

**BEFORE THE CHHATTISGARH STATE ELECTRICITY
REGULATORY COMMISSION, RAIPUR**

**PETITION FOR AGGREGATE REVENUE REQUIREMENT FOR FY
2008-09 & 2009-10 AND TARIFF PETITION FOR FY 2009-10 OF
CSPGCL**

Filing no.....

Case No.....

In the matter of: Filing of Tariff Petition for FY 2009-10 and approval of Aggregate Revenue Requirement (ARR) for FY 2008-09 & 2009-10 under Section 62 and 86 (1) (a) of the Electricity Act, 2003 together with the relevant provisions of the Chhattisgarh State Electricity Regulatory Commission's Conduct of Business Regulations and Terms and Conditions for determination of Tariff Regulation

Petitioner Chhattisgarh State Power Generation Company Limited

Raipur

The Applicant respectfully submits as under:-

1. This application has been prepared in accordance with Section 62 and 86 (1) (a) of the Electricity Act 2003 together with the relevant provisions of the Chhattisgarh State Electricity Regulatory Commission's Conduct of Business Regulations and Terms and Conditions for determination of Tariff Regulation to the possible extent
2. The Chhattisgarh State Power Generation Company Limited (CSPGCL) is a successor to the erstwhile Chhattisgarh State Electricity Board entrusted with the responsibility of Generation of power in the state of Chhattisgarh. Based on the provisions of Section 62

of the Electricity Act 2003, CSPGCL is filing this petition, in order to meet its financial requirements in compliance to the directions of the Hon'ble Commission on the matter.

3. This is a petition indicating the Aggregate Revenue Requirement (ARR) and Tariff Proposal of CSPGCL for the year FY 2009-10, approval of the ARR for the year FY 2008-09 and true-up of expenses for the year FY 07-08 at actual
4. Status of compliance of directives issued under the previous Tariff Order has also been incorporated in the petition

Prayers to the Hon'ble Commission:

The petitioner respectfully prays that the Hon'ble Commission may:

- A. Examine the proposals submitted by the petitioner for a favourable consideration as detailed in the enclosed petition
- B. Implementation of CERC Tariff Regulations, 2009 applicable from FY 2009-10 onwards.** The Hon'ble CSERC has made it clear that at preset it is following the CERC Tariff Regulation, 2004 but the currency of the same is expiring on 31.03.2009. CERC has already notified the new regulations on 19th January 2009 for the control period 01.04.2009 to 31.03.2014. Hon'ble CSERC has informed CSPGCL that the petition be reconstructed in accordance to the new CERC regulations.

In the above context, it is humbly submitted that there are significant points which deserve consideration before application of CERC regulations on CSPGCL, namely:

- The CERC norms have been prescribed for Central Sector Stations and central generation utilities NTPC, DVC, NLC, etc which had due participation in the regulatory process leading to the formation of regulations, however such opportunity was never available to CSPGCL
- For fixation of benchmarks for the control period 2009 to 2014, the Hon'ble CERC has mostly relied on the Advice of the Central Electricity Authority on "Norms of

operation for the tariff period 2009-14”. To work out the recommendations CEA conducted study of 11 NTPC stations. Significantly the study did not cover:

- ❖ Study of any Co generation plant like Kawardha Cogeneration plant of CSPGCL
- ❖ Study of Mini Micro Hydro power stations. (Such as Korba West)
- ❖ Study of ABL/BHEL combination units, as none of the NTPC stations have got such combination. It may not be out of place to submit that CEA’s own Annual Report’s on “Review of Performance of Thermal Power Stations”, year after year, state that through-out the nation, operational performance of ABL / BHEL combination is inferior to BHEL / BHEL combination.

CEA ANNUAL REPORTS				
REVIEW OF PERFORMANCE OF THERMAL POWER STATIONS MAKEWISE OPERATING AVAILABILITY (%)				
MAKE	FY O3-04	FY 04-05	FY 05 -06	FY 06 – 07
BHEL / BHEL	84.62	84.93	83.32	85.79
ABL / BHEL	68.15	66.48	70.49	68.54
RUSSIA/ RUSSIA	81.83	82.37	79.67	75.57
OTHERS	76.73	80.71	78.47	81.01

It is submitted that out of 12 big thermal units comprising 1780 MW capacity, 2 units (23.5% capacity) belong to this ABL/ BHEL sub group.

- ❖ The annual reports, year after year, consistently highlight that in the capacity group-wise performance analysis, 120 MW units had highest Forced outages, Lowest Operating Availability Factor and Lowest PLF. The latest available CEA report for FY 06-07 brings out the impact of group-wise constraints faced by the generators throughout the country with true force.

MAKE	FO (%)	Operating Availability (%)	PLF (%)
500 MW	4.89	87.36	84.91
250 MW	2.15	93.81	93.75
200/210 MW	5.40	88.88	82.43
140/150 MW	20.11	74.72	53.52
120 MW	26.78	67.12	46.84
110 MW	14.66	64.29	55.82
ALL INDIA	7.85	83.72	77.03

It is submitted that out of 12 big thermal units comprising 1780 MW capacity, 2 units (13.5% capacity) belong to this sub group.

- ❖ The CEA norms study does not cover lower capacity units of 50 MW. CSPGCL has 4 such units comprising 11.2% of total capacity.

It is prayed that for the control period FY 2009-2010, ARR based Tariff fixation may kindly be allowed to continue. The grounds urged are:

- ✓ Approximately 48.3% of thermal capacity alongwith the sole Co generation and mini micro plant of CSEB may not fall within the ambit of study, hence the fixation of Benchmarks on the basis of CERC Tariff Regulations 2009, may kindly be taken up as a separate regulatory process on the basis of which Tariff for future years i.e. from FY 10-11 onwards, may be finalized in due course of time.
- ✓ CSPGCL being a new company, is also presently engaged in the process of taking steps for compliance of various provision of Companies Act 1956, formalization of its new organization structure and study & adoption of best industry practices. It is hoped that in intervening time of FY 2009-10, CSPGCL will have better preparedness to respond to likely introduction of Multi Year Tariff regime.

Meanwhile continuation of prevailing practice of ARR based Tariff will allow CSPGCL to recover input cost escalations which have taken place over last two years. This will also allow the nascent company to cater to its ARR requirements in an appropriate manner.

C. Incentive

Incentives are must for motivating any person or organization to achieve targeted performance levels. The threshold levels everywhere are not the projected levels but much before that level. It may be interesting to note while 11 NTPC stations, studied by CEA, are continuously operating at near 90 % PLF, the CERC has fixed benchmark for them at 85% only. Even if we consider such stations only which have got 210 MW units, the relation between the cut in level incentives and actual performance in the preceding year has interesting interrelationship.

Station	FY 2002-03	FY 2003-04	Cut in % for incentive (FY 04-09)	FY 2006-07	5 year average (03-07)	Cut in % for incentive (FY 04-09)
Dadri	82.06%	83.77%	80%	95.69%	89.29%	85%
Unchahar	83.58%	87.44%		95.54%	90.88%	

Further in the recent CERC Tariff Regulations-2009, Talcher and Badarpur TPS of NTPC have been given threshold level of 82% only, while since 2005-06, these stations are running with more than 85% PLF.

Accordingly, looking at the age, capacity and other factors, the cut in incentive levels may be fixed at 80% for Korba East Ph-2, 78% for KE Ph-3, 80% for Korba West and 82.5% for DSPM. It may be pertinent to mention here that 2 units of Korba West are completing their useful life by 31st march 2009 and the other two will complete by March 2010.

D. Reasonable return

- The CERC norms provides for Return on equity at 17.481% from FY 2009-10 onwards for entities which are liable to pay Minimum Alternate Tax (MAT) as provided in CERC Tariff Regulation-2009. CSPGCL humbly requests the Hon'ble Commission to approve CSPGCL claim of 17.481% as Reasonable Return for FY 2009-10
- E. Pass suitable order with respect to the true-up of ARR for FY 2007-08 amounting to Rs. 1435.65 crore, approve the ARR for FY 2008-09 amounting to Rs. 1931.08 crore and ARR for FY 2009-10 at Rs. 2019.42 crore along with the relevant operational and financial parameters
- F. Pass suitable order in respect of variable charges to be claimed by CSPGCL for supply of power to CSPDCL
- G. Provide an opportunity to submit a Variable Cost adjustment formula in future
- H. Condone any inadvertent omission/errors/shortcomings and permit CSPGCL to add/change/modify/alter this filing and make further submissions as may be required at a future date
- I. Pass such further and other orders, as the Hon'ble Commission may deem fit and proper keeping in view the facts and circumstances of the case

Chhattisgarh State Power Generation Company Limited

Petitioner

Raipur

Dated: February 25, 2009