rate and any benefit due to the better auxiliary consumption has been considered in the truing up of the revenue rather than truing up of the expenditure. Further, the Commission has considered the sharing of gains in accordance with the provisions of the MERC Tariff Regulations and has considered the sharing of gains as one third to be shared with the Distribution Licensee, i.e., RInfra-D, and two thirds of the gain to be retained by RInfra-G.

2.18 Sharing of Gains and losses for Fuel cost

Energy Group Study enquired whether the amount indicated against adjustment was profit or loss, and stated that RInfra-G should clarify the basis for the expense of Rs. 54.01 Crore. They further suggested that RInfra should classify the expenses under controllable and un-controllable heads.

RInfra-G's Response

RInfra-G stated that the detailed explanation in this regard is given in Section 2.9 and Form 11 of RInfra-G's Petition. The amount indicated against adjustment reflects the share of RInfra-G in total efficiency gains. One-third share (Rs. 27 crore) has been passed on to the consumers in accordance with the MERC (Terms and Conditions of Tariff) Regulations, 2005.

RInfra-G added that Format 1 of RInfra-G's Financial Model and Section 2.15 of RInfra-G's Petition also should be referred in this regard. Rs. 277 Crore includes Rs. 54.01 Crore towards efficiency gains and Rs. 21.68 Crore towards PLF incentives, which are allowed during truing up and are not part of fixed cost approved by the Commission.

Commission's Ruling

In accordance with the MERC Tariff Regulations, the sharing of gains and losses is to be carried out at the end of the year based on the actual performance for the entire year. Accordingly, the Commission has determined the sharing of gains and losses on account of controllable factors for FY 2007-08, as detailed in Section 3 of this Order.

3 TRUING UP OF AGGREGATE REVENUE REQUIREMENT FOR FY 2007-08

RInfra-G, in its Petition, has sought approval for the final truing up of expenditure and revenue for FY 2007-08 based on actual expenditure and revenue for FY 2007-08 as per Audited Accounts. RInfra-G provided the comparison of actual revenue and expenditure against each head with the revenue and expenditure approved by the Commission along with the reasons for deviations and also proposed the sharing of the efficiency gain/loss for each head of expenses and revenue, as applicable.

Accordingly, the Commission in this Section has analysed all the elements of actual revenue and expenses for RInfra-G for FY 2007-08, and has undertaken the truing up of expenses and revenue after prudence check. Further, for FY 2007-08, the Commission has approved the sharing of gains and losses on account of controllable factors between RInfra-G and the Distribution Licensee, i.e., RInfra-D, in accordance with Regulation 19 of the MERC Tariff Regulations, in this Section.

3.1 Gross Generation and Plant Load Factor

The Commission, in its MYT Order dated April 18, 2007 in Case No. 74 of 2006 approved gross generation of 4128.15 MU. However, the actual gross generation achieved during FY 2007-08 is 4459.12 MU, which is higher than the quantum approved by the Commission and has been accepted by the Commission for truing up purposes. RInfra-G, during FY 2007-08, achieved a Plant Load Factor (PLF) of 101.53% as against the approved PLF of 95.25%.

The Commission asked RInfra-G to submit the justification for reporting PLF more than 100% during FY 2007-08. RInfra-G submitted that the high PLF of DTPS is a result of high availability of DTPS (around 97.6% in FY 2007-08) and higher loading of Units, when available. RInfra-G also submitted that various measures and systems have been adopted that helped DTPS to achieve a higher availability by reducing time towards planned and forced maintenance.

The Commission asked RInfra-G to clarify whether the continuous operations of the Units at more than 100% PLF would have an adverse impact on the life of the machine in the long run and asked RInfra to submit the likely impact of higher PLF on plant equipment on the basis of Original Equipment Manufacturer's (OEM) recommendations on the design parameters.

RInfra-G submitted that the constant loading of DTPS Units above 100% has been achieved due to the following reasons:

- Ø Using good quality coal;
- Ø Good condenser vacuum;
- Ø Good operation and maintenance practices;
- Ø Trained manpower;
- Ø Condition and monitoring of all the equipments using latest technology;
- Ø Annual overhaul of machines as recommended by OEM;
- Ø Monitoring and control of all the plant parameters through state-of-art control system and MIS.

RInfra-G further submitted that following recommendation/inputs of OEM are being considered:

- Ø Residual life assessment (RLA) study carried out through OEM in which no abnormality was observed
- Ø OEM had carried out detailed study of all the equipment at higher loads of operation above 100%. Based on the study:
 - Generator is operated within the capability curve recommended by OEM
 - Steam flow from the boiler is within the limits recommended by OEM
 - All other equipments are operated within the design parameters

RInfra-G further confirmed that on account of the above it does not envisage any risk or adverse impact on plant equipment due to continuous operation above 100% loading. The Commission may get an independent technical study done in this respect, since RInfra-G has achieved over 100% PLF for the last five years.

Further, the Commission observed that the PLF has been reported higher than the Availability factor and asked RInfra-G to clarify the same, since conventionally, PLF should be equal to or lesser than the availability. RInfra-G submitted that mathematically, PLF is the product of Availability factor and loading of the plant (generator) during availability. Thus, PLF need not be equal to or lesser than the availability.

The summary of availability, gross generation and PLF approved by the Commission in MYT Order for FY 2007-08, actual availability, gross generation and PLF during FY 2007-08, and availability, gross generation and PLF considered for truing up is shown in the Table below:

Table: Summary of Availability, PLF (%) & Gross Generation (MU) for FY 2007-08

Particulars	MYT Order	Actuals	Allowed after truing up
Availability	94.25%	96.70%	96.70%
PLF	94.25%	101.53%	101.53%

Particulars	MYT Order	Actuals	Allowed after truing up
Gross Generation (MU)	4128.15	4459.12	4459.12

3.2 Auxiliary Consumption

RInfra-G, in its Petition, submitted that the auxiliary consumption for DTSP during FY 2007-08 was 7.67%, based on actual generation. RInfra-G submitted that it has considered the normative auxiliary power consumption of 8.5% for truing up. RInfra-G submitted that it has been able to maintain its auxiliary consumption at around the levels of 7.7% over the last five years (excluding the auxiliary consumption of Flue Gas Desulphurisation (FGD) plant), even though there has been a constant increase in the availability and loading of machines. RInfra-G further submitted that the DTSP team's constant endeavour to employ more and more energy efficient measures in the plant and their dedication and diligence towards maintenance and overhaul of the Units at regular intervals results in the plant bettering all established norms. RInfra-G submitted that various projects under integrated energy efficiency and reliability improvement programmes have been initiated and successfully completed at DTSP, which have resulted in savings of around 973.6 kW in auxiliary consumption. As regards the benefit of reduction in the auxiliary consumption, the Commission asked the reasons from RInfra-G for not proposing to re-set the norm for auxiliary consumption on account of such guaranteed savings in auxiliary energy consumption, as it has proposed to recover the complete cost from consumers on this behalf.

In this regard, RInfra-G submitted that the MERC Tariff Regulations has defined a common norm based on industry performance. The incentive, if any, reflects the initiative taken for better performance compared to the norms. It may be stated that though the capex contributes in supporting the improvement; however, a substantial part is achieved through better operational management. It is therefore, desirable that such initiatives for better performance are not diluted and should only be adjusted if the industry as a whole reflects improvements over such norms. RInfra-G further quoted the following observation of the ATE, in the matter, in Appeal No. 251 of 2006, in its support that norms should be changed if at all for the industry and not for individual performer:

“56. The Proviso to Regulation 26.2 of MERC does provide leeway to MERC to deviate from the norms where it so deems appropriate having regard to the circumstances of the case. It can be understood if it makes a departure from the norm if a station has met an accident or has inherent deficiencies in design or workmanship and unless the norms are so moderated generator will have no incentive to generate and may have to wind up if the station continually operates at below norms. We are not convinced that MERC can upgrade

norms for individual generator even if it performed better year after year. If the entire industry operates at better operating parameters for sufficient number of years, then MERC may consider to revise the norms for all.”

RInfra-G submitted that the actual auxiliary consumption of FGD plant was 27.84 MU as compared to 35 MU approved by the Commission. Further, RInfra-G submitted that since there are no norms specified for auxiliary power consumption of FGD plant, it has considered the actual consumption of FGD plant for truing up purposes.

The Commission considers this as a controllable parameter and hence, difference between the normative auxiliary consumption of 8.5% for FY 2007-08 plus actual consumption of 27.84 MU of FGD plant for FY 2007-08 is taken for computing the sharing of efficiency gain with the consumers. The summary of auxiliary consumption approved in the APR Order, actual auxiliary consumption and auxiliary consumption considered for truing up for FY 2007-08 is given in the following Table:

Table: Auxiliary Consumption for FY 2007-08

Particulars	Unit	APR Order	Actuals	Normative Allowed after truing up
Auxiliary Power Consumption without FGD	%	8.50%	7.67%	8.50%
Additional Auxiliary Consumption For FGD	MU	35.00	27.84	27.84
Auxiliary Power Consumption with FGD	%	9.35%	8.30%	9.12%

3.3 Station Heat Rate

RInfra-G, in its Petition, submitted that the actual heat rate achieved during FY 2007-08 is 2279 kcal/kWh as compared to 2500 kcal/kWh specified in the MERC Tariff Regulations. The Commission, in its MYT Order dated April 18, 2007 in Case No. 74 of 2006 and APR Order in Case No. 65 of 2007, had approved the normative heat rate of 2500 kcal/kWh considering the impact of the ATE Judgment in Appeal No. 251 of 2006 for determining the fuel cost. RInfra-G submitted that it has considered the heat rate of 2500 kcal/kWh for truing up purposes for FY 2007-08.

The Commission while accepting normative heat rate for truing up purposes, has considered the difference between the normative heat rate and the actual heat rate for FY 2007-08 for computing the efficiency gains. The summary of heat rate approved in the APR Order, actual heat rate and heat rate as considered by the Commission for truing up for FY 2007-08 is given in the following Table:

Table: Heat Rate (kcal/kWh)

Particulars	APR Order	Actuals	Normative Allowed after truing up
Heat Rate	2500	2279	2500

3.4 Secondary Fuel Oil Consumption

RInfra-G submitted that during FY 2007-08, it has used only Light Diesel Oil (LDO) as secondary fuel for power generation. RInfra-G, in its Petition, submitted that the actual secondary fuel oil consumption during FY 2007-08 is 0.127 ml/kWh as compared to 2 ml/kWh specified in the Tariff Regulations.

The Commission has considered the normative secondary fuel oil consumption as specified in the Tariff Regulations, i.e., 2 ml/kWh for the purpose of the truing up for FY 2007-08. The difference between the actual secondary fuel consumption of 0.127 ml/kWh and the normative secondary oil consumption of 2 ml/kWh has been considered for computing the efficiency gain due to controllable factors.

The summary of actual secondary fuel oil consumption for FY 2007-08, and secondary fuel oil consumption as considered by the Commission for truing up is given in the following Table:

Table: Secondary Fuel Oil Consumption (ml/kWh)

Particular	APR Order	Actuals	Normative Allowed after truing up
Secondary Fuel Oil Consumption	2.00	0.127	2.00

3.5 Blending of coal, fuel price and fuel calorific value

The Commission, in its MYT Order dated April 18, 2007 in Case No. 74 of 2006, considered the fuel prices and calorific value of fuels based on the actuals for the period from April 2006 to September 2006. The variation in the fuel prices during FY 2007-08 has been recovered by RInfra as part of Fuel Adjustment Cost (FAC) charges.

RInfra-G submitted that during FY 2007-08, it has used a blend of washed coal, raw (F Grade) and imported coal as primary fuel. RInfra-G further submitted that the primary fuel cost has been corrected/adjusted for the actual transit losses. RInfra-G added that based on the specific fuel consumption and fuel prices, the total actual fuel cost for FY 2007-08 works out to Rs. 577.46 crore. RInfra-G further submitted that based on the actual fuel costs and normative performance parameters (station heat rate

and secondary fuel oil consumption), the normative fuel cost works out to Rs. 658.48 crore.

RInfra-G submitted that the variation in the fuel cost of DTPS is due to variation in the operational parameters like heat rate and secondary fuel oil consumption, which are controllable factors. For washed coal, the actual transit losses were 1.50% and the actual transit loss of imported coal was 0.35%. RInfra-G submitted that the transit loss of washed coal is primarily arising due to higher loading of wagons by Indian Railways, which had increased the mandatory loading by 4.0 MT per wagon. As regards the transit loss for imported coal, RInfra-G submitted that the transit loss occurs while unloading from the vessel to barge, barge to jetty and from jetty to DTPS coal-yard. Hence, for truing up purpose, RInfra-G has considered the transit loss of primary fuel(s) as uncontrollable factor and accordingly factored actual transit losses for truing up fuel cost.

The Commission does not accept RInfra-G's contention. RInfra-G should have entered into proper contracts to get imported coal on delivery basis. and hence, the Commission has not considered any transit loss for imported coal, since the MERC Tariff Regulations do not provide for any transit loss on imported coal. However, for washed coal, the Commission has considered the normative transit loss of 0.8% for truing up purposes.

RInfra-G submitted data on the actual fuel prices and calorific value of respective fuels for FY 2007-08. For the purpose of truing up of fuel costs (variable cost of generation) for FY 2007-08, the Commission has considered the actual fuel costs and actual calorific value, as given in the Table below:

Table: Fuel Price and Calorific Value of Primary Fuel

Particulars	MYT Order	Actuals	Allowed after truing up
A. Fuel Price (Rs/MT)			
Washed Coal	2234	2275	2259
Raw (F Grade) Coal	-	1918	1918
Imported Coal	2201	2798	2789
B. Calorific Value (kcal/kg)			
Washed Coal	3840	3946	3946
Raw (F Grade) Coal	-	3380	3380
Imported Coal	5053	5136	5136

Table: Fuel Price and Calorific Value of Secondary Fuel

Particulars	Tariff Order	Actuals	Allowed after truing up
A. Fuel Price (Rs/kL)			
HFO	23,150		
LDO	26,404	27,889	27,889
B. Calorific Value (kcal/kg)			
HFO	10,100		
LDO	9,509	9,546	9,546

3.6 Total Fuel Costs

RInfra-G, in its Petition, submitted that the total actual fuel cost for FY 2007-08 is estimated to be Rs. 577.46 crore.

Based on the normative performance parameters, fuel prices and fuel calorific value as discussed in above paragraphs, the total fuel costs and variable cost of generation for FY 2007-08 are summarised in the following Table:

Table: Fuel Costs (Rs Crore)

Particulars	MYT Order	Actuals	Normative as submitted by RInfra-G	Normative Allowed after truing up
Coal Cost		575.88	633.38	624.24
Secondary Fuel Costs		1.58	25.10	24.87
Total Fuel Costs	580.92	577.46	658.48	649.11

3.7 O&M Expenses

The Operation and Maintenance (O&M) expenditure comprises employee related expenditure, Administrative and General (A&G) expenditure, and Repair and Maintenance (R&M) expenditure. RInfra-G's submissions on each of these expenditure heads, and the Commission's ruling on the truing up of the O&M expenditure heads are detailed below.

RInfra-G submitted that the Commission in its APR Order in Case No. 65 of 2007, undertook the provisional truing up for O&M expenses for FY 2007-08, wherein the base O&M expenses was escalated with escalation rate of 5.29% in accordance with Regulation 34.6.1 of the Tariff Regulations. In addition to such expenses as arrived at after applying normative escalation under the Regulations referred to above, Rs. 4.93 crore towards wage revision after applying 5.29% escalation on actual wage revision of Rs. 4.68 crore in FY 2006-07 were further increased. In addition, on account of FGD, Rs. 5.00 crore were added towards R&M expenses of FGD plant. However,

during FY08, RInfra-G incurred Rs.77.51 crore of O&M expenses as compared to Rs. 69.95 crore approved by the Commission in the APR Order.

The various components of O&M Expenses are elaborated below:

3.7.1 Employee Expenses

RInfra-G submitted that the wage revision of its employees was due from FY 2006-07 and an amount of Rs. 4.68 crore was provisioned and paid to the employees during FY 2006-07, due to which the liability of RInfra-G towards terminal benefits to employees also increased by Rs. 1.52 crore during FY 2006-07. RInfra-G submitted that the Commission, while undertaking the truing up for FY 2006-07 considered only Rs. 4.68 crore and did not consider the impact of wage revision on terminal benefits to the extent of Rs. 1.52 crore. During provisional truing up of FY 2007-08, the Commission approved an increase of 5.29 % over the wage revision of Rs. 4.68 crore. However, the actual base figure of wage revision expenses for FY 2006-07 that the Commission should have been considered is Rs. 6.20 crore (Rs.4.68 crore plus Rs. 1.52 crore). Hence, based on the Commission approved inflationary increase of 5.29%, the total additional employee expenses allowable for FY 2007-08 works out to Rs. 6.53 crore (i.e., 6.20×1.0529).

RInfra-G further submitted that it is experiencing severe attrition of its employees on account of entry of several private sector players in power generation business and it is becoming difficult to find and recruit qualified and skilled manpower at short notice. The problem is more severe in technical function wherein experienced personnel require some time to adjust to new systems at DTPS. To cope with this situation and to ensure business continuity in the medium and long-term, RInfra-G has increased its employee strength especially in executive cadre of technical function, during FY 2007-08 and FY 2008-09. The increase is also necessitated by commissioning of FGD plant and renovation and modernization projects being implemented towards auxiliary consumption reduction, heat rate improvement, water conservation, ash utilization, reliability improvement, environmental management. Accordingly, RInfra-G submitted that the number of employees working at RInfra-G has increased to 519 from a figure of 487 employees in FY 2006-07. RInfra-G submitted the additional impact on account of new employees as Rs.1.22 crore in FY 2007-08.

3.7.2 A&G Expenses

RInfra-G submitted that the actual A&G expenses in FY 2007-08 were Rs 16.49 crore.

3.7.3 R&M Expenses

RInfra-G submitted that it has incurred additional R&M expenses on account of uncontrollable factors (events) such as repairs to a collapsed bridge connecting the power station with ash pond, repairs undertaken for drains and roads damaged during construction of FGD plant. RInfra-G submitted that an amount to the extent of Rs. 0.51 crore was spent towards these uncontrollable events.

RInfra-G submitted that as the FGD plant was originally scheduled for commissioning in September 2007, the Commission allowed Rs. 10.00 crore as R&M expenses towards FGD plant for FY 2007-08 (on pro rata basis for 7 month operation between September 2007- March 2008). However, the FGD plant was commissioned in October 2007 and due to half year operation in FY 2007-08, the Commission in the APR Order in Case No. 65 of 2007, allowed Rs. 5.00 crore towards R&M expenses of FGD plant. RInfra-G submitted that the actual R&M expenses incurred on FGD plant are Rs. 0.30 crore, which is due to negligible requirement of R&M expense on account of fact that the FGD plant is very new.

The summary of the O&M expenses as submitted by the RInfra-G has been shown in the following Table:

Rs crore

Particulars	APR Order	Actual
O&M Expenses (escalated from base expenses)	60.02	68.95
Impact of wage revision for FY08	4.93	6.53
Additional R&M (for FGD plant)	5.00	0.30
Additional expenses for increase in employee strength		1.22
Additional R&M expenses to meet uncontrollable events		0.51
Total O&M expenses	69.95	77.51

RInfra-G submitted that the actual O&M expenses are higher than the amount arrived by escalating the base O&M expenses and submitted that the deviation is primarily on account of two factors, viz.,

- ✓ Firstly, the methodology used to estimate the base expenses, and;
- ✓ Secondly, the actual rate of increase vis-à-vis the rate considered by the Commission.

The MERC Tariff Regulations stipulates that for the purpose of allowing O&M expenses, the actual expenses for the period from FY 1999-2000 to FY 2003-04 shall be averaged to arrive at the base expenses as at March 31, 2002. Such base expenses shall be escalated at 4% per annum to arrive at O&M expenses for the purpose of tariff, for subsequent financial years. The MERC Tariff Regulations also state that any abnormal expenses shall be allowed separately, subject to prudence check by the Commission. RInfra-G requested the Commission to re-visit the methodology on account of the following factors:

1. Inflationary increase permitted at 4% by the Commission does not reflect the actual cost escalation on account of inflation. Inflation, being an uncontrollable factor, it is necessary to adopt an escalation factor that best reflects the prevailing economic and market conditions and variations from such rate should be allowed as pass through.
2. From FY 2002-03, RInfra-G made major changes in the operations and management of DTSPS plant, instituted processes and systems and carried out a variety of technological interventions to improve the performance of the plant. Also, in FY 2002-03, DTSPS plant was affected by flooding, which required major maintenance and consequent expenditure. These factors are reflected both in the performance as also in the total O&M expenses of the plant post FY 2001-02, as stated below:
 - a. PLF increased to 100.30% in FY 2003-04 from 90.50% in FY 2002-03. Similarly, Availability increased to 96.84% from 91.03%.
 - b. O&M expenses for FY 2001-02 were Rs. 39.80 crore, which increased to Rs. 62 crore in FY 2002-03, i.e., an increase of 56%.
3. RInfra-G submitted that it has constantly run the plant at over 100% PLF and is constantly carrying out maintenance and overhaul initiatives to sustain these high efficiency and reliability levels even with ageing Units of DTSPS, which clocked 1,00,000 hours of operation.
4. For the period from FY 1999-2000 to FY 2003-04, the normal O&M expenses of FY 2002-03 and FY 2003-04 are, therefore, subdued due to averaging of expenses over this period. The Base Expenses at March 31, 2002 arrived at after averaging would, therefore, remain lower than actual expenses. Accordingly, expenses arrived after escalating these base O&M expenses also does not reflect the actual expenses.

RInfra-G submitted that in view of the above, the pattern and magnitude of O&M expenses at DPTS Plant has, therefore, considerably changed from FY 2002-03 onwards. Furthermore, the escalation factor being pegged at 4% does not reflect the actual levels of inflation during the intervening years. For example, the rate of increase in employee expenses is between 10%-15% and R&M of plant machinery by OEMs (e.g., BHEL) also increases by 10%-12% compared to normative rate (4%) or inflationary rate (5-6%) considered by the Commission.

Accordingly, RInfra-G requested the Commission to refine the methodology of arriving at base O&M expenses, which the Commission could employ going forward to allow normative O&M expenses for the financial year for which tariff is being approved. This would work by computing a rolling average of O&M expenses (allowed by the Commission after truing up) to determine Base Expenses, instead of computing a fixed average, as elaborated below:

1. Tariff determination for Financial Year 'n' (Ensuing Year)
2. Base O&M expenses would consider actual expenses (as allowed in the final truing up by the Commission) for financial years 'n-6' to 'n-2'. Financial Year 'n-1' being the Current Year would only have first half actuals available, and hence, would not be considered.
3. The Base Expenses so arrived at will be at March 31, of FY 'n-4'.
4. Instead of merely considering an escalation factor of 4%, these expenses should be inflated by actual inflation index of each intervening year to arrive at permissible O&M expenses for FY 'n'. The actual inflation index could be worked out by using a suitable combination of annual CPI and WPI values for each intervening financial year.
5. At the time of truing-up for FY 'n', all uncontrollable expenses should be permitted over and above the normative allowance, subject to prudence check by the Commission.

RInfra-G submitted that this method would result in the allowed O&M expenses to mimic the actual incurrence more closely and would also permit pass through of the risk of inflation, which is otherwise uncontrollable. Further, such rolling average would ensure that the effect of necessary and uncontrollable expenses or abnormal expenses incurred for the sake of greater plant efficiency in the intervening years gets accommodated in the Base Expenses.

Based on the above methodology, RInfra-G estimated base O&M for FY 2007-08 by taking average of previous 5 years. The details of O&M expenses of previous 5 years (FY 2002-03-FY 2006-07) as submitted by RInfra-G are tabulated below:

Rs. crore

Particulars	FY 99-00	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07
Employee expenses	7.50	11.36	11.70	13.00	18.78	24.80	22.61	21.95
A&G expenses	8.10	8.10	8.10	17.40	14.10	17.57	16.96	13.60
R&M expenses	13.96	9.20	20.00	31.60	26.39	21.38	22.88	26.89
Total O&M	29.56	28.66	39.80	62.00	59.27	63.75	62.45	62.39

RInfra-G submitted that the average for the period FY 2002-03 to FY 2006-07 works out to Rs. 61.97 crore, which becomes the base O&M expense for FY 2004-05. This is escalated at 4% twice, in accordance with the Tariff Regulations, to arrive at the base O&M expenses for FY 2006-07, which works out to Rs. 67.03 crore. Thus, with a inflationary increase of 5.29% considered by the Commission, the base O&M expenses for FY 2007-08 works out to Rs. 70.57 crore, which is more than the base expenses of Rs. 68.95 crore as considered by the Commission in its APR Order in Case No. 65 of 2007. Accordingly, RInfra-G requested the Commission to allow actual O&M expenses of Rs. 77.51 crore during the truing up.

As regards the request of RInfra-G regarding determination of the base O&M expenses, the Commission clarifies once again that it has strictly adhered to the provisions of the Tariff Regulation in this regard and the MYT Order in Case No. 74 of 2006, which stipulates, as follows:

“As per clause 34.6.1 of the MERC (Terms and Conditions of Tariff) Regulation, 2005, the Commission has prescribed the methodology of arriving at the Operation and Maintenance expenses for existing generating stations. The relevant extract is given as below:

(a) The operation and maintenance expenses including insurance shall be derived on the basis of the average of the actual operation and maintenance expenses for the five (5) years ending March 31, 2004, based on the audited financial statements, excluding abnormal operation and maintenance expenses, if any, subject to prudence check by the Commission.

(b) The average of such operation and maintenance expenses shall be considered as operation and maintenance expenses for the financial year ended March 31, 2002 and shall be escalated at the rate of 4 per cent per annum to arrive at operation and maintenance expenses for the base year commencing April 1, 2005.

(c) The base operation and maintenance expenses for each subsequent year shall be escalated at the rate of 4 per cent per annum to arrive at permissible operation and maintenance expenses for such financial year... ”

As per the ATE Order dated April 4, 2007, the Commission has considered the actual audited numbers as base to project the Operation and Maintenance Expenses for the control period. The Petitioner has submitted the data on the O&M expenses for the period FY 1999-00 to FY 2005-06. Applying the regulation, the average actual expenses for the five years ending FY 2003-04, works out to Rs 46.85 Crore. The base O&M expenses of Rs 46.85 Crore have been escalated by 4% per annum till FY 2006-07 in accordance with the rate specified in the Tariff Regulations.”

RInfra-G, in the tariff determination process of last (third) year of first Control Period, has proposed to revise the methodology for allowing the O&M expenses. RInfra-G in its MYT Petition and APR Petition for FY 2007-08 had not raised this issue of modification in methodology of O&M expenses. The Commission therefore rejects RInfra-G's request to modify the methodology of O&M expenses for the last year of the first Control Period. In any case, RInfra-G's request would amount to amendment of the MERC Tariff Regulations for which, there is a separate process that has been prescribed, and cannot be done under the APR Petition of one of the Utilities in the State.

The Commission approved the overall O&M expenses of Rs. 70.07 crore for FY 2007-08 in the MYT Order on normative basis in accordance with the provisions of the MERC Tariff Regulations. The Commission in the APR Order in Case No. 65 of 2007 had undertaken the provisional truing up of O&M expenses for FY 2007-08 and also revised the O&M expenses on following accounts:

- Additional R&M expense for FGD plant of Rs. 5 crore as against approved R&M expense for FGD plant of Rs. 10 crore on account of the fact that the FGD plants of Unit-I and Unit-II were put into operation with effect from October 5, 2007, after trial runs. As, the FGD plant is operational only for

around six months of the year , viz., October 6, 2007 to March 31, 2008, the Commission considered the R&M expense as approved in the MYT Order on prorata basis.

Further, RInfra-G in the APR Petition for FY 2007-08 in Case No. 65 of 2007 had not apprised the Commission regarding increase in employee base. RInfra-G submitted that it regretted the omission in this regard. It is hard to accept mistakes of such important nature, as the sanctity of submitting the Petition under an affidavit is lost.

The Commission has clearly stipulated that the O&M expenses as approved in the APR Order in Case No. 65 of 2007 would form the basis for computing the sharing of gains and losses. As regards the consideration of impact of Rs. 1.52 crore on account of increase in terminal benefits due to wage revision pertaining to FY 2006-07, the Commission has increased the allowable expenses for FY 2007-08 by Rs. 1.60 crore ($1.50 \times 1.0529 = 1.60$). However, as the Commission has stipulated in the APR Order in Case No. 65 of 2007 that the allowed level of additional R&M expenses for FGD plant would be reviewed based on the analysis of R&M expenses requirements elsewhere in the country or the Commission may appoint an independent technical expert to undertake a study in this regard. In the interim, the Commission has considered the actual additional R&M expenses for FGD plant incurred in FY 2007-08. The summary of the O&M expenses approved in the APR Order for FY 2007-08, actual O&M expenses and O&M expenses considered by the Commission for computing sharing of losses is shown in the Table below:

Rs. crore

Particulars	APR Order	Actual for FY 2007-08	Base considered for sharing of gains/losses
O&M expenses	60.02	68.95	60.02
Impact of Wage revision	4.93	6.53	4.93
Impact of terminal benefits on account of wage revision			1.60
Additional R&M expenses for FGD	5	0.30	0.30
Additional Expense for increase in employee strength		1.22	0.00
Additional R&M expenses to meet uncontrollable events		0.51	0.00
Total O&M expenses	69.95	77.51	66.85

3.8 Capital expenditure and Capitalisation

The Commission has examined the actual capitalisation claimed by RInfra-G in detail as against the various capex schemes approved by the Commission. Further, as against permitted capital expenditure of Rs. 193.04 crore and corresponding capitalisation of Rs. 272.14 crore considered under its APR Order dated April 21, 2008 in Case No. 65 of 2007, actual capitalisation by RInfra-G during FY 2007-08 amounted to Rs. 249.18 crore. RInfra-G submitted that the primary reason for deviation is lower capitalisation under FGD plant due to few initial spares, which were yet to be received. The Commission has verified the actual capitalisation claimed by RInfra-G as against the capex schemes already approved by the Commission. The views of the Commission on the capitalisation of various capital schemes during FY 2007-08 are as under:

For the purpose of truing up for FY 2007-08, the Commission has considered capitalisation of the FGD Plant, which has been commissioned in October 2007, as the Commission has approved this DPR scheme. Though the Commission has considered the capitalisation towards FGD Plant, **the Commission directs RInfra-G to submit the details of the actual benefit derived in accordance with benefits stipulated in the DPR within 2 months from the date of this Order.** Further, the Commission asked RInfra-G to submit the detailed computation of Interest during Construction (IDC), which has been submitted by RInfra-G as shown in the Table below:

Rs. crore

Particulars	FY 2005-06	FY 2006-07	FY 2007-08
Opening Balance of Loan	-	7.48	41.24
Loan Addition during the year	7.48	33.75	171.37
Closing Balance	7.48	41.24	-
Average Loan	3.74	24.36	126.92
IDC	0.28	2.44	6.35

As regards the computation of IDC for FGD project, the Commission observed that RInfra-G has considered loan addition during FY 2007-08 as 100% of the actual capital expenditure during FY 2007-08. The Commission while considering the IDC for FGD project has considered 70% of the capital expenditure during FY 2007-08 as normative loan addition. Accordingly, the Commission has considered the IDC for FGD Plant as Rs. 6.08 crore as against the estimated IDC of Rs 9.06 crore by RInfra-G.

In respect of the DPR scheme 'Coal Handling System (additional coal stock yard)', the Commission has not considered the actual capital expenditure and capitalisation as

the Commission is of the view the benefits of such scheme needs to be examined in terms of coal stock maintained prior to the scheme, increase in the coal stock after setting up the additional coal stock yard, etc. The Commission is of the view that until it is ascertained that the projected benefits actually accrue for the benefit of the stakeholder, it would not be appropriate to allow such expenses and would amount to unjustified charge to them.

For Non-DPR schemes, the Commission has considered 50% of the actual capitalisation during FY 2007-08 on adhoc basis as the Commission is of the view until it is ascertained that the projected benefits actually accrue for the benefit of the stakeholder, it would not be appropriate to allow the entire expenses. RInfra-G will have to submit detailed cost benefit analysis, for the Commission to arrive at the total cost to be allowed after scrutiny. Accordingly, for truing up for FY 2007-08, the Commission has considered the capitalisation of Rs. 3.69 crore towards Non-DPR schemes.

As regards whether projected benefits have actually accrued for the benefit of the consumers, the Commission directs RInfra-G to submit the detailed report with established benefits vis-à-vis the benefits projected with the schemes within one month from the issuance of this Order.

The summary of the total capitalisation as approved in the APR Order, actuals as per RInfra-G and as approved by the Commission is shown in the Table below:

Table: Capitalisation ***(Rs Crore)***

Particulars	FY 2007-08		
	APR Order	Actual	Approved after truing up
Capitalisation	272.14	249.18	236.33

3.9 Depreciation

The Commission, in its APR Order dated April 21, 2008, permitted depreciation expenditure of Rs. 44.03 crore for FY 2007-08, which amounts to 3.36% of opening level of Gross Fixed Assets (GFA) of RInfra-G for FY 2007-08. The actual depreciation expense claimed by RInfra-G for FY 2007-08 tallies with the approved expense of Rs. 44.03 crore. RInfra-G submitted that the depreciation for FY 2007-08 has been computed on opening GFA only and confirmed that depreciation has not been claimed beyond 90% of the asset value in accordance with the Tariff Regulations. The depreciation expenditure approved by the Commission in the APR

Order, actual depreciation claimed by RInfra-G, and depreciation expenditure allowed after truing up for FY 2007-08 has been summarised in the following Table:

Table: Depreciation ***(Rs Crore)***

Particulars	APR Order	Actuals	Allowed after truing up
Opening GFA	1311.18	1311.18	1311.18
Depreciation	44.03	44.03	44.03

3.10 Interest on Debt

The Commission, under its APR Order dated April 21, 2008, had approved interest expenditure of Rs 4.80 crore, after considering the interest expenditure on normative debt corresponding to capitalised assets only. The Commission had considered the interest rate of 10% p.a. for the assets put to use during FY 2004-05 and FY 2005-06 and interest rate of 8% p.a. for assets put to use during FY 2007-08.

RInfra-G submitted that interest on debt for FY 2007-08 has been computed based on interest on normative loans for capital expenditure to be capitalised in FY 2007-08. RInfra-G submitted that normative loan repayment tenure of 10 years has been considered for loan drawal during FY 2004-05 and FY 2005-06 and 20 years for loan drawal during FY 2006-07 and FY 2007-08. RInfra-G submitted that the interest on debt for FY 2007-08 was Rs 4.40 crore. RInfra-G submitted that since the FGD plant is put to use during second half of FY 2007-08, it has considered loan repayment and interest on loan capital for half year only.

The Commission sought clarification from RInfra-G regarding reconciliation of opening loan balance of Rs 14.22 crore for FY 2007-08 claimed by RInfra-G as against opening loan balance of Rs. 12.38 crore approved in the APR Order in Case No. 65 of 2007. RInfra-G, in its reply to the Commission's query, submitted the corrected opening level of loan balance, which is equal to loan balance approved in the APR Order and also submitted that it had erroneously added the loan drawal of FY 2006-07 in loan additions of FY 2007-08.

The Commission has computed the interest expenditure on the normative debt corresponding to capitalised assets only and has considered the interest rate of 10% p.a. for the assets put to use during FY 2004-05 and FY 2005-06 and at the interest rate of 8% p.a. for assets put to use during FY 2006-07 and FY 2007-08 in accordance with the principle adopted in the APR Order dated April 21, 2008 in Case No. 65 of 2007. The Commission has considered normative loan repayment tenure of 10 years

for loan drawal during FY 2004-05 and FY 2005-06 and 20 years for loan drawal during FY 2006-07 and FY 2007-08.

As against RInfra-G's claim of interest expenditure of Rs 4.40 crore for FY 2007-08, the approved interest expenditure on long-term loan works out to Rs 4.22 crore, which is lower than that approved by the Commission in the APR Order, mainly due to reduced capitalisation approved by the Commission. The summary of the interest expenses as approved in the APR Order, revised estimate based on the capitalisation by RInfra-G and approved by the Commission after truing up for FY 2007-08 is shown in the Table below:

Table: Interest Expenses (Rs Crore)

Particulars	FY 2007-08		
	APR Order	Revised Estimate	Allowed after truing up
Opening balance of loan	12.38	12.38	12.38
Additions	190.50	174.42	165.43
Repayment	(5.84)	(9.89)	(9.34)
Closing balance of loan	197.04	176.91	168.47
Interest cost	4.80	4.40	4.22

3.11 Interest on working capital

RInfra-G submitted that it has estimated the Interest on Working Capital (IWC) considering average interest rate @ 11.50% on the working capital requirement computed in accordance with the MERC Tariff Regulations, with the revised Interest on Working Capital estimated at Rs 6.00 crore as against Rs 7.72 crore approved in the APR Order by the Commission.

Further, RInfra-G has submitted in its reply to additional queries raised by the Commission that it has not availed any loan for working capital and has funded such working capital through corporate treasury. Hence, RInfra-G has not actually incurred any expenditure towards interest on working capital during FY 2007-08.

The Commission has estimated the normative working capital interest for FY 2007-08 based on expenses approved in this Order after truing up and the MERC Tariff Regulations. However, the Commission considers this to be a controllable parameter and has therefore computed the sharing of gains on the basis of normative working capital interest and the actual working capital interest incurred, which in this case is zero. Further, the MERC Tariff Regulations stipulates that rate of interest on working capital shall be equal to the short-term Prime Lending Rate of State Bank of India as on the date on which the application for determination of tariff is made. As the short-

term Prime Lending Rate of State Bank of India at the time when RInfra-G filed the Petition for tariff determination for FY 2007-08 was 11.50%, the Commission has considered the interest rate of 11.50% for estimating the normative interest on working capital, which works out to Rs. 5.78 crore.

3.12 Return on Equity (RoE)

RInfra-G submitted that it had computed the Return on Equity (RoE) for FY 2007-08 for its generation business in accordance with the MERC Tariff Regulations, which stipulates a 14% return on equity per annum on the regulatory equity at the beginning of the Financial Year.

Accordingly, the Commission has computed the RoE for FY 2007-08 on the opening balance of equity in accordance with the MERC Tariff Regulations 34.1 and 31 as applicable for the generation business. The summary of RoE as projected by RInfra-G and approved by the Commission for FY 2007-08 is summarised in the following Table:

Table: Return on Equity ***(Rs Crore)***

Particulars	FY 2007-08		
	APR Order	Actuals	Allowed after truing up
Regulatory Equity at the beginning of the year	439.78	439.78	439.78
Equity portion of assets capitalised during year	81.64	74.75	70.90
Regulatory Equity at the end of the year	521.42	514.53	510.68
Return on Regulatory Equity at the beginning of the year	61.57	61.57	61.57

3.13 Income Tax

RInfra-G, in its Petition, submitted that the Dahanu Plant is eligible for Section 80 IA Benefit under Income Tax Act, 1961 and the income tax payable is at applicable Minimum Alternate Tax (MAT) Rate @ 11.33%. RInfra-G estimated the income tax for FY 2007-08 at Rs 11.97 crore. RInfra-G submitted the detailed income tax computations for FY 2007-08, after considering the 80 IA tax benefits, and other tax exemptions as applicable including tax depreciation. RInfra-G also claimed income tax on incentive income and income arising out of sharing of efficiency gains.

However, the Commission observes that RInfra-G has changed its approach for computing Income Tax in FY 2007-08 as compared to FY 2006-07. RInfra-G, during the APR Petition in Case No. 65 of 2007 submitted the detailed computation of income tax wherein, it had added back the normative interest on loan and normative

interest on working capital to the taxable income (i.e., return on equity + incentive + non-tariff income) while computing the income tax and submitted that these normative expenses are not eligible as expense for arriving at the profit before tax on which tax would be computed. However, RInfra-G in this APR Petition has not computed the income tax in accordance with the approach adopted by it previously.

The Commission in its APR Order in Case No. 65 of 2007 also considered RInfra-G's submission that normative interest on loan and normative interest on working capital are not actual expenses and hence, would not be eligible as deductible expenses while computing the income tax. The Commission also opined that the issue of book depreciation and tax depreciation was not relevant in case of RInfra-G as it is liable to pay only Minimum Alternate Tax (MAT), which is payable on Book Profit. Accordingly, while computing the income tax for FY 2007-08, the Commission has considered the above mentioned philosophy adopted by the Commission in the APR Order in Case No. 65 of 2007.

As regards tax on income arising out of sharing of gains due to better performance and PLF incentive, the Commission is of the view that the expenses incurred for achieving better performance (such as A&G, R&M, etc.) including higher PLF has already been allowed as pass through by the Commission and allowing tax on income arising out of better performance will put additional burden to consumers. Moreover, the MERC Tariff Regulations stipulate that the Generation Company is allowed to retain two-third of the efficiency gains and only the balance one-third is passed on to the consumers (distribution licensees, in this case) through reduction in tariff. If the income tax on the share retained by the Generation Company is passed through as an expense in the ARR, it will amount to reducing the consumer's share, i.e., one-third of the efficiency gains. This clearly is not the intention of the MERC Tariff Regulations. In other words, income tax is to be allowed as a pass through in the ARR, only to the extent of normal profits, i.e., the RoE, and not on any additional returns that the licensee is able to earn. Hence, The Utility has to pay the Income Tax on efficiency gains out of its own profits, and this cannot be passed on to the consumers. Accordingly, the Commission has not considered the tax on income arising out of PLF/Capacity Index incentive. Further, the Commission has not grossed up such RoE component for income tax, since the income tax is being allowed as an expense under the ARR, in accordance with the MERC Tariff Regulations.

Based on the above principles, the Commission has estimated the income tax of RInfra-G on stand alone basis by considering the income and expenses as per approved ARR after truing up for FY 2007-08, as Rs. 8.11 crore. The summary of the income tax as claimed by RInfra-G and as approved by the Commission in this Order is shown in the Table below:

Table: Income Tax (Rs Crore)

Particulars	FY 2007-08	
	Revised Estimate by RInfra-G	Approved after truing up
Profit Before Tax	105.62	61.57
Add: Normative Interest on Long Term Loan	-	4.22
Add: Normative Interest on Working Capital	-	5.78
Total	105.62	71.58
Income Tax rate	11.33%	11.33%
Income Tax on Total Profit	11.97	8.11

3.14 Non Tariff Income

RInfra-G submitted that the actual non-tariff income for FY 2007-08 is lower at Rs. 3.88 crore as against Rs. 6.17 Crore approved by the Commission in its APR Order in Case No. 65 of 2007.

The Commission has considered the actual non-tariff income for truing up as shown in the Table below:

Table: Non-Tariff Income (Rs Crore)

Particulars	Tariff Order	Actuals	Allowed after truing up
Non-Tariff Income	6.17	3.88	3.88

3.15 Revenue from Sale of Electricity

RInfra-G submitted that the revenue from sale of electricity to RInfra-D is in accordance with the tariff as determined by the Commission in its APR Order in Case No. 65 of 2007. Further RInfra-G has considered PLF incentive receivable on actual

net generation (PLF in excess of 80%) and fuel surcharge payable for difference between Rate of Energy Charge (REC) at actual calorific values estimated and REC determined by the Commission.

RInfra-G, in its Petition, submitted that it is entitled to incentive on thermal generation higher than PLF of 80%. The incentive due to RInfra-G for FY 2007-08 works out to Rs. 21.68 crore. The details of incentive computations submitted by RInfra-G for DTSP are given in the following Table:

Table: Incentive Computations for thermal units as submitted by RInfra-G

Unit	Actual Net Generation (MU)	Net Generation at 80% PLF (MU)	Energy eligible for incentive (MU)	Rate of Incentive (Rs/kWh)	Incentive (Rs Crore)
DTSP	4089.09	3222.03	867.06	0.25	21.68

RInfra-G has computed the incentive on net actual thermal generation by considering the actual auxiliary consumption. The Commission is of the view that as the benefit of reduction in auxiliary consumption is being allowed in terms of sharing of efficiency gains while truing up the revenue, computing incentive by considering actual auxiliary consumption instead of normative auxiliary consumption will lead to additional benefit for reduction in auxiliary consumption. Therefore, for DTSP, the Commission has re-computed the incentive for FY 2007-08 as given in the following Table:

Table: Incentive Computation for DTSP as approved by Commission

Unit	Net Generation considering normative Aux. Consumption (MU)	Net Generation at 80% PLF (MU)	Energy eligible for incentive (MU)	Rate of Incentive (Rs/kWh)	Incentive (Rs Crore)
DTSP	4052.26	3187.11	865.15	0.25	21.63

The Commission has considered the revenue for FY 2007-08 for RInfra-G based on the fixed cost and rate of energy charge as approved in the Tariff Order dated October 3, 2006 and computed the PLF incentive in line with the explanation mentioned in above paragraphs.

Table: Revenue

Particular	Unit	RInfra-G	Commission
Fixed cost	Rs. Crore/ Year	190.29	190.29
Rate of Energy Charge	Rs./kWh	1.552	1.552
Energy Charge	Rs. Crore	634.63	634.63
PLF Incentive	Rs. Crore	21.68	21.68
Fuel surcharge	Rs. Crore	23.85	23.85
Revenue from existing Tariff	Rs. Crore	870.45	870.45

The Commission has considered the total revenue for FY 2007-08 at Rs. 870.45 crore. Further, the Commission has considered the benefit of reduction in auxiliary consumption as additional sales by RInfra-G and accounted for the same while sharing efficiency gains as discussed in subsequent paragraphs.

The Commission observed that in the Reconciliation Statement for FY 2007-08 while reconciling the revenue between Generation, Transmission and Distribution business of RInfra, RInfra-G mentioned that 'revenue from sale of excess power from DTSPS not considered in APR' which amounts to Rs. 11.82 crore. The Commission asked RInfra-G to submit details of energy sold and RInfra-G submitted that 17.60 MU was sold to different traders. RInfra-G further submitted that RInfra-D, which owns the capacity by way of paying the fixed charges, had sold surplus power available after meeting its own requirement. The revenue of Rs. 11.82 crore from such sale was reconciled in power procurement cost (pertaining to imbalance pool under Format 2 of RInfra-D financial model) of RInfra-D so that its consumers benefit from such sale.

3.16 Sharing of gains and losses in FY 2007-08

RInfra-G categorised the expenditure as controllable and uncontrollable and computed the gains and losses for the controllable expenditure and shared the same with the distribution licensee in accordance with the MERC Tariff Regulations. The relevant provisions under the Tariff Regulations stipulating sharing of gains/losses due to controllable factors are reproduced below:

“17.6.2 Some illustrative variations or expected variations in the performance of the applicant which may be attributed by the Commission to controllable factors include, but are not limited to, the following:

(a) Variations in capital expenditure on account of time and/ or cost overruns/efficiencies in the implementation of a capital expenditure project not attributable to an approved change in scope of such project, change in statutory levies or force majeure events;

(b) Variations in technical and commercial losses, including bad debts;

(c) Variations in the number or mix of consumers or quantities of electricity supplied to consumers as specified in the first and second proviso to clause (b) of Regulation 17.6.1;

(d) Variations in working capital requirements;

(e) Failure to meet the standards specified in the Standards of Performance Regulations, except where exempted in accordance with those Regulations;

(f) Variations in labour productivity;

(g) Variations in any variable other than those stipulated by the Commission under Regulation 15.6 above, except where reviewed by the Commission under the second proviso to this Regulation 17.6.

...

19.1 The approved aggregate gain to the Generating Company or Licensee on account of controllable factors shall be dealt with in the following manner:

(a) One-third of the amount of such gain shall be passed on as a rebate in tariffs over such period as may be specified in the Order of the Commission under Regulation 17.10;

(b) In case of a Licensee, one-third of the amount of such gain shall be retained in a special reserve for the purpose of absorbing the impact of any future losses on account of controllable factors under clause (b) of Regulation 19.2; and

(c) The balance amount of gain may be utilized at the discretion of the Generating Company or Licensee.

19.2 The approved aggregate loss to the Generating Company or Licensee on account of controllable factors shall be dealt with in the following manner:

(a) One-third of the amount of such loss may be passed on as an additional charge in tariffs over such period as may be specified in the Order of the Commission under Regulation 17.10; and

(b) The balance amount of loss shall be absorbed by the Generating Company or Licensee.”

The Commission has considered the performance parameters and expenses for computing the sharing of gains/losses in accordance with the provisions of the Tariff Regulations, as elaborated below:

Fuel Cost

RInfra-G submitted that the variation in the fuel cost is due to variation in the operational parameters as heat rate and specific secondary oil consumption of the DTPS, which are controllable factors.

RInfra-G computed the fuel cost based on the approved operational norms of heat rate and secondary fuel oil consumption and estimated a total efficiency gain of Rs. 81.02 crore, which it has proposed to share with the Distribution Licensee to the extent of Rs. 27.01 crore (one-third). RInfra-G has proposed to retain two third of the computed efficiency gain. The summary of the efficiency gain on account of fuel cost as proposed by RInfra-G has been shown in the Table below:

Table: Gain and loss due to variation in fuel cost as proposed by RInfra-G
(Rs Crore)

Efficiency Gains	[REC_n - Act. Var cost] x Net Generation
Efficiency Gains	81.02
To be passed on to Distribution Licensee (Consumers)	27.01
To be retained by RInfra-G	54.01

Further, as discussed in the above paragraphs, for computing the efficiency gain, the Commission has considered the approved normative heat rate and approved secondary fuel oil consumption for DTPS. However, the Commission observes that RInfra-G has computed the efficiency gain based on net heat rate. If efficiency gain is computed on the basis of net heat rate, then the benefit of the better auxiliary consumption will get passed on twice as any gain in the net generation out of the reduction in the auxiliary consumption is realised through the extra sales by RInfra-G. Therefore, the Commission has considered the efficiency gain on account of fuel cost on the basis of gross heat rate and any benefit out of the better auxiliary consumption has been considered in the truing up of the revenue rather than truing up of the expenditure. Further, the Commission has considered the sharing of gains in accordance with the provisions of the Tariff Regulations and has considered the sharing of gains as one third to be shared with the Distribution Licensee, i.e., RInfra-D, and two thirds of the gain to be retained by RInfra-G.

Revenue from Sale of Electricity

As discussed in the above paragraphs, the revenue for FY 2007-08 is based on the fixed charge and rate of energy charge. Further, as discussed above, the benefit of reduction in auxiliary consumption is being allowed in terms of sharing of efficiency gains while truing up the revenue. Therefore, for DTSP, the Commission has estimated additional revenue from energy charge from sale of power on account of reduction in auxiliary consumption as Rs 5.35 crore, which has been considered as efficiency gain on account of controllable factors and in accordance with the MERC Tariff Regulations, one-third of the same has been shared with the distribution licensee, i.e., RInfra-D, and RInfra-G has been allowed to retain two-thirds of such gains.

The summary of the efficiency gains as computed by RInfra-G due to variation in fuel cost and as approved by the Commission, for variation in fuel cost and additional revenue on account of reduced auxiliary consumption is shown in the Table below:

Table: Gain and loss due to variation in fuel cost as approved by the Commission (Rs Crore)

Particulars	RInfra-G	Commission
Efficiency Gains	[REC_n - Act. Var cost] x Net Generation	Based on Gross SHR and normative Secondary Fuel Oil consumption
Efficiency Gains	81.02	71.65
To be passed on to Distribution Licensee (Consumers)	27.01	23.88
To be retained by RInfra-G	54.01	47.77
Additional revenue on account of reduced auxiliary consumption	-	5.35
To be passed on to Distribution Licensee (Consumers)	-	1.78
To be retained by RInfra-G	-	3.57
Total Efficiency gain to be passed on to Distribution Licensee (Consumers)		25.86
Total Efficiency gain to be retained by RInfra-G	54.01	51.33

O&M Expenses

As regards the sharing of gains and losses for O&M expenses, RInfra-G has requested the Commission to allow the O&M expenses on actuals, citing uncontrollable factors, however, the Commission has clearly stipulated that the O&M expenses as approved in the APR Order in Case No. 65 of 2007 would form the basis for computing the sharing of gains and losses. The O&M expenses for FY 2007-08 allowed by the Commission after truing up have been elaborated in Section 2.7. Accordingly, the Commission has considered the difference of the actual O&M expenses and O&M expenses allowed after truing up for computing efficiency losses and has considered sharing of the same as one third to be shared with the Distribution Licensee, i.e., RInfra-D, and two thirds of the losses to be borne by RInfra-G.

Interest on Working Capital

As discussed in the above paragraphs, the actual interest on working capital incurred by RInfra-G during FY 2007-08 is nil and the normative interest on working capital approved by the Commission considering other elements of expenses approved after truing up, works out to Rs. 5.78 crore. As the actual expenditure under this head is zero, the Commission has considered the entire normative interest on working capital as efficiency gains and has considered sharing of the same as one third to be shared with the Distribution Licensee, i.e., RInfra-D, and two thirds of the gain to be retained by RInfra-G.

Gap/(Surplus) for FY 2007-08 based on truing up and sharing of efficiency gain/losses

Based on the above computations for truing up for various elements of expenses and revenue and sharing of efficiency gains/losses, the Commission has estimated the total surplus as Rs. 31.73 crore as against the surplus of Rs. 15.71 crore estimated by RInfra-G for FY 2007-08. The Commission has considered this efficiency gain to be shared in accordance with the Tariff Regulations, hence, one third of this efficiency gain is to be shared with the Distribution Licensee, viz., RInfra- D, and two third of the efficiency gain is being allowed to be retained by RInfra-G.

The summary of the net ARR and efficiency gains as approved by the Commission for FY 2007-08 is given in the following Table:

Table : Summary of Truing up for FY 2007-08

S.No.	Particulars	Tariff Order	Actual	Entitlement as per Regulations/ Order	Deviation	Efficiency (Gain)/loss shared with Distribution Licensees	Net Entitlement
A	Expenditure						
1	Fuel Related Expenses ^e	580.92	577.46	649.11	(71.65)	(23.88)	625.23
2	Operation & Maintenance Expenses	69.95	77.51	66.85	10.66	3.55	70.40
3	Depreciation, including advance against depreciation	44.03	44.03	44.03	-	-	44.03
4	Interest on Long-term Loan Capital	4.80	4.40	4.22	-	-	4.22
5	Interest on Working Capital	7.72	0.00	5.78	(5.78)	(1.93)	3.86
6	Income Tax	8.39	11.97	8.11	-	-	8.11
	Total Expenditure	715.81	715.36	778.10	(66.78)	(22.26)	755.84
B	Return on Equity	61.57	61.57	61.57	-	-	61.57
C	Additional Revenue due to Reduced Aux Consumption			5.35	(5.35)	(1.78)	3.57
D	Incentive for Higher PLF	0.00	21.68	21.63	-	-	21.63
E	Total including expenditure +RoE +Incentive	777.38	798.61	866.65	(72.12)	(24.04)	842.60
F	Revenue						
1	Revenue from sale of electricity	771.21	870.45	870.45	-	-	870.45
2	Other Income	6.17	3.88	3.88	-	-	3.88
	Total Revenue	777.38	874.33	874.33			874.33
F	Revenue Gap/(Surplus)						(31.73)

*Rinfra-G has claimed normative fuel expenses of Rs 658.48 crore and has considered efficiency gain of Rs 81.02 crore [Normative Fuel Cost= (Actual fuel cost of Rs 577.46 crore + Efficiency Gain of Rs 81.02 crore)]

4 PERFORMANCE PARAMETERS FOR FY 2008-09 AND FY 2009-10

4.1 Performance Parameters

Regulation 16.1 of the Tariff Regulations, stipulates:

“The Commission may stipulate a trajectory, which may cover one or more control periods, for certain variables having regard to the reorganization, restructuring and development of the electricity industry in the State.

Provided that the variables for which a trajectory may be stipulated include, but are not limited to, generating station availability, station heat rate, transmission losses, distribution losses and collection efficiency.” (emphasis added)

The Commission, in its MYT Order for RInfra-G, had approved the following performance parameters for the first Control Period from FY 2007-08 to FY 2009-10:

- Availability
- Heat Rate
- Auxiliary Consumption
- Secondary Fuel Oil Consumption

4.2 Performance Parameters

The Commission, in its MYT Order for RInfra-G, had approved the performance of DTPS for the entire Station together, considering the fact that both the Units operate on single primary fuel, i.e., coal.

4.2.1 Availability

The Commission, in its MYT Order, had considered the availability of DTPS over the Control Period as projected by RInfra-G. As the projected availability of DTPS was more than normative availability of 80%, the Commission allowed the full recovery of annual fixed charge approved by the Commission.

RInfra-G, in its Petition, has submitted the revised estimates for availability during FY 2008-09 based on the actual availability during the first six months and projections for the remaining six months of FY 2008-09. The Commission at this

stage has not revised the availability for FY 2008-09 and will consider the actual availability for the entire year during the truing up exercise.

As regards the availability projected for FY 2009-10 at 94.59% by RInfra-G, the Commission observed that it is higher than the approved availability for FY 2009-10 in its MYT Order. For FY 2009-10, the Commission has considered the availability equivalent to PLF projected by RInfra-G, i.e., 99.09%.

As the revised estimate of availability during FY 2008-09 and projected availability during FY 2009-10 is higher than the normative availability of 80%, the Commission allows the recovery of full fixed cost recovery of DTPS.

The availability as approved by the Commission in APR Order (for FY 2008-09), MYT Order (for FY 2009-10), projected by RInfra-G in the APR Petition, and approved by the Commission for FY 2008-09 and FY 2009-10 is shown in the Table below:

Table: Availability for FY 2008-09 & FY 2009-10

Plant	FY 2008-09			FY 2009-10		
	APR Order	Revised Estimate	Approved	MYT Order	Revised Estimate	Approved
DTPS	94.25%	94.59%	94.25%	94.25%	94.59%	99.09%

4.2.2 Auxiliary Consumption

RInfra-G, in its Petition, submitted that the auxiliary consumption for DTPS for FY 2008-09 is based on the actual auxiliary consumption for the first six months and projections for the remaining six months of FY 2008-09. RInfra-G has projected the auxiliary consumption for FY 2008-09 on the basis of the auxiliary consumption approved by the Commission for FY 2008-09.

RInfra-G submitted that during the first half of FY 2008-09, DTPS achieved auxiliary consumption (excluding auxiliary consumption of FGD plant) of 7.72%, and projected auxiliary consumption as 7.80% for second half of FY 2008-09. RInfra-G further submitted that the FGD plant has been commissioned and is fully operational from second half of FY 2007-08 and the actual auxiliary consumption of the FGD plant has been 30.09 MU during first half of FY 2008-09. Based on actual power consumption by FGD plant, RInfra-G projected a consumption of 30.09 MU during second half of FY 2008-09. Hence, RInfra-G projected the total auxiliary consumption of FGD plant for FY 2008-09 as 60.18 MU as against 56 MU considered by the Commission in the MYT Order. RInfra-G submitted that as there are no norms

presently available for auxiliary power consumption of FGD plants, the auxiliary consumption of FGD plant may be approved at estimated auxiliary power consumption of 60.18 MU of FGD for FY 2008-09. The Commission may appoint a competent independent technical entity to study this aspect and conclude accordingly.

In reply to the query raised by the Commission regarding monitoring methodology of the consumption of FGD plant, RInfra-G submitted that for FGD Auxiliaries, energy meters and current transformers/transducers are installed at power supply end. These are being calibrated at regular intervals with standard calibration source. RInfra-G further submitted that the FGD plant's auxiliary power consumption is being monitored and recorded on daily basis and submitted the following details of the meters:

Energy Meters for FGD Incomers	:	Conzerve Make, 0.5 Class
Energy Meters for FGD Pumps/Fans	:	EL Measure Make, 0.5 Class

The Commission asked RInfra-G regarding the validation process for consumption data of FGD plant. RInfra-G submitted that like the main plant, i.e., power generation process, Operation & Maintenance at FGD plant also follows "DMAIC" approach i.e., Define, Measure, Analyse, Improve and Control at various levels and at defined frequencies. Performance monitoring is done in structured report formats and MIS is generated for appropriate review, validation and analysis. This systematic process of aggregating and analysing various key performance indices in generation process also includes validation of consumption data of FGD plant and that of the main plant.

Though the Auxiliary Consumption (excluding FGD plant) as estimated by RInfra-G for FY 2008-09 is lower than the auxiliary consumption approved in the Order, the Commission in this Order has not revised the auxiliary consumption for FY 2008-09, and the Commission will consider the actual auxiliary consumption for FY 2008-09 during truing up of performance for FY 2008-09 at the end of the year. Further, the Commission has retained the auxiliary consumption of FGD at the same level as approved in the MYT Order, as the revised projections submitted by RInfra-G are based on short-term trends.

The summary of auxiliary consumption as approved for FY 2008-09 in the APR Order, MYT Order for FY 2009-10, projected by RInfra-G in the APR Petition, and approved by the Commission for FY 2008-09 and FY 2009-10 is shown in the Table below:

Table: Auxiliary Consumption for FY 2008-09 and FY 2009-10

Plant	Unit	FY 2008-09			FY 2009-10		
		APR Order	Revised Estimate	Approved	MYT Order	Revised Estimate	Approved
DTPS	%	8.50%	7.76%	8.50%	8.50%	8.50%	8.50%
Additional Auxiliary Consumption for FGD	MU	56.00	60.18	56.00	56.00	60.18	56.00

4.2.3 Heat Rate

RInfra-G, in its Petition, submitted that during the first half of FY 2008-09, DTPS achieved actual heat rate of 2303.19 kcal/kWh and projected to achieve a heat rate of 2313 kcal/kWh during second half of FY 2008-09. RInfra-G submitted that the heat rate for entire FY 2008-09 is estimated at 2307.87 kcal/kWh as against the normative value of 2500 kcal/kWh.

RInfra-G submitted that as actual/normative secondary fuel consumption is given in volumetric units (i.e., ml/kWh), whereas calorific values are represented in gravimetric units (i.e., kcal/kg), density of these fuels (0.89 kg/l for LDO) is used to convert volumetric units to gravimetric units, while computing the heat contribution.

RInfra-G has submitted that it has considered the heat rate for FY 2009-10 as 2500 kcal/kWh on normative basis and heat contribution from primary fuel is computed considering the heat contribution from normative secondary fuel consumption specified in Regulation 35 of the MERC Tariff Regulations.

The Commission would like to highlight that for FY 2008-09, the revised heat rate figures submitted by RInfra-G are estimated figures based on actual performance during the first six months and estimated performance during the remaining six months of the year. The trajectory of performance parameters during the first Control Period was approved in MYT Order considering the impact of the ATE Order and based on submissions made by RInfra-G. The Commission will consider the actual performance for the entire FY 2008-09 during the truing up exercise for arriving at efficiency gains for better performance. Thus, at this stage, the Commission has not considered any revision in heat rate and has retained the heat rate approved by the Commission in the MYT Order. The summary of heat rate approved for FY 2008-09 in the APR Order, MYT Order for FY 2009-10, proposed by RInfra-G in the APR Petition, and as approved by the Commission for FY 2008-09 and FY 2008-09 is given in the following Table:

Table: Heat Rate (kcal/kWh) for FY 2008-09 and FY 2009-10

Plant	FY 2008-09			FY 2009-10		
	APR Order	Revised Estimate	Approved	MYT Order	Revised Estimate	Approved
DTPS	2500	2308	2500	2500	2500	2500

4.2.4 Secondary Fuel Consumption

RInfra-G submitted that it is using Light Diesel Oil (LDO) as secondary fuel for power generation. During first half of FY 2008-09, the secondary oil consumption achieved by RInfra-G is 0.083 ml/kWh as compared to normative secondary fuel oil consumption of 2.0 ml/kWh. The Commission asked RInfra-G to submit the basis and justification for such low actual/estimated specific oil consumption. RInfra-G submitted that such low secondary oil consumption is on account of outages being kept as low as possible and steady load operations of the plant.

RInfra-G has projected the secondary fuel oil consumption for FY 2009-10 based on the approved norm of 2 ml/kWh for FY 2009-10 in the MYT Order. Though the actual secondary fuel oil consumption has been much lower, however, for the sake of consistency, the Commission has considered the secondary fuel oil consumption as 2 ml/kWh, in accordance with the norms specified in MERC Tariff Regulations. If required the Commission may get an independent technical study done in this respect.

The summary of secondary fuel oil consumption as approved for FY 2008-09 in APR Order, MYT Order for FY 2009-10, proposed by RInfra-G in the APR Petition, and as approved by the Commission for FY 2008-09 and FY 2009-10 is given in the following Table:

Table: Secondary Fuel Oil Consumption (ml/kWh) for FY 2008-09 and FY 2009-10

Plant	FY 2008-09			FY 2009-10		
	APR Order	Revised Estimate	Approved	MYT Order	Revised Estimate	Approved
DTPS	2.000	0.084	2.000	2.000	2.000	2.000

5 ANALYSIS OF ENERGY AVAILABILITY, ENERGY CHARGES AND ANNUAL FIXED CHARGE FOR FY 2008-09 AND FY 2009-10

RInfra-G, in its APR Petition, submitted the performance for FY 2008-09 based on actual performance for the first half of the year, i.e., April to September 2008 and revised estimate of performance for the second half of the year, i.e., October 2008 to March 2009. RInfra-G submitted the comparison of each element of expenditure and revenue for FY 2008-09 with that approved by the Commission in its APR Order dated April 21, 2008 in Case No. 65 of 2007.

RInfra-G, in its Petition, mentioned that there exists an additional revenue requirement for FY 2008-09 largely on account of uncontrollable factors and sought the recovery of gap from RInfra-D. RInfra-G requested the Commission to provisionally true up expenses and revenue for FY 2008-09 and allow the same to be recovered from RInfra-D.

The Commission will undertake the final truing up of the revenue requirement and revenue for FY 2008-09 once the actual expenses and revenue based on the Audited Accounts of RInfra for FY 2008-09 are available, i.e., during Annual Performance Review for the third year of the Control Period, viz., FY 2009-10. As regards the provisional truing up requirement for FY 2008-09 for RInfra-G, the Commission is of the view that the provisional truing up for Generation Companies is not required as the Generation Companies are able to recover increase in fuel costs, which comprise the bulk of their revenue requirement, through FAC mechanism. Based on analysis of expenditure for FY 2008-09, it is observed that the variation in other elements of expenditure except fuel cost is not substantial and there is no change in principles/methodology. Further, it is observed that the final truing up for FY 2006-07 and FY 2007-08 including sharing of efficiency gains and losses has resulted in surplus for both the years. Accordingly, the Commission in this Order on APR for FY 2008-09 and determination of Tariff for FY 2009-10 has not considered the provisional truing up of elements of the revenue requirement for FY 2008-09. However, before proceeding towards determination of tariff for FY 2009-10, it is essential to assess the performance during FY 2008-09 based on half year actual and revised estimates for second half of FY 2008-09. Accordingly, the revised estimate of performance of RInfra-G during FY 2008-09 as compared to Commission's APR Order for RInfra-G is discussed in the following paragraphs.

5.1 PLF and Gross Generation during FY 2008-09

The summary of actual PLF and gross generation for FY 2007-08, generation approved by the Commission in its APR Order for FY 2008-09, and revised estimates for FY 2008-09 are given in the following Table:

Table: Availability, PLF and Gross Generation in FY 2007-08 and FY 2008-09 (MU)

Particulars	FY 2007-08	FY 2008-09	
	Actual	APR Order	Rev. Est.
PLF	101.53%	94.25%	99.09%
Gross Generation	4459.12	4128.15	4340.16

RInfra-G submitted that during first half (i.e., April to September 2008) of FY 2008-09, DTSP operated at 98.75% Availability and the same is expected to decrease to 90.43% during second half (i.e., October 2008 to March 2009) of FY 2008-09, as against approved yearly Availability of 94.25% considered in the Commission's APR Order in Case No. 65 of 2007 and submitted that accordingly, the actual Plant Load Factor (PLF) and Gross Generation values are expected to exceed the projections.

The Commission has not revised the quantum of gross generation for FY 2008-09 at this stage. The Commission will undertake the truing up of gross generation based on actual performance for the entire year along with the reasons for variation in actual generation, during Performance Review for the third year of Control Period, i.e., FY 2009-10.

5.2 PLF and Gross Generation during FY 2009-10

As regards the gross generation for FY 2009-10 from DTSP, the Commission has considered the gross generation level as submitted by RInfra-G in its APR Petition, as otherwise it would result in incorrect assumption of power purchase cost for RInfra-D. However, the Commission will undertake the truing up of actual generation achieved during FY 2009-10 at the time of next APR/MYT Petition by RInfra-G. The Commission directs RInfra-G to abide by the Maharashtra State Load Despatch Centre's (MSLDC) instructions for despatch schedule for the State as a whole in accordance with the merit order principles approved by the Commission from time to time.

Considering the gross generation considered by the Commission and auxiliary consumption norms and auxiliary consumption for FGD plant approved by the Commission as discussed in Section 4, the projected net generation from DTSP is summarised in the following Table:

Table: Summary of Net Generation for FY 2009-10 (MU)

Particular	MYT Order	Revised Projection	Approved
Gross Generation	4128	4340	4340
% Aux. Power Consumption (Normal)	8.50%	8.50%	8.50%
Aux. Power Consumption (Normal)	351	369	368.91
Auxiliary Consumption of FGD Plant	56	60	56.00
Total Auxiliary Consumption	407	429	425
Net generation	3721	3911	3915

5.3 Fuel Costs for FY 2008-09

RInfra-G, in its Petition, has submitted that the total fuel cost for FY 2008-09 is estimated at Rs. 785.79 Crore as against the fuel cost of Rs 619.09 Crore approved in the APR Order. RInfra-G submitted that the increased fuel costs are largely on account of the increase in the coal prices during FY 2008-09. RInfra-G submitted that it has considered 5% increase over the prices in first half of FY 2008-09 for estimating fuel costs in the second half of FY 2008-09 for domestic coal.

As regards the price of imported coal, RInfra-G submitted that there has been a major increase in prices and the imported coal was available at around US \$ 100/MT. With freight charges and 5.5% of basic price added towards taxes and duties, the total imported coal price was in the range of Rs. 5000-5300/MT. As regards the price of imported coal during the second half of FY 2008-09, RInfra-G submitted that on account of availability of opening stock for second half of FY 2008-09 at lower rates, the average issue price during October 2008 to January 2009 works out to Rs. 4655/MT and same has been considered for the second half of FY 2008-09.

The summary of fuel price in Rs/MT and calorific value as submitted by RInfra-G is given in the following Table

Table: Fuel Parameters

Particulars	APR Order	H1 Actual	Rev. Est.
A. Fuel Price (Rs/MT)			
Washed Coal	2300	2389	2447
Raw (F Grade) Coal	1876	2059	2109
Imported Coal	2809	3354	3977
LDO	27793	33933	36165
B. Calorific Value (kcal/kg)			
Washed Coal	3903	3779	3779
Raw (F Grade) Coal	3250	3571	3571
Imported Coal	5073	4874	4874
LDO	10730	9562	9562

As the impact of variation in fuel prices is allowed as pass through under the FAC mechanism, the Commission in this Order has not considered any revision in fuel prices for FY 2008-09 and has also not undertaken the provisional truing up of revenue, which also includes revenue from FAC. The Commission will undertake the final truing up of fuel costs based on actual fuel costs during the entire year, subject to prudence check, during Performance Review for the third year of the Control Period, i.e., FY 2009-10.

5.4 Fuel Cost for FY 2009-10

For FY 2009-10, RInfra-G submitted that the revised fuel cost works out to Rs. 772.36 crore as against Rs. 581.37 crore approved by the Commission in the MYT Order. RInfra-G computed the fuel cost for FY 2009-10 considering the price of domestic coal (washed and raw (F grade) coal) as weighted average price of first half and second half of FY 2008-09. RInfra-G further submitted that from December 1, 2008, Indian Railways has changed the category of coal (for freight tariff), due to which the freight charges would increase by around Rs. 100/MT.

RInfra-G submitted that the fuel requirement for DTPS is met through a blend of domestic and imported coal. Domestic coal requirement of 2.2 to 2.4 MT per annum is sourced from coal mines in Chhattisgarh of South Eastern Coalfield Limited (SECL), a subsidiary of Coal India Limited (CIL). Imported coal requirement of 500,000 to 700,000 tonnes per annum is sourced from various coal suppliers in Indonesia.

For FY 2009-10, RInfra-G considered the average price of imported coal for entire FY 2008-09 i.e., Rs.3976.68/MT as the fuel price for FY 2009-10.

Domestic Coal

RInfra-G submitted that it has coal linkage with SECL for supply of coal. Coal allocation is effected by Standing Linkage Committee (SLC)-short-term of Ministry of Coal (MoC), Government of India (GoI), through its quarterly meetings. The allocation of coal by SLC is based on demand by various consumers and availability of coal. In case of shortfall, SLC advises the consumers to import the balance requirement of coal.

RInfra-G submitted that domestic coal constitutes 75% to 80% of total annual coal requirement and is procured from SECL at a notified price published by the coal company. The domestic coal prices are fixed by the coal company (on average) once every two years. Previous trends indicate that these prices have not shown any

volatility and are growing at a Compounded Annual Growth Rate (CAGR) of 5% over the last 15 years. The pricing of domestic coal is likely to continue in this manner for years to come. RInfra-G further submitted that DTPS has recently signed a Fuel Supply Agreement with SECL for supply of 2.4 MT of coal per annum for 5 years.

Washed coal

As regards the washed coal used at DTPS, RInfra-G submitted that the coal procured from SECL is washed to reduce the ash content in a washery near the mines.

Imported Coal

RInfra-G submitted that the import of coal is based on advisory/directions of SLC. RInfra-G submitted that it imports coal based on forward contracts (3-12 months duration) as well as through spot market procurement. The procurement is based on techno-commercial offers obtained from reputed suppliers.

RInfra-G submitted that the following timelines are to be followed for coal import in FY 2009-10:

- Ø April 2009 : Advisory/ Directions from SLC on quantum to be imported
- Ø May- June 2009 : Invitation of offers and Order placement
- Ø Receipts are generally after monsoon as Dahanu Port is not “All- Weather” port.

For 70% of the total tonnage of imported coal required for DTPS (i.e., 0.4 – 0.5 MT per annum), RInfra-G submitted that it enters into a fixed price contract with various coal suppliers in Indonesia. The price per tonne of coal (in US\$/Ton) for a given delivery year (i.e., from October to April) is negotiated and finalized at the beginning of the delivery year and remains constant through out the delivery year. The timing of price fixation is optimised to the best possible extent. RInfra-G submitted that entering into a fixed price contract for more than one year is not possible as coal suppliers do not offer prices that are valid for more than one year.

RInfra-G further submitted that the remaining 30% of the tonnage (i.e., 0.2-0.3 MT per annum) is procured in the spot market. The price (in US\$/Ton) for such tonnage of coal is negotiated and finalized on per shipment basis. The movement of international coal price is closely monitored right throughout the year and shipments are negotiated and finalized preferably when the prices reach the required target level.

Accordingly, RInfra-G submitted that it has considered a strategy of entering into a mix of coal contracts for procurement of imported coal in the following ratio during FY 2009-10:

- Ø Around 70-80% of coal procurement through 8-12 months Forward Contracts and;
- Ø 20-30% of coal procurement on spot prices.

RInfra-G submitted that in order to procure coal at the most competitive price, it is keeping a strict vigil on the price movement in the international coal market and has been following a strategy of competitive bidding and inviting offers on both FOB (Free On Board) and CIF (Cost-Insurance-Freight) basis. The Cost Benefit Analysis of both the types of offers received are carried out and the most optimum source is selected as supplier of imported coal. RInfra-G submitted that for the last few years it has been seen that Indonesia is turning to be the main source for procurement of power plant grade (thermal) coal. Procurement from Indonesia also offers advantages in ocean freight charge optimization. RInfra-G submitted that since the process of coal procurement is an elaborate process and the gestation period is of around 5-6 months, RInfra-G optimizes/limits the dynamic nature of coal price movement through appropriate hedging mechanism. In this regard, RInfra-G has formulated a Risk Management Policy and already initiated discussions with various authorized dealers to manage price risk in coal procurement.

Light Diesel Oil

As regards the price of secondary fuel, i.e., Light Diesel Oil, RInfra-G submitted that the landed cost during first half of FY 2008-09 was around Rs. 34000 per kilo litre (kL). RInfra-G submitted that due to current economic conditions, wherein the crude oil prices have already reduced to FY 2007-08 levels, prices of LDO are also expected to reduce to FY 2007-08 levels. Accordingly, for FY 2009-10, RInfra-G considered the unit cost of LDO as that during FY 2007-08.

The Commission obtained the prevalent fuel prices for the period October 2008 to February 2009. The Commission has analysed the actual fuel prices during April 2008 to February 2009 of FY 2008-09, which has been summarized in the following Table:

Table : Summary of Actual Fuel Prices

Particulars	APR Petition	H1 Actual (FY 09)	Oct to February' 09
A. Fuel Price (Rs/MT)			
Washed Coal	2447	2389	2409
Raw (F Grade) Coal	2109	2059	2050
Imported Coal	3977	3354	4730
LDO	27889	33933	38533
B. Calorific Value (kcal/kg)			
Washed Coal	3779	3779	3733
Raw (F Grade) Coal	3571	3571	3502
Imported Coal	4874	4874	4910

Particulars	APR Petition	H1 Actual (FY 09)	Oct to February' 09
LDO	9562	9562	9373

The summary of the month-wise imported coal prices as submitted by RInfra-G is shown in the following Table:

Month	Imported Coal	
	Price (Rs/MT)	Calorific Value kcal/kg
Oct-08	3274.05	5061.00
Nov-08	4868.36	5061.00
Dec-08	5138.10	5061.00
Jan-09	5023.85	4696.00
Feb-09	4944.67	4754.00

As seen from the above Table, there has been a substantial increase in the price of imported coal during the months of December 2008 and January 2009, which RInfra-G was asked to explain. RInfra-G submitted that prices of coal are driven by the international market and prices at the time of entering into contracts were higher. The consignments were received during the second half of FY 2008-09 and high cost of such consignments has reflected in high prices during the second half of FY 2008-09.

For FY 2009-10, the Commission in accordance with the practice adopted in previous Tariff Orders, has considered the price and calorific value of fuel equivalent to average actual fuel price and calorific value for the period from December 2008 to February 2009 for LDO and washed and Raw (F Grade) coal. However, considering the fact that imported coal requirement is based on the directions/advisory of the SLC and further the invitation of offers and order placement has to be done during May to June 2009 and considering the prevailing economic scenario, the Commission has considered the price of the coal for the third quarter, i.e., October to December 2008. **Further, the Commission is of the view that RInfra-G, considering the current economic slowdown, should strategise and make its best efforts to ensure the lowest negotiated price, since the invitation of offers and order placement for imported coal are due in coming months.**

RInfra-G, in its Petition submitted that transit losses of washed coal were higher than norm (but within the level specified by the Commission in its Order dated October 3, 2006) on account of Indian Railways increasing the carrying capacity from 60 MT to 64 MT. The increased loading as per the revised capacity contributes to higher transit losses. The transit loss of imported coal is at 0.35. For washed coal RInfra-G in its Format F 2.2 has considered transit loss of 1.99% and for Raw (F Grade) coal considered transit loss of 3.78% for FY 2009-10 for estimating the fuel prices.

The Commission does not accept RInfra-G's contention. RInfra-G should have entered into proper contracts to get imported coal on delivery basis and hence, the

Commission has not considered any transit loss for imported coal, since the MERC Tariff Regulations do not provide for any transit loss on imported coal. However, for washed coal, the Commission has considered the normative transit loss of 0.8% for truing up purposes. However, the Commission will analyse the variation in actual performance during the entire FY 2009-10 based on justification provided by RInfra-G and take appropriate view in the matter during the truing up exercise based on actual figures for the entire year.

The Commission has considered the coal mix as proposed by RInfra-G for DTSP for FY 2009-10 in the ratio of 67.16%:7.87%:24.97% (washed coal : imported coal : Indian raw coal) for estimating the fuel cost for FY 2009-10.

The summary of fuel prices and calorific value as projected by RInfra-G and as considered by the Commission for FY 2009-10 is given in the Table below:

Table: Summary of Fuel Prices for FY 2009-10

Particulars	MYT Order	APR Petition	Approved
A. Fuel Price (Rs/MT)			
Washed Coal	2,234	2,447	2,409
Raw (F Grade) Coal		2,109	1,993
Imported Coal	2,201	3,977	4,507
LDO	23,150	27,889	37,686
HFO	26,404	-	-
B. Calorific Value (kcal/kg)			
Washed Coal	3,840	3,779	3,657
Raw (F Grade) Coal		3,571	3,502
Imported Coal	5,053	4,874	5,061
HFO	10,017	9,562	9,318
LDO	9,541	-	-

5.4.1 Total Fuel Costs, Variable Cost of Generation and Rate of Energy Charge

Based on performance parameters, i.e., heat rate and auxiliary consumption approved for FY 2009-10 and considering the fuel prices and fuel calorific value as discussed in above paragraphs, the variable cost of generation and rate of energy charge for DTSP for FY 2009-10 as approved by the Commission is given in the Table below:

Table: Cost of Generation and Energy Charge approved for FY 2009-10

Particulars	Units	MYT Order	APR Petition	Commission
Total Fuel Cost	Rs Crore	581.14	772.36	815.23
Energy Charge (at Bus-bar)	Rs/kWh	1.562	1.97	2.08

The Commission express its concern since, if the variation in fuel price would have not been a pass through, RInfra-G would have taken adequate steps to mitigate risks of fuel price variation. The Commission is of the view that RInfra-G should endeavour to devise steps as a risk mitigation measure for fuel price variations. Further, it has been observed that for generation companies, there is an automatic pass through of FAC to the Distribution Licensees; therefore, it is necessary that some risk is shared by generating companies also. Accordingly, the Commission is of the view that in future some principle needs to be devised, wherein incentive and disincentive may be stipulated in fuel pricing also, which would incentivise the Utilities to take some risk mitigating measures.

The total fuel cost and energy charge as approved by the Commission is higher than estimated by RInfra-G due to increase in fuel prices as the Commission has considered the latest prevalent fuel prices. The Commission would like to emphasise that though the fuel cost is considered as an uncontrollable expenditure, RInfra-G should make all efforts to optimize the fuel cost, so that the burden on the Distribution Licensee, i.e., RInfra-D to whom it sells power, is minimized. The variation in fuel prices, which is allowed as a pass through to consumers as part of the FAC mechanism, needs to be vetted by the Commission on post facto basis. **Accordingly, the Commission directs RInfra-G to submit the FAC details for DTPS with all the necessary documents on quarterly basis for the Commission's approval.**

5.5 O&M Expenses for FY 2008-09

The revised O&M Expenditure for FY 2008-09 is estimated by RInfra-G at Rs. 92.13 crore as compared to Rs. 78.38 crore approved in the APR Order. RInfra-G submitted that apart from the issues discussed while truing up of O&M expenses for FY 2007-08, the increase in O&M expenses for FY 2008-09 is due to the following reasons:

- Ø Loss on sale of asset (writing off of obsolete asset) to the tune of Rs. 3.05 crore
- Ø Additional R&M required for overhaul of Unit-1 over and above normal R&M expenses to the tune of Rs. 2.89 crore (towards first-time replacement of baskets of Air Pre-Heater, first-time replacement of silencers of FD Fans and PA Fans, first-time replacement of radiators of generator transformer, first-time servicing of Station Transformer and Unit Auxiliary Transformers (UATs), first-time servicing of 6.6 kV motors of coal mills).

Ø The projections for FY 2008-09 also include Rs. 3.00 crore towards R&M of FGD plant as against Rs. 10.00 Crore approved by the Commission.

In this regard, it is necessary to first discuss the relevance of Multi-Year Tariff. During the public regulatory process on the APR Petitions, several consumers have expressed their opinion that revising tariff on an annual basis is against the principles of MYT. While this is not incorrect if one goes by the pure concept of MYT, in Maharashtra, parameters like sales and power purchase have not been stipulated in the MYT Orders, due to the uncertainty on account of the prevailing supply shortages in the State and the respective licence area. Consequently, the tariff has been specified for only one year, rather than the Control Period, which is also in accordance with the MERC Tariff Regulations, which specifies that tariff will be determined annually.

Consequently, in the MYT Orders, the Commission has primarily stipulated the following parameters separately for each year of the Control Period, viz.,

- (a) Performance trajectory
 - i. Station Heat Rate (SHR), auxiliary consumption, transit losses and secondary oil consumption for Generating Companies;
 - ii. Availability for Transmission Licensees; and
 - iii. Distribution loss for Distribution Licensees
- (b) Cost elements
 - i. Operation & Maintenance (O&M) expenses have been approved as a whole for Generating Companies, and for individual elements, viz., employee expenses, A&G expenses, and R&M expenses, for Transmission Licensees and Distribution Licensees
 - ii. Working capital interest

However, even though the O&M expenses have been approved by the Commission for each year of the Control Period, wherein, by and large, the Utility's projections have been accepted, most Utilities have projected significant further annual increase in the O&M expenses for each year in the Control Period. If this increase in O&M expenses is allowed as sought by the Utilities, then the MYT framework created by the Commission in its MYT Orders will have no sanctity. Hence, the Commission rules that for FY 2008-09 and FY 2009-10, the O&M expenses allowed by the Commission for FY 2007-08 under the final truing up for FY 2007-08, after considering the base as audited expenses for FY 2006-07, will be considered as the base and increase will be allowed strictly as per the CPI/WPI growth as applicable, which incidentally, is higher than the growth rate projected by the Utilities in their

respective original Petitions. The variation between allowed expenses and actual expenses will be considered as a controllable gain/loss, and will be shared between the Utilities and the respective consumers, in accordance with Regulation 19 of the MERC (Terms and Conditions of Tariff) Regulations, 2005.

In view of the above, the Commission has not carried out any provisional truing up for O&M expenses for FY 2008-09, however, the Commission clarifies that the impact of wage revision on terminal benefits of Rs. 1.68 (i.e., considering the escalation on the amount of Rs. 1.52 crore for FY 2006-07) crore, which was not considered in the APR Order in Case No. 65 of 2007 would be considered during the final truing up.

As regards additional R&M expenses for FGD plant RInfra-G in its Petition submitted that the actual R&M expenses incurred on FGD plant during FY 2007-08 are Rs. 0.30 crore for half year of operation, which is due to negligible requirement of R&M expense on account of fact that the FGD plant is very new. Considering the RInfra-G's submission that the FGD plant is very new, the Commission has considered the amount of Rs 3 Crore towards additional R&M expenses for FGD plant as per the revised estimates submitted by RInfra-G for FY 2008-09 for full year of operation.

The Commission will carry out the final truing up of O&M expenses for FY 2008-09 based on actual O&M expenses for the entire year and prudence check, during the APR process for FY 2009-10.

The Commission would like to further clarify that for sharing of efficiency gains/losses for FY 2008-09, the revised estimate of O&M expenses for FY 2008-09 as considered in this Order will be considered as base O&M expenses.

Table: Summary of O&M Expenses for FY 2008-09 (Rs. Crore)

Particular	APR Order	Revised Estimate by RInfra-G	Revised Estimate by the Commission
O&M Expense	63.20		63.20
Impact of Wage Revision	5.19		5.19
Impact of Wage Revision on terminal benefits			1.68
Additional R&M Expense for FGD	10.00		3.00
Total O&M Expenses	78.38	92.13	73.07

5.6 O & M Expenses for FY 2009-10

RInfra-G has estimated the O&M expenditure for FY 2009-10 by applying the escalation factor of 6% (based on historic and recent movement of Consumer Price Index (CPI) and Wholesale Price Index (WPI)) on the revised estimated O&M expenses for FY 2008-09. RInfra-G also considered the additional amount of Rs. 10 crore for O&M expenses for FGD plant during FY 2009-10 and projected overall O&M expenses as Rs. 104.48 crore for FY 2009-10.

For FY 2009-10, the Commission has considered an increase of around 6.04% on account of inflation over the revised level of base O&M expenses for FY 2008-09 (i.e., including the impact of wage revision on terminal benefits), based on the increase in WPI and CPI. The Commission has considered the point to point inflation over WPI numbers (as per Office of Economic Advisor of Govt. of India) and CPI numbers for Industrial Workers (as per Labour Bureau, Government of India) for a period of 3 years, i.e., FY 2005-06 to FY 2007-08, to smoothen the inflation curve. The Commission has considered a weight of 60% to WPI and 40% to CPI, based on the expected relationship with the cost drivers. Further, the Commission has considered impact of wage revision as Rs 5.50 crore for FY 2009-10 and impact of wage revision on terminal benefits as Rs. 1.79 crore by applying the escalation factor on the revised estimate for FY 2008-09. As regards additional R&M expenses for FGD plant the Commission has considered the amount of Rs 3 Crore as per the revised estimates submitted by RInfra-G for FY 2008-09 for full year of operation and considering the RInfra-G's submission that the FGD plant is new. The Commission would like to reiterate once again that the allowed level of additional R&M expenses for FGD plant would be reviewed based on the analysis of the R&M requirements elsewhere in the country or the Commission may appoint an independent technical expert to undertake a study in this respect and considering the amount of R&M expenses incurred by RInfra-G post-commissioning.

Further, as regards appointment of consultants, the Commission directs RInfra-G that in future, any appointment of consultants where the estimated cost for the engagement of the Consultants is more than Rs. 1 crore, it should ensure that the selection is made through a competitive bidding process, proper Terms of Reference are prepared, cost benefit analysis is stated upfront and the deliverables of the consultancy assignment are properly defined. RInfra-G should submit the following details for all consultancy assignments of more than Rs 1 Crore in its APR and Tariff Petition:

- Process followed for appointment of Consultant including number of bids received along with bid documents

- Stated Cost-Benefit analysis and assessment of cost benefit analysis after completion of the assignment
- List of Deliverables submitted by Consultant

The summary of O&M expenses as projected by RInfra-G and as approved by the Commission for FY 2009-10 is given in the following Table:

Table: Summary of O&M Expenses for FY 2009-10 (Rs Crore)

Particular	MYT Order	Revised Estimate	Approved
O&M Expense			67.01
Impact of Wage Revision			5.50
Impact of Wage Revision on terminal benefits		94.48	1.79
Additional R&M Expense for FGD		10.00	3.00
Total O&M Expenses	83.66	104.48	77.30

5.7 Capital Expenditure and Capitalisation

Capital expenditure and capitalisation are two important variables that influence computation of different expenditure and return components such as depreciation, advance against depreciation, interest on long term debt and return on equity. Accordingly, variation between approved values and actual values of these variables over the Control Period needs to be evaluated carefully during the Annual Performance Review along with scrutiny of reasons necessitating such review.

Table: Summary of Capitalisation – RInfra-G (Rs Crore)

Particulars	FY 2008-09		FY 2009-10	
	APR Order	Revised Estimate	MYT Order	Revised Estimate
Capitalisation	12.67	38.24	5.91	63.24

The Commission, in the MYT Order for RInfra-G, has not considered any capital expenditure towards new DPR schemes during the Control Period as only two DPR schemes were submitted by RInfra-G by then, which were under scrutiny and the in-

principle clearance for such schemes were awaited. Subsequently, RInfra-G submitted DPR for 6 schemes, out of which, the Commission has granted in-principle clearance for FGD Plant, coal handling system and DTSPS-spare turbine module. Remaining three schemes for DTSPS-Spare Generator, DTSPS-Spare Generator transformer and capex scheme for ash brick manufacturing and ash grinding unit are yet to be scrutinised pending submission of clarification and additional information/justification by RInfra-G.

Further, the Commission notes that as against permitted capitalisation of Rs 12.67 crore under its APR Order in Case No. 65 of 2007, the revised projections of capitalisation by RInfra-G during FY 2008-09 amounts to Rs 38.24 crore. RInfra-G submitted the variation is mainly on account of spill over capitalisation of FGD plant and implementation of several non-DPR schemes.

The revision in ARR/tariff sought by different Utilities as a part of the Annual Performance Review (APR) process for FY 2008-09 can be attributed primarily to increase in power purchase cost of distribution licensees and the steep increase in capital expenditure and capitalisation being undertaken by the Utilities in recent years. The issue of increase in power purchase expenses is being dealt with in the Orders of the respective distribution licensees, since the reasons for the increase are different for different distribution licensees. However, the issue of steep increase in capital expenditure and capitalisation is a generic issue and relevant for all the Utilities.

The Commission appreciates that the investment on capex schemes is an ongoing process for any Utility/Licensee, which is required for healthy system development with tangible and intangible benefits. The scope, objective and benefits are identified while formulating project reports. After implementation of the scheme, before capitalisation, the benefits are to be demonstrated by the Utility. The Utility is required to execute the capex schemes in a phased manner so as to minimise tariff shock attributable to capex implementation. The Commission can permit capex in the ARR only after prudence check as there is an impact on tariff.

To understand the significance of the capitalisation claimed by RInfra-G, the actual capitalisation over the last four to five years vis-à-vis the opening GFA prevailing around 5 years ago have been compiled as under:

Particulars	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
	Actuals	Actuals	Actuals	Actuals	Revised Estimate	Projected
Opening GFA						
RInfra-G	1294.09	1294.59	1302.83	1311.18	1560.14	1592.19
RInfra-T	284.14	284.86	296.68	298.09	303.64	405.91
RInfra-D	1,562.94	1707.92	1923.72	2,347.39	2,594.22	2,955.97
Total RInfra	3141.17	3287.37	3523.23	3956.67	4457.99	4954.07
Asset addition during the year						
RInfra-G	1.20	9.63	8.44	249.18	38.24	63.24
RInfra-T	0.72	6.90	1.41	5.55	102.27	536.67
RInfra-D	177.36	282.94	455.61	285.29	375.70	538.05
Total RInfra	179.28	299.47	465.46	540.02	516.21	1137.96
Asset write off/retirement during the year						
RInfra-G	(0.71)	(1.64)	(0.09)	(0.21)	(6.19)	-
RInfra-T	-	-	-	-	-	-
RInfra-D	(32.38)	(57.35)	(31.94)	(38.47)	(13.94)	(14.45)
Total RInfra	(33.09)	(58.99)	(32.03)	(38.68)	(20.13)	(14.45)
Closing GFA						
RInfra-G	1294.59	1302.58	1311.18	1560.14	1592.19	1655.43
RInfra-T	284.86	291.75	298.09	303.64	405.91	942.58
RInfra-D	1707.92	1933.51	2347.39	2594.22	2955.97	3479.57
Total RInfra	3287.37	3527.85	3956.66	4457.99	4954.07	6077.58

The above compilation has been done for RInfra as a whole, to give a better picture of the overall increase in asset addition over the last five years, since RInfra was earlier being regulated as an integrated Utility.

It is clear from the above Table that the Gross Fixed Assets have increased by around 28%, 230%, and 104% for the Generation, Transmission, and Distribution Business, respectively, over the last five years. The pace of asset addition has increased by leaps and bounds over the last five years. RInfra-D has projected to almost double its asset base (as in FY 2004-05) by the end of FY 2009-10, while RInfra-G and RInfra-T have proposed to increase their asset base (as in FY 2004-05) to around 1.3 to 3.3 times. Further, when RInfra was operating in an integrated manner in FY 2004-05, the total

asset addition every year was less than around Rs. 200 crore, whereas in FY 2008-09 and FY 2009-10, the Transmission and Distribution Businesses are individually adding assets of more than this amount every year on an average, while the capital asset addition in Generation Business has also increased significantly in scale. The addition to the asset base is clearly not commensurate either with the increase in sales or increase in demand in MW served. Since the Utilities were able to serve the existing consumer base well enough with the existing assets, the rationale for this steep increase in the asset base needs to be examined further. The favourite argument of the Utilities that in the past, there was a backlog on this account, and that they want to make it up, is also unconvincing to justify the 100% increase in the asset base in such a short period.

In the regulated business, the returns to the investors are linked to the equity invested in the business, which in turn is directly linked to the existing asset base and assets added every year. The steep increase in the asset base every year has been suggested by the consumers to be an attempt by the Utilities to increase the returns from the regulated business, during the Public Hearing conducted by the Commission on the APR Petitions filed by the Utilities.

The Commission has conducted a Public Hearing on the Petitions filed by different Utilities to ascertain the views of the consumers and other stakeholders on the Petition and the tariff increase sought by the Utility. During the Public Hearings, there was a huge resistance to the proposed tariff increase and one of the common objections has been that the increase in ARR/tariff being sought by the Utilities is exorbitant and the capital expenditure should not be allowed to the extent sought by the Utilities, since there has been no great increase in the sales quantum or any great improvement in the service quality over the period, and in some cases deterioration in the service quality has been witnessed.

Further, as regards capital expenditure, the Commission has instituted a process of giving in-principle approval for the capital expenditure schemes costing above Rs. 10 crore (together known as DPR Schemes), wherein the Utility has to submit Detailed Project Report (DPR) as well as the expected cost-benefit analysis, pay back period, etc., as per well laid out guidelines. Schemes costing less than Rs. 10 crore are considered as non-DPR schemes and the Utilities are not required to submit any DPR

for the approval of the same. It is often observed that at the time of obtaining in-principle approval of the Commission for the DPR schemes, the Utilities indicate several quantifiable benefits and a short payback period. However, the Utilities are not able to substantiate the benefits once the capital investment is actually undertaken and the assets are added to the Gross Fixed Assets (GFA). As a result, the costs and hence, the tariffs are increased, but the expected benefits to the system do not accrue.

In this regard, the in-principle approval given by the Commission to the DPR Schemes has certain standard covenants. One such in-principle approval given to a scheme submitted by MSETCL is reproduced below, for reference:

“...2. Please note that this in-principle clearance should not be construed as final approval for ARR purpose and the scheme will be open for scrutiny during the tariff determination process/ARR review, particularly in the context of actual cost incurred, scope and objective achieved etc. ex post after implementation of the scheme. MSETCL will be required to submit the status of implementation of the scheme with cost incurred till date, likely completion date etc. along with their ARR petition or during the tariff determination process at the appropriate time.

3. MSETCL should submit half yearly report giving the status of implementation of the scheme in terms of expenditure incurred and item wise physical progress achieved during the implementation of the scheme.

4. Assets created after execution of the scheme should be maintained separately in the Asset register.

5. Immediately after completion / commissioning of the respective scheme, MSETCL should communicate to the Commission the date of completion of the scheme, actual cost incurred, escalation in cost, if any with reasons, the scope and objectives of the scheme and to what extent they have been achieved, etc. so as to facilitate a comparison between the in-principle clearance and the actual.”(emphasis added)

However, the Utilities have not been able to submit any evidence that the scope and objective of the scheme have been achieved.

In this context, the recent Report by Forum of Regulators on Multi-Year Framework has also emphasized that the capital expenditure plans of Utilities should clearly bring out cost benefit analysis and targeted reduction in technical losses.

Further, the Commission has observed that most of the Utilities have projected very high non-DPR schemes, and in some cases, the capital expenditure and capitalisation projected under non-DPR schemes is several times that projected under DPR schemes. This defeats the very purpose of classifying schemes costing above Rs. 10 crore as DPR schemes and requiring regulatory scrutiny of the schemes.

In this regard, the Commission in its APR Order for Maharashtra State Electricity Transmission Company Limited (MSETCL) for FY 2007-08 as well as the MYT Orders for Utilities had observed as under:

“However, the Commission would like to reiterate that in-principle approval of the scheme does not absolve the senior management of MSETCL of their responsibility to prioritise various schemes and undertake cost benefit analysis and financial analysis to validate the commercial prudence of each scheme. MSETCL should ensure that the projected benefits actually accrue for the benefit of the stakeholders. It would be essential to monitor progress of each scheme as well as track expenditure and benefits accrued as per the scheme.”

...

“The increase in quantum of Non-DPR schemes indicates an unhealthy trend, as the Commission feels that there is a tendency to split distribution scheme so that capital outlay of the scheme is below Rs. 10 Crore, to escape regulatory scrutiny. The Commission will take a review of the schemes being classified under Non-DPR category, and in case it is found that these schemes should have ideally been classified under DPR category, then that capex and the related capital charges will be disallowed till the DPR is submitted and the scheme is approved by the Commission.”

In view of the above, as a general rule, the Commission has decided that the total capital expenditure and capitalisation on non-DPR schemes in any year should not exceed 20% of that for DPR schemes during that year. To achieve the purpose, the purported non-DPR schemes should be packaged into larger schemes by combining similar or related non-DPR schemes together and converted to DPR schemes, so that

the in-principle approval of the Commission can be sought in accordance with the guidelines specified by the Commission.

Further, in the absence of documentary evidence that the stated purpose and objective of the capex schemes have been achieved, MERC is restricting the capitalisation considered for the purposes of determination of ARR and tariff. Once the Utilities submit the necessary justification to prove that the scope and objective of the capex scheme has been achieved as projected in the DPR, the same may be considered in future Orders.

RInfra is directed to prioritise the capex schemes based on importance and the schemes may be implemented in a phased manner to minimise the impact on generation cost.

For the purpose of APR exercise for FY 2008-09 and revised projection for FY 2009-10, the Commission has not considered capitalisation of such DPR schemes where in-principle approval of the Commission is yet to be provided. Accordingly, the Commission has not considered the capitalisation of the DPR schemes 'Spare Generator'.

The Commission has considered the capitalisation as proposed by RInfra-G for the spill over capitalisation of FGD plant for FY 2008-09.

However, in respect of HP turbine module, RInfra-G had submitted DPR scheme with estimated cost of Rs 37 Crore, which after discussion was revised to Rs 12 Crore. However, RInfra-G has claimed capitalisation of Rs 23.47 crore including IDC during FY 2009-10 against this scheme. Thus, actual capital expenditure and capitalisation in respect of this scheme exceeds the approved capital expenditure. The Commission is of the view that while the increase in capitalisation could be on account of additional scope necessitated or any other reason, however, unless the same is ascertained, it would not be prudent to allow such expenses. Further, the Commission is of the view the benefits of such scheme needs to be examined and until it is ascertained that the projected benefits actually accrue for the benefit of the stakeholder, it would not be appropriate to allow such expenses. Accordingly, the Commission has not considered the projected capital expenditure and capitalisation towards this DPR scheme.

The Commission also notes that in accordance with Regulation 30.1 of the MERC Tariff Regulations, the actual capital expenditure incurred on completion of the project shall form the basis for determination of original cost of the project subject to prudence check. Accordingly, the Commission directs RInfra-G to provide adequate justification, including process of procurement, sources of equipment, etc., to

establish that best price/cost has been obtained, rationale and provide supporting documentation for justifying the increase in capitalised cost in respect of this scheme. Accordingly, revised approved capitalised cost can be considered at the time of true-up of financial performance of FY 2008-09 and annual performance review for FY 2009-10.

For Non-DPR schemes, the Commission has considered the 50% of the proposed capitalisation by RInfra-G on adhoc basis as the Commission is of the view until it is ascertained that the projected benefits actually accrue for the benefit of the stakeholder, it would not be appropriate to allow the entire expenses.

Accordingly, revised estimate for capitalisation for FY 2008-09 and approved capitalisation for FY 2009-10 is summarised in the following Table:

Table: Summary of Capitalisation –approved by Commission (Rs Crore)

Particulars	FY 2008-09			FY 2009-10		
	APR Order	Revised Estimate by RInfra-G	Revised Estimate by the Commission	MYT Order	Revised Estimate by RInfra-G	Approved
Capitalisation	272.14	38.24	22.93	5.91	63.24	3.94

5.8 Depreciation

The Commission, in its APR Order, had permitted depreciation to the extent of Rs. 48.38 crore for FY 2008-09 and Rs 56.15 crore for FY 2009-10 in the MYT Order, which amounts to 3.06% and 3.59% of Opening level of Gross Fixed Assets (GFA) of RInfra-G for FY 2008-09 and FY 2009-10, respectively.

RInfra-G, in its APR Petition, submitted the revised estimate for depreciation for FY 2008-09 and FY 2009-10 as Rs 24.11 crore and Rs 14.52 crore, respectively, at an overall depreciation rate of 1.55% and 0.91% corresponding to opening GFA of Rs. 1560.14 crore and Rs. 1592.19 crore, respectively.

Table: Depreciation claimed by RInfra-G (Rs Crore)

Particulars	FY 2008-09		FY 2009-10	
	APR Order	Revised Estimate	MYT Order	Revised Estimate
Opening GFA	1583.24	1560.14	1562.00	1592.19
Depreciation	48.38	24.11	56.15	14.52

As regards the lower depreciation for FY 2008-09 and FY 2009-10 as compared to the approved amount, RInfra-G submitted this is on account of deprecation for some of

the assets reaching the threshold 90% limit on which, no further depreciation is permitted in accordance with the MERC Tariff Regulations.

Further, RInfra-G in its additional submissions confirmed that depreciation has not been claimed beyond 90% of the asset value in line with the Tariff Regulations.

Based on the revised capitalisation considered by the Commission for FY 2008-09 and FY 2009-10, the depreciation expenditure as estimated by the Commission for FY 2008-09 and approved for FY 2009-10 considering the depreciation on opening GFA is summarised in the following Table:

Table: Depreciation approved by the Commission (Rs Crore)

Particulars	FY 2008-09			FY 2009-10		
	APR Order	Revised Estimate by RInfra-G	Revised Estimate by the Commission	MYT Order	Revised Estimate by RInfra-G	Approved
Opening GFA	1583.24	1560.14	1547.29	1562.00	1592.19	1564.03
Depreciation	48.38	24.11	23.91	56.15	14.52	14.21

The Commission will undertake the truing up of Depreciation based on actual expenditure during the entire year subject to prudence check, during Performance Review for the third year of Control Period, i.e., FY 2009-10.

5.9 Interest Expenses

RInfra-G, in its APR Petition, submitted the revised estimate of interest expenditure for FY 2008-09 and FY 2008-09 as Rs 15.04 crore and Rs. 17.25 Crore, respectively, at a weighted average interest rate of 8.1% and 8.2% for FY 2008-09 and FY 2009-10.

Table: Interest on Debt as claimed by RInfra-G (Rs Crore)

Particulars	FY 2008-09		FY 2009-10	
	APR Order	Revised Estimate	MYT Order	Revised Estimate
Op. balance of loan	197.04	176.91	200.46	192.89
Loan Addition	8.87	26.77	4.14	44.27
Loan Repayment	(10.81)	(10.79)	(8.69)	(13.01)
Cl. Balance of loan	195.09	192.89	195.90	224.15
Interest Expense	15.62	15.04	15.85	17.25

RInfra-G submitted that in accordance with the philosophy of the Commission, 70% of the total capitalisation (works capitalised + interest capitalised + expenses capitalised) is considered as a normative loan for computing interest on loan capital.

RInfra-G submitted that interest on debt for FY 2008-09 and FY 2009-10 has been computed considering normative loans for the assets put to use. Further, RInfra-G submitted that normative loan repayment tenure of 10 years has been considered for loan drawal during FY 2004-05 and FY 2005-06 and 20 years for loan drawal during FY 2006-07 and afterwards.

As regards the interest rate for FY 2008-09 and FY 2009-10, RInfra-G quoted the relevant paragraph of the MYT Order in Case No. 74 of 2006, which stipulates:

“Further, the Commission has considered interest cost at the interest rate of 10% p.a. for the assets put to use during FY 2004-05 and FY 2005-06 and at the interest rate of 8% p.a. for assets put to use during FY 2006-07. Interest rate of 8% is reasonable, considering REL’s credit rating and the fact that the successor entities of erstwhile MSEB, viz., MSPGCL and MSEDCL have been able to raise loans at the interest rate of 8%.”

RInfra-G submitted that the economic scenario has undergone a change as compared to FY 2006-07 when the Commission issued the MYT Order. The prevailing PLRs of various banks have been around 13.50% p.a.. RInfra-G submitted that Reliance Metro (one of the subsidiary of RInfra) has availed of finance from IDBI for its ongoing project at PLR minus 200 bps, which works out to be 11.50%. RInfra-G submitted that the interest rate currently being allowed by the Commission at 8% for projects initiated in FY 2008-09 onwards, does not reflect the market reality. In response to a specific suggestion by the Commission during the TVS, RInfra-G submitted that as a support to the consumer and goodwill gesture, it has re-computed the loan borrowings at 9% for FY 2008-09 and FY 2009-10.

Accordingly, the Commission has considered the interest expense on the normative debt corresponding to capitalised assets only and has considered the interest rate of 10% p.a., for the assets put to use during FY 2004-05 and FY 2005-06 and at the interest rate of 8% p.a. for assets put to use during FY 2006-07 and FY 2007-08 in accordance with the principles adopted in the MYT Order and APR Order. However, the Commission has considered the interest rate of 9% as considered by RInfra-G for assets put to use during FY 2008-09 and FY 2009-10.

Accordingly, approved interest expense for FY 2008-09 and FY 2009-10 is summarised in the following Table:

Table: Interest on Debt as approved by the Commission (Rs Crore)

Particulars	FY 2008-09			FY 2008-09		
	APR Order	Revised Estimate by RInfra-G	Revised Estimate by the Commission	MYT Order	Revised Estimate by RInfra-G	Approved
Op. balance of loan	197.04	176.91	168.47	200.06	192.89	174.38
Loan Addition	8.87	26.77	16.05	4.14	44.27	2.76
Loan Repayment	(10.81)	(10.79)	(10.14)	(8.69)	(13.01)	(10.28)
Cl. Balance of loan	195.09	192.89	174.38	195.51	224.15	166.86
Interest expense	15.62	15.04	13.90	15.85	17.25	13.91

5.10 Return on Equity (RoE)

The Commission, in its APR Order, had permitted return on equity to the extent of Rs. 73.00 crore for FY 2008-09 and Rs. 73.51 crore for FY 2009-10, at rate of return of 14% on estimated opening value of regulated equity of Rs. 521.42 crore and Rs. 524.18 crore during respective years.

RInfra-G, under its APR Petition, submitted revised estimate for return on equity for FY 2008-09 and FY 2009-10 as Rs. 72.03 crore and Rs. 73.64 crore, respectively.

Table: Return on Equity as claimed by RInfra-G (Rs Crore)

Particulars	FY 2008-09		FY 2009-10	
	APR Order	Revised Estimate	MYT Order	Revised Estimate
Regulatory Equity at the beginning of the year	521.42	514.53	524.18	526.00
Equity portion of assets capitalised during year	3.80	11.47	1.77	18.97
Regulatory Equity at the end of the year	525.22	526.00	525.95	544.98
Return on Regulatory Equity at the beginning of the year	73.00	72.03	73.39	73.64
Return on Equity portion for assets capitalized during year	0.00	0.00	0.12	0.00
Total Return on Regulatory Equity	73.00	72.03	73.51	73.64

RInfra-G submitted that based on the capital expenditure and capitalisation and debt:equity norm of 70:30, the return on equity on the equity portion has been claimed at 14%.

The Commission has computed the RoE for FY 2008-09 and FY 2009-10 on the opening balance of equity in accordance with the Regulations 34.1 and 31 of the MERC Tariff Regulations as applicable for the generating stations. Accordingly, estimated Return on Equity for FY 2008-09 and approved Return on Equity for FY 2009-10 is summarised in the following Table

Table: Return on Equity as approved by the Commission (Rs Crore)

Particulars	FY 2008-09			FY 2009-10		
	APR Order	Revised Estimate by RInfra-G	Revised Estimate by the Commission	MYT Order	Revised Estimate by RInfra-G	Approved
Regulatory Equity at the beginning of the year	521.42	514.53	510.68	524.18	526.00	517.56
Equity portion of assets capitalized during year	3.80	11.47	6.88	1.77	18.97	1.18
Regulatory Equity at the end of the year	525.22	526.00	517.56	525.95	544.98	518.74
Return on Regulatory Equity at the beginning of the year	73.00	72.03	71.50	73.39	73.64	72.46
Return on Equity portion of assets capitalised during year	-	-	-	0.12	-	-
Total Return on Regulatory Equity	73.00	72.03	71.50	73.51	73.64	72.46

5.11 Interest on Working Capital for FY 2008-09 and FY 2009-10

RInfra-G, in its Petition, submitted that the Working Capital has been computed in accordance with the MERC Tariff Regulations, which stipulate the components of working capital of a generating station. RInfra-G further submitted that the normative interest rate of 13% for FY 2009-10 has been considered for estimating interest on working capital.

For FY 2008-09, as the Commission has not carried out provisional truing up of other elements of ARR, the Commission has not carried out truing up of interest on working capital for FY 2008-09. The Commission will carry out the truing up of interest on working capital after final truing up of other elements of expenses and revenue for FY 2008-09.

For FY 2009-10, the Commission has estimated the working capital requirement for DTPS in accordance with the MERC Tariff Regulations. As the short-term Prime Lending Rate of State Bank of India was around 13% at the time of filing of APR Petition by RInfra-G, the Commission has considered the interest rate of 13% for estimating the interest on working capital. The interest on working capital for DTPS for FY 2009-10 is given in the following Table:

Table: Interest on Working Capital for FY 2009-10 (Rs Crore)

Unit/Station	MYT Order	APR Petition	
		Revised Estimate	Approved
DTPS	4.55	8.26	6.32

5.12 Non-Tariff Income for FY 2008-09

RInfra-G submitted that the non-tariff income for FY 2008-09 is estimated at Rs. 6.25 crore as against Rs 6.17 Crore approved by the Commission in the APR Order.

The Commission will undertake the truing up of Non Tariff Income based on audited accounts during Performance Review for the third year of Control Period, i.e., FY 2008-09.

5.13 Non Tariff Income for FY 2009-10

RInfra-G submitted that the non tariff income for FY 2009-10 is estimated at Rs. 6.25 crore as against Rs 6.17 Crore approved by the Commission in the MYT Order.

The Commission has considered the non-tariff income at the same level as approved in its MYT Order, i.e., Rs 6.17 Crore, for FY 2009-10.

5.14 Income Tax for FY 2008-09

RInfra-G submitted that for FY 2008-09, the income tax is estimated at Rs. 12.17 crore as against the Rs. 10.84 crore approved by the Commission for FY 2008-09 in the APR Order.

The Commission has dealt with the issues of income tax in Section 3 while discussing the income tax for FY 2007-08. However, while normative interest on long-term loans has been added to the RoE while computing the Income Tax for FY 2008-09, the normative interest on working capital loan has not been added to the RoE, since it is not possible to project the exact actual interest expense that will be incurred by RInfra-G. Depending on the actual interest on working capital incurred by RInfra-G, only the difference between the normative interest and actual interest, and that too, only if the actual interest is lower than the normative interest on working capital, will have to be added to the RoE, for computing the Income Tax. Hence, this can be considered at the time of final truing up. Further, the Commission has not grossed up such RoE component for income tax, since the income tax is allowed as part of the ARR as an expense head, in accordance with the MERC Tariff Regulations.

The Commission has estimated the income tax for FY 2008-09 on stand alone business considering the RoE as per the revised estimate of ARR and estimated the income tax as Rs. 9.68 crore. The income tax projected by RInfra-G in its APR Petition, and the income tax estimated by the Commission for FY 2009-10 is shown in the Table below:

Table: Income Tax**(Rs Crore)**

Particulars	FY 2008-09	
	Revised Estimate by RInfra-G	Revised Estimate by the Commission
Profit Before Tax /RoE	107.37	71.50
Add: Normative Interest on Long Term Loan	-	13.90
Add: Normative Interest on Working Capital	-	0.00
Total Taxable Profit	107.37	85.40
Income Tax rate	11.33%	11.33%
Income Tax	12.17	9.68

5.15 Income Tax for FY 2009-10

As regards the income tax for FY 2009-10, RInfra-G submitted that commencing from FY 2009-10, the benefit of 80IA would not be available to DTSPS. Accordingly, RInfra-G computed the income tax at corporate tax rate of 33.99%. RInfra-G submitted that it has estimated the income tax in accordance with the philosophy adopted by the Commission in APR Order. RInfra-G has estimated the income tax for FY 2009-10 as Rs. 33.27 crore as against the approved income tax of Rs. 8.60 crore for FY 2009-10 in the MYT Order in Case No. 74 of 2006.

The Commission, in its APR Order in Case No. 65 of 2007, considered that the normative interest on loan and normative interest on working capital are not actual expenses and hence, would not be eligible as deductible expenses while computing the income tax. While normative interest on long-term loans has been added to the RoE while computing the Income Tax for FY 2009-10, the normative interest on working capital loan has not been added to the RoE, since it is not possible to project the exact actual interest expense that will be incurred by RInfra-G. Depending on the actual interest on working capital incurred by RInfra-G, only the difference between the normative interest and actual interest, and that too, only if the actual interest is lower than the normative interest on working capital, will have to be added to the RoE, for computing the Income Tax. Hence, this can be considered at the time of final truing up.

As regards the RInfra-G submission of issue of book depreciation and tax depreciation and consideration of income tax rate at corporate tax rate, the Commission has not considered the same at this stage, since it is difficult to estimate at this stage whether tax rate applicable would be corporate tax rate or MAT. Accordingly, for the purpose of tax estimation for FY 2009-10 issue of book depreciation and tax depreciation is not applicable. However, in case of income tax payable on corporate tax rate, the impact of this change will hence, have to be addressed at the time of final truing up for FY 2009-10. Further, the Commission has not grossed up such RoE component for income tax, since the income tax is allowed as part of the ARR as an expense head, in accordance with the MERC Tariff Regulations.

As regards the impact of commissioning of FGD plant in FY 2007-08, the Commission asked RInfra-G to confirm whether such capitalisation is eligible for 100% depreciation under Income Tax Act, 1961. RInfra-G confirmed that FGD plant is eligible for 100% depreciation benefit. However, the FGD plant was commissioned in the second half of FY 2007-08, and is hence, eligible for 50% of depreciation in FY 2007-08. The Commission further asked RInfra-G to submit the details of MAT credit available on year on year basis and to re-compute the income tax workings based on available MAT credit. RInfra-G submit the detailed computation of the year on year MAT credit available and revised workings for income tax for FY 2009-10 and estimated the income tax as Rs. 10.49 crore.

As discussed in the previous paragraph as the Commission has considered the income tax based on MAT rate, hence, the Commission has not considered the MAT credits computations as submitted by RInfra-G for working out income tax liability for FY 2009-10.

The Commission has estimated the income tax for FY 2009-10 on stand alone business considering the RoE as per the revised estimate of ARR and estimated the income tax as Rs. 9.79 crore. The income tax projected by RInfra-G in its APR Petition, and the income tax approved by the Commission in this Order is shown in the Table below:

Particulars	FY 2009-10	
	Revised Estimate	Approved
Profit Before Tax/RoE	111.56	72.46
Add: Normative Interest on Long Term Loan	17.25	13.91
Add: Normative Interest on Working Capital	8.26	0.00
Add: Regulatory Depreciation	14.52	-
Less: IT depreciation	(53.70)	-
Total	97.89	86.37
Income Tax rate	33.99%	11.33%
Income Tax on Total Profit	33.27	9.79

5.16 Summary of Annual Fixed Charge for DTPS for FY 2008-09 and FY 2009-10

Based on analysis of each element discussed above, the summary of Annual Fixed Charge of RInfra-G for FY 2008-09 approved by the Commission in its APR Order, as estimated by RInfra-G in APR Petition and revised estimates of the Commission in this Order is given in the following Table:

Table: Annual Fixed Charge for FY 2008-09 (Rs Crore)

Particulars	FY 2008-09		
	Approved (APR Order)	Revised Estimate by RInfra-G	Revised Estimate by the Commission
O&M Charges	78.38	92.13	73.07
Interest on Long Term Loans	15.62	15.04	13.90
Interest on Working Capital	8.13	8.13	8.13
Depreciation	48.38	24.11	23.91
Return on Equity	73.00	72.03	71.50
Income Tax	10.84	12.17	9.68
Less: Non Tariff Income	6.17	6.25	6.17
Annual Fixed Charges	228.20	217.36	194.02

As observed from the above Table the variation in Annual Fixed Charge for FY 2008-09 as approved in the APR Order and revised estimated Annual Fixed Charge for FY 2008-09 is not substantial, and hence, the Commission has not carried out the provisional truing up for FY 2008-09.

The summary of Annual Fixed Charge of RInfra-G for FY 2009-10 approved by the Commission in its MYT Order, as estimated by RInfra-G in APR Petition and as approved by the Commission in this Order is given in the following Table

Table: Annual Fixed Charge for FY 2009-10 (Rs Crore)

Component	MYT Order	APR Petition	
		Revised Estimate	Approved
O&M Charges	83.66	104.48	77.30
Interest on Debt	15.85	17.25	13.91
Interest on Working Capital	4.55	8.26	6.32
Depreciation	56.15	14.52	14.21
ROE	73.51	73.64	72.46
Income Tax	8.60	33.27	9.79
Less Non Tariff Income	6.17	6.25	6.17
Annual Fixed Charge	236.15	245.17	187.81
Provisional Truing up for FY2008-09		35.57	-
Truing up for FY2007-08		(15.71)	(31.73)
Net Annual Fixed Charge		265.03	156.09

6 TARIFF OF RINFRA-G'S DAHANU THERMAL POWER STATION

Regulation 20.1 of the MERC Tariff Regulations, stipulates that the tariff will be determined on an annual basis, as follows:

“The Commission shall determine the tariff of a Generating Company or Licensee covered under a multi-year tariff framework for each financial year during the control period, at the commencement of such financial year, having regard to the following:

(a) The approved forecast of aggregate revenue requirement and expected revenue from tariff and charges for such financial year, including approved modifications to such forecast; and

(b) Approved gains and losses to be passed through in tariffs, following the annual performance review.”

The Commission, in its MYT Order, has approved the Annual Fixed Charge and parameters of variable cost for the Control Period. The Commission further stipulated in MYT Order that it will determine the Tariff of RInfra-G for each financial year during the Control Period in accordance with the Regulation 20.1 of the MERC Tariff Regulations and considering the fuel prices prevalent during the current year. In accordance with the MERC Tariff Regulations, the Commission has determined the tariff, i.e., Annual Fixed Charge as well as variable charge for DTPS for FY 2009-10 in this Order.

6.1 Tariff for DTPS

Regulation 28 of the MERC Tariff Regulations specifies that *“Tariff for sale of electricity from a thermal power generating station shall comprise of two parts, namely, the recovery of annual fixed charges and energy charges”*.

The methodology and assumptions for estimating the Annual Fixed Charge and Energy Charge have been discussed in earlier Sections of this Order.

i) Approved Annual Fixed Charge

As regards the recovery of Annual Fixed Charge, Regulation 33.1.1 of MERC Tariff Regulations stipulates that the target availability for full recovery of Annual Fixed Charge shall be 80 percent. The availability projected by RInfra-G for its Thermal Station is more than 80%. The Commission, hence, approves the full recovery of fixed charge during FY 2009-10 for its Dahanu thermal power station. However, in the event of actual availability for the year, computed in accordance with the Commission's Tariff Regulations, being lower than the normative availability of 80%, the fixed charge shall be proportionately adjusted in accordance with the provisions of the Tariff Regulations, while truing up the revenue and expenses in the next year.

The approved Annual Fixed Charge for RInfra-G DTPS for FY 2009-10 is given in the following Table:

Table: Approved Annual Fixed Charge of DTPS for FY 2009-10 (Rs. Crore)

Particulars	AFC (Rs Crore)
DTPS	156.09

The Annual Fixed Charge of DTPS shall be billed on monthly basis on pro-rata basis.

ii) Energy Charge

The rate of energy charge (ex-bus) for FY 2009-10 has been approved for DTPS, based on approved operational parameters and assumed fuel price for FY 2009-10. Any variations in the fuel price shall be dealt with under FAC mechanism. The following Table details the energy charge to be charged by RInfra-G for sale of power from DTPS.

Table: Approved Energy Charge for DTPS

Particulars	Rate of Energy Charge (Rs/kWh)
DTPS	2.08

iii) Incentive

RInfra-G is eligible for an incentive of 25.0 paise/kWh for actual generation in excess of ex-bus energy corresponding to a target Plant Load Factor of 80 percent.

To even out the cash flow Distribution Licensee on account of payment of the incentives, RInfra-G shall determine the incentive at the end of September 2009 and

March 2010 on the basis of actual performance and shall submit that amount to be billed to the distribution licensee as an additional charge payable on this account.

At the end of the financial year, i.e., March 31, 2010, the actual PLF for the entire year shall be considered while truing up the incentive.

6.2 Applicability of Order and Tariff

This Order for the third year of the first Control Period, i.e., for FY 2009-10, shall come into force with effect from June 1, 2009, and the Tariff approved in the Order shall be applicable from June 1, 2009.

The Commission acknowledges the efforts taken by the Consumer Representatives and other individuals and organisations for their valuable contribution to the APR determination process.

Sd/-
(S. B. Kulkarni)
Member

Sd/-
(A. Velayutham)
Member

Sd/-
(V. P. Raja)
Chairman



(P B Patil)
Secretary, MERC

APPENDIX 1**List of Persons who attended the Technical Validation Session held on January 28, 2009**

S.No	Name
Rinfra Officials	
1.	Shri G. Khandelwal
2.	Shri Kapil Sharma
3.	Shri Kamal Kant
4.	Shri G.Srinivas Rao
5.	Shri Ganesh Balasubramanian
6.	Shri Sharad Nath
7.	Shri Kishor Patil
8.	Shri. P.G. Phokmare
9.	Shri A C Tambawala
10.	Shri Mohan Limaye
11.	Shri A Shahi
12.	Shri P.S. Pandya
13.	Shri R.R. Mehta
14.	Shri Madan Biyami
15.	Shri P.M Hundil
16.	Shri M.S.Rao
17.	Shri P.V. Chawada
18.	Shri Vikas Sonar
19.	Shri Dhiraj Manikar
20.	Shri Sanjay B
21.	Shri Karman .K
22.	Shri Karan Pallav
23.	Shri A. Vijay
24.	Shri S.A. Radke
25.	Shri A. Mondal
26.	Shri Vivek Mishra
27.	Shri Mangle Sumegh
28.	Shri Prasad Rao
29.	Shri Atul Joshi
30.	Shri Anish J
Others	
31.	Dr. Ashok Pendse
32.	Shri S. Dixit
Consultants to Commission	
33.	Shri Ajit Pandit
34.	Shri Palaniappan M
35.	Shri Suresh Gehani
36.	Shri S.R.Karkhanis
37.	Kum. Kirty Sharma
38.	Shri Anand Kulkarni
39.	Shri Santosh Kumar Singh
40.	Shri Krishnajith M.U.
41.	Shri M.N. Bapat
42.	Shri Saurabh Gupta

Appendix-2**List of Objectors**

S.No.	Name & Address of the Objector	Designation	Institution
1.	Dr. Ashok Pendse		Mumbai Grahak Panchayat
2.	Dr. S.L. Patil	Secretary General	Thane Belapur Industries Association
3.	Shri Shantanu Dixit/ Ashwini Chitinis	Member	Prayas, Energy Group
4.	Shri V. Gopal		Individual
5.	Shri Srinivasan Krishnan		Individual
6.	Shri Sanjeev Kapoor		Kapoor Glass India Pvt. Ltd.
7.	Shri Krishna Sarbadhikary		Individual
8.	Shri Ramniklal Chheda		The Retail Grain Dealers Co.op.So.Ltd
9.	Shri. S. S. Seth	Dy. CE (SO) W.S	Municipal Corporation of Greater Mumbai (MCGM)
10.	Shri Sandeep N. Ohri	Moderator	Individual/BIJLEE Yahoo Groups
11.	Shri K.C. Varshney	Divisional Engineer (Bldg)	Mahanagar Telephone Nigam Ltd
12.	Shri S.K. Lahiri		Individual
13.	Col. M. Masand	President	The Association of Hospitals
14.	Shri Mukund K. Parikh		Individual
15.	Shri Jitendra N. Gupta		Individual
16.	Shri Tapan Sharma		Individual
17.	Shri Bankim P. Gor		Individual
18.	N.A	Trustee	Shri Sarvodaya Hospital
19.	Shri Dilip Modi	Secretary	Pinky Prestige CHS Ltd
20.	Shri Sandeep Jalan		Janhit Manch
21.	Shri Bhagvanji Raiyani	President	Janhit Manch
22.	Shri Shatadru Sengupta	Director-Legal and Company Secretary	Hardcastle Restaurants Pvt. Ltd.
23.	Shri Krishnanath R. Nevrekar, (Shri Vinayak Joshi), (Shri Vasant Shirali)		Individual
24.	Shri Dejul M. Shah		Individual
25.	Shri Mohammed Afzal		Consumer / Human Right Activist

S.No.	Name & Address of the Objector	Designation	Institution
26.	Shri Hiren Shah		Individual
27.	Shri Rupesh S. Jadhav		Individual
28.	AshokKumar Hasija	Wing Commander	Individual
29.	Shri Vijay B. Malwankar, Shri Prasad P. Ayare	Executive Committee Member	Shivsena Grahak Sauraksan Sangh
30.	Shri Girdhari B. Lutharia		Individual
31.	Shri Darakh		Individual
32.	Smt. Shyama Nivas		Individual
33.	Dr. Laxmi Vyas		Individual
34.	Shri Anil M. K.		Individual
35.	Smt. Meenakshi Bhalla		Individual
36.	Shri Jatin Sanghavi		Individual
37.	Shri M. J. Gajaria		The Westminster Co-op Housing Society Ltd.
38.	Ms. Usha Chandra Sekhar		Athreya Associates
39.	N.A	Partner	Jain Sweet & Bhelpuri House
40.	Smt. Shweta A. Abrol/ Shri Rakshpal Abrol	Chief Co- ordinator/ Convenor	Bharitya Udhami Avam Upbhokta Sangh
41.	Shri Satya.K. Srivastava	Chief Financial Officer	Spencer's Retail Limited
42.	Shri K. Sampath		Individual
43.	Shri Abhigyan Jha		Individual
44.	Shri Parthasarthy Ganguly	Dy. GM (Legal)	Mumbai International Airport P. Ltd.
45.	Shri Nitin Pandit	President	International Institute for Energy Conservation (IIEC)
46.	Shri Pankaj D. Muni	President	Electrical Contractors' Association of Maharashtra
47.	Shri Guruprasad Shetty		Association of Hotels & Restaurant / Individual
48.	Shri Shrikant S. Prabhu		Individual
49.	Shri Yashwant Trimbak Oke		Individual
50.	Shri Sandeep R. Borkar		Individual
51.	Shri Zaheer M. Kondkar		Individual
52.	Shri Hiroo P. Malkani		Individual
53.	Shri Rajesh Varma		Individual
54.	Shri Madanmohan R. Singh		Individual
55.	Shri T. R. Saranathan		Individual
56.	Shri Manohar Pednekar		Sahil International, Mumbai

S.No.	Name & Address of the Objector	Designation	Institution
57.	Shri S.A. Puranik	Dy. GM (Electric Supply)	BEST Undertaking
58.	Shri Vasant Shetty, Shri Narayan.M. Alva	Vice-President	Indian Hotel & Restaurant Association
59.	Shri N. Ponarathanam, [Total 74 Applications]		Vel Induction Hardenings
60.	Shri N. Thampan		Individual
61.	Smt. Jude G. Tandon		Individual
62.	Shri P. N. Sridharan		Individual
63.	Smt. Iona Dias		Individual
64.	Shri Avinash Fortes		Individual
65.	Shri V. Thanumoorthy		Individual
66.	Shri V.H.Wagle	Assistant General Manager	Tata Power Company Ltd.
67.	Shri Utsal Karani, [Total 213 Applications]		Individual
68.	Smt. Kruti Shah		Individual
69.	Shri Mukeshchandra P. Parekh		Individual
70.	Shri N.K. Pratapan	General Secretary	Pestom Sagar Citizens Forum
71.	Shri Kangaraj		Individual
72.	Shri M. Babu		Individual
73.	Smt. Rima Chavan		Individual
74.	Shri R.N. Vakharia		Individual
75.	Shri Ashok Parekh/Sanjay Shah	President/Secretary	Kamla Vihar G-5, Co-op Housing Society
76.	Shri Jeet Gulati	Chairman	Maker Arcade Premises Co.op.Soc.Ltd
77.	Shri Mahendrakumar B. Mehta		Individual
78.	Shri Amit. S. Gajaria	Member (Special Power Committee)	Kandivali Co.op.Indl. Estate Ltd.
79.	Wadia Ghandy & Co. Advocate & Solicitors		Retailers Association of India
80.	Wadia Ghandy & Co. Advocate & Solicitors		Hyper City Retail (I) Ltd
81.	Wadia Ghandy & Co. Advocate & Solicitors		BD & P Hotels (I) Pvt. Ltd
82.	Wadia Ghandy & Co. Advocate & Solicitors		Inorbit Mall (I) Pvt. Ltd.
83.	Wadia Ghandy & Co. Advocate & Solicitors		Shoppers Stop Limited
84.	Wadia Ghandy & Co. Advocate & Solicitors		Globus Stores Pvt. Ltd
85.	Dr. Rajas A. Rane	Working Committee	Shivsena Grahak Saurakshan Kaksh

S.No.	Name & Address of the Objector	Designation	Institution
		Member	
86.	Shri D.D Chaphalkar		Multiplex Association of India, [FICCI]
87.	Shri Prakash Khatiwala	President	Juhu Scheme Residents Association
88.	Shri Mahesh Barbhaya	Proprietor	Lata Enterprises
89.	Shri Jubal Braganza		Individual
90.	Shri Surendrakumar Suri		Individual
91.	Shri D. D Savla	President	Dadar Merchant's Association
92.	N.A	Manager	Shree Bhayander Stainless Steel Mfrs. & Traders Association
93.	Adv. Parag M. Alavani,	General Secretary	Bhartiya Janata Party
94.	Shri. Ishwar P. Kewalramani		Excel Electric
95.	Shri S.C. Gupta	Supt. Engineer	Prasar Bharati, (Broadcasting Corporation of India)
96.	Shri S. Amin [Total 85 Applications]		Seagull Anglore Co-op Housing Society, Chembur
97.	Shri. A.K Khanna	Director	Isha Steel Treatment Pvt. Ltd.
98.	Shri A. R. Bapat,		Individual
99.	Total 45 objectors	NA	The Tenants of Kalyan Bldg
100.	Shri Shrikant R. Belwalkar		Individual
101.	Shri Kantilal Jangbari	President	JVPD Tenants & Residents Association
102.	Shri Utsal Karani		JVPD Tenants & Residents Association
103.	Shri Harish B.Sheatty	President	Maharashtra Manav Seva Sangh
104.	Shri Mahadev Gaikwad		Bhimshakti Ekta Mitra Mandal
105.	Shri Kisan Gaikwad		Individual
106.	Shri N.D. Manjrekar		Individual
107.	Shri Vanraj Patil		Individual
108.	Smt. Anjali		Individual
109.	Smt. Surekha K. Nilakh [Total 67 Applications]		Individual
110.	Shri Vasant K. Gade [Total 110 Applications]		Islampur Samaj Kalyan Society
111.	Shri. Pradeep [Total 47 Applications]		Shetye Pvt. Ltd.
112.	Shri G.A. Gohin [Total 85 Applications]		Individual
113.	Smt. Prema Shetty [Total 84 Applications]		Neelkant Apartment, Chembur
114.	Wadia Ghandy & Co. Advocate & Solicitors		Asian Hotels Ltd.

S.No.	Name & Address of the Objector	Designation	Institution
115.	Wadia Ghandy & Co. Advocate & Solicitors		Lifestyle International Pvt. Ltd.
116.	Wadia Ghandy & Co. Advocate & Solicitors		R. Mall Developers Pvt. Ltd.
117.	Shri Yazdi Tantra	Representative	Juhu Scheme Residents Association
118.	Shri Jayant Patel		Individual
119.	Shri Sumit Dutt		Individual
120.	Shri Samprati Gada		Individual
121.	Shri Bhaskar Prabhu		Individual
122.	Shri Rajiv Arora		Individual
123.	Shri Anil Mani		Individual
124.	Shri Ketan B. Kapadia		Individual
125.	Shri Tirath R. Sonpar		Individual
126.	Shri Chaitanya P. Kalve		Individual
127.	Shri Pravin Jain		Individual
128.	Shri Malav Ravel		Individual
129.	Shri Shirlyn Galbao		Individual
130.	Shri Sharat Bangera		Individual
131.	Shri Rajesh Bhatt		Individual
132.	Smt. Shradda Mathure		Individual
133.	Smt. P. Fernandes		Individual
134.	Shri Rajive Prasad		Individual
135.	Shri Jayesh Thacker		Individual
136.	Smt. Anita Balani		Individual
137.	,Ms. Sherly J. Singh	Director	Hotel Samraj
138.	Shri Sunay Gandhi,		Individual
139.	Shri Kantilal Bheda,		Individual
140.	V.C. Darak		V.C. Darak & Associates
141.	Smt. Archana Mehta,		Individual
142.	Dr. Anupam Karmakar	Chief Operating Officer	Parakh Hospital
143.	Shri Amin Mukhi		Individual

S.No.	Name & Address of the Objector	Designation	Institution
144.	Shri Sanjay Sakpal	General Secretary	Ishanya Mumbai District Congress Committee
145.	Shri Sundararaman S Iyer, Shri Suresh M.Mehta	President and Managing Trustee, Executive Trustee	Mumbai Citizens & Commuters' Trust & Citizens Development Trust of India
146.	Shri A.V. Shenoy, Shri Pramod Muzumdar	Convener, Co-convener	Energy Study Group
147.	N.A	Chairman and Hon. Secretary	Navsamaj Co.Op. Housing Soc. Ltd.
148.	Shri Shabbir Udaipurwala and Shri Diwakar Udywar	Secretary and Chairman	Ram Mandir Road Factory Owners Association
149.	N.A	Secretary and Chairman	Juhu Abhishek Apmt. CHS Ltd
150.	Shri Anuj Dhokai		Xoriant Solutions Pvt. Ltd.
151.	Shri Joseph Gonsalves		Individual
152.	Smt. Yojana Pednekar		Individual
153.	Shri Amit Khemka		Individual
154.	Smt. Supriti Singh		Individual
155.	Shri Pankaj Bhatia		Individual
156.	Shri Joy Bimal Roy		Individual
157.	Shri Sajjan Kumar Poddar		Individual
158.	Shri Bhawan Khatwani		Individual
159.	Shri Kumar Pravesh		Individual
160.	Shri Adhir Varma		Individual
161.	Smt. Alice Syam		Individual
162.	Shri Bhupendra C. Jhaveri		Individual
163.	Shri Sanjay Khullar		Individual
164.	Shri Sundeep Nagpal		Individual
165.	Shri K. Shanmugam		Individual
166.	N.A	Secretary	Ghatkopar Presidential Towers 'B' CHS Ltd
167.	Smt. Usha Bhende		Individual
168.	Shri K.R. Seshadri		Individual

List of Objectors present during Public Hearing held on March 26, 2009

S.No.	Name & Address of the Objector	Institution
1.	Dr. Ashok Pendse	Mumbai Grahak Panchayat
2.	Dr. S.L. Patil	Thane Belapur Industries Association
3.	Ms. Ashwini Chitnis	Prayas, Energy Group
4.	Shri V. Gopal	Individual
5.	Shri Sandeep N. Ohri	Individual
6.	Shri I.C. Shukla	Shri Bhagwanji Raiyani, Janhit Manch
7.	Shri Vijay B. Malwankar	Shivsena Grahak Sauraksan Sangh
8.	Shri R.K.Seth	Mumbai International Airport P. Ltd.
9.	Shri O.P. Singh	Mumbai International Airport P. Ltd.
10.	Shri Pravind Kumar	Mumbai International Airport P. Ltd.
11.	Shri P.S. Ganguly	Mumbai International Airport P. Ltd.
12.	Shri Mahesh Patankar	International Institute for Energy Conservation (IIEC)
13.	Shri Rahul Agnihotri	International Institute for Energy Conservation (IIEC)
14.	Ms. Ira Athalle	International Institute for Energy Conservation (IIEC)
15.	Shri Sanjay Sakpal	Electrical Contractors' Association of Maharashtra
16.	Shri Guruprasad Shetty	Association of Hotels & Restaurant
17.	Shri Dipankar Das, Shri Harinder Toor	BEST Undertaking
18.	Shri N. Ponarathanam	Vel Induction Hardenings
19.	Shri Jude G. Tandon	Individual
20.	Shri P. N. Sridharan	Individual
21.	Shri V. Thanumoorthy	Mumbai Citizens Welfare Forum
22.	Shri Prashant Awekar	Tata Power Company Ltd.
23.	Shri V.H.Wagle	Tata Power Company Ltd
24.	Shri Prashant Joshi	Tata Power Company Ltd
25.	Shri Shekar Khedia	Tata Power Company Ltd
26.	Shri A.Sethi	Tata Power Company Ltd
27.	Wadia Ghandy & Co. Advocate & Solicitors	Retailers Association of India
28.	Wadia Ghandy & Co. Advocate & Solicitors	Hyper City Retail (I) Ltd

S.No.	Name & Address of the Objector	Institution
29.	Wadia Ghandy & Co. Advocate & Solicitors	BD & P Hotels (I) Pvt. Ltd
30.	Wadia Ghandy & Co. Advocate & Solicitors	Inorbit Mall (I) Pvt. Ltd.
31.	Wadia Ghandy & Co. Advocate & Solicitors	Shoppers Stop Limited
32.	Wadia Ghandy & Co. Advocate & Solicitors	Globus Stores Pvt. Ltd
33.	Wadia Ghandy & Co. Advocate & Solicitors	Asian Hotels Ltd.
34.	Wadia Ghandy & Co. Advocate & Solicitors	Lifestyle International Pvt. Ltd.
35.	Wadia Ghandy & Co. Advocate & Solicitors	R. Mall Developers Pvt. Ltd.
36.	Dr. Dedhia	Parakh Hospital
37.	Shri Champalal Jain	Individual
38.	Shri V. Sequeria	Individual
39.	Shri Praveen Mehra	Mirage Hotel
40.	Shri Antony Samy	Individual
41.	Shri V. Gopal	Individual
42.	Shri H.S. Kamath	Individual
43.	Ms. Sunila Manerikar	Individual
44.	Shri Ashish Patankar	Individual
45.	Shri Shabbir	Ram Mandir Road Factory Owners Association
46.	Shri Kumarpal Chaganraji Rathore	Individual
47.	Shri Suhajul Hassan	Individual
48.	Shri Deepak N. Israni	DLH
49.	Shri A.D. Golandaz	AITUC
50.	Shri Subash C. Patel	Individual
51.	Shri P.G. Muzumdar	Energy Study Group
52.	Shri A.V. Shenoy	Energy Study Group
53.	Shri U.P. Naniwadekar	Municipal Corporation of Greater Mumbai
54.	Mary Antony	Jagrut Kamgar Manch
55.	Shri Murali Nair	Legal Advisor
56.	Shri S.A. Nikalje	MSPGCL
57.	Shri S.D. Maithi	PAEC
58.	Shri R. Mago	PAEC
59.	Shri A.S. Bhattaharya	PAEC
60.	Shri Yasmdev Bahl	Blue Drat Express Ltd.
61.	Shri K. Vinodham	Individual
62.	Shri S.V. Varadkar	OHRC
63.	Shri A.M. Goklani	Individual
64.	Shri Himanshu Chandavarkar	PXI, Mumbai
65.	Girija Gupte	Jagrut Kamgar Manch
66.	Shri S. Sharma	Power Age Consultants
67.	Shri R.S. Verma	Individual
68.	Shri Navin Pandey	Society and You

S.No.	Name & Address of the Objector	Institution
69.	Shri Hardeo R. Patel	Individual
70.	Ms. Archana Patankar	Tata Institute of Social Science
71.	Bhecmeshwar	Tata Institute of Social Science
72.	Shri R. Thomas	Advisor
73.	Shri S.M. Mehra	M.C.C.T, Mumbai
74.	Shri P.M.Suru	Borosil Glass Works
75.	Ms. Vanita	CCN News
76.	Shri Mohan S	Ahav
77.	H.A.D'Silva	Holy Family Hospital, Bandra
78.	Shri K.J.Shah	Individual
79.	Shri Mukund	Individual
80.	Shri S.Chandrashekar	Amrapali Industries
81.	Shri Rajesh Shinde	Rajesh Industries
82.	Shri Vinay Sethi	Hotel Nataraj
83.	Ms. Ruchita Saxena	Individual
84.	Shri Ketan Malhotra	J.M.D.Engineering Works
85.	Shri Jimit Joshi	Individual
86.	Ms. Sapna Desai	Mid-day
87.	Shri Sachin S. Nachnekar	Rhyth
88.	Ms. Smita Kamble	Prerna
89.	Shri Akshay Rane	Prerna
90.	Shri Pravin Kamble	Prerna
91.	Shri Sujaad Hurane	Individual
92.	Shri Thakur Gautamraj	Individual
93.	Shri Ramji Bhanvshali	Individual
94.	Shri Kausar Patel	Vashi Naka Islampura
95.	Ms. Amina Akhtar	Vashi Naka Islampura
96.	Kamrunnisa	Vashi Naka Islampura
97.	Shri Shashank Rao	Individual
98.	H.M.Mandliya	Individual
99.	Shri Rajil Menon	Down to Earth
100.	Ms. Rachita Prasad	News Wire 18
101.	Shri Chittaranjan	The Times of India
102.	Khatuni Bi	Samaj Kalyan Society, Vashi Naka
103.	Shri Vasant K Gade	Samaj Kalyan Society, Vashi Naka
104.	Shri V.R. Khandekar	Angelore Co-Hsg.Society
105.	Shri Sunil Joglekar	HIRCO Powai
106.	Shri Vipul Ravze	Talent Securities
107.	Shri Shanti Patel	Individual
108.	Shri H.K.Bulbwalla	Individual
109.	Shri K.R.Seshadri	Individual