Order

On

Approval of Business Plan and Multi Year Tariff Petition

For

M/s Gama Infraprop Pvt. Ltd.

For

Fifth Control Period

(FY 2025-26 to FY 2027-28)

April 11, 2025

Uttarakhand Electricity Regulatory Commission

Vidyut Niyamak Bhawan, Near I.S.B.T., P.O. Majra

Dehradun – 248171

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Before

UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

Petition No.: 24 of 2025

And

Petition No.: 25 of 2025

In the Matter of:

Petition filed by M/s Gama Infraprop Pvt. Ltd. for determination of Multi Year Tariff for the fifth Control Period from FY 2025-26 to FY 2027-28, Annual Performance Review of FY 2024-25 and truing up of FY 2023-24.

AND

In the Matter of:

Petition filed by M/s Gama Infraprop Pvt. Ltd. for approval of Business Plan for the fifth Control Period from FY 2025-26 to FY 2027-28.

In the Matter of:

M/s Gama Infraprop Pvt. Ltd.
M-3 (First Floor), Hauz Khas,
Aurobindo Marg, New Delhi- 110016 ...Petitioner

AND

In the Matter of:

Uttarakhand Power Corporation Ltd.
Urja Bhawan, Kanwali Road, Dehradun ...Respondent

Coram

Shri M.L. Prasad	**Chairman**
Shri Anurag Sharma	**Member (Law)**

Date of Order: April 11, 2025

Section 64(1) read with Section 61 and 62 of the Electricity Act, 2003 (hereinafter referred to as "the Act") requires the Generating Companies and the Licensees to file an application for determination of tariff before the Appropriate Commission in such manner and along with such fee as may be specified by the Appropriate Commission through Regulations.

In accordance with the relevant provisions of the Act, the Commission had notified Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2021 (hereinafter referred to as "UERC Tariff Regulations, 2021") for the fourth Control Period from FY 2022-23 to FY 2024-25 and Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determination of Multi Year Tariff) Regulations, 2024 (hereinafter referred to as "UERC Tariff Regulations, 2024") for the fifth Control Period from FY 2025-26 to FY 2027-28 specifying therein terms, conditions and norms of operation for licensees, generating companies and SLDC.

The Commission had issued the Order dated 31.03.2022 on approval of Business Plan and Multi Year Tariff for the fourth Control Period from FY 2022-23 to FY 2024-25. Subsequently, the Commission had carried out the Annual Performance Review (APR) for FY 2022-23 vide its Order dated 30.03.2023. Thereafter, the Commission through its Tariff Order dated 28.03.2024 had determined the Annual Revenue Requirement for FY 2024-25 and carried out the Annual Performance Review (APR) for FY 2023-24 alongwith the true up of FY 2022-23.

In compliance with the provisions of the Act and Regulation 8(1) and Regulation 10(1) of UERC Tariff Regulations, 2024, M/s Gama Infraprop Pvt. Ltd. (hereinafter referred to as "M/s GIPL" or "the Petitioner" or "the Generator") filed separate Petitions for approval of its Business Plan for the fifth Control Period from FY 2025-26 to FY 2027-28 (Petition No. 25 of 2025 hereinafter referred to as the "Business Plan Petition") and Multi Year Tariff Petition (Petition No. 24 of 2025 hereinafter referred to as the "MYT Petition" or "Petition") on 09.12.2024. The Petitioner, in its Business Plan Petition, has submitted the Capital Investment Plan, Financing Plan and trajectory of performance parameters for the fifth Control Period. Further, through the MYT Petition, the Petitioner has submitted the detailed calculations of its projected Aggregate Revenue Requirement for the fifth Control Period from FY 2025-26 to FY 2027-28 in accordance with the UERC Tariff Regulations, 2024. Through the MYT Petition, the Petitioner has also requested for true up of FY 2023-24 based on the audited annual accounts alongwith APR for FY 2024-25 in accordance with the provisions of the Act and Regulation 12 of UERC Tariff Regulations, 2021.

The MYT Petition and Business Plan Petition filed by the Petitioner had certain infirmities/deficiencies. The Commission, accordingly, vide its letter no. UERC/6/TF-757/2024-25/2024/1243 and letter no. UERC/6/TF-756/2024-25/2024/1244 dated 16.12.2024 directed the

Petitioner to rectify the said infirmities in the respective Petitions and submit certain additional information necessary for admission of the Petitions. M/s GIPL vide its letter no. GIPL/UERC/03/2025 and letter no. GIPL/UERC/04/2025 dated 09.01.2025 removed the critical deficiencies in MYT Petition and Business Plan Petition respectively. Based on the submissions made by M/s GIPL, the Commission provisionally admitted the Business Plan Petition and MYT Petition for further processing subject to the condition that M/s GIPL shall furnish any further information/clarifications as deemed necessary by the Commission during the processing of the Petition, as may be stipulated by the Commission, failing which the Commission may proceed to dispose of the matter as it deems fit based on the information available with it.

This Order, accordingly, relates to the Business Plan Petition and the MYT Petition filed by M/s GIPL for approval of Business Plan and determination of Aggregate Revenue Requirement (ARR) and MYT for the fifth Control Period from FY 2025-26 to FY 2027-28 and Annual Performance Review for FY 2024-25 alongwith truing up for FY 2023-24 and is based on the original as well as subsequent submission made by M/s GIPL during the course of the proceedings and the relevant findings contained in the previous Tariff Orders issued by the Commission for the Petitioner's project.

Tariff determination being the most vital function of the Commission, it has been the practice of the Commission to elaborate in detail the procedure and to explain the underlying principles in determination of tariffs. Accordingly, in the present Order also, in line with past practices, the Commission has tried to elaborate the procedure and principles followed by it in determining the ARR of the generator. The Aggregate Revenue Requirement of M/s GIPL is recoverable from the beneficiary, i.e. UPCL. It is the endeavour of the Commission, to issue Tariff Order for M/s GIPL concurrently with the issue of Order on retail tariffs for UPCL, so that UPCL is able to honour the payment liability towards generation charges of M/s GIPL. For the sake of convenience and clarity, this Order has further been divided into following Chapters:

Chapter 1- Background and Procedural History.

Chapter 2- UPCL's Objections/Suggestions, Petitioner's Responses and Commission's Views

Chapter 3 - Petitioner's Submissions, Commission's Analysis, Scrutiny and Conclusion on Business Plan for the fifth Control Period.

Chapter 4 - Petitioner's Submissions, Commission's Analysis, Scrutiny and Conclusion on Truing up for FY 2023-24.

Chapter 5 - Petitioner's Submissions, Commission's Analysis, Scrutiny and Conclusion on APR for FY 2024-25.

Chapter 6 - Petitioner's Submissions, Commission's Analysis, Scrutiny and Conclusion on MYT for the fifth Control Period.

1. Background and Procedural History

M/s GIPL is a company incorporated under the Companies Act, 1956. M/s GIPL is a generating company falling within the definition of sub-section 28 of Section 2 of the Companies Act, 1956 and has developed a 214 MW gas based CCPP comprising of two gas turbine generators (GTG), each having a gross output of about 71 MW at site conditions, two heat recovery steam generators (HRSG) and one common steam turbine generator (STG) of about 72 MW capacity.

The name plate capacity of the gas-based Power Station is 225 MW (ISO condition) which comprises of two GTGs, each having a gross output of about 76 MW, and one common steam turbine generator (STG) of about 73 MW. However, at site conditions the power plant will have a gross capacity of 214 MW. The Project is designed to use natural gas/Re-Gasified Liquefied Natural Gas (R-LNG) as the main fuels for power generation.

The Petitioner due to shortage of gas fuel allocation could not commission its plant which remained stranded for considerable duration until the Scheme for utilization of gas based power generation capacity was implemented by the Ministry of Power, Government of India vide OM No. 4/2/2015 – Th-1 dated 27.03.2015 (the "Scheme"). Subsequently, Power System Development Fund Support Agreement (PSDF Support Agreement) dated 18.09.2015 was signed between Government of India and the Petitioner and other agreements were executed pursuant to the requirements under the scheme.

The Petitioner had executed a PPA for 107 MW capacity with the State licensee, i.e. UPCL and had initiated commercial operation of one gas turbine and one steam turbine w.e.f. 16.03.2016. The Petitioner had filed a Petition for determination of tariff for supply of power from its 214 MW Gas based Kashipur Combined Cycle Power Plant (hereinafter referred to as "the Project") to UPCL from COD, i.e. 16.03.2016 to 31.03.2016 and for the second Control Period from FY 2016-17 to FY 2018-19.

Subsequently, the Commission vide its Tariff Order dated 16.05.2017 approved the Business Plan and Multi Year Tariff for M/s GIPL for contracted capacity from 16.03.2016 to 31.03.2016 and for the second Control Period from FY 2016-17 to FY 2018-19. The Commission, in the approval of Business Plan, approved the Capital Expenditure Plan, Capitalisation Plan, Human Resource Plan and Trajectory of the performance parameters and, in the approval of MYT, approved the ARR for each year of the Control Period from FY 2016-17 to FY 2018-19. Subsequently, the Commission had carried out the true up of FY 2015-16 & FY 2016-17 and approved the ARR for FY 2018-19 vide Tariff Order dated 21.03.2018. Further, the Commission had carried out the true up of FY 2017-18 and approved the ARR for each year of the third Control Period from FY 2019-20 to FY 2021-22 vide Tariff Order dated 27.02.2019. Subsequently, the Commission vide Tariff Order dated 18.04.2020 had carried out the true-up of FY 2018-19 and approved the ARR for FY 2020-21. Thereafter, the Commission vide Tariff Order dated 26.04.2021 had carried out the true-up of FY 2019-20 alongwith the APR for FY 2020-21 and ARR for FY 2021-22. Further, the Commission vide its MYT Tariff Order dated 31.03.2022 approved the Business Plan and Multi Year Tariff for the Petitioner for the contracted capacity for the fourth Control Period from FY 2022-23 to FY 2024-25 alongwith APR for FY 2021-22 and True up for FY 2020-21. Thereafter, the Commission vide its Tariff Order dated 30.03.2023 carried out the true up of FY 2021-22 and approved ARR for FY 2023-24 alongwith APR for FY 2022-23. Subsequently, the Commission vide its Tariff Order dated 28.03.2024 determined the ARR for FY 2024-25 and carried out APR for FY 2023-24 alongwith true up for FY 2022-23.

In accordance with the provisions of the Act and Regulation 8(1) and Regulation 10(1) of UERC Tariff Regulations, 2024, the Generating Companies are required to submit Business Plan Petition and MYT Petition for determination of Aggregate Revenue Requirement latest by November 30 for the ensuing year before the Commission. M/s GIPL in compliance to the Regulations submitted the Business Plan Petition and MYT Petition for the fifth Control Period from FY 2025-26 to FY 2027-28 alongwith the true up of expenses for FY 2023-24 based on the audited books of accounts on 09.12.2024.

The MYT Petition and Business Plan Petition filed by the Petitioner had certain infirmities/deficiencies. The Commission, accordingly, vide its letter no. UERC/6/TF-757/2024-25/2024/1243 directed the Petitioner to submit the certain relevant information for the true-up of FY 2023-24 and APR for FY 2024-25 in accordance with the provisions of UERC Tariff Regulations, 2021 and MYT for the fifth Control Period in accordance with UERC Tariff Regulations, 2024. Further, through letter no. UERC/6/TF-756/2024-25/2024/1244 dated 16.12.2024, the Commission directed the Petitioner to rectify the said infirmities in the Business Plan Petition in accordance with the provisions of UERC Tariff Regulations, 2024 for admission of the Petitions. M/s GIPL vide its letter no. dated 09.01.2025 removed the critical deficiencies. Based on the submission dated 09.01.2025 made by M/s GIPL, the Commission provisionally admitted the Petition for further processing subject to the condition that M/s GIPL shall furnish any further information/clarification as deemed necessary by the Commission during the processing of the Petitions within the time frame, as may be stipulated by the Commission, failing which the Commission may proceed to dispose of the matter as it deems fit based on the information available with it.

Based on the scrutiny of the Petition, the Commission pointed out certain data gaps in the Petition and sought following additional information/clarifications from the Petitioner:

- Copy of primary fuel invoices raised by Gas supplier.
- Copy of all invoices raised to Uttarakhand Power Corporation Ltd. (UPCL) for supply of electricity during FY 2023-24;
- Supporting documents w.r.t. GCV, Trial Balance for FY 2023-24, Insurance policy, Agreement against the untied capacity for supply of power to NVVNL.
- Details of Actual O&M expenses incurred.

In order to provide transparency to the process of tariff determination and give UPCL an opportunity to submit its objections/suggestions/comments on the proposals of M/s GIPL, the Commission sent the copy of the tariff proposals to UPCL vide letter no. UERC/6/TF-756/2024-25/ 2025/1377 and letter no. UERC/6/TF-757/2024-25/2025/1380 dated 15.01.2025.

UPCL vide its letter no. 557/UPCL/Comm/SE-II/B-II and letter no. 815/UPCL/Comm/SE-II/B-II/GIPL dated 13.02.2025 submitted its comments on the Business Plan Petition and MYT Petition filed by the Petitioner, which were forwarded to the Petitioner for counter reply, if any. The Petitioner vide its letter no. GIPL/UERC/06/2025 dated 20.03.2025 submitted its rejoinder. The Commission has dealt with the reply of the Respondent and rejoinder of the Petitioner in Chapter-2 of this Order.

The submissions made by M/s GIPL in the Petition as well as additional submissions have been discussed by the Commission at appropriate places in the Order alongwith the Commission's views on the same.

2. UPCL's Objections/Suggestions, Petitioner's Responses and Commission's Views

The Commission has received suggestions/objections/comments from UPCL on M/s GIPL's Petitions for approval of true up for FY 2023-24, Annual Performance Review for FY 2024-25 and MYT for the fifth Control Period from FY 2025-26 to FY 2027-28 and Business Plan Proposal for fifth Control Period from FY 2025-26 to FY 2027-28. The Commission has further obtained replies from the Petitioner on the suggestions/objections/comments received from UPCL. For the sake of clarity, the objections raised by UPCL and responses of the Petitioner have been summarized issue wise. In the subsequent Chapters of this Order, the Commission has kept in view the suggestions/objections/comments of UPCL and replies of the Petitioner while deciding the ARR for M/s GIPL.

2.1 Operation and Maintenance Expenses for FY 2023-24

2.1.1 UPCL's Comment

With regard to O&M expenses, UPCL submitted that Rs. 48.96 Crore is only a normative threshold limit as per UERC Tariff Regulations, 2024 based on 12 months running of the plant which cannot be considered as allowed and, hence, cannot be considered as a base. UPCL also submitted that the plant remained almost under shutdown for 6 months out of 12 months in FY 2023-24. The Petitioner had projected O&M expenses of Rs. 48.96 Crore during ARR determination for FY 2023-24 with a gross generation of 796 MUs. The actual generation is only 221.58 MUs, i.e. 27% of the projection and with actual incurred O&M expenses of Rs. 27.27 Crore, with proposed 2/3rd saving of Rs. 14.46 Crore leading to total O&M expenses of Rs. 41.73 Crore, the Petitioner seems to be enjoying the saving in O&M expenses vis-à-vis normative O&M expenses by default on account of less running and usage of plant and thus, without making any efforts which seems irrational & inapt.

UPCL further submitted that expenses incurred on account of CSR are not necessary for the successful running of the plant but are incurred to meet the statutory requirement under the Companies Act, 2013 out of the profit under CSR head.

2.1.2 *Petitioner's reply*

The Petitioner submitted that the O&M expenses of Gas based projects are dependent on machine running hours, aging of plant, scheduled maintenance, preventive maintenance, corrective maintenance, routine maintenance etc. The different type of maintenance is being performed by different departments on regular basis irrespective of the fact that whether the plant is in operation or is shut down throughout the year. For example: Gas Turbine, Hot Gas Path Inspection/maintenance mainly depends on machine running hours, however, if machine is out for operation for certain time period even then also periodic, planned, preventive type of maintenance are regularly performed. As such UPCL has only compared the O&M cost of FY 2023-24 with gross generation of that year. However, the maintenance of machines is not planned for any financial year or generation in that particular financial year, but it is a cumulative effect of time period and operation of machine. Also, the O&M of M/s GIPL plant is very rational and limited in all areas of plant, out of the total O&M cost of Rs. 27.27 Crore, the R&M cost is Rs. 19.67 Crore of which major portion is of O&M contractor, STEAG which is approximately Rs. 9.43 Crore, i.e. 50% of the total R&M performed. The balance of Rs. 10.5 Crore includes services, spares, mobilization, civil works and others which are bare minimum as M/s GIPL team works on cost optimization and utilization of any particular asset to the fullest so as to reduce the expenses.

With regard to CSR, the Petitioner submitted that the Petitioner is liable to perform CSR activity as a social cause and also submitted that the Commission does not consider the same while truing up exercise.

2.1.3 *Commission's view*

With regard to O&M expenses, it is pertinent to mention that the expenses under the head of A&G expenses and Employee expenses are generally fixed in nature and do not vary with the operational period of the plant. Further, Repair and Maintenance expenses although varies with the operation of the plant, but such expenses may vary based on the machine running hours as well as due to periodic, planned, preventive type of maintenance to be done based on the requirement of the machinery irrespective of the fact that the plant is running or not. These types of expenditure are generally incurred to maintain the plant in good shape and ready for operation as and when required. Moreover, preventive maintenance is a standard Industry practice to upkeep the machinery in good conditions.

Further, as proposed by UPCL, to share the O&M expense based on the operational period of the Plant, the Commission would like to state that the current UERC Tariff Regulations do not permit such adjustment. Sharing of gain/loss on account of O&M expenses has been done in accordance with the provisions of UERC Tariff Regulations, 2021 after prudence analysis of actual O&M expenses incurred. Moreover, the plant was under shut down as UPCL did not schedule any energy during the six-month period in FY 2023-24 and was not because of the Petitioner's inefficiencies.

Furthermore, as far as expenses pertaining to CSR expenses are concerned, the Commission has dealt with the same in the subsequent paragraph of this Order.

2.2 Operation &Maintenance Expenses for FY 2024-25 and MYT

2.2.1 UPCL's Comment

UPCL submitted that the Petitioner has proposed the expenses of Rs. 51.03 Crore under O&M head for FY 2024-25 wherein O&M expenses of Rs. 17.70 Crore has been incurred from April 2024 to September 2024 and rest Rs. 33.33 Crore has been estimated to be incurred in the remaining two quarters, i.e. 188% of the first two quarters, raises an alarm & question over the O&M expenses. Further, UPCL submitted that the Petitioner has proposed O&M expenses for the fifth Control Period from FY 2025-26 to FY 2027-28 which are exorbitant and hypothetical. UPCL submitted that the permissible O&M charges is a threshold normative value and furthermore the O&M charges defined in the regulation are calculated and defined for a scenario where plant remains in operation for all the months in a year and accordingly, in that scenario, as a controllable factor, if the generator makes efforts to reduce those expenses, sharing/gain principle as defined in the regulations would be applicable. UPCL requested the Commission that the O&M expenses may only be passed on pro-rata basis vis-à-vis period of operation and generation quantum against the approved normative energy sales/generation and period of running as well as taking into consideration wild increase in Employee cost and A&G costs incurred at the end of the Petitioner in comparison to previous years.

2.2.2 *Petitioner's reply*

The Petitioner submitted that the Petitioner has filed the MYT Petition for the Control Period as per the applicable regulations of the Commission and also requests the Commission to allow the same after prudence check as per the prevailing regulations.

2.2.3 *Commission's view*

The projected O&M expenses for the fifth Control Period from FY 2025-26 to FY 2027-28 have been approved in accordance with the provisions of UERC Tariff Regulations, 2024 subject to the condition that the same will be trued up while carrying out the truing up exercise for respective financial year of the fifth Control Period based on the actual O&M expenses incurred after prudence check.

2.3 Prior Intimation to the Licensee w.r.t. Major R&M expenses and Additional Capitalisation

2.3.1 *UPCL's Comment*

UPCL submitted that the Petitioner is not giving any prior information to UPCL for the works to be executed at the generator end despite specific direction from the Commission. Further, the Petitioner has not provided any documentary evidence alongwith its Petition of true-up for the works carried out which is violation of the directions of the Commission. Therefore, it is evident that the Petitioner has carried out the capital expenditure or R&M works without notifying the same to the Respondent or the Commission. UPCL requested the Commission to direct the Petitioner to give prior information to UPCL before proposing as well as incurring major O&M works, so that the licensee will be at liberty to physically verify the claims of the Petitioner in order to avoid any dispute in future.

2.3.2 *Petitioner's reply*

The Petitioner submitted that the capitalisation done in FY 2023-24 is only on air conditioning of plant control room amounting to Rs. 0.42 Crore which is required for cooling of important electrical & instrumentation panels and an additional capitalisation done towards computers amounting to Rs. 0.05 Crore which is also minor expenses. Further, with regard to R&M works, the Petitioner submitted that the O&M expenses of M/s GIPL plant are very rational and limited in all areas of plant, out of the total O&M cost of Rs. 27.27 Crore, the R&M cost is Rs. 19.67 Crore of which major portion is of O&M contractor, STEAG which is approximately Rs.9.43 Crore, i.e. 50% of the total R&M performed. The balance of Rs. 10.50 Crore includes services, spares, mobilization, civil works and others which are bare minimum as GIPL team works on cost optimization and utilization of any particular asset to the fullest so as to reduce the expenses.

2.3.3 Commission's view

The Commission has noted the submission of the Respondent and the Petitioner and has given its views in the subsequent paragraphs of this Order in the matter.

2.4 Initial Spares

2.4.1 UPCL's Comment

UPCL submitted that the Petitioner has proposed procurement of initial spares during FY 2025-26. With regard to Initial Spares, provisions of UERC Tariff Regulations, 2024 specifies that the same should be procured within cut-off date and in the present case, the cut-off date has already lapsed. Therefore, it is apparent that initial spares cannot be procured after the cut-off date and the matter of procurement of initial spares by the cut-off date has already been dealt by the Commission in the matter of other gas based generator and, therefore, the claim on account of initial spares is barred and accordingly, is liable to be rejected.

2.4.2 Petitioner's reply

With regard to initial spares, the Petitioner submitted that the Commission in its past MYT Order dated 31.03.2022 has already taken an appropriate view on the Petitioner's request to allow time for procurement of initial spares, and is reproduced for ready reference:

*"**2.2.1 Proposed Additional Capitalisation:***

…

…

Further, with respect to the cost of Initial Spares to be allowed as additional capitalisation, the Commission has already taken a view in this regard in the Tariff Order dated 16.05.2017 that such capitalisation shall be reviewed at the time of truing up based on the actual expenditure subject to the ceiling limit specified under the Regulations"

2.4.3 *Commission's view*

With respect to the cost of Initial Spares to be allowed as additional capitalisation, the Commission has already taken a view in this regard in the Tariff Order dated 16.05.2017 that such capitalisation shall be reviewed at the time of truing up based on the actual expenditure subject to the ceiling limit specified under the Regulations.

2.5 Auxiliary Consumption

2.5.1 *UPCL's comment*

UPCL submitted that gross generation is being measured by the measuring devices installed by the Petitioner at the generators output ends and the practice of recording the gross generation is manual and unilateral and, therefore, any human error may disturb the recording of the gross generation while the net generation after consumption of auxiliary consumption is being measured through the meters installed by UPCL whose calibration and accuracy is known to both the parties. Therefore, it is requested to kindly limit the auxiliary consumption to the limits prescribed in the regulations and the loss occurring on account of the same shall be borne by the generator. It is also requested to direct the Petitioner to make an arrangement for installation of UPCL's meters for measurement of gross generation and also to record the gross generation in monthly Joint Meter Reading of the Petitioner so as to calculate the auxiliary consumption losses correctly.

2.5.2 *Petitioner's reply*

The Petitioner submitted that the plant remained operational from April 2023 to June 2023 and from December 2023 to February 2024. The plant's auxiliary consumption depends on number of start/stop requirement by UPCL and also operation of plant at reduced load for longer duration. Also in FY 2023-24, the plant remained operational more in summers as compared to winters, and plants efficiency increases in winter months due to low ambient temperature. However, plant operation in winter was less as compared to summer, this also led to higher heat rate. Apart from the operation period another factor for increase in auxiliary consumption is operation of plant at base load continuously during FY 2023-24.

2.5.3 *Commission's view*

The Commission noted the submission made by the Petitioner and UPCL in this regard and is of the view that since the Auxiliary Consumption is a controllable parameter as per the UERC Tariff Regulations, therefore, sharing of the same cannot be denied to the generator. The auxiliary consumption depends upon various factors like, temperature, start stops etc., and to have a correct picture of the same, it can truly be assessed only when the machines are running at a designed capacity for a continuous period. However, in case of the Petitioner's plant, since UPCL did not schedule the generation of the gas plant for the entire financial year, the generation could not be achieved for a continuous period in FY 2023-24. Therefore, an inference as to efficiency w.r.t auxiliary consumption cannot be drawn from the partial operation of the plant. The Commission analysed the month-on-month auxiliary consumption percentage in FY 2023-24 based on the generation data provided by the Petitioner, and observed that during the months of high gross generation the auxiliary consumption percentage is generally low as compared to low generation months, which means that for drawing a correct inference continuous operation of the plant plays a crucial role.

Further, w.r.t to the suggestion of UPCL to make an arrangement for installation of UPCL meters for measurement of gross generation, the Commission is of the view that a proper recording and log maintenance of the gross generation is an important aspect and the same should be made available as and when required for analysis. However, the technical aspect of installation of UPCL meter to record gross generation at plant level would entail transgressing the role of the generator and placing its own equipment at the generator end by UPCL. Types of meters to be installed at the generating station alongwith the specification of such meters and responsibilities of such meters are laid down in CEA (Installation and Operation of Meters) Regulations, 2006 as amended from time to time. In case, any change in the same is warranted, UPCL is advised to file a Petition before the Commission.

In the meantime, the Petitioner is required to maintain a proper log of gross generation along with the geotagged photographs of the gross meter on monthly basis and submit the same before the Commission alongwith the ARR Petition for subsequent years.

3. Petitioner's Submissions, Commission's Analysis, Scrutiny and Conclusion on Business Plan for the fifth Control Period

3.1 Statutory Requirement

The Commission has notified the UERC Tariff Regulations, 2024 on 17.09.2024 applicable for determination of Tariff for the fifth Control Period from FY 2025-26 to FY 2027-28.

As regards the Multi Year Tariff Framework, Regulation 4 of UERC Tariff Regulations, 2024 specifies as follows:

"4. Multi Year Framework

The Multiyear tariff framework shall be based on the following:-

a) Business plan submitted by the applicant for the entire control period for the approval of the Commission prior to the beginning of the control period;

b) Applicant's forecast of expected ARR for each year of the control period, based on reasonable assumptions and financial & operational principles/parameters laid down under these Regulations submitted alongwith the MYT petition for determination of Aggregate Revenue Requirement and Tariffs for first year of the control period;

c) Review of control period ending on 31.03.2025 shall also be taken up alongwith the ARR/Tariff petition for the first year of ensuing control period;

d) Trajectory for specific parameters as may be stipulated by the Commission based on submissions made by the Licensee, actual performance data of the Applicants and performance achieved by similarly placed utilities;

e) Annual review of performance shall be conducted vis-à-vis the approved forecast and categorization of variations in performance into controllable factors and uncontrollable factors;

f) Sharing of excess profit or loss due to controllable and uncontrollable factors as per provisions of these Regulations."

3.2 Business Plan for the fifth Control Period

Regarding Business Plan, Regulation 8 of UERC Tariff Regulations, 2024 specifies as follows:

"**8. Business Plan**

(1) An Applicant shall submit, under affidavit and as per the UERC Conduct of Business Regulations as amended from time to time, a Business Plan by November 30th, 2024, for the Control Period of three (3) financial years from April 1, 2025 to March 31, 2028;

a) The Business Plan for the Generating Company shall be for the entire control period and shall, interalia, contain:

(i) Capital investment plan, which shall include details of the investments planned by the Generating Company for existing stations alongwith its cost-benefit analysis, yearly phasing of capital expenditure alongwith the source of funding, financing plan and corresponding capitalisation schedule. This plan shall be commensurate with R&M schemes and proposed efficiency improvements for various plants of the company;

(ii) The capital investment plan shall show separately, on-going projects that will spill over into the years under review, and new projects (along with justification) that will commence in the years under review but may be completed within or beyond the tariff period;

(iii) The Generating Company shall submit plant-wise details of the capital structure and cost of financing (interest on debt and return on equity), after considering the existing market conditions, terms of the existing loan agreements, risks associated in generation business and creditworthiness;

(iv) Details related to major shut down of machines, if any;

(v) Trajectory of performance parameters

...

(2) The Applicant shall also submit the details in respect of its manpower planning for the Control Period as part of Business Plan.

(3) The Commission shall scrutinize and approve the business plan after following the due consultation process."

In accordance with Regulation 8 of the UERC Tariff Regulations, 2024, M/s GIPL submitted the Business Plan for the fifth Control Period from FY 2025-26 to FY 2027-28. M/s GIPL in its Business

Plan Petition and subsequent submissions has submitted the trajectory of Performance parameters, Capitalization Plan and Financing Plan for the fifth Control Period from FY 2025-26 to FY 2027-28. The Petitioner's submissions and the Commission's analysis on approval of the Business Plan submitted by M/s GIPL for the fifth Control Period from FY 2025-26 to FY 2027-28 are detailed below:

3.2.1 Proposed Additional Capitalisation

With regard to additional capitalisation, the Petitioner has proposed the following additional capitalisation for the fifth Control Period from FY 2025-26 to FY 2027-28:

Table 3.1: Proposed Additional Capitalisation for the fifth Control Period (Rs. Crore)

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	Claimed under head
Land	-	-	-	-
Civil Works	2.00	4.00	1.00	Regulation 22(2)
Plant & Machinery (Transmission Line)	-	-	-	Regulation 22(2)
Plant & Machinery (Spares)	11.09	11.70	8.99	Regulation 22(2)
Plant & Machinery (Others)	-	-	-	Regulation 22(2)
Furniture and Fixtures	0.05	0.05	0.05	Regulation 22(2)
Office Equipment & Others	0.05	0.05	0.05	Regulation 22(2)
Computers	-	-	-	Regulation 22(2)
Vehicles	0.30	0.30	0.25	Regulation 22(2)
Total	**13.49**	**16.10**	**10.34**	

With regard to Additional capitalisation, Regulation 22 of UERC Tariff Regulations, 2024 specifies as follows:

"22. Additional Capitalisation and De-capitalisation

1) *The following capital expenditure within the original scope of work actually incurred or projected to be incurred after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check:*

   a) *Undischarged liabilities;*

   b) *Works deferred for execution within the original scope of work;*

   c) *Procurement of initial capital spares within the original scope of work, subject to the provisions of Regulation 21(11);*

   d) *Liabilities to meet award of arbitration or for compliance of the order or decree of a court; and*

   e) *On account of change in law.*

   f) *Force Majeure events.*

Provided that the details included in the original scope of work along with estimates of expenditure, deferred liabilities and the works deferred for execution shall be submitted along with the application for determination of tariff.

2) *The capital expenditure of the following nature actually incurred after the cut-off date may be admitted by the Commission, subject to prudence check:*

   a) *Liabilities to meet award of arbitration or for compliance of the order or decree of a court;*

   b) *On account of change in law;*

   c) *Works deferred for execution within the original scope of work;*

   d) *Any liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments;*

   e) *Any additional capital expenditure which has become necessary for efficient operation of generating station or transmission system as the case may be. The claim shall be substantiated with the technical justification duly supported by the documentary evidence like test results carried out by an independent agency in case of deterioration of assets, report of an independent agency in case of damage caused by natural calamities, obsolescence of technology, up-gradation of capacity for the technical reason such as increase in fault level;*

   f) *In case of hydro generating stations, any additional expenditure which has become necessary on account of damage caused by natural calamities (but not due to flooding of power house attributable to the negligence of the generating company), including due to geological surprises, after adjusting for proceeds from any insurance scheme, and expenditure incurred due to any additional work which has become necessary for successful and efficient plant operation;*

      Provided that additional capitalisation on this account would only be allowed if appropriate and adequate insurance cover was available at the time of occurrence of natural calamities referred to above;

   g) *In case of transmission and distribution system any additional expenditure on items such as relays, control and instrumentation, computer system, power line carrier communication, DC batteries, replacement of switchyard, equipment due to increase of fault level, emergency restoration system, insulators cleaning infrastructure, replacement of damaged equipment not covered by insurance and any other expenditure which has become necessary for successful and efficient operation of transmission or distribution system:*

h) *In case of replacement of any asset/equipment (e.g. transformer, circuit breaker, C.T., P.T. etc.) on account of non-performance/failure of the same, the following approach shall be adopted:*

(i) *In case of non-performance/failure of assets/equipment, it shall be sent to Store for assessment to check whether it is repairable or not at zero cost;*

(ii) *In case the asset is repairable, then such asset/equipment shall not be retired from Books of Assets.*

Provided, proper tracking should be available for the material like location, asset number etc.

(iii) *In case the asset is not repairable, then following process shall be carried out:*

- *The asset is retired from the Books of Assets, at depreciated value.*
- *Transfer the failed assets/equipments from failed to scrap material.*
- *Dismantle it into of scrap inventory like iron, brass etc.*
- *Build up scrap inventory.*

Provided, exercise of dismantling of scrap inventory and build-up of scrap inventory shall be done simultaneously. Dismantled scrap value would be decided on the basis of last scrap sale value. Control Account (Dismantling) will be expense account. Difference of Control account, i.e. either profit or loss shall be booked accordingly.

(iv) *In case a new asset/equipment is issued, then it will be issued at weighted average cost and capitalized respectively, and accordingly, new asset would be created and corresponding entries shall be done in the Books of Accounts."*

The Petitioner's plant was put under commercial operation w.e.f. 16.03.2016. Accordingly, as per the prevailing UERC Tariff Regulations, the cut-off date of the plant works out to 31.03.2019 and proposed expenditure claimed for the fifth Control Period shall fall under Regulation 22(2) of the UERC Tariff Regulations, 2024.

With regard to the proposed additional capitalisation, the Petitioner submitted that the projected capital expenditure planned in Civil Works for the fifth Control Period shall be executed in phases from year to year and the same pertains to construction of new drainage system surrounding the plant boundaries so as to avoid damage to plant boundary due to water clogging during heavy rainfall, maintenance of boundary wall. Further, the Petitioner has also proposed that it has planned some foundation work and related civil works in installation of water-cooled condenser which will help in improvement of auxiliary consumption. Further, the Petitioner has also planned to procure initial spares during the fifth Control Period. The Petitioner has proposed additional capitalisation towards procurement of Energy Efficient VFD's for ACC Fans, Energy Efficient VFD's for Condensate Pumps and STG CCW Pump, Energy Efficient ducted inverter air conditioning system for GT Control System, Switchyard Control room and main Control room, Water Cooled Condenser, Additional emergency DG set under the head of Plant and Machinery for the fifth Control Period from FY 2025-26 to FY 2027-28.

The Commission vide its Tariff Order dated 31.03.2022 on approval of the Business Plan and Tariff Petition of the Petitioner for the fourth Control Period from FY 2022-23 to FY 2024-25, had decided to consider the additional capitalisation at the time of truing up of the respective years based on the audited accounts and as per the prevailing Regulations. Further, with respect to the cost of Initial Spares to be allowed as additional capitalisation, the Commission has already taken a view in this regard in the Tariff Order dated 16.05.2017 that such capitalisation shall be reviewed at the time of truing up based on the actual expenditure subject to the ceiling limit specified under the Regulations.

Furthermore, with regard to additional capitalisation, Regulation 22(4) of UERC Tariff Regulations, 2024 specifies as follows:

> "*Any addition/modification to the existing assets exceeding Rs. 2.50 Crore in case of distribution licensees, Rs. 5 Crore in case of generating companies/transmission licensees shall be taken up only after prior approval of the Commission. The application for approval of the Commission shall be accompanied with the approval of the BoD in accordance with UERC (Conduct of Business) Regulations, 2014*"

Accordingly, in view of the above regulation, the Petitioner is required to obtain prior approval of the Commission before incurring any capital expenditure exceeding Rs. 5 Crore for the plant. Accordingly, the Commission at this stage does not find any reason to approve any additional capitalisation for the fifth Control Period and additional capitalisation, if any, shall be considered on actual basis subject to prudence check based on the provisions of additional capitalisation and de-capitalisation as specified in the prevailing UERC Tariff Regulations.

Further, the Petitioner is directed to book the expenditure both of capital and revenue nature appropriately in the books of accounts in accordance with the accounting principles & accounting standards duly considering the fact that capital nature expenditure has life attached to it. Therefore, such expenditure will be capitalised after prudence check and old/existing asset may be decapitalised based on its historical cost.

Further, it is also directed to the Petitioner to maintain details of assets properly so that the same can be adjusted in accordance with the provisions of UERC Tariff Regulations, while allowing additional capitalisation against replacement of old assets.

3.2.2 Financing Plan

The Petitioner submitted that the capital expenditure to be incurred in FY 2025-26, FY 2026-27 and FY 2027-28 are to be financed by a mix of debt and equity in the ratio of 70:30. As mentioned above, the Commission has not considered the additional capitalisation for the fifth Control Period. However, based on the actual admissible additional capitalisation and actual financing, truing up will be done for the purpose of determination of Tariff.

3.2.3 Major shutdown plan for the plant

3.2.3.1 Maintenance plan

The Petitioner submitted that the availability of a generating unit is dependent on the outages considered for the unit, both forced and planned. The well thought & planned maintenance Program will result in the maximum equipment availability and optimization of maintenance costs. The forced outages are minimized by having a robust maintenance plan, the planned outages are necessary for the smooth functioning of the unit with improved reliability & availability. Either or all of the following is included in an outage plan:

- Schedule Preventive Measures.
- Audit History based Maintenance.
- Overall Operational Constraints.
- Technological Up-gradation.
- Performance Improvement Measures.
- Statutory Compliances.
- Life Sustenance, Extension, Enhancement Actions.

The proposed outage plan for the project during the Control Period is shown in the Tables below:

Table 3.2: Maintenance schedule for FY 2025-26

Month	Gas Turbine / HRSG		Steam Turbine	
	Details	Outage Hours	Details	Outage Hours
Apr-25	---	0	---	0
May-25	Offline/online water wash	36	---	0
Jun-25	---	0	---	0
Jul-25	---	36	---	0
Aug-25	Disassembly & removal of HGPI Hardware	720	---	0
Sep-25	---	36	---	0
Oct-25	---	0	---	0
Nov-25	---	0	---	0
Dec-25	Offline/online water wash		Hooking up of WCC with STG	240
Jan-26	HRSG, Annual Inspection-Hydro test Shutdown:4 days	96	---	0
Feb-26	---	0	---	0
Mar-26	Offline Compressor water wash & prefilter replacement	48	---	0
Yearly		**900**		**240**

Table 3.3: Maintenance schedule for FY 2026-27

Month	Gas Turbine / HRSG		Steam Turbine	
	Details	Outage Hours	Details	Outage Hours
Apr-26	---	0	---	0
May-26	Offline/onlinewater wash	36	---	0
Jun-26	---	0	---	0
Jul-26	---	0	---	0
Aug-26	Offline Compressor water wash & prefilter replacement	48	---	0
Sep-26	---	0	---	0
Oct-26	---	0	---	0
Nov-26	---	0	---	0
Dec-26	---	0	---	0
Jan-27	HRSG, Annual Inspection-Hydro test Shutdown-4	96	---	0
Feb-27	---	0	---	0
Mar-27	Offline compressor water wash & prefilter replacement	48	---	0
Yearly		**228**		**0**

Table 3.4: Maintenance schedule for FY 2027-28

Month	Gas Turbine / HRSG		Steam Turbine	
	Details	Outage Hours	Details	Outage Hours
Apr-27	---	0	---	0
May-27	Offline/online water wash	36	---	0
Jun-27	---	0	---	0
Jul-27	Offline/online water wash	36	---	0
Aug-27	---	0	---	0
Sep-27	---	0	---	0
Oct-27	---	0	---	0
Nov-27	---	0	---	0
Dec-27	Offline/online water wash	96	---	0
Jan-28	HRSG, Annual Inspection - Hydro test		---	0
Feb-28	---	0	---	0
Mar-28	Offline compressor water wash & prefilter replacement	48	---	0
Yearly		**228**		**0**

3.2.3.2 *Trajectory of Performance Parameters*

The Petitioner submitted that in the light of the maintenance schedule planned for Phase 1, i.e. contracted capacity, as detailed above, the plant is expected to follow the trajectory of performance parameters as detailed in the Table given below:

Table 3.5: Trajectory of performance parameters

Parameters	Unit	FY 2025-26	FY 2026-27	FY 2027-28
		Projected	Projected	Projected
Number of days		365	365	366
Installed capacity	MW	107	107	107
Aux. (Normative)	%	2.50%	2.50%	2.50%
Availability (Normative)	%	85%	85%	85%
Gross Generation Normative	MU	796.72	796.72	798.90
Auxiliary Consumption	MU	19.92	19.97	19.97
Net Generation Normative	MU	776.80	776.80	778.93

The Commission has accepted the submissions made by the Petitioner for maintenance schedule and corresponding shutdown hours of its plant. However, the Petitioner is directed to have proper communication well in advance with both Distribution Licensee as well Transmission Licensee in the State so as to avoid any dispute that may occur due to disturbance in the demand/ supply of power of Distribution Licensee and also due to transmission capacity constraint or any other related issues with the Transmission Licensee.

In this regard, the Commission would like to advise the Petitioner and the Respondent to finalise the said Maintenance plan amongst them so as to ensure that supply position in the State is not impacted because of the same and submit the same to the Commission within two months from the date of the Order.

4. Petitioner's Submissions, Commission's Analysis, Scrutiny and Conclusion on Truing up for FY 2023-24

Regulation 12 of the UERC Tariff Regulations, 2021 specifies as follows:

*"12. **Annual Performance Review***

(1) Under the multi-year tariff framework, the performance of the Generating Company or Transmission and Distribution Licensees or SLDC, shall be subject to an Annual Performance Review.

(2) The Applicant shall under affidavit and as per the UERC Conduct of Business Regulations as amended from time to time, make an application for Annual Performance Review by November 30th of every year;

…

(3) The scope of the Annual Performance Review shall be a comparison of the performance of the Applicant with the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges and shall comprise of following:

a) A comparison of the audited performance of the applicant for the previous financial year with the approved forecast for such previous financial year and truing up of expenses and revenue subject to prudence check including pass through of impact of uncontrollable factors;

b) Categorisation of variations in performance with reference to approved forecast into factors within the control of the applicant (controllable factors) and those caused by factors beyond the control of the applicant (un-controllable factors).

c) Revision of estimates for the ensuing financial year, if required, based on audited financial results for the previous financial year;

d) Computation of the sharing of gains and losses on account of controllable factors for the previous year"

In its present filing, the Petitioner has submitted the data related to its expenses and revenues for FY 2023-24 based on the audited annual accounts and has, accordingly, requested the Commission to carry out the truing up for FY 2023-24 alongwith the sharing of gains and losses. The Petitioner submitted that the tariff formats submitted by it are based on the actual capitalisation and the revenue expenditure as per the books of accounts.

4.1 Impact of Sharing of Gains and Losses on account of Controllable Factors for FY 2023-24.

Regulation 14 of the UERC Tariff Regulations, 2021 specifies as follows:

"14. Sharing of Gains and Losses on account of Controllable factors:

The approved aggregate gain and loss to the Applicant on account of controllable factors shall be dealt with in the following manner:

(a) 1/3rd of such gain or loss shall be passed on as a rebate or allowed to be recovered in tariffs over such period as may be specified in the Order of the Commission;

(b) The balance amount of such gain or loss may be utilized or absorbed by the Applicant."

The UERC Tariff Regulations, 2021 requires a comparison of the audited performance of the applicant for the previous financial year with the approved forecast for such previous financial year and truing up of expenses and revenues subject to prudence check including the pass through of the impact of uncontrollable factors.

O&M expenses comprises of the major portion of AFC of M/s GIPL and are within the control of the Petitioner, and moreover, in accordance with UERC Tariff Regulations, 2021 these are controllable expenses. Similarly, in accordance with the UERC Tariff Regulations, 2021, the variation in working capital requirements is also a controllable factor. However, as discussed in the previous Tariff Orders for the Petitioner, the interest on working capital (IWC) was not included in the annual fixed charges (AFC) allowable to the Petitioner based on the Petitioner's submission that it intended to forego the same in case UPCL does not charge rebate on their energy bills and make payments as specified by the Commission vide its Order dated 17.04.2017 read with provisions of the PPA. Further, the capital related expenses like interest on loans, depreciation etc. has been treated as uncontrollable and hence, no sharing of losses or gains for the same has been carried out. The performance parameters namely, Station Heat Rate and Auxiliary Consumption are controllable factors and, accordingly, as discussed in the subsequent paragraphs of this Tariff Order, the Commission has carried out the truing up of the same and sharing of loss or gain, as the case may be, in accordance with UERC Tariff Regulations, 2021.

Accordingly, the Commission has worked out the trued up (surplus)/gap of the Petitioner after sharing of gains and losses as per the provisions of UERC Tariff Regulations, 2021.

4.1.1 Physical Parameters

4.1.1.1 NAPAF

The Commission vide its Order dated 08.02.2016, on approval of PPA for the Petitioner's plant, approved the NAPAF, as per Regulation 3(53) of the UERC Tariff Regulations, 2015, as follows:

""Normative Availability" or "Target Availability" Or Normative Annual Plant Availability Factor (NAPAF) shall mean Eighty Five (85%) availability of aggregate Contracted Capacity at the Delivery Point on Contract Year Basis. However, UPCL may vary the Availability Factor on monthly basis as required by UPCL but maintaining the NAPAF at 85% yearly basis."

Accordingly, the Commission is of the view that the NAPAF of 85% approved for FY 2023-24 in the Tariff Order dated 31.03.2022 for the fourth Control Period shall continue to be applicable without any change.

4.1.1.2 Energy Generation and Saleable Primary Energy

The Commission in its Tariff Order dated 31.03.2022 on approval of Business Plan and Multi Year Tariff for the fourth Control Period from FY 2022-23 to FY 2024-25 had approved the Design Energy based on the contracted capacity of 107 MW. Further, in accordance with Regulation 47(4)(i) of UERC Tariff Regulations, 2021, auxiliary consumption of 2.50% has been considered. Accordingly, applying the NAPLF of 85% as specified in the Regulations and reducing the auxiliary power, the saleable energy works out as 776.80 MU for FY 2023-24. However, due to restrictions imposed by UPCL on power offtake due to which only 215.219 MUs of electricity was supplied by M/s GIPL to UPCL in FY 2023-24.

Based on the provisionally verified declared capacity by SLDC, the generator's plant availability was more than 85% during FY 2023-24.

4.1.2 Financial Parameters

4.1.2.1 Capital Cost

Regulation 21 (2) of UERC Tariff Regulations, 2021 specifies as under:

"The Capital cost of an existing project shall include the following:

a) The capital cost admitted by the Commission prior to 01.04.2022 duly trued up as on 01.04.2022;

b) Additional capitalisation and de-capitalisation for the respective year of tariff as determined in *accordance with Regulation 22; and*

c) Expenditure on account of renovation and modernisation as admitted by this Commission in accordance with Regulations 23."

The Petitioner has claimed an opening GFA amounting to Rs. 403.77 Crore as on 01.04.2023. The Commission vide its Tariff Order dated 28.03.2024 had approved the opening GFA and net additional capitalisation amounting to Rs. 403.77 Crore and Rs. 0.028 Crore respectively for FY 2022-23 for the contracted capacity of 107 MW. Accordingly, the Commission has considered the approved closing GFA, i.e. Rs. 403.79 Crore for FY 2022-23 as opening GFA for the purpose of truing up for FY 2023-24.

4.1.2.2 Additional Capitalisation and De-capitalisation

Regulation 22 of UERC Tariff Regulations, 2021 specifies as under:

"(1) The following capital expenditure within the original scope of work actually incurred or projected to be incurred after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check:

a) Undischarged liabilities;

b) Works deferred for execution;

c) Procurement of initial capital spares within the original scope of work, subject to the provisions of Regulation 21(11);

d) Liabilities to meet award of arbitration or for compliance of the order or decree of a court; and

e) On account of change in law.

Provided that the details included in the original scope of work along with estimates of expenditure, deferred liabilities and the works deferred for execution shall be submitted along with the application for determination of tariff.

(2) The capital expenditure of the following nature actually incurred after the cut-off date may be admitted by the Commission, subject to prudence check:

a) Liabilities to meet award of arbitration or for compliance of the order or decree of a court;

b) Change in law;

c) Works deferred for execution within the original scope of work;

d) Any liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments;

e) Any additional capital expenditure which has become necessary for efficient operation of generating station or transmission system as the case may be. The claim shall be substantiated with the technical justification duly supported by the documentary evidence like test results carried out by an independent agency in case of deterioration of assets, report of an independent agency in case of damage caused by natural calamities, obsolescence of technology, up-gradation of capacity for the technical reason such as increase in fault level;

…

(3) In case of de-capitalisation of assets of a generating company or the distribution licensee or the transmission licensee or SLDC, as the case may be, the original cost of such asset as on the date of de-capitalisation shall be deducted from the value of gross fixed asset and corresponding loan as well as equity shall be deducted from outstanding loan and the equity respectively in the year such de-capitalisation takes place, duly taking into consideration the year in which it was capitalised.

(4) Any addition/modification to the existing assets exceeding Rs. 2.50 Crore in case of distribution licensees and Rs. 5 Crore in case of generating companies/transmission licensees shall be taken up only after prior approval of the Commission. The investment approval applications covered under this sub-regulation are excluded from the application of proviso to Sub-regulation (2) of Regulation 10 of UERC (Conduct of Business) Regulations, 2014 in so far as the requirement of submission of documentary evidence with respect to the approval of BoD is concerned."

Regulation 24(5) of UERC Tariff Regulations, 2021 specifies as under:

"(5) Any expenditure incurred or projected to be incurred on or after 1.4.2022 as may be admitted by the Commission as additional capital expenditure for determination of tariff, and renovation and modernisation expenditure for life extension shall be serviced in the matter specified in Regulation 22 and 23 of these Regulations."

In its Petition, the Petitioner has claimed an additional capitalisation of Rs. 0.42 Crore and Rs. 0.05 Crore for Plant & Machinery and Computers respectively for FY 2023-24 in accordance with Regulation 22(2) of UERC Tariff Regulations, 2021. The works pertains to purchase of Air Conditioner for plant and computers of control room.

Accordingly, based on the above, the Commission approves the additional capitalisation pertaining to Air Conditioner and Computers amounting to Rs. 0.47 Crore for the purpose of truing up of FY 2023-24 after prudence check. Further, it has been observed from the audited annual accounts for FY 2023-24, that an old vehicle amounting to Rs. 0.16 Crore has been disposed. With regard to disposal of assets, Regulation 22(5)(a) & (b) of UERC Tariff Regulations, 2021 specifies as follows:

"(5) The following shall be excluded or removed from the capital cost of the existing and new project:

(a) The assets forming part of the project, but not in use;

(b) Decapitalisation of Asset"

It is explicitly clear from the above regulation that any asset not in use or decapitalised shall not be a part of capital cost. Accordingly, gross value of old vehicles amounting to Rs. 0.16 Crore has been removed from the gross value of the assets.

Accordingly, based on the above discussion, the details of the trued-up capital cost for FY 2023-24 are as follows:

Table 4.1: Approved Gross Fixed Assets for FY 2023-24 (Rs. Crore)

Particulars	Opening GFA	Additional Capitalisation	De-capitalisation	Closing GFA
Land (Freehold Land)	7.50	0.00	0.00	7.50
Civil Works	29.11	0.00	0.00	29.11
Plant & Machinery	366.02	0.42	0.00	366.44
Furniture and Fixtures	0.21	0.00	0.00	0.21
Office Equipment & Others	0.09	0.00	0.00	0.09
Computers	0.05	0.05	0.00	0.10
Vehicles	0.81	0.00	0.16	0.64
Total	**403.79**	**0.47**	**0.16**	**404.10**

4.1.2.3 *Capital Structure*

Regulation 24 of UERC Tariff Regulations, 2021 specifies as under:

"...

(5) Any expenditure incurred or projected to be incurred on or after 1.4.2022 as may be admitted by the Commission as additional capital expenditure for determination of tariff, and renovation and modernisation expenditure for life extension shall service in the matter specified in Regulation 22 and 23 of these Regulations.

(6) In case of Generating Company, Transmission Licensee, Distribution Licensee, or SLDC where investments have been made prior to 1.4.2022, Debt: Equity Ratio shall be as approved by the Commission in the previous Orders."

The Petitioner has claimed the Debt-Equity Ratio of 81.26:18.74 as on 01.04.2023 while carrying out the truing up for FY 2023-24 and the Commission through Tariff Order dated 28.03.2024 had approved Debt-Equity Ratio of 81.16:18.84 as on 31.03.2023. The same Debt-Equity Ratio has been considered by the Commission for the opening GFA of FY 2023-24.

Further, with regard to the additional capitalisation claimed for FY 2023-24, the Petitioner submitted that the expenses for the procurement of assets were done through the revenues of the Company. As the actual equity infused is more than 30% of the amount capitalised, the Commission has restricted the equity to 30% and the balance has been considered as normative loan. Accordingly, the Commission has considered the financing of additional capitalisation incurred for FY 2023-24 in the ratio of 70:30 in accordance with the UERC Tariff Regulations, 2021. Further, with regard to old vehicle, the Petition submitted that the same was procured before commercial operation of the project. Accordingly, the Commission has considered the Debt-Equity Ratio as approved on CoD by the Commission, i.e. 80.64:19.36 for de-capitalisation of old vehicle.

Capital structure for the GFA, additional capitalisation for FY 2023-24 is as follows:

Table 4.2: Financing for capitalisation for FY 2023-24

Particular	Opening Capital Structure as on 01.04.2023		Addition during year		Deletion during year		Closing Capital Structure as on 31.03.2024	
	(Rs. Crore)	%	(Rs. Crore)	%	(Rs. Crore)	%	(Rs. Crore)	%
Debt	327.71	81.16	0.33	70.00	(0.13)	80.64	327.91	81.15
Equity	76.08	18.84	0.14	30.00	(0.03)	19.36	76.19	18.85
Total	**403.79**	**100.00**	**0.47**	**100.00**	**(0.16)**	**100.00**	**404.10**	**100.00**

4.1.2.4 *Depreciation*

Regulation 28 of the UERC Tariff Regulations, 2021 specifies as follows:

"28. Depreciation

(1) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission.

Provided that depreciation shall not be allowed on assets funded through Consumer Contribution and Capital Subsidies/Grants.

(2) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.

...

(4) Depreciation shall be calculated annually based on Straight Line Method and at rates specified in Appendix - II to these Regulations.

…

(6) In case of de-capitalization of assets in respect of generating station or unit thereof or distribution licensee or SLDC or transmission system or element thereof, the cumulative depreciation shall be adjusted by taking into account the depreciation recovered in tariff by the decapitalized asset during its useful services."

The Petitioner has claimed depreciation of Rs. 20.45 Crore for FY 2023-24 considering the additional capitalisation and decapitalisation at the beginning of the year and the depreciation rates specified by the Commission in its UERC Tariff Regulations, 2021. The Commission has calculated the weighted average rate of depreciation of 5.05% by applying the operational days of the assets and depreciation rates as specified in Appendix-II of UERC Tariff Regulations, 2021. Further, the Commission has worked out the depreciation of Rs. 20.41 Crore on the admissible average GFA of Rs. 403.95 Crore for FY 2023-24 by applying the weighted average rate of depreciation of 5.05%. Further, the cumulative depreciation has been adjusted taking into account the depreciation recovered in tariff by the decapitalized old vehicle during its useful service.

Depreciation, as approved in the Tariff Order dated 30.03.2023, claimed by the Petitioner and trued up for FY 2023-24 is as follows:

Table 4.3: Depreciation claimed and approved for FY 2023-24 (Rs. Crore)

Particular	Approved in Tariff Order dated 30.03.2023	Claimed by Petitioner	Approved after truing up
Opening Capital Cost	403.77	403.77	403.79
Addition during year	0.00	0.47	0.47
Less: De-capitalisation	0.00	0.16	0.16
Closing Capital Cost	403.77	404.08	404.10
Average Capital Cost	403.77	-	403.95
Weighted Average rate of Depreciation	5.05%	-	5.05%
Depreciation	**20.40**	**20.45**	**20.41**

4.1.2.5 *Interest and Finance charges*

Regulation 27 of the UERC Tariff Regulations, 2021 specifies as follows:

*"**27. Interest and finance charges on loan capital and on Security Deposit***

(1) The loans arrived at in the manner indicated in Regulation 24 shall be considered as gross normative loan for calculation of interest on loan.

(2) The normative loan outstanding as on 1.4.2022 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2022 from the gross normative loan.

(3) The repayment for each year of the Control Period shall be deemed to be equal to the depreciation allowed for that year. In case of decapitalization of assets, the repayment shall be adjusted by taking into account cumulative repayment on a pro rata basis and the adjustment should not exceed cumulative depreciation recovered upto the date of decapitalization of such asset.

...

(5) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio of the previous year after providing appropriate accounting adjustment for interest capitalised:

Provided that if there is no actual loan for a particular year but normative loan is still outstanding, the last available wheighted average rate of interest shall be considered.

Provided further that if the generating station or the transmission system or the distribution system or SLDC, as the case may be, does not have actual loan, then the weighted average rate of interest of the generating company or the Transmission Licensee or the Distribution Licensee or SLDC as a whole shall be considered.

(6) The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest.

…"

The Petitioner has claimed an interest on normative loan of Rs. 24.75 Crore for FY 2023-24 for the purpose of truing up based on the weighted average rate of interest of 13.63% p.a. Further, the Petitioner has considered addition to normative loan amounting to Rs. 13.04 Crore and repayment amounting to Rs. 20.45 Crore towards repayment of normative loan for FY 2023-24.

The Commission examined the audited annual accounts & Trial Balance for FY 2023-24 as well as the submissions made by the Petitioner w.r.t. interest on loan and observed that the Petitioner has considered opening debt and closing debt amounting to Rs. 147.64 Crore and Rs. 84.92 Crore respectively in Form 9.2, i.e. "Calculation of Weighted Average Interest Rate of Interest on Actual

Loans", whereas as per audited accounts, opening and closing debt worked out to Rs. 150.49 Crore and Rs. 87.80 Crore respectively for FY 2023-24. With regard to variation in opening and closing debt for FY 2023-24, the Petitioner submitted that the variation was on account of interest payable which has not been considered in Form 9.2 while computing the weighted average rate of interest.

The Petitioner submitted that the actual interest for FY 2023-24 is Rs. 15.85 Crore. The Commission observed that the total interest amounting to Rs. 20.59 Crore has been charged to the P&L Statement for FY 2023-24 out of which Rs. 15.86 Crore pertains to long term borrowings. Accordingly, the Commission has considered interest of Rs. 15.86 Crore only pertaining to long term borrowings for the purpose of calculation of weighted average rate of interest by the Petitioner. Based on the opening and closing debt of Rs. 147.66 Crore and Rs. 87.80 Crore respectively and considering the interest paid on long term borrowings during the year, the weighted average rate of interest works out to 13.31% p.a. for FY 2023-24.

With regard to de-capitalisation asset, it is pertinent to mention that the cumulative repayment has been adjusted by taking into account cumulative normative repayment towards decapitalised asset in accordance with the provisions of UERC Tariff Regulation 2021. Accordingly the Commission has considered the net opening normative loan of Rs. 185.10 Crore and repayment has been considered equal to the admissible depreciation, i.e. Rs. 20.41 Crore. Further, as mentioned earlier above in this Order, admissible additional capitalisation for FY 2023-24 of Rs. 0.47 Crore has been considered in the ratio of 70:30 in accordance with the UERC Tariff Regulations, 2021 and decapitalisation of Rs. 0.16 Crore has been considered in 81.16:18.84. Accordingly, the Commission has considered net addition to normative loan amounting to Rs. 0.20 Crore.

Further, the Petitioner has claimed Bank Charges amounting to Rs. 2.08 Crore for FY 2023-24 as finance charges. The Petitioner was directed to submit the breakup of Bank Charges between contracted capacity with UPCL and untied capacity. In the matter, the Petitioner submitted that bank charges amounting to Rs. 0.23 Crore pertains to the untied capacity. The Commission has gone through the detailed breakup of the bank charges and finds the same in order.

Based on the above, details of interest claimed and allowed for the truing up are given in the Table below:

Table 4.4: Interest on Normative Loan for FY 2023-24 (Rs. Crore)

Particular	Approved in Tariff Order dated 30.03.2023	Claimed by Petitioner	Approved after truing up
Gross Opening Normative Loan	327.70	328.10	327.71
Cumulative Repayment	142.74	142.83	142.62
Net Opening Normative Loan	184.95	185.27	185.10
Net Additional Capitalisation	0.00	13.04	0.20
Normative Repayment of loan	20.40	20.45	20.41
Net Closing Normative Loan	164.55	177.86	164.89
Average Normative Loan	174.75	181.57	174.99
Rate of Interest	12.37%	13.63%	13.31%
Normative Interest	**21.63**	**24.75**	**23.30**
Add: Financial charges	1.34	1.85	1.85
Total Interest and Finance Charges	**22.97**	**26.60**	**25.15**

4.1.2.6 *Return on Equity (RoE)*

Regulation 26 of the UERC Tariff Regulations, 2021 specifies as follows:

*"**26. Return on Equity***

(1) Return on equity shall be computed on the equity base determined in accordance with Regulation 24.

Provided that, Return on Equity shall be allowed on account of allowed equity capital for the assets put to use at the commencement of each financial year.

Provided further that, if the generating stations/licensees are able to demonstrate the actual date of asset being put to use and capitalized in its accounts of each asset for the purposes of business carried on by it through documentary evidence, including but not limited to 'asset put to use certificate', 'audited accounts' etc., then in such cases, after due satisfaction of the Commission, the RoE shall be allowed on pro-rata basis after considering additional capitalization done during the year out of the equity capital.

(2) Return on equity shall be computed on at the base rate of 15.50% for thermal generating stations, transmission licensee, SLDC and run of the river hydro generating station and at the base rate of 16.50% for the storage type hydro generating stations and run of river generating station with pondage and distribution licensee on a post-tax basis.

Provided that return on equity in respect of additional capitalization after cut-off date beyond the original scope excluding additional capitalization due to Change in Law, shall be computed at the weighted average rate of interest on actual loan portfolio of the distribution company or the generating station or the transmission system;"

The Petitioner has claimed the Return on Equity amounting to Rs. 11.80 Crore on the average equity for FY 2023-24 after considering actual additional capitalisation during FY 2023-24.

The Commission has allowed the Return on Equity on the Average quity base at the rate of 15.50%, after considering equity against decapitalised old vehicle and also the equity towards additional capitalization after cut-off date beyond the original scope of work in accordance with the first proviso of Regulation 26(2) of UERC Tariff Regulations, 2021.

The Commission has approved Equity addition of Rs. 0.14 Crore for FY 2023-24 against beyond scope of work. Further, equity corresponding to the decapitalised old vehicle has been deducted from the base equity.

As discussed in subsequent paras of this Order, the Commission has approved rate of interest on loan capital as 13.31% for FY 2023-24. Accordingly, RoE has been allowed on the addition post cut-off date, as discussed above, at the rate of 13.31% in accordance with the first proviso to sub-regulation (2) of Regulation 26 of UERC Tariff Regulations, 2021 on pro-rata basis after considering additional capitalization done during the year out of the equity capital.

The Return on Equity approved by the Commission for FY 2023-24 is given in the Table below:

Table 4.5: Return on Equity approved for FY 2023-24 (Rs. Crore)

Particular	Approved in Tariff Order dated 30.03.2023	Claimed by Petitioner	Approved after truing up
(A) Equity within Original Scope of Work			
Opening Equity	76.07	76.07	75.69
Net Addition during the year	0.00	0.14	(0.03)
Closing Equity	76.07	76.21	75.66
Rate of Return on Equity	15.50%	15.50%	15.50%
Return on Equity	**11.79**	**11.80**	**11.73**
(B) Equity beyond Original Scope of Work			
Opening Equity	-	-	0.39
Net Addition during the year	-	-	0.14
Closing Equity	-	-	0.53
Rate of Return on Equity	-	-	13.31%
Return on Equity	**-**	**-**	**0.06**
Total RoE (A)+ (B)	**11.79**	**11.80**	**11.80**

4.1.2.7 Operation & Maintenance (O&M) Expenses

4.1.2.7.1 Truing up of O&M Expenses for FY 2023-24

Regulation 48(1) of UERC Tariff Regulations, 2021 as amended from time to time, specifies as follows:

"(1) Normative O&M Expenses for Open Cycle Gas Turbine/Combined Cycle generating stations shall be as under:

(In Rs. Lakh/MW)

Year	*Gas Turbine/ Combined Cycle generating stations*		*Small gas turbine power generating stations (less than 50 MW Unit size)*	*Advance F class Machines*
	With warranty spares for 10 years	*Without warranty spares*		
2021-22	*13.61*	*20.41*	*24.75*	*42.14*
2022-23	*14.18*	*21.27*	*25.79*	*43.91*
2023-24	*14.78*	*22.16*	*26.88*	*45.76*
2024-25	*15.40*	*23.10*	*28.01*	*47.69*

"

Based on the applicable norms of O&M expenses for the combined cycle generating station, the Commission had approved the normative O&M expenses of Rs. 48.96 Crore for FY 2023-24 for the contracted capacity of the Petitioner's Plant. The Petitioner submitted that the actual O&M expense of Rs. 27.27 Crore has been incurred during FY 2023-24.

It is to be noted that the Commission approved the PPA for the contracted capacity of 107 MW with certain modifications vide its Order dated 08.02.2016. At present as far as the O&M expenses are concerned, the Commission is of the view that O&M expenses are the recurring expenses which are required to be incurred for regular maintenance and upkeep of the plant.

The Petitioner has claimed expenses amounting to Rs. 0.39 Crore during FY 2023-24 under the head of Corporate Social Responsibility. In the matter, the Commission is of the view that expenses pertaining to CSR/Donation are not necessary to be incurred for the successful running of the plant but are incurred to meet the statutory requirement under the Companies Act, 2013 out of the profits. Accordingly, such expenses are to be met out of profit and if such expenses are allowed in the ARR, it would indirectly mean that such expenses are being loaded on to the consumers and are not borne by the Petitioner. Hence, the same is disallowed.

Further, the Commission observed that the Petitioner has incurred expenses amounting to Rs. 0.13 Crore towards fees for e-tendering for NTPC Vidyut Vyapar Nigam Ltd. for supply of power from the non-contracted capacity. Further, there is increase of Rs. 0.24 Core in insurance premium amount on account of insurance of loss of profit towards non-contracted capacity. Therefore, the same has not been allowed as a pass through. Further, the Petitioner has claimed banking charges amounting to Rs. 2.08 Crore under the heads of O&M expenses. However, the Commission has dealt with the same under the head of *'Interest and Finance Charges'* in this Order, therefore, the same has not been considered here. Based on the above discussion, allowable O&M expenses, for the purpose of sharing, works out to Rs. 26.52 Crore against the claim of Rs. 27.27 Crore for FY 2023-24. Further, as per UERC Tariff Regulations, 2021 the variation in normative and actual O&M expenses shall be considered as part of gain/loss on account of controllable factors.

Regulation 14 of UERC Tariff Regulations, 2021 specifies as follows:

"14. Sharing of Gains and Losses on account of controllable factors:

(1) The approved aggregate gain and loss to the Applicant on account of controllable factors shall be dealt with in the following manner:

a) 1/3rd of such gain or loss shall be passed on as a rebate or allowed to be recovered in tariffs over such period as may be specified in the Order of the Commission;

b) The balance amount of such gain or loss may be utilized or absorbed by the Applicant."

As discussed above, O&M expenses have been considered as controllable factor, accordingly, the Commission has approved the total O&M expenses for FY 2023-24 after sharing of gain/loss in accordance with the Regulations as shown in the Table below:

Table 4.6: O&M Expenses Approved After Sharing of Gains & Losses for FY 2023-24 (Rs. Crore)

Actual Claimed in the Petition	Adjusted claim considered for sharing	Normative approved now	Efficiency gain/(loss)	Generator Share	Net Entitlement
A	B	C	D=C-B	E=2/3xD	F=B+E
27.27	26.52	48.96	22.45	14.96	41.48

4.1.2.8 *Interest on Working Capital*

Regulation 33 of UERC Tariff Regulations, 2021 specifies as follows:

"In case of open cycle Gas Turbine/Combined Cycle thermal generating stations, working capital shall cover:

a) Landed fuel cost for 1 (one) month corresponding to the NAPAF duly taking into account the mode of operation of the generating station on gas fuel and liquid fuel;

b) Liquid fuel stock for ½ (half) month corresponding to the NAPAF, and in case of use of more than one liquid fuel, cost of main liquid fuel duly taking into account mode of operation of the generating stations of gas fuel and liquid fuel;

c) *Operation and maintenance expenses for one month;*

d) *Maintenance spares @ 30% of operation and maintenance expenses; and*

e) *Receivables equivalent to 2 (two) months of Capacity Charge and Energy Charges for sale of electricity calculated on NAPAF duly taking into account the mode of operation of the generating station on gas fuel and liquid fuel."*

The Petitioner submitted that the Commission vide its Order dated 17.04.2017 had given the option of getting the payment from UPCL without deduction of applicable rebate if the Petitioner forgoes Interest on Working Capital (IoWC) in the interest of the consumers of the State. Accordingly, the Petitioner has relinquished the Interest on Working Capital in the present Petition.

With regard to IoWC, the Commission in its Tariff Order dated 16.05.2017 had allowed the Petitioner to forgo interest on working capital in lieu of non-chargeability of rebate by UPCL on payment of bills raised by the Petitioner. The relevant extract of the aforesaid Tariff Order is as follows:

"In response, M/s GIPL vide its letter dated 28.04.2017 informed that they had given their offer to UPCL to surrender their claim on interest on working capital in lieu of exemption of 2% rebate on payment of fortnightly and monthly bills. Accordingly, based on the M/s GIPL consent as above, interest on working capital has not been included in the annual fixed charges (AFC) as discussed in subsequent paras."

Accordingly, in line with the decision taken in the Tariff Order dated 16.05.2017 and aforesaid discussions, interest on working capital is not being allowed for the purpose of truing up of FY 2023-24.

4.1.2.9 Non-Tariff Income

Regulation 46 of UERC Tariff Regulations, 2021 specifies as follows:

"46. Non Tariff Income

The amount of non-tariff income relating to the Generation Business as approved by the Commission shall be deducted from the Annual Fixed Charges in determining the Net Annual Fixed Charges of the Generating Company.

Provided that the Generating Company shall submit full details of its forecast of non tariff income to the Commission in such form as may be stipulated by the Commission from time to time.

The indicative list of various heads to be considered for non tariff income shall be as under:

a) Income from rent of land or buildings;

b) Income from sale of scrap;

c) Income from statutory investments;

d) Interest on delayed or deferred payment on bills;

e) Interest on advances to suppliers/contractors;

f) Rental from staff quarters;

g) Rental from contractors;

h) Income from hire charges from contactors and others;

i) Income from advertisements, etc.;

j) Any other non- tariff income.

Provided that the interest earned from investments made out of Return on Equity corresponding to the regulated business of the Generating Company shall not be included in Non-Tariff Income."

The Petitioner has claimed other income amounting to Rs. 1.07 Crore as per the audited annual accounts for FY 2023-24. The Commission observed that as per Trial Balance for FY 2023-24 interest income is amounting to Rs. 1.07 Crore. Accordingly, the Commission has approved the actual non-tariff income of Rs. 1.07 Crore for FY 2023-24 as per the audited annual accounts after prudence check.

4.1.2.10 Annual Fixed Charges (AFC) for FY 2023-24

Based on the above analysis, the Commission has worked out the approved figures of AFC for FY 2023-24. The summary of the same is as follows:

Table 4.7: Annual Fixed Charges for FY 2023-24 approved by the Commission (Rs. Crore)

Particulars	Tariff Order dated 30.03.2023	Claimed in Petition	Approved/ Trued up
Depreciation	20.40	20.45	20.41
Interest on Loan & Financial Cost	22.97	26.83	25.15
Return on Equity	11.79	11.79	11.80
O&M Expenses	48.96	27.27	41.48
Interest on Working Capital	0.00	0.00	0.00
Less: Non-Tariff Income	(0.64)	(1.07)	(1.07)
Sub-Total	**103.48**	**85.29**	**97.76**
True up for FY 2020-21 with carrying cost	(7.31)		(7.31)
Total	**96.17**	**85.29**	**90.45**

Accordingly, trued-up AFC for FY 2023-24 works out to Rs. 90.45 Crore against Rs. 96.17 Crore approved by the Commission vide its Tariff Order dated 30.03.2023. The Commission has worked out a surplus of Rs. 5.72 Crore for FY 2023-24 which works to Rs. 7.18 Crore with carrying cost to be refunded in FY 2025-26.

4.1.2.11 Capacity Charge and Energy Charge Rate (ECR) for FY 2023-24

Based on the above analysis for all the heads of expenses of AFC, the Commission after truing up, has approved the Annual Fixed Charges (AFC) of the Petitioner attributable to its beneficiary for FY 2023-24.

Regulation 49 of UERC Tariff Regulations, 2021 specifies as follows:

*"**49. Computation and Payment of Annual Fixed Charges and Energy Charges for Thermal Generating Stations***

(1) The fixed cost of a thermal generating station shall be computed on annual basis, based on the norms specified under these Regulations, and recovered on monthly basis under capacity charge. The total capacity charge payable for a generating station shall be shared by its beneficiaries as per their respective percentage share/allocation in the capacity of the generating station.

(2) The capacity charge (inclusive of incentive) payable to a thermal generating station for a calendar month shall be calculated in accordance with the following formulae:

$CC_1 = (AFC/12)\ (PAF_1\ /\ NAPAF)$ *subject to ceiling of* $(AFC/12)$

$CC2 = (AFC/6)\ (PAF2\ /\ NAPAF)$ *subject to ceiling of* $((AFC/6) – CC1)$

$CC3 = (AFC/4)\ (PAF3\ /\ NAPAF)$ *subject to ceiling of* $((AFC/4) – (CC1+CC2))$

$CC4 = (AFC/3)\ (PAF4\ /\ NAPAF)$ *subject to ceiling of* $((AFC/3) – (CC1+CC2+CC3))$

$CC5 = (AFC \times 5/12)\ (PAF5\ /\ NAPAF)$ *subject to ceiling of* $((AFC \times 5/12) – (CC1+CC2+CC3+CC4))$

$CC6 = (AFC/2)\ (PAF6\ /\ NAPAF)$ *subject to ceiling of* $((AFC/2) – (CC1+CC2+CC3+CC4+CC5))$

$CC7 = (AFCx7/12)\ (PAF7/NAPAF)$ *subject to ceiling of* $((AFCx7/12)–(CC1+CC2+CC3+CC4+CC5+CC6))$

$CC8 = (AFCx2/3)\ (PAF8/NAPAF)$ *subject to ceiling of* $((AFCx2/3)–(CC1+CC2+CC3+CC4+CC5+CC6+CC7))$

$CC9 = (AFCx3/4)\ (PAF9/NAPAF)$ *subject to ceiling of* $((AFCx3/4))–(CC1+CC2+CC3+CC4+CC5+CC6+CC7+CC8))$

$CC10 = (AFCx5/6)\ (PAF10/NAPAF)$ *subject to ceiling of* $((AFCx5/6)–(CC1+CC2+CC3+$

CC4+CC5+CC6+ CC7+CC8+CC9))

CC11=(AFCx11/12) (PAF11/NAPAF) subject to ceiling of ((AFCx11/12)–(CC1+CC2+CC3+CC4 +CC5+CC6+CC7+CC8+CC9+CC10))

CC12=(AFC) (PAFY/NAPAF) subject to ceiling of ((AFC)–(CC1+CC2+CC3+CC4+CC5+ CC6+CC7+CC8+ CC9+CC10+CC11))

Provided that in case of generating station or unit thereof or transmission system or an element thereof, as the case may be, under shutdown due to Renovation and Modernisation, the generating company or the transmission licensee shall be allowed to recover part of AFC which shall include O&M expenses and interest on loan only.

Where,

AFC = Annual fixed cost specified for the year, in Rupees.

NAPAF = Normative plant availability factor in percentage.

PAF_N *= Percent Plant availability factor achieved upto the end of the nth month.*

PAF_Y *= Percent Plant availability factor achieved during the Year.*

CC_1, CC_2, CC_3, CC_4, CC_5, CC_6, CC_7, CC_8, CC_9, CC_{10}, CC_{11} *and* CC_{12} *are the Capacity Charges of 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th and 12th months respectively.*

(3) The PAFM shall be computed in accordance with the following formula:

$$NPAFM = 10000 \times \sum_{i=1} DCi / \{ N \times IC \times (100 - AUX) \} \%$$

Where,

AUX = Normative auxiliary energy consumption in percentage.

DCi = Average declared capacity (in ex-bus MW), for the ith day of the period, i.e. the month or the year as the case may be, as certified by the State load dispatch centre after the day is over.

IC = Installed Capacity (in MW) of the generating station

N = Number of days during the period i.e. the month or the year as the case may be.

Note: *DCi and IC shall exclude the capacity of generating units not declared under commercial operation. In case of a change in IC during the concerned period, its average value shall be taken.*

(4) Incentive to a generating station or unit thereof shall be payable at a flat rate of 50 paise/kWh for ex-bus scheduled energy corresponding to scheduled generation in excess of ex-bus energy

corresponding to Normative Annual Plant Load Factor (NAPLF) as specified in Regulation 47(2).

(5) *The energy charge shall cover the primary fuel cost and shall be payable by every beneficiary for the total energy scheduled to be supplied to such beneficiary during the calendar month on ex-power plant basis, at the energy charge rate of the month (with fuel price adjustment). Total Energy charge payable to the generating company for a month shall be:*

(Energy charge rate in Rs./kWh) x {Scheduled energy (ex-bus) for the month in kWh.}

(6) *Energy charge rate (ECR) in Rupees per kWh on ex-power plant basis shall be determined to three decimal places in accordance with the following formulae:*

(a) For gas and liquid fuel based stations

ECR = GHR x LPPF x 100 / {CVPF x (100 – AUX)}

Where,

AUX = Normative auxiliary energy consumption in percentage.

CVPF = Weighted Average Gross calorific value of primary fuel as received, in kCal per kg, per litre or per standard cubic meter, as applicable for gas and liquid fuel based stations.

ECR = Energy charge rate, in Rupees per kWh sent out.

GHR = Gross station heat rate, in kCal per kWh.

LPPF = Weighted average landed price of primary fuel, in Rupees per kg, per litre or per standard cubic metre, as applicable, during the month.

(7) *The generating company shall provide to the beneficiaries of the generating station the details of parameters of GCV and price of fuel, i.e. natural gas, RLNG, liquid fuel etc., as per the forms specified at Annexure-I to these regulations:*

Provided further that copies of the bills and details of parameters of GCV and price of fuel i.e. natural gas, RLNG, liquid fuel etc., shall also be displayed on the website of the generating company. The details should be available on its website on monthly basis for a period of three months.

(8) *The landed cost of fuel shall include price of fuel corresponding to the grade/quality /calorific value of fuel inclusive of royalty, taxes and duties as applicable, transportation cost by rail/road/gas pipe line or any other means for the purpose of computation of energy charges."*

With regard to Gross Station Heat Rate, the Commission vide its suo-moto Order dated 05.04.2019 had approved the Design Station Heat Rate as 1911.809 kCal/kWh and Gross SHR as 2007.40 kCal/kWh for the gas based generating plants of M/s SEPL and M/s GIPL in accordance with the Regulations based on the report of external Consultant appointed by the Commission. Further, it is to be noted that SHR is a controllable factor which can be optimised through efficient operations and as per UERC Tariff Regulations, any variation in respect of controllable factor is subject to sharing of gain/loss. In accordance with the said Order, the Petitioner will be entitled for incentives on account of achieving lower SHR than the normative SHR of 1988.05 kCal/kWh which is nothing but the actual SHR achieved post stabilisation period as per the Consultant's report and disincentives if the actual SHR exceeds 2007.4 kCal/kWh. The relevant extract of the Order is as follows:

"2.45 In this regard, the Commission is of the view that the report submitted by the Consultant in the matter of determination of SHR of the Gas based CCPP of M/s GIPL and M/s SEPL can be adopted and, accordingly, the Commission approves the Design Station Heat Rate as 1911.809 kCal/kWh and Gross Station Heat Rate (considering MYT Regulation factor of 1.05) as 2007.4 kCal/kWh, for gas based CCPP of both the Generators, i.e. M/s GIPL & M/s SEPL, located at Kashipur, Uttarakhand, from the date of their respective CODs.

…

…

2.48 Further, the Station Heat Rate is a controllable factor the performance of which can be optimized by the Generators through efficient operations. The MYT Regulations states that, the variation in the performance of the Generators with respect to controllable factors is subject to sharing of gain/loss. In this regard, the Commission is of the view that for the purposes of sharing of gain/loss, on account of efficient operation with respect to achievement of the optimum actual Station Heat Rate by the Generators, the same shall be evaluated based on the Gross SHR of 1988.05 kCal/kWh which is nothing but the actual SHR achieved post stabilisation period as per Consultant's report. In other words, the two generators will be eligible for incentives on account of lower SHR if the same is below 1988.05 kCal/kWh and disincentives if the actual SHR exceeds 2007.4 kCal/kWh. There will be no incentive or disincentive in the range of 1988.05 kCal/kWh to 2007.4 kCal/kWh. This will motivate the Generators to optimize the performance of their respective plants in an efficient manner and keep a check on wasteful expenditure. However, for the purposes of periodic billing by the Generators on UPCL, the Gross Station Heat Rate shall be considered equivalent to 2007.4 kCal/kWh as discussed in above paras.

2.49 Further, the GSHR as approved in this Order shall be squarely applicable from billing period commencing *on 1st April, 2019 and any adjustment for the prior period, i.e. from COD till 31st March, 2019 shall be considered in the next Tariff proceedings."*

For the purpose of truing up of the Energy Charges for FY 2023-24, the Commission analysed the invoices raised by the fuel supplier for supply of fuel to the Petitioner's plant, gross generation as well as net generation of the Petitioner's plant for the aforesaid period and other relevant information that was required to work out the actual SHR and actual Auxiliary Energy Consumption (AUX) of the respective year as per the UERC Tariff Regulations, 2021.

Based on the analysis of the documents provided by the Petitioner, actual SHR works out to 1952.462 kCal/kWh for FY 2023-24 against the normative SHR, i.e. 1988.05 kCal/kWh to 2007.40 kCal/kWh approved by the Commission for the purposes of sharing of gain/losses on this account. Since the actual SHR is less than 1988.05 kCal/kWh, the Petitioner is entitled for incentives on account of lower SHR as per the aforesaid suo-moto Order. Further, based on the generation data, the Commission observed that the actual auxiliary consumption is 2.70% for FY 2023-24 against the Normative auxiliary consumption of 2.50% in accordance with the UERC Tariff Regulations, 2021.

In accordance with the UERC Tariff Regulations, 2021, auxiliary consumption and SHR are controllable factors and, therefore, financial impact of efficiency/inefficiency in the performance of the generator on these counts is to be shared between the generator and the distribution licensee. Accordingly, the Commission has determined the energy charges for FY 2023-24 based on the actual SHR and actual auxiliary consumption vis-a-vis normative SHR and normative auxiliary consumption, to share the gain/losses of lower SHR and lower actual auxiliary consumption than normative levels. In accordance with the UERC Tariff Regulations, 2021, the detailed computation of actual performance parameters, i.e. SHR and auxiliary consumption vis-à-vis norms approved by the Commission alongwith sharing of gains/losses is shown in the Table below:

Table 4.8: True-up of Energy Charges approved by the Commission

Particulars	Unit	FY 2023-24
CVPF (Weighted average GCV of fuel)	Kcal/SCM	9445.27
Gas Consumption (SM3)	SM3	4,57,24,590.14
Total Fuel cost	Rs.	1,94,54,45,142.89
LPPF (Total Gas bill amount/ Total Gas taken during the month)	Rs./ SM3	42.55
Gross annual Generation	kWh	22,11,98,230.77
Actual Station Heat Rate	kCal/kWh	1,952.462
Normative Station Heat Rate	kCal/kWh	1988.05
Actual Auxiliary Energy Consumption	%	2.70%
Normative Auxiliary Energy Consumption	%	2.50%

Table 4.8: True-up of Energy Charges approved by the Commission

Particulars	Unit	FY 2023-24
Actual Energy Charge Rate **(a)**	Rs./kWh	9.039
Normative Energy Charge Rate **(b)**	Rs./kWh	9.185
Energy Sent out **(A)**	kWh	21,52,19,156.48
Energy Charges to be recovered at Actual Energy Charge Rate **(B) = (A)*(a)**	Rs.	1,94,54,43,845.56
Energy Charges to be recovered at Normative Energy Charge Rate **(C)= (B)*(b)**	Rs.	1,97,67,80,420.53
Gain/(Loss) **(D) = (C)-(B)**	Rs.	3,13,36,574.97
Sharing of Gain *(2/3 of Gain/loss)* **(D)**	Rs.	2,08,91,049.98
Energy Charges after sharing **(E)=(B)+(D)**	Rs.	1,96,63,34,895.54
Actual Energy charges already recovered **(F)**	Rs.	1,94,69,48,064.70
Balance amount to be recovered or (refund) (E)-(F)	**Rs.**	1,93,86,830.84

Accordingly, Energy Charges after sharing works out to Rs. 196.63 Crore against Rs. 194.69 Crore recovered by the Petitioner for FY 2023-24. The Commission has worked out a deficit of Rs. 1.94 Crore for FY 2023-24 which works to Rs. 2.43 Crore with carrying cost. Accordingly, the energy charges to be recovered from UPCL works out to Rs. 2.43 Crore, which shall be adjusted by the Petitioner in twelve equal instalments starting from April, 2025 in the monthly invoices to be raised on UPCL.

5. Petitioner's Submissions, Commission's Analysis, Scrutiny and Conclusion on APR for FY 2024-25

5.1 Annual Performance Review

The Commission, vide its Tariff Order dated 28.03.2024, approved the Tariff for the Petitioner's Plant for FY 2024-25. Regulation 12(3) of the UERC Tariff Regulations, 2021 stipulates that under the MYT framework, the performance of the generating company shall be subject to Annual Performance Review.

Regulation 12(3) of the UERC Tariff Regulations, 2021 specifies as under:

"The scope of Annual Performance Review shall be a comparison of the performance of the Applicant with the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges and shall comprise the following:-

a) A comparison of the audited performance of the applicant for the previous financial year with the approved forecast for such previous financial year and truing up of expenses and revenue subject to prudence check including pass through of impact of uncontrollable factors;

b) Categorisation of variations in performance with reference to approved forecast into factors within the control of the applicant (controllable factor) and those caused by factors beyond the control of the applicant (un-controllable factors);

c) Revision of estimates for the ensuing financial year, if required, based on audited financial results for the previous financial year;

d) Computation of sharing of gains and losses on account of controllable factors for the previous year."

The Commission vide its Tariff Order dated 28.03.2024 had approved the AFC for FY 2024-25 for the Petitioner's plant. The Petitioner, in its present Petition, has proposed revision of estimates for FY 2024-25 based on the audited accounts for FY 2023-24 and revised estimates for FY 2024-25.

The Commission, in this Order, has carried out the Truing up for FY 2023-24 in accordance with the UERC Tariff Regulations, 2021. In accordance with Regulation 12(3) of the UERC Tariff Regulations, 2021, the scope of annual performance review is limited to the revision of the estimates for the ensuing year, if required, based on the audited financial results for the previous year and does not provide for the revision of estimates for the current year and give effect on this account in the estimates of the ensuing year. Accordingly, the Commission has carried out the truing up of FY 2023-24 based on the audited accounts for that year and has given effect on this account during the proceedings for determination of AFC for FY 2024-25.

Further, the Petitioner has proposed additional capitalization of Rs. 13.04 Crore in FY 2024-25 pertaining to Civil Work of Rs. 2 Crore, Plant & Machinery (spares) amounting to Rs. 10.61 Crore, Rs. 0.05 Crore each for Furniture & Fixture and Office equipment and Rs. 0.30 Crore for vehicles. The Commission has gone through the submissions of the Petitioner and observed that out of the projected additional capitalisation of Rs. 13.04 Crore, only Rs. 0.03 Crore has been incurred under the head of office equipment. Accordingly, the Commission is of the view that the proposed additional capitalisation shall be allowed at the time of truing-up of FY 2024-25 based on the actual expenditure and after carrying out prudence check of the same, which is in line with the view taken by the Commission in the Business Plan approved for the fourth Control Period vide Order dated 31.03.2022.

Further, the Commission directs the Petitioner to give prior information to the licensee before incurring any major capital expenditure or any major repair & maintenance in its plant and the licensee will be at liberty to physically verify the claims of the Petitioner so as to avoid any dispute in future regarding the claims of the Petitioner. The Petitioner is also directed to maintain documentary evidence in the form of geotagged photographs etc. in support of works to be executed and submit the same before the Commission at the time of truing up of respective years.

6. Petitioner's Submissions, Commission's Analysis, Scrutiny and Conclusion on MYT for the fifth Control Period

With regard to Multi Year Tariff, Regulation 10 of UERC Tariff Regulations, 2024 specifies as follows:

"10. MYT Petition for the Control Period

(1) xxx

(2) xxx

(3) xxx

(4) After examining the application, the Commission shall either-

a) Pass an order approving the forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges for the Control Period, subject to such modifications and conditions as it may specify in the said Order; or

b) Reject the application for reasons to be recorded in writing.

Provided that the applicant shall be given a reasonable opportunity of being heard before rejecting his application.

(5) In its MYT Order, the Commission shall specify the variables included in the Aggregate Revenue Requirement and expected revenue from tariff and charges of the applicant that shall be reviewed by the Commission as part of the Annual Performance Review;

Provided that such variables shall be limited to the major items of cost and revenue forecast of the applicant that in the Commission's opinion could have a material impact on the cost of supply of electricity to consumers in the State over the Control Period:

Provided further that the variables, as may be stipulated by the Commission under Regulations below, shall form part of the Annual Performance Review, unless exempted by the Commission from such review in its Order."

Accordingly, in accordance with the aforesaid Regulations, the Commission, based on the financial and physical parameters, has approved the Annual Fixed Charges for each year of the fifth Control Period from FY 2025-26 to FY 2027-28 based on the approved capital cost for the respective year.

6.1 Physical Parameters

6.1.1 NAPAF

Regulation 47 of UERC Tariff Regulations, 2024 specifies as under:

*"**(1) Normative Annual Plant Availability Factor (NAPAF):***

(a) For all thermal generating stations: 85%"

Further, as discussed in the Tariff Order dated 27.02.2019, the Commission while approving the PPA for the Petitioner's plant fixed the NAPAF as follows:

""Normative Availability" or "Target Availability" Or Normative Annual Plant Availability Factor (NAPAF) shall mean Eighty Five (85%) Availability of aggregate Contracted Capacity at the Delivery Point on Contract Year Basis. However, UPCL may vary the Availability Factor on monthly basis as required by UPCL but maintaining the NAPAF at 85% yearly basis."

Accordingly, the Commission is of the view that the NAPAF of 85% approved for second Control Period in the Tariff Order dated 16.05.2017, and also approved by the Commission for third and fourth control period in its Order dated 27.02.2019 and 31.03.2022 respectively, shall continue to be applicable for the fifth Control Period as well without any change.

6.1.2 Design Energy, Auxiliary Energy Consumption and Saleable Primary Energy

The Petitioner in its Petition has projected energy generation from its 225 MW CCPP in line with the energy generation approved by the Commission in its Tariff Order dated 16.05.2017 for the second Control Period, and also for third and fourth control period vide Commission's Order dated 27.02.2019 and 31.03.2022 respectively, except that the Petitioner has claimed additional auxiliary consumption of 0.35% in its MYT Petition for the fifth Control period, i.e., from FY 2025-26 to FY 2027-28 in accordance with the provisions of the UERC Tariff Regulation, 2024.

The Commission asked the Petitioner to submit the justification for claiming higher auxiliary consumption, as the said additional 0.35% auxiliary consumption percentage, in accordance with UERC Tariff Regulations, 2024, is applicable for the plants having the technology of direct cooling air cooled condensers with mechanical draft fans. In response to the same, the Petitioner submitted that, the Air-Cooled Condenser (ACC) is a vital component of a Combined Cycle Power Plant, responsible for condensing exhaust steam from the Steam Turbine into water by removing the latent heat of vaporization, and by efficiently condensing the steam, the ACC plays a crucial role in maintaining the overall efficiency of the combined cycle system. The Petitioner submitted that it is also referred to as a direct cooling system, and uses electric motor-driven fans to cool the steam within its condenser tube bundles. The power consumption of each fan motor is 90 kW and the total power consumption of the ACC fan motors is approximately 1260 kWh, making it a significant contributor to the plant's total auxiliary power consumption.

The Commission analysed the submission made by the Petitioner and accepted the same, and accordingly, the Commission approves saleable primary energy net off auxiliary consumption as 774.02 MUs for the fifth Control Period from FY 2025-26 to FY 2027-28.

6.2 Financial Parameters

6.2.1 Additional Capitalisation for the fifth Control Period

As discussed under the Chapter of Business Plan for the fifth Control Period, the Commission has decided to consider the additional capitalisation at the time of truing up of the respective years based on the audited accounts and as per the prevailing Regulations. The Commission has noted the submissions made by the Petitioner and observed that the proposed additional capitalisation claimed by the Petitioner including Plant and Machinery (Spares) for the fifth Control Period is an estimated amount and is not backed up by any firm contract/purchase order for the same. Accordingly, continuing with the methodology adopted by the Commission in its previous orders, additional capitalisation proposed for the fifth Control Period has been considered as nil, however, the same shall be reviewed at the time of truing up of the respective years.

Accordingly, capital cost worked out as on 31.03.2024, i.e. Rs. 404.10 Crore after considering the net additional capitalisation approved for FY 2023-24 has been considered as opening capital cost for FY 2024-25. Further, as discussed above, no additional capitalisation has been considered for FY 2024-25 which shall, however, be reviewed at the time of truing up of the respective financial year. Therefore, capital cost of Rs. 404.10 Crore has been considered as on 01.04.2025.

6.2.2 Depreciation

Regulation 28 of the UERC Tariff Regulations, 2024 specifies as follows:

"28. Depreciation

(1) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission.

Provided that depreciation shall not be allowed on assets funded through Consumer Contribution and Capital Subsidies/Grants.

(2) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.

...

(4) Depreciation shall be calculated annually based on Straight Line Method and at rates specified in Appendix - II to these Regulations.

....

(6) In case of de-capitalization of assets in respect of generating station or unit thereof or distribution licensee or SLDC or transmission system or element thereof, the cumulative depreciation shall be adjusted by taking into account the depreciation recovered in tariff by the decapitalized asset during its useful services"

The Petitioner has claimed depreciation from FY 2025-26 to FY 2027-28 based on the opening capital cost and proposed additional capitalisation for the respective financial year of the fifth Control Period. As mentioned earlier, the Commission has not considered the proposed additional capitalisation and the same, if any, shall be approved at the time of truing up of the respective financial year after prudence check. Accordingly, the Commission has determined the depreciation based on the admissible GFA for the fifth Control Period. Details of the depreciation claimed and approved for the fifth Control Period is as follows:

Table 6.1: Depreciation approved by the Commission for the fifth Control Period from FY 2025-26 to FY 2027-28 (Rs. Crore)

Particulars	FY 2025-26		FY 2026-27		FY 2027-28	
	Claimed	Approved	Claimed	Approved	Claimed	Approved
Depreciation	21.80	20.42	22.58	20.42	23.12	20.42

6.2.3 *Return on Equity*

Regulation 26 of the UERC Tariff Regulations, 2024 specifies as follows:

*"**26. Return on Equity***

(1) Return on equity shall be computed on the equity base determined in accordance with Regulation 24.

Provided that, Return on Equity shall be allowed on account of allowed equity capital for the assets put to use at the commencement of each financial year.

Provided further that, if the generating stations/licensees are able to demonstrate the actual date of asset being put to use and capitalized in its accounts of each asset for the purposes of business carried on by it through documentary evidence, including but not limited to 'asset put to use certificate', 'audited accounts' etc., then in such cases, after due satisfaction of the Commission, the RoE shall be allowed on pro-rata basis after considering additional capitalization done during the year out of the equity capital.

(2) Return on equity shall be computed on at the base rate of 15.50% for thermal generating stations, transmission licensee, SLDC and run of the river hydro generating station and at the base rate of 16.50% for the storage type hydro generating stations and run of river generating station with pondage and distribution licensee on a post-tax basis.

Provided that return on equity in respect of additional capitalization after 01.04.2025 beyond the original scope of work excluding additional capitalization due to Change in Law, shall be computed at the base rate of one-year marginal cost of lending rate (MCLR) of the State Bank of India plus 350 basis points as on 1st April of the year, subject to a ceiling of 14%;

..."

The Petitioner has proposed additional capitalisation for the fifth Control Period in its Business Plan Petition amounting to Rs. 13.49 Crore, Rs. 16.10 Crore and Rs. 10.34 Crore for FY 2025-26, FY 2026-27 and FY 2027-28 respectively out of its equity. The Petitioner has claimed RoE of Rs. 12.73 Crore, 13.42 Crore and Rs. 14.04 Crore on an average equity for respective years of the fifth Control Period.

As discussed earlier, the additional capitalisation will be approved based on the actual expenditure at the time of truing up of the respective years. Accordingly, the Commission has worked out the Return on Equity in accordance with the above-mentioned Regulations on the equity base approved by the Commission for the respective financial years of the fifth Control Period. Further, as the proviso to the Regulations provides that if the generating station is able to demonstrate the actual date of asset being put to use and capitalised in its accounts of each asset for the purpose of business carried on by it through documentary evidence, then RoE shall be allowed on pro-data basis considering additional capitalization done during the year. Details of Return on Equity claimed and approved is as follows:

Table 6.2: Return on Equity approved by the Commission for the fifth Control Period from FY 2025-26 to FY 2027-28 (Rs. Crore)

Particular	FY 2025-26		FY 2026-27		FY 2027-28	
	Claimed	Approved	Claimed	Approved	Claimed	Approved
Return on Equity	12.73	11.81	13.42	11.81	14.04	11.81

6.2.4 *Interest and Finance Charges*

Regulation 27 of the UERC Tariff Regulations, 2024 specifies as follows:

*"**27. Interest and finance charges on loan capital and on Security Deposit***

(1) The loans arrived at in the manner indicated in Regulation 24 shall be considered as gross normative loan for calculation of interest on loan.

(2) The normative loan outstanding as on 1.4.2025 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2025 from the gross normative loan.

(3) The repayment for each year of the Control Period shall be deemed to be equal to the depreciation allowed for that year. In case of decapitalization of assets, the repayment shall be adjusted by taking into account cumulative repayment on a pro rata basis and the adjustment should not exceed cumulative depreciation recovered upto the date of decapitalization of such asset.

...

(5) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio of the previous year after providing appropriate accounting adjustment for interest capitalised:

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

Provided further that if the generating station or the transmission system or the distribution system or SLDC, as the case may be, does not have actual loan, then the weighted average rate of interest of the generating company or the Transmission Licensee or the Distribution Licensee or SLDC as a whole shall be considered.

(6) The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest.

Provided that on account of additional capitalization during the year, interest on additional loan shall be calculated on pro-rata basis.

…" "

The Petitioner has considered the net opening normative loan balance of Rs. 169.79 Crore for FY 2025-26. The Petitioner has also considered addition to normative loan of Rs. 13.49 Crore in FY 2025-26, Rs. 16.10 Crore for FY 2026-27 and Rs. 10.34 Crore for FY 2027-28 equivalent to proposed additional capitalisation for the respective year of the fifth Control Period from FY 2025-26 to FY 2027-28. Further, the Petitioner has considered the weighted average rate of interest as 13.63%, 13.65% and 13.90% for FY 2025-26, FY 2026-27 and FY 2027-28 respectively.

The Commission has considered the closing loan balance of FY 2023-24 as opening loan balance for FY 2024-25. The Commission has considered the depreciation for FY 2024-25 as the normative repayment for the year. The Commission has considered the closing loan balance for FY 2024-25 as the opening loan balance for FY 2025-26 i.e. Rs. 144.47 Crore. As discussed under the Chapter of Business Plan for the fifth Control Period, the Commission has decided to approve the additional capitalisation on actual basis, therefore, the Commission has not considered any addition to loan during each year of the fifth Control Period. The Commission has considered the normative repayment equivalent to the approved depreciation for each year of the fifth Control Period. Further, the Commission has considered the weighted average rate of interest of 13.31% approved for FY 2023-24 for the fifth Control Period from FY 2025-26 to FY 2027-28 in accordance with the past practice, however, the same shall be trued up based on actuals.

Further, the Petitioner has claimed Bank charges amounting to Rs. 2.00 Crore, Rs. 2.20 Crore and Rs. 2.50 Crore for FY 2025-26, FY 2026-27 and FY 2027-28 respectively for the fifth Control Period. The Commission has decided to provisionally approve the Bank Charges for the fifth Control Period as claimed by the Petitioner for the respective years. However, the same shall be trued up based on the actual audited accounts for the respective years.

Accordingly, based on the above discussion, the Interest and Finance charges approved by the Commission for the fifth Control Period from FY 2025-26 to FY 2027-28 are as shown in the Table given below:

Table 6.3: Interest on Loan approved by the Commission for the fifth Control Period from FY 2025-26 to FY 2027-28 (Rs. Crore)

Particulars	FY 2025-26		FY 2026-27		FY 2027-28	
	Claimed	Allowable	Claimed	Allowable	Claimed	Allowable
Normative Interest	**22.58**	**17.87**	**21.59**	**15.15**	**20.65**	**12.44**
Add: Finance Charges	2.00	2.00	2.20	2.20	2.50	2.50
Interest and Finance Charges	**24.58**	**19.87**	**23.79**	**17.35**	**23.15**	**14.94**

6.2.5 *Operation & Maintenance (O&M) Expenses*

Regulation 48(1) of the UERC Tariff Regulations, 2024, specifies as follows:

"(1) Normative O&M Expenses for Open Cycle Gas Turbine/Combined Cycle generating stations shall be as under:

(In Rs. Lakh/MW)

Year	Gas Turbine/ Combined Cycle generating stations		Small gas turbine power generating stations (less than 50 MW Unit size)	Advance F Class Machines
	With warranty spares for 10 years	Without warranty spares		
2024-25	15.40	23.10	28.01	47.69
2025-26	15.79	23.68	28.71	48.88
2026-27	16.18	24.27	29.43	50.10
2027-28	16.58	24.88	30.16	51.36

Accordingly, based on the applicable O&M norms specified in the UERC Tariff Regulations, 2024, the normative O&M expenses claimed and allowed by the Commission for the fifth Control Period from FY 2025-26 to FY 2027-28 are as follows:

Table 6.4: O&M expenses approved by the Commission for FY 2025-26 to FY 2027-28 (Rs. Crore)

Particular	FY 2025-26		FY 2026-27		FY 2027-28	
	Claimed	Approved	Claimed	Approved	Claimed	Approved
O&M expense	52.30	52.30	53.62	53.61	54.96	54.95

However, the Petitioner is directed to be vigilant in making its O&M expenditure such that the same should be done in a manner to avoid wasteful expenditure and the expenditure incurred should be backed by reasoned justification alongwith need analysis for the same. Further, if there is a substantial increase in life of the asset because of expenditure, treatment of the same should be done in the books of accounts as per accounting principles and standards.

6.2.6 *Interest on Working Capital*

Regulation 33 of UERC Tariff Regulations, 2024 specifies as follows:

"In case of open cycle Gas Turbine/Combined Cycle thermal generating stations, working capital shall cover:

i) Landed fuel cost for 1 (one) month corresponding to the NAPAF duly taking into account the mode of operation of the generating station on gas fuel and liquid fuel;

ii) Liquid fuel stock for ½ (half) month corresponding to the NAPAF, and in case of use of more than one liquid fuel, cost of main liquid fuel duly taking into account mode of operation of the generating stations of gas fuel and liquid fuel;

iii) Operation and maintenance expenses for one month;

iv) Maintenance spares @ 30% of operation and maintenance expenses; and

v) Receivables equivalent to 2 (two) months of Capacity Charge and Energy Charges for sale of electricity calculated on NAPAF duly taking into account the mode of operation of the generating station on gas fuel and liquid fuel.

…"

The Petitioner submitted that the Commission vide its Order dated 17.04.2017 had given the provision of getting the payment from UPCL without deduction of applicable rebate if the Petitioner forgoes Interest on Working Capital in the interest of consumers of the State by reduction of tariff. Hence, the Petitioner relinquished the claim of Interest on Working Capital for the purpose of computation of Annual Fixed charges.

Accordingly, in line with the decision taken in the previous Tariff Orders of the Petitioner and aforesaid discussions, the Commission has not considered any interest on working capital while approving the AFC for fifth Control Period from FY 2025-26 to FY 2027-28.

6.2.7 Non-Tariff Income

Regulation 46 of UERC Tariff Regulations, 2024 specifies as follows:

"46. Non Tariff Income

The amount of non-tariff income relating to the Generation Business as approved by the Commission shall be deducted from the Annual Fixed Charges in determining the Net Annual Fixed Charges of the Generating Company.

Provided that the Generating Company shall submit full details of its forecast of non tariff income to the Commission in such form as may be stipulated by the Commission from time to time.

The indicative list of various heads to be considered for non tariff income shall be as under:

a) Income from rent of land or buildings;

b) Income from sale of scrap;

c) Income from statutory investments;

d) Interest on delayed or deferred payment on bills;

e) Interest on advances to suppliers/contractors;

f) Rental from staff quarters;

g) Rental from contractors;

h) Income from hire charges from contactors and others;

i) Income from advertisements, etc.;

j) Any other non- tariff income.

Provided that the interest earned from investments made out of Return on Equity corresponding to the regulated business of the Generating Company shall not be included in Non-Tariff Income."

The Petitioner has proposed non-tariff income of Rs. 0.64 Crore for each financial year of the fifth Control Period from FY 2025-26 to FY 2027-28. In the absence of any yardstick for estimating the non-tariff income of the Petitioner, the Commission provisionally accepts the same for the Control Period. However, the same shall be trued up based on the actual audited accounts for the respective year.

6.2.8 *Annual Fixed Charges for the fifth Control Period from FY 2025-26 to FY 2027-28*

In accordance with the UERC Tariff Regulations, 2024, the Annual Fixed Charge (AFC) for the fifth Control Period as claimed and approved by the Commission is shown in the Table below:

Table 6.5: Annual Fixed Charges approved by the Commission for FY 2025-26 to FY 2027-28 (Rs. Crore)

Annual Fixed Charges	FY 2025-26		FY 2026-27		FY 2027-28	
	Claimed	**Approved**	**Claimed**	**Approved**	**Claimed**	**Approved**
Depreciation	21.80	20.42	22.58	20.42	23.12	20.42
Interest on Loan	22.58	17.87	21.59	15.15	20.65	12.44
Bank Charges	2.00	2.00	2.20	2.20	2.50	2.50
Return on Equity	12.73	11.81	13.42	11.81	12.73	11.81
O&M Expenses	52.30	52.30	53.62	53.61	54.96	54.95
Interest on Working Capital	0.00	0.00	0.00	0.00	0.00	0.00
Less: Non-Tariff Income	*0.64*	*0.64*	*0.64*	*0.64*	*0.64*	*0.64*
AFC	**110.78**	**103.76**	**112.77**	**102.55**	**113.33**	**101.47**
True up impact with carrying cost for FY 2023-24 (AFC and Energy Charge)	0.00	-4.74				
Total Annual Fixed charges	**110.78**	**99.02**	**112.77**	**102.55**	**113.33**	**101.47**

6.2.9 *Capacity Charge and Energy Charge Rate (ECR) for FY 2025-26, FY 2026-27 and FY 2027-28*

Based on the above analysis for all the heads of expenses of AFC, the Commission has approved the Annual Fixed Charges (AFC) of the Petitioner for the fifth Control Period attributable to its beneficiary.

Regulation 49 of UERC Tariff Regulations, 2024 specifies as follows:

*"**49. Computation and Payment of Annual Fixed Charges and Energy Charges for Thermal Generating Stations***

(1) The fixed cost of a thermal generating station shall be computed on annual basis, based on the norms specified under these Regulations, and recovered on monthly basis under capacity charge. The total capacity charge payable for a generating station shall be shared by its beneficiaries as per their respective percentage share/allocation in the capacity of the generating station.

(2) The capacity charge (inclusive of incentive) payable to a thermal generating station for a calendar month shall be calculated in accordance with the following formulae:

CC_1= (AFC/12) (PAF_1 / NAPAF) subject to ceiling of (AFC/12)

CC2= (AFC/6) (PAF2 / NAPAF) subject to ceiling of ((AFC/6) – CC1)

CC3= (AFC/4) (PAF3 / NAPAF) subject to ceiling of ((AFC/4) – (CC1+CC2))

CC4= (AFC/3) (PAF4 / NAPAF) subject to ceiling of ((AFC/3) – (CC1+CC2+CC3))

CC5= (AFC x 5/12) (PAF5/NAPAF) subject to ceiling of ((AFC x 5/12) – (CC1+CC2+CC3+CC4))

CC6= (AFC/2) (PAF6/NAPAF) subject to ceiling of ((AFC/2) – (CC1+CC2+CC3+CC4+CC5))

CC7= (AFCx7/12) (PAF7/NAPAF) subject to ceiling of ((AFCx7/12)–(CC1+CC2+CC3+ CC4+CC5+CC6))

CC8=(AFCx2/3) (PAF8/NAPAF) subject to ceiling of ((AFCx2/3)–(CC1+CC2+CC3+CC4+CC5+CC6 +CC7))

CC9=(AFCx3/4) (PAF9/NAPAF) subject to ceiling of ((AFCx3/4))–(CC1+CC2+CC3+ CC4+CC5+CC6+ CC7+CC8))

CC10=(AFCx5/6) (PAF10/NAPAF) subject to ceiling of ((AFCx5/6)–(CC1+CC2+CC3+ CC4+CC5+CC6+ CC7+CC8+CC9))

CC11=(AFCx11/12) (PAF11/NAPAF) subject to ceiling of ((AFCx11/12)–(CC1+CC2+CC3+CC4 +CC5+CC6+CC7+CC8+CC9+CC10))

CC12=(AFC) (PAFY/NAPAF) subject to ceiling of ((AFC)–(CC1+CC2+CC3+CC4+CC5+ CC6+CC7+CC8+ CC9+CC10+CC11))

Provided that in case of generating station or unit thereof or transmission system or an *element thereof, as the case may be, under shutdown due to Renovation and Modernisation, the generating company or the transmission licensee shall be allowed to recover part of AFC which shall include O&M expenses and interest on loan only.*

Where,

AFC = Annual fixed cost specified for the year, in Rupees.

NAPAF = Normative plant availability factor in percentage.

PAF_N *= Percent Plant availability factor achieved upto the end of the nth month.*

PAF_Y *= Percent Plant availability factor achieved during the Year.*

CC_1, CC_2, CC_3, CC_4, CC_5, CC_6, CC_7, CC_8, CC_9, CC_{10}, CC_{11} *and* CC_{12} *are the Capacity Charges of 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th and 12th months respectively.*

(3) The PAFM shall be computed in accordance with the following formula:

$$NPAFM = 10000 \times \sum_{i=1} DCi / \{ N \times IC \times (100 - AUX) \} \%$$

Where,

AUX = Normative auxiliary energy consumption in percentage.

DCi = Average declared capacity (in ex-bus MW), for the ith day of the period, i.e. the month or the year as the case may be, as certified by the State load dispatch centre after the day is over.

IC = Installed Capacity (in MW) of the generating station

N = Number of days during the period i.e. the month or the year as the case may be.

Note: *DCi and IC shall exclude the capacity of generating units not declared under commercial operation. In case of a change in IC during the concerned period, its average value shall be taken.*

(4) Incentive to a generating station or unit thereof shall be payable at a flat rate of 50 paise/kWh for ex-bus scheduled energy corresponding to scheduled generation in excess of ex-bus energy corresponding to Normative Annual Plant Load Factor (NAPLF) as specified in Regulation 47(2).

(5) The energy charge shall cover the primary fuel cost and shall be payable by every beneficiary for the total energy scheduled to be supplied to such beneficiary during the calendar month on ex-power plant basis, at the energy charge rate of the month (with fuel price adjustment). Total Energy charge payable to the generating company for a month shall be:

(Energy charge rate in Rs./kWh) x {Scheduled energy (ex-bus) for the month in kWh.}

(6) Energy charge rate (ECR) in Rupees per kWh on ex-power plant basis shall be determined to three decimal places in accordance with the following formulae:

(a) For gas and liquid fuel based stations

ECR = GHR x LPPF x 100 / {CVPF x (100 – AUX)}

Where,

AUX = Normative auxiliary energy consumption in percentage.

CVPF = Weighted Average Gross calorific value of primary fuel as received, in kCal per kg, per litre or per standard cubic meter, as applicable for gas and liquid fuel based stations.

ECR = Energy charge rate, in Rupees per kWh sent out.

GHR = Gross station heat rate, in kCal per kWh.

LPPF = Weighted average landed price of primary fuel, in Rupees per kg, per litre or per standard cubic metre, as applicable, during the month.

(7) The generating company shall provide to the beneficiaries of the generating station the details of parameters of GCV and price of fuel, i.e. natural gas, RLNG, liquid fuel etc., as per the forms specified at Annexure-I to these regulations:

Provided further that copies of the bills and details of parameters of GCV and price of fuel i.e. natural gas, RLNG, liquid fuel etc., shall also be displayed on the website of the generating company. The details should be available on its website on monthly basis for a period of three months.

(8) The landed cost of fuel shall include price of fuel corresponding to the grade/quality /calorific value of fuel inclusive of royalty, taxes and duties as applicable, transportation cost by rail/road/gas pipe line or any other means for the purpose of computation of energy charges."

Based on the aforesaid Regulations, capacity charges and energy charges shall be recovered by the Petitioner from the Respondent corresponding to the contracted capacity.

Further, with regard to Energy charges, the Commission in the Tariff Order dated 26.04.2021 has observed as follows:

"In this regard, it is observed that there has been a delay on the part of UPCL in making timely payments to the gas based generators and one generator has raised the issue that carrying cost on incentive on account

of GSHR should not be levied as payment is not received by it on time. Besides allowing recovery of energy charge to the Petitioner, through periodic billing on UPCL, at GSHR of 2007.4 kCal/kWh is resulting in over recovery of energy charges to the Petitioner in the relevant year which eventually the Petitioner is required to return at the time of truing-up of the respective year, as the actual GSHR is low as compared to the SHR of 2007.4 kCal/kWh used by the Petitioner for raising the periodic invoices on UPCL. Accordingly, the Commission is of the view that the Petitioner shall raise the periodic invoices on UPCL based on actual GSHR calculated by it on periodic basis, subject to condition that the same shall be restricted to GSHR of 2007.4 kCal/kWh as approved by the Commission in its Order dated 05.04.2019. Further, the Commission would like to clarify that the methodology for sharing of gain/loss on account of efficient operation with respect to achievement of the optimum actual Gross Station Heat Rate by the Generator shall remain unaltered."

Accordingly, in light of the above discussion and views taken by the Commission in the Order dated 26.04.2021 with respect to recovery of energy charges by the Petitioner from UPCL, the Commission is of the view that the Petitioner shall raise the periodic invoices on UPCL based on the actual GSHR calculated by it on periodic basis, subject to the condition that the same shall be restricted to GSHR of 2007.4 kCal/kWh as approved by the Commission in its Order dated 05.04.2019. Further, the Commission would like to clarify that the methodology for sharing of gain/loss on account of efficient operation with respect to achievement of the optimum actual Gross Station Heat Rate by the Generator shall remain unaltered.

(Anurag Sharma) **Member (Law)**	**(M.L. Prasad)** **Chairman**