



THE SINGARENI COLLIERIES COMPANY LIMITED
(A Government Company)
2 X 600 MW SINGARENI THERMAL POWER PROJECT
Jaipur (V&M)-504216, Mancherial (Dist), T.S.

Ref no: STPP/COML/2020-21/

Dt: 20.04.2020

To,
The Secretary,
T.S. Electricity Regulatory Commission,
5th Floor, Singareni Bhavan, Red Hills,
Lakdi ka pool, Hyderabad – 500 008.

Sub: SCCL – Reply to the objections by **M. Venugopala Rao** regarding petitions in respect of Singareni Thermal Power Project, Phase-I (2X600 MW)– Reg.

Ref: i) Your email dated 11.03.2020 regarding preliminary objections in OP Nos.4&5 of 2019 and OP Nos.8&9 of 2020 relating to STPP of SCCL.
ii) Your email dated 28.03.2020 regarding further submission of objections and suggestions in OP Nos.4&5 of 2019 and OP Nos.8&9 of 2020 relating to STPP of SCCL.

Sir,

The reply to the objections and suggestions made by the objector related to 2X600MW STPP as sought by the Hon'ble Commission vide reference emails relating to truing up petition (O.P. No. 4 of 2019), Multi-year tariff petition (O.P. No. 5 of 2019), Business plan (O.P. No. 8 of 2020) and Capital investment plan (O.P. No. 9 of 2020) is hereby submitted with six copies each.

The Hon'ble commission is kindly requested to accept the same.

Thanking you.

Yours sincerely

Director (finance)

N. BALRAM, IRS

DIRECTOR (FINANCE)

THE SINGARENI COLLIERIES COMPANY LIMITED,

KOTHAGUDEM - 507 101.

Encl: i) Annexure-A, Replies to the email dated 11.03.2020 with 6 copies.

ii) Annexure-B, Replies to the email dated 28.03.2020 with 6 copies.

CC:

M. Venugopala Rao

Senior Journalist & Convener, Centre for Power Studies
H.No.1-100/MP/101, Monarch Prestige, Journalists' Colony,
Gopanpally, Serilingampally Mandal,
Hyderabad - 500 032.

Objection	Reply
<p>1. In its order dated 19.6.2017 on determination of capital cost and generation tariff for the subject project for the period from 2016-17 to 2018-19, up to commercial operation date of unit 2 (2.12.2016), the Hon'ble Commission approved a capital cost of Rs.6705.71 crore against Rs.8540.22 crore proposed by SCCL. The Hon'ble Commission also provisionally approved additional capitalization of Rs.124.85 crore for 2016-17 and Rs.744.69 crore for 2018-19. The Commission also determined tariff based on the approved capital cost for the respective years. While appeal of SCCL against the order of the Commission is pending before APTEL, the later directed the Commission to hear true-up petition of SCCL. Since the appeal of SCCL against the order of the Commission dated 19.6.2017 is pending before APTEL, the question of true-up for the period from 2016-17 to 2018-19 based on the revised capital cost and MYT for the period from 2019-20 to 2023-24 based on the revised capital cost and other parameters proposed by SCCL does not arise. Clause 10.8 of Regulation No.1 of 2008 of APERC, which is adopted by TSERC, says: "Capital cost:- Subject to prudence check by the Commission based on information filed by the generating company,</p>	<p>The approved capital cost of 2X600 MW STPP including additional capitalization as per the tariff order of Hon'ble TSERC was rightly mentioned by the objector as Rs.7575.25 Crores (Rs 6705.71Crores+124.85Crores+744.69 Crores). However, the objector did not mention the undischarged liability part of the order where the Hon'ble Commission has excluded Rs.414.56 Crores in BTG contract and Rs.29.25 crores in BoP contract for arriving at the value of Rs.7575.25 crore. The commission further mentioned in para 3.4.18 and in 3.5.7 of tariff order dated 19.06.2017 that these undischarged liabilities would be considered while determining the tariff for next control period i.e., 2019-24.</p> <p>As per 4.1.1 of power purchase agreement (PPA) the tariff of the project is required to be determined under TSERC regulations. However, while determining the tariff of STPP, the Hon'ble TSERC has adopted CERC (Terms & conditions of tariff) regulation, 2014 vide para 1.2.4 of the order dated 19.06.2017.</p> <p>The trueing up exercise is required to be done by the Hon'ble Commission as per regulation 8 of CERC tariff regulation, 2014. This regulation provides trueing up of capital expenditure including additional capital expenditure upto 31.03.2019. This is a regulatory process contemplated under appropriate regulation and pendency of appeal against some issues of tariff order dated 19.06.2017 cannot be a ground for the denial of a regulatory exercise, namely trueing up.</p> <p>Further, the Hon'ble Appellate Tribunal of Electricity (APTEL) vide its order dated 28.09.2018 directed the Hon'ble TSERC to hear the trueing up petition as per the procedure contemplated.</p>


N. BALARAM, IRS
 DIRECTOR (FINANCE)
 THE SINGARENI COLLIERIES CO. LTD.,
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licensees, evidence from other Commissions, generating companies, licensees and international experience etc. the Commission shall determine the Capital Cost of the project. The Capital Cost as determined above, shall also include further capital expenditure incurred if any up to the first financial year closing one year after the date of commercial operation of the last unit of the project, its stage or the unit, as the case may be, is admitted by the Commission.” CERC, in its tariff regulations of 2014, has made it clear that “in case the time over-run beyond SCOD is not admissible after due prudence, the increase of capital cost on account of cost variation corresponding to the period of time over run may be excluded from capitalization irrespective of price variation provisions in the contracts with supplier or contractor of the generating company or the transmission licensee.” These guiding principles should be followed as a part and parcel of prudence check. *Therefore, whatever additional capital expenditure, including interest during construction, SCCL claimed to have incurred or to be incurred after one year from the date of declaration of CoD of the last unit is not permissible, except to the extent the Hon’ble Commission approved in its order dated 19.6.2017.*

The attention of the objector is drawn toward the order of APTEL in appeal no. 17 of 2017 dated 9th May, 2019 between M/S Him Urja Private Limited vs Uttarakhnad Electricity Regulatory Commission. In this case, the appellant, M/s Him Urja Private Limited challenged tariff order issued by Uttarakhnad Electricity Regulatory Commission on various grounds. During the pendency of the appeal the state commission undertook necessary modifications in the tariff in line with principle mentioned in impugned order. However, tribunal did not interfere with the modifications of tariff order issued by state commission during the pendency of the appeal. The relevant portion of the order is reproduced below;

“1.1 The Appellant had challenged the tariff order dated 10.04.2014 before the Tribunal in Appeal no. 178 of 2014 on various grounds including the ground that the tariff ought not to assume the receipt of capital subsidy. During the proceedings in the said appeal, the State commission had undertaken to carry out necessary corrections in the tariff as was also stated in the tariff order dated 10.04.2014. In the circumstances, the Tribunal did not interface with the said decision of the State Commission”.

It is also to state that the capital investment plan for the period 2019-24 was submitted as per regulation 7 of TSERC tariff regulation 01 of 2019. Further, the detail reasoning of proposal including priority of the schemes, cost benefit analysis and financing plan was also submitted before the commission in reply to specific query. Accordingly, the Hon’ble commission is required to apply prudence based on the regulation 7 of TS 01 of 2019 in allowing the submitted capital investment plan.

N. BALRAM, IRS
DIRECTOR (FINANCE)
THE SINGARENI COLLIERIES CO. LTD.,
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<p>The proposal of SCCL to spend an additional capital investment for the first three years of the next control period to the tune of Rs.1195.57 crore makes a mockery of the imperative of completing the project within stipulated time and imposes avoidable additional burdens on the Discoms and their consumers, if permitted by the Commission. Such an approach bails out SCCL, without any responsibility and accountability. Moreover, the reasons given by SCCL for continued delay in completing the works of STPP do not fall within the ambit of force majeure.</p>	
<p>2. In its order dated 19.6.2017, the Hon'ble Commission determined tariff for STPP based on the capital cost approved and applicable norms adopted. Contrary to that, and subject to the terms and conditions of the PPA approved by the Commission, true-up claims of SCCL for the period from 2016-17 to 2018-19 are not permissible. Despite the abnormal delay caused in execution of the subject project by SCCL, the Hon'ble Commission was liberal in approving the capital cost determined in its order dated 19.6.2017, after holding public hearing and considering various aspects.</p>	<p>As per 4.1.1 of power purchase agreement (PPA) the tariff of the project is required to be determined under TSERC regulations. However, while determining the tariff of STPP the Hon'ble TSERC has adopted CERC (Terms & conditions of tariff) regulation, 2014 vide para 1.2.4 of the order dated 19.06.2017.</p> <p>The trueing up claim was made as per clause 8 of CERC tariff regulation, 2014.</p>


N. BALRAM, IRS
 DIRECTOR (FINANCE)
 THE SINGARENI COLLIERIES CO. LTD.,
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3. In its order dated 19.6.2017, the Hon'ble Commission had directed SCCL to submit the performance guarantee test reports after completion of the same along with the amount of liquidated damages, if levied any, along with its tariff petition for the next control period. As per the terms and conditions of the contract given to BHEL for BTG package, whether there is a provision for liquidated damages for delay in execution and whether such liquidated damages for delay are claimed and received or not, whether the additional expenditure is permissible or not needs to be examined and determined. Permissibility or otherwise of the additional expenditure needs to be decided independently, irrespective of claiming and receiving of liquidated damages by SCCL from the contractor concerned. If such liquidated damages are received by SCCL, it can adjust the same for the amounts not permitted by the Commission for valid reasons. If SCCL fails to claim and get such liquidated damages, such a failure should not be considered a valid ground for permitting the amounts which are otherwise impermissible for valid reasons. For such a failure of SCCL, the Discoms and their consumers should not be penalized in the form of giving approval to the amounts which are not permissible

SCCL imposed Rs.32.72 Crores liquidated damages on BTG contractor BHEL. The same was also mentioned during filing of truing up petition on 04.12.2019. SCCL also submitted PG test reports related to BTG contract in reply to specific query raised by the Hon'ble Commission.

It is to state that the Hon'ble Commission has disallowed Rs.380.71 crores interest during construction (IDC) which results into a perpetual loss in tariff to SCCL. Therefore, liquidated damages imposed on BTG contracts are required to be set off with the final disallowance of IDC as per APTEL judgment in appeal no. 72 of 2010.


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

<p>4. Condoning delay of 5 months in execution of various works of the project, the Hon'ble Commission had approved interest during construction accordingly. In the said order, the Hon'ble Commission had made it clear that the financing charges after COD cannot be considered as a part of capital cost. The same stand should be applied while determining tariff for the next control period of 2019-2024.</p>	<p>The contention of the objector is denied as financing charges do not become part of capitalization if only there is delay in commencement of commercial production after the plant is otherwise ready as per GoI circular no. 35/2014 notified by Ministry of Corporate affairs.</p> <p>Accordingly, the financing charges related to additional capitalization after COD is allowed to be capitalized as per the relevant accounting standard. It is to state that in principle approval for FGD and NOx mitigation system is already given by the Hon'ble Commission during 2019-24. On completion, the capitalization of these works will include interest during construction and financing charges as well as per accounting standards.</p>
<p>5. As far as prime lending rates are concerned, regulations issued by CERC and adopted by the Commission in the past are outdated. In view of the same, interest rates should be considered in tune with falling interest rates in the market for the purpose of true up and for determining tariff for the next control period on requirement of working capital, instead of considering the rate of 12.80% proposed by SCCL.</p>	<p>The rate of interest on working capital in MYT period was taken as 10.05% based on clause 13.1 of regulation TS 01 of 2019.</p> <p>It is to state that the applicable interest rate on the loan availed by STPP reduced from initial 11.69% to 9.91%, 9.38% and 9.14% in FY 2016-17, 2017-18 & 2018-19 respectively due to loan restructuring. The gain from refinancing of loan and its sharing is considered during preparation of true up petition as per para 26.7 of CERC tariff regulation, 2014.</p>
<p>6. Interest rates on loans taken from PFC, PFC 2 and REC have come down from 2016-17 to 2018-19, as shown by SCCL. For true up of additional capitalization approved by the Commission, scope</p>	<p>The MYT application considers application of 10.2% interest rate on the principle amount of the loan as reduced by re-payments during previous periods.</p> <p>SCCL has already requested M/s PFC and M/s REC for reduction of interest on the existing loans.</p>


N. BALRAM, IRS
 DIRECTOR (FINANCE)
 THE SINGARENI COLLIERIES CO'S LTD.,
 KOTHA GUDDEM - 507 101,

<p>for reduction of interest rates should be considered and SCCL be directed to re-negotiate with the lending agencies and to swap the loan amounts, if possible, to get benefit of falling interest rates.</p>	
<p>7. SCCL has claimed Rs.121 crore towards additional cost of coal in its bill dated 8.6.2019. This is due to bridge linkage and charging of higher prices over and above notified basic prices of coal for all grades of coal of quantity as agreed in the MoU, SCCL has explained. In the tariff order dated 19.6.2017, the Hon'ble Commission had directed SCCL to actively pursue the issue of coal allocation for its generating station with the Ministry of Coal so that the cumbersome task of transportation of coal from Odisha and associated losses in quantity and GCV could be mitigated by procuring coal from its own mines which are closer to its generating station. What is the latest position? Higher prices under bridge linkage lack justification. It is much more so when SCCL had expressed its capability and readiness to supply coal to its STPP from its mines. The continued failure of the Gol in allocating coal to STPP from the mines of SCCL, and charging higher prices under bridge linkage, apart from exposing its</p>	<p>As desired by the Hon'ble Commission, SCCL have been exploring swapping of coal from Naini mines since long, however, lack of any suitable proposal of swapping by any utility located in Odisha and having mines in Telangana is preventing implementation of swapping plan.</p> <p>Further, SCCL is also working on an alternative plan to bring coal from Naini coal block, Odisha. The proposal could lead reduction in basic coal price. However, the transportation cost may rise significantly.</p> <p>It is to state that south central railway authorities during inspection of STPP railway siding had advised to take up works of two numbers of wagon tippers for seamless supply of coal to power plant. Relevant document of south central railway is attached as Annexure-1.</p> <p>It is also to state that two numbers of wagon tippers are also required to be commissioned for bringing the coal from Naini through the BOXN rake wagons of Indian Railway which was not envisaged in original DPR. The proposal for the same was also submitted before the Hon'ble TSERC in capital investment plan.</p>

<p>irrational and arbitrary approach, is imposing avoidable additional burdens in the form of higher prices for coal and additional burdens of costs of transportation.</p>	
<p>8. For the next control period, SCCL has shown that price of coal would increase per MT from Rs.3494.72 during 2019-20 to Rs.4580.87 during 2023-24. If SCCL gets allocation of coal from its own mines, instead of from Odisha, its price should come down compared to the higher prices being charged for bridge linkage. As and when price of coal increases or decreases, that should be adjusted subject to the terms and conditions in the PPA. Projecting annual hike in price for coal in advance for the entire next control period is arbitrary and impermissible.</p>	<p>It is stated that Government has already approved Naini coal block for 2x600 MW STPP and re-allocation of STPP's coal from nearby SCCL mines on permanent basis is not feasible until Government gives specific direction in this regard.</p>
<p>9. SCCL has stated that the increases in coal price and oil price are estimated as 7% and 10%, respectively, and that the actual price and calorific value figures may vary from the estimated values. It has maintained that STPP shall raise energy bills, as per the actual coal & oil parameters during the control period. When STPP gets specific grade of coal and</p>	<p>The projections of increase in energy charge in Multi-year tariff petition was made based on the past trends of actual coal, oil price and GCV. However, the energy charge on actual basis shall be computed based on the allowed operating norms together with actual GCV and actual price of fuel as per clause 21 of TS 01 of 2019.</p>


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

<p>quality of oil, GCV should also be at specified values. Actuals will be known as and when both the fuels are used during the control period. As such, escalation of their prices in advance for the entire control period, based on presumptions, is arbitrary and impermissible.</p>	
<p>10. While the Hon'ble Commission has considered threshold level of plant load factor of STPP at 85%, SCCL has projected it to be 80% only, claiming that it is on par with that of KTPP stage II. At the same time, incentive @ Rs.0.50 per kwh per generation above 80% PLF ranging from Rs.54.36 crore during 2019-20 to Rs.53.49 crore during 2023-24. Projecting lesser threshold level of PLF, on the one hand, and claiming incentive, on the other, are mutually contradictory. The mutually contradictory claims of SCCL confirms that STPP can achieve a threshold level of 85% PLF. Similarly, SCCL has projected normative operational parameters at higher levels than what the Hon'ble Commission had already decided. These variations projected by SCCL should not be permitted. Efficiency in performance needs to be maintained and continued. We request the Hon'ble Commission to continue threshold level of PLF as 85% and work out</p>	<p>The higher levels of generation projected during MYT petition was based on the actual generation data of 2016-19. During this period STPP successfully achieved 91% PLF during 2017-18. Hence, the projections at 91% level is found to be justified even after consideration of annual overhauling in each alternative years and forced outages of around 2%.</p> <p>The Electricity Act, 2003 under section 61(e) provides that appropriate commission shall adhere to the principle of rewarding efficiency in performance while specifying the terms and conditions of the tariff. This implies that if there are units of similar configuration, then the regulation should be specified in such a way so that the efficient plant gets rewarded.</p> <p>Hence, the better operating plant of 600 MW configuration, namely STPP should not be penalized with a stringent operating norms. Further, both the stations of STPP and KTPP are controlled and administered by PSU's of State Government which requires regulations providing level performing field for both. At best, all such 600 MW units should have similar operating norms under the guiding regulations.</p>


N. BALRAM, IRS
 DIRECTOR (FINANCE)
 THE SINGARENI COLLIERIES CO. LTD.,
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<p>availability of power and tariff accordingly.</p> <p>11. Based on projected higher capital cost, SCCL has shown additional depreciation and claimed that it would help to reduce interest on loan amount at a faster rate, the benefit of which would ultimately accrue to end consumer. On the contrary, it leads to front loading the tariff. When the projected higher capital cost is not permissible, additional depreciation worked out based on that is equally impermissible. The Hon'ble Commission had considered various submissions and determined depreciation charges as per the norms of CERC, rejecting the plea of SCCL to permit the same as per the rates prescribed by the Ministry of Power, Govt, in its notification dated 21.3.1994. The projection of depreciation charges based on revised higher capital cost and rates prescribed by the MoP made by SCCL should not be permitted.</p>	<p>The decision of project finance for STPP was made based on the regulation AP 01 of 2008 which provides that the depreciation rate shall be based on straight line method over the useful life of the asset and at the rates prescribed in Ministry of Power notification dated 21-03-1994 and on repayment of entire loan, the remaining depreciable value shall be spread over the balance useful life of the asset.</p> <p>Accordingly, depreciation rates were arrived at the inception of the project based on tariff regulation AP 01 of 2008 and loan payback period has been modeled utilizing such depreciation. Loan agreements have been entered upon based on this computation.</p> <p>However, Hon'ble TSERC has adopted CERC regulation 2014-19 where by the depreciation rates fell to such extent that the depreciation so computed is becoming insufficient for repaying the loan and in this situation STPP has to repay the loan from its internal resource on which no return is allowed in tariff.</p> <p>This additional depreciation will help to reduce interest on loan amount at a faster rate, the benefit of which will ultimately accrue to end consumer.</p>
<p>12. SCCL has claimed that, considering 30% of capital cost of STPP as equity, the return on equity is computed by applying base rate of return as 15.5% and effective tax rate as 21.55%. In view of falling rates of interest, we request the Hon'ble Commission to consider reduction of rate of return on equity, keeping in view the fact that payment of taxes is</p>	<p>As per 4.1.1 of power purchase agreement (PPA) the tariff of the project is required to be determined under TSERC regulations. However, while determining the tariff of STPP the Hon'ble TSERC has adopted CERC (Terms & conditions of tariff) regulation, 2014 vide para 1.2.4 of the order dated 19.06.2017.</p> <p>The return on equity during truing up period shall be computed at the base rate of 15.5% as per clause 24.2 of CERC tariff regulation 2014-19. Further, the base rate is</p>


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

<p>13. Due to lack of adequate time and our preoccupation with other work, we could not study the annexures to the subject four petitions altogether running into more than six hundred pages thoroughly. Therefore, we request the Hon'ble Commission to permit us to make further submissions before and during the public hearing.</p>	<p>No comments to offer.</p>
<p>being allowed as pass through.</p>	<p>required to be grossed up considering effective tax rate as per clause 25.1.</p> <p>For the MYT period, the TS regulation 01 of 2019 provides 15.5% Return on equity (RoE) for thermal generating stations as per clause 11.2. Further, the base rate of RoE is also required to be grossed up with the effective tax rate of the respective years as per clause 11.3.</p> <p>Further, it is to state that project appraisal for 2x600 MW STPP was made with 15.5% RoE on post tax basis.</p>


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

Reply to the objections raised by Venugopala rao dated 28.03.2020.

Objection	Reply
<p>1. I thank the Hon'ble Commission for extending time for filing submissions in the subject O.Ps up to 30.3.2020. By revising different components of capital cost and various parameters determined by the Hon'ble Commission in its order dated 19.6.2017, SCCL has inflated its true-up claims for the period FY 2016-2019 and MYT claims for the control period of five years from 2019-20 to 2023-24. Obviously, SCCL wants to regain what was already disallowed by the Hon'ble Commission in its order dated 19.6.2017 in terms of capital cost, tariff and various parameters of STPP under true-up claims and MYT.</p>	<p>It is to state that SCCL has submitted true up petition based on the actual capital expenditure and additional capital expenditure. The clause 8(10) of CERC tariff regulation 2014 provides;</p> <p><i>"The generating company or the transmission licensee as the case may be, shall submit for the purpose of trueing up, details of actual capital expenditure and additional capital expenditure incurred for the period from 1.4.2014 to 31.3.2019, duly audited and certified by the auditor."</i></p> <p>Accordingly, SCCL has submitted the actual capital expenditure details certified by the auditor and computed various tariff forms based on this capital expenditure.</p>
<p>2. In its order dated 19.6.2017, the Hon'ble Commission determined a capital cost of Rs.7575.26 crore, including equity of 30%, i.e., Rs.2272.58 crore. The Commission approved return on equity @ 15.50%. RoE of 15.50% on equity of Rs.2272.58 crore works out to Rs.352.25 crore. Against Rs.352.25 crore, SCCL, in the additional information uploaded in the web site of the Commission, has shown returns on equity of Rs.580.15 crore for 2017-18 and Rs.700.73 crore for 2018-19 under true-up claims. Similarly, for the five-year control period, SCCL has projected annual profits of Rs.515.1877 crore (2019-2020), Rs.526.2238 crore (2020-21), Rs.555.2918 crore (2021-22) Rs.579.6881 crore (2022-23) and Rs.579.6881 crore (2023-24). It shows how arbitrarily SCCL has inflated its claims for true-up and MYT for the control period. Based on its inflated claims, SCCL has projected tariffs per kwh of Rs.4.91 for 2019-20, Rs.5.23 for 2020-21,</p>	<p>Therefore, the objector has tried to mislead by calling the tariff claim in trueing up petition as inflated. The objector instead should recognize the claim as consequential tariff of actual capital cost.</p> <p>It is to state that the opening capital cost in MYT petition will be the closing capital cost in trueing up petition. Therefore, the opening capital cost of MYT petition shall be the actual capital cost as on 31.03.2019. Therefore, MYT petition is finalized based on actual capital cost upto 31.03.2019 and the projected capital investment plan during 2019-24.</p> <p>The figures of Rs.580,15 crs and Rs.700.73 crs for the FY 2017-18 and</p>

Rs.5.63 for 2021-22, Rs.6.17 for 2022-23 and Rs.6.72 for 2023-24. How exorbitant these tariffs are can be understood compared to the tariff of Rs.3.49 per kwh (Rs.1.80 towards fixed charges and Rs.1.69 towards energy charges fixed tentatively) determined by the Commission for the year 2018-19.

2018-19 respectively are book profits for the purpose of MAT but not RoE as mentioned by the objector. The figures quoted are book profits under section 115JB which includes late payment surcharge.

The objector has quoted a tariff of Rs.3.49/kWh which has no basis. It has to be understood that the Hon'ble Commission determines the fixed charges and also determines the various norms based on which monthly energy charges are computed as per the given formula.

The projections of increase in energy charge in Multi-year tariff petition was made based on the past trends of actual coal, oil price and GCV. However, the energy charge on actual basis shall be computed based on the allowed operating norms, actual GCV and price of fuel as per clause 21 of TS 01 of 2019.

The energy charge of STPP for the month of March, 2019 was Rs.2.28/kWh. On a weighted average basis the tariff rate in 2018-19 was Rs.4.08/kWh.

Further, based on the landed price and GCV of fuel the present energy charge has become Rs.2.82/kWh. Further, it can be compared with the energy charges of other Telangana state generating stations which are given below:


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

Merit order for 31st March, 2020 for State generating stations (Thermal)

S No.	Station	Plant Capacity (MW)	Variable Cost (Rs/Unit)
1	KTS-VII	800	2.57
2	KOTHAGUDEM -VI	500	2.71
3	KTPS-V	500	2.77
4	SINGARENI TPP	1200	2.82
5	KAKTIYA TPP-II	600	3.08
6	RAMAGUNDAN B	63	3.15
7	KAKTIYA TPP-I	500	3.16
8	KOTHAGUDEM -ABC	720	3.35

It can be seen from the above data that a projected tariff of Rs.4.91/kWh for FY 2019-20 is indeed rational.

3. Regarding minimum alternate tax (MAT) for the three years under true-up, SCCL has explained that "clubbing of STPP profits with coal operations has resulted in net book loss at Company level for the FY 2016-17 and hence no MAT was paid. Accordingly, it shall be construed that SCCL had MAT liability on STPP profits, which was adjusted against the loss from coal operations and hence MAT shall be deemed to have been paid on STPP profits." SCCL has also contended that for 2017-18, MAT paid by it is Rs.424.21 crore. However, MAT computed on standalone STPP book profits of Rs.580.15 crore comes to Rs.123.81 crore at applicable MAT rate of 21.3416%. Similarly, for the

It is to state that the energy billing during 2016-19 was done as per the tariff order dated 19.06.2017 by Hon'ble TSERC. Therefore, the contention of the objector as to working out of profit based on true up submission is incorrect.

It is also stated that SCCL maintained SAP based accounts which get audited by statutory auditors. Therefore, the MAT payments as claimed can be verified from the audited annual reports of SCCL for respective years.

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M. S. S. S. S.
DIRECTOR (FINANCE)
THE SINGARENI COLLIERIES CO. LTD.
KOTHAGUDEM - 507 101, 14

year 2018-19, against MAT of Rs.628.28 crore paid by it, MAT computed on standalone STPP book profits of Rs.700.73 crore comes to Rs.151.01 crore at applicable MAT rates of 21.5488%, SCCL has claimed. Since SCCL has not got accounts of STPP audited separately, the veracity of STPP's book profits needs to be verified. The claimed book profits of STPP, obviously, are worked out on the basis of the inflated true-up claims made by SCCL. In view of the true-up claims pending before the Hon'ble Commission for its consideration, a substantial part of book profits of STPP need to be considered as notional. Subject to the extent the Hon'ble Commission permits true-up claims of STPP, its actual profits for the said three years have to be re-worked out for the purpose of allowing payment of MAT as pass through. If SCCL had already paid MAT on such notional profits, after determination of its true-up claims for the said three years, the option of claiming back the excess MAT paid by it is always open to SCCL. Any book loss SCCL incurred on account of disallowing impermissible capital cost and determination of various parameters for STPP by the Hon'ble Commission does not attract MYT.

4. SCCL has claimed that STPP is considered a non-pit-head station. Such a claim holds good as long as STPP continues to get coal from Odisha. Once coal is allocated to it from the mines of SCCL, STPP will become a pit-head station and expenses relating to cost and transportation charges of coal and transit loss will come down substantially. Therefore, the claims of SCCL for MYT of STPP on the

The difference in book profit under section 115JB and profit before tax (PBT) for STPP in FY 2018-19 is attributed to huge non-payment of dues by TSDiscs and consequent late payment surcharge bill as per clause 16 of AP regulation 01 of 2008.

The details of non-payment of dues as on 31.03.2019 is given below;
(In Rs. crore)

Cumulative dues upto	Total billed amount	Total payment received	Total Dues
31.03.2019	8285.64	4933.18	3352.47

The above amount mentioned as dues are without any adjustment for Late Payment Surcharge.

It is to state that the pit head stations were defined in the Environment (Protection) rules, 1986.

"8(b) pit-head power plant means power stations having captive transportation system for its exclusive use for transportation of coal from the loading point at the mining end upto the unloading point at the power



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<p>basis of the presumption that the latter would continue to be a non-pit-head station during the five-year control period cannot be sustained.</p>	<p><i>station without using the normal public transportation system.</i> ”</p> <p>In case of STPP, coal is supplied by SCCL on best effort basis through bridge linkage. It is seen that almost 20-25% of total annual coal requirement was fulfilled by various mines not linked through MGR system. Accordingly, as per the above definition, STPP should be considered as non-pit head station.</p>
<p>5. From the savings accrued due to reduction in interest rates, SCCL has claimed that it would retain one-third of the savings. It is the consumers of the Discoms who have been bearing the burden of interest on loans taken by SCCL for its STPP, as a part and parcel of the tariff determined by the Commission. Therefore, in all fairness, the impact of reduction of interest rates should be allowed as pass through to the consumers to reduce the burden of tariff.</p>	<p>In this respect the Hon'ble Commission is prayed not to consider arbitrary objections which are not raised as per relevant tariff regulations or statutes as applicable.</p> <p>It may please be noted by the objector that this claim was made as per relevant CERC tariff regulation 2014-19. The gain from refinancing of loan and its sharing is considered during preparation of truing up petition as per clause 26(7) of the CERC (terms and conditions of tariff) regulation, 2014 which the Commission has adopted for determination of tariff for STPP.</p>
<p>6. Apart from employee cost, SCCL has claimed contractual expenses to the tune of Rs.39.92 crore for 2016-17, Rs.108.43 crore for 2017-18 and Rs.105.07 crore for 2018-19 under true-up. SCCL has not explained what those contractual expenses, leave aside their justification. Therefore, the claimed contractual expenses should not be allowed.</p>	<p>It is to state that the details of contractual expenses for FY 2016-17, 2017-18 & 2018-19 were given in additional information submitted to TSERC dated 26.02.2020 as attached annexure-1 and are reproduced in the below table;</p>


N. BALARAM, IRS
 DIRECTOR (FINANCE)
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(In crores)

S.No.	Particulars	2016-17	2017-18	2018-19
	Contractual Expenses	39.92	108.43	105.07
a	Hiring of HEMM, Weigh Bridges & others	3.95	9.10	6.12
b	STPP-O&M	32.52	83.88	86.43
c	Others	3.45	15.45	12.52

7. SCCL has claimed higher actuals compared to the normative charges permitted by the Commission relating to energy charges for the period from the date of CoD of the first unit of STPP to 2018-19. Generally, normative parameters are being determined by the Commissions very liberally. Instead of allowing normative parameters or actuals, whichever are lower, allowing higher normative parameters is resulting in accrual of concealed profits to generators at the cost of consumers. Allowing actual higher than normative parameters in operation of the project is nothing but rewarding inefficiency at the cost of consumers of power. Comparison with KTHP stage II has no relevance, in view of parameters fixed by the Commission for STPP. When SCCL is paying costs for purchase of fuels of specific quality for STPP, it is expected to adhere to at least normative parameters determined by the Commission in terms of gross calorific value, station heat rate, etc.

It is to state that all India average PLF of thermal power stations were 60.72% and 61.07% for FY 2017-18 and 2018-19 as per the Central Electricity Authority (CEA) annual report for FY 2017-18 & 2018-19 respectively (inference may be drawn from the para 10.2). In this context, objector's comment of "very liberally" set norms of normative PLF for STPP at 85% seems to be comical.

The objector's submission that "comparison with KTHP stage-II has no relevance" may please be treated as non-relevant due to lack of supporting arguments. The kind attention of the objector is drawn in respect of this to the submission dated 26.02.2020 where SCCL has given detailed reasoning for allowing norms for STPP similar to norms of KTHP. The relevant submissions were made in page no's 7-9 of aforesaid submission in reply to Hon'ble Commissions letter dated 31.01.2020.

Further, it is to submit that there are no norms regarding gross calorific

8. SCCL has projected ARR for STPP for the five-year control period based on 91% PLF, claiming that it is related to the past performance of the project. The claim of SCCL that as a result of this, the overall impact on consumers gets minimized is tongue-in-cheek. This is much more so when SCCL has taken into consideration a threshold level of PLF of 80% instead of 85% determined by the Commission. Moreover, for the control period of 2019-2024, SCCL has claimed incentive in accordance with CERC regulation for the same period. Factoring incentive for the five-year control period in advance is impermissible. By factoring 91% PLF for the purpose of incentive and working out average tariff per kwh, and reducing threshold level of PLF to 80%, SCCL is trying to conjure up the illusion that tariff per kwh is lower compared to the average tariff worked out for a PLF of 80%. If tariff per kwh is worked out with threshold level of PLF of 85% determined by the Commission, the average tariff per unit would be more than what SCCL has projected with a PLF of 91%. The question of incentive does not arise, unless and until STPP generates power exceeding the threshold level of PLF and the Discoms take that power. Sometimes, the Discoms and SLDC may be constrained to back down the generating capacity of STPP, subject to merit order dispatch, in situations of availability of surplus power or when demand comes down considerably due to various factors. When adequate supply of coal is not ensured, STPP may not be able to generate power at threshold level of PLF. Therefore, factoring 91% PLF for the purpose of working out

value contrary to the remark made by the objector.

The COD date for the station was 02.12.2016. Accordingly, till now 2x600 MW STPP completed three full financial years of operation. The PLF figures for these three financial years are reported below:

PLF	2017-18	2018-19	2019-20
	91.06%	81.94%	86.58%

It can be seen from the above table that 2x600 MW STPP achieved a PLF more than 85% in two out of three occasions. It can be further interpreted that there is a probability of around 67% for achieving a PLF greater than 85% in MYT period 2019-24 based on the past data. Hence, the suggestion given by the objector to consider a threshold level PLF 85% to determine the availability of power from STPP lacks merit. Accordingly, the Commission is requested to consider the generation planning as submitted for FY 2020-24.

It is also to submit that "norms" cannot be project specific, rather norms should be generic and similar/same for similar units.

A question was raised on factoring incentive in annual revenue requirement during MYT period. As per the clause 17.3.2 of TS 01 of 2019 incentive is claimable if scheduled generation is more than target generation at normative annual plant load factor. Accordingly, the incentive has to be computed based on generation projections approved by


N. BALRAM, IRS
 DIRECTOR (FINANCE)
 THE SINGARENI COLLIERIES CO. LTD.,
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<p>average tariff per kwh and ARR for the control period is presumptuous and not permissible. Availability of power from STPP should be worked out on the basis of the threshold level PLF of 85% only, as determined by the Hon'ble Commission. The PLF of 91.06% for 2017-18 and 81.94% for 2018-19 claimed to have been achieved by STPP confirm how actual PLF fluctuates due to various reasons, despite the capacity of the project to achieve higher PLF.</p>	<p>the Hon'ble Commission compared to the final operating norms.</p>
<p>9. The standard practice of ERCs as per regulations applicable is to determine permissible capital cost of the power project concerned with which the distribution licensee/licensees enter into PPA, give consent to PPA and determine tariff. The terms and conditions in the PPA continue to be binding on parties thereto till its expiry. This regulatory process is within the jurisdiction of ERCs for regulating purchase of power by the distribution licensees. Revision of capital cost by the Commission on the basis of capital investment plan and business plan of the developer of the power project for a control period is contrary to the standard practice. Developers of power plants are not licensees of the Commissions. Unless the Discoms enter into an agreement with a power plant and come before the Commission, the latter cannot entertain any petition for revision of capital cost filed by the developer of power plant. Contrary to the standard practice of determining capital cost of a power project with whom the Discoms enter into a PPA, TSERC had brought about sweeping amendments to tariff determination with Regulation No.1 of 2019, making provision for</p>	<p>It is to state that power purchase agreements (PPA) are entered between distribution licensee and the project developer much before the COD dates. Therefore, the project cost at the time of entering into PPA could only be estimated based on the contracts awarded. However, the closure of contracts requires adequate time even after cutoff date. That is the reason why the PPA's generally put a general clause where by regulatory Commissions are expected to carry out prudent check and to determine final capital cost of the project.</p> <p>The objector has commented that "Revision of capital cost by the Commission on the basis of capital investment plan and business plan of the developer of the power project for a control period is contrary to the standard practice". The contention of the objector is firmly refuted. It is stated that regulators across country require the generating companies to submit tariff petitions for control periods taking into account additional capitalization requirement. All those Commissions have provided specific provisions to capitalize before and after the cutoff date. For example, the</p>


N. BALRAJ, IRS
 DIRECTOR (FINANCE)
 THE SINGARENI COLLIERIES CO. LTD.,
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<p>claiming true-up by power plants, submission of capital investment plan and business plan seeking revision of capital cost approved by the Commission. This is one of the regulatory aberrations that had taken place when TSERC acted as a one-man Commission heavily dependent as it was at that point of time on the services of private consultants. Since purchase of power by the Discoms from the power project concerned are governed by the terms and conditions of the PPA between them as consented by the Commission, there is no need for allowing claims of true-up by the developer of the project. Once the Commission determines permissible capital cost of the project, as a part and parcel of its regulatory process, the need for revision of the determined capital cost for a control period does not arise. The developers are expected to execute their power project as per the terms and conditions of the agreement between them and the Discoms and applicable regulations of the Commission. This is intended to ensure that the benefit of completing the project as per agreed time schedule accrues to the developers and the consumers. When Discoms are permitted to claim true-up/true-down, it is due to uncontrollable factors. In the case of developers of power projects, for reasons other than the terms and conditions of the PPA, if they incur additional expenditure or loss, it should be treated as their business risk, which is projected as one of the reasons for seeking higher percentage of return on equity by the developers. Allowing claims of true-up and revision of capital cost after one year of declaration of COD of the last unit of the project as per the original agreed time schedule negates balanced approach and acts</p>	<p>apex regulator, CERC provides regulations for add cap of existing project before and after cutoff period vide clause 24-26 of CERC (terms and conditions of tariff) regulation 2019-24. In the earlier CERC regulations 2014-19 those provisions of capitalization before and after cutoff date were given in clause 14(1) and clause 14(3). In this respect, the Hon'ble TSERC is prayed to overlook the comments of the objectors which are arbitrary in nature and made on standalone basis.</p> <p>It is to further state that SCCL does not agree that the present tariff regulation i.e., TS 01 of 2019 is made as a regulatory aberrations as opined by the objector. The pre-existing tariff regulation applicable for Telangana State was AP 01 of 2008 which the TSERC adopted. It is to further point out that this old AP tariff regulation namely, AP 01 of 2008 was prima facie adopted from CERC regulation 2004-09 which was again amended in year 2006. Twelve years have passed since the formulation of AP 01 of 2008 and CERC has by that time promulgated another three sets of tariff regulation applicable for control period 2009-14, 2014-19 & 2019-24. Accordingly, SCCL welcomes the effort made by Hon'ble TSERC to update and convert its tariff regulation towards the same made by other regulators including CERC.</p> <p>The objector further commented that "The very fact that the amendments brought about by TSERC have not been opposed by the developers confirms this". This is firmly denied by SCCL. The objector possibly overlooked the regulatory process which envisages notifying draft</p>
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N. BALRAM, IRS
DIRECTOR (FINANCE)
SINGARENI COLLIERIES CO. LTD.,
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against the interest of the consumers of the Discoms. The very fact that the amendments brought about by TSERC have not been opposed by the developers confirms this. SCCL has proposed a capital investment plan of Rs.1348.57 crore for the three-year period 2020-23 for STPP. It has submitted that, with the proposed additional capital investment, fixed charges for power to be purchased from STPP would increase per kwh by 3 paise for 2020-21, 14 paise for 2021-22 and 18 paise for 2022-23. This is the kind of adverse impact on the tariffs to be paid by the consumers, if capital investment and business plans proposed by SCCL are approved by the Commission. The said regulation of TSERC would provide a cover of protection to developers of power projects with whom Discoms enter into PPAs, for the failures of commission and omission causing delay in execution of the projects concerned and the resultant avoidable increase in capital cost, including interest during construction. Allowing such additional costs through revision of capital cost is nothing but rewarding inefficiency of the developers of power plants and penalizing the Discoms and their consumers of power. In bringing about such irrational amendments detrimental to larger consumer interest and undue benefit of developers, the role of the Commission, the authorities heading the power utilities of the Government of Telangana and developers can be seen as one of hand-in-glove. Keeping in view the above-submitted points, among others, the Hon'ble Commission can deviate from the regulation by recording the reasons for the same in writing to ignore the capital investment and business plans submitted by SCCL for STPP.

regulation, receiving the comments of the stakeholders upon the draft regulation and hearing as important stages of notifying regulations. In this respect it is to further submit that SCCL duly submitted its comments on draft TSERC (terms and conditions of tariff) regulation 2018 on 02.04.2018.

In the above backdrop, it is prayed before the Commission to uphold the spirit of the updated tariff regulation, namely TS 01 of 2019 and to determine the tariff of 2x600 MW STPP accordingly.


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



SOUTH CENTRAL RAILWAY

Headquarters Office
Transportation Branch
Secunderabad.
Date: 06.03.2020.

Tr.No.T.80/Coal Projections/18

Chairman & Managing Director,
Singareni Collieries Company Limited,
Singareni Bhavan, Red Hills,
P.B.No.18, Khairatabad
Hyderabad-500004

Sub:- Inspection of SCCL sidings and pending works-reg.

A. GOLETI/REBBANA SIDING (Asifabad Road Private Siding):-

Asifabad Road station is a four line station located on High Density Network (HDN) trunk route between BPQ-BZA. MSCA dead end siding line is connected to UP Loop line which is common loop line and also platform line. For supplying empties coming in DN direction and to dispatch loads towards DN direction reversal of loco is mandatory. These freight trains are being regulated either at adjacent station or in the siding to avoid detentions to stopping coaching trains. In addition to this, as SCCL is planning to increase loading potential of this siding (MSCA) from existing 2 MTPA to 4 MTPA. Detentions to rakes will further increase while dealing with the additional freight traffic or even to deal additional production during the peak season even at the present level of production. Regulations/ detentions to empties/loaded trains are required to be reduced to increase the mobility of freight trains and to enhance effective utilization of precious assets like locos, rolling stock and crew.

Hence to overcome the above issues, there is a immediate requirement of connection of siding towards Bellampalli (BPA). Immediate necessary action is required from your end.

B. SUPER THERMAL POWER PLANT (STPP)/Mancheryal Private Siding:-

Super Thermal Power Plant (STPP) is commissioned in the month of Jul'18. From the date of commission, the coal supplies to power plant are arranged uninterruptedly. Though one and half year completed since commission, still the following works are pending for execution:

1. **S&T works:-** Though it was agreed in DPR for provision of center panel with Electronic Interlocking facility at all three sidings (LTC, OCM&STPP). Till date S&T works are not started leading detentions to

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

empty and loaded rakes due to manual operation of points in all three sidings which is against safety norms of railways.

2. **OHE works:** - Overhead electrification (OHE) works are also pending though it was agreed in DPR. It will be difficult for railways for providing Diesel locomotives for this siding as the entire main line section and all sidings are electrified.

3. **Unloading works:-**

a. **Provision of Tiplers:-**

In STPP siding, 2 tiplers and 1 track hopper are supposed to be provided. Till date only track hopper is provided. Sometimes it is becoming difficult to supply the required coal for the power plant through BOBR rakes due to various reasons such as non-availability of BOBR rakes, due to insufficient coal it was forced to move the coal from other sidings through BOXN rakes. Hence it is advised to commissioning of at least one tipler at the earliest to transport coal from other sidings in BOXN rakes.

b. **Extending the length of track hopper:-**

The existing track hopper is just sufficient to accommodate 20 wagons for unloading of coal. It is suggested to increase the length of the track hopper to accommodate 30 wagons at least.

4. **Elimination of Unmanned Level Crossing Gates (UMLC):-** Three UMLCs between OCM and STPP are being operated with heavy vehicles. These gates shall be closed permanently by providing barricading or shall be manned duly providing Gate booms.

All the above works are important in connection with coal dispatches and seamless supply of coal to power plant. Hence, you may kindly advise the concerned authorities to take up above works at the earliest.

B. Nagya
(B. NAGYA)
CFTM/SC

C/- PCOM/SC for kind information please

C/- CTPM/SC for information please

C/- DRM/SC for information please

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