

Before

UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

Petition No.: 64 of 2025 (Suo-Motu)

In the matter of:

Suo-moto proceedings in the matter of implementation of Hon'ble APTEL's Judgement dated 30.05.2025 in Appeal No. 259 of 2017 and IA no. 718 of 2024.

In the matter of:

1. Uttarakhand Power Corporation Ltd.
2. M/s Gama Infraprop Pvt. Ltd.

CORAM

Shri M.L. Prasad	Chairman
Shri Anurag Sharma	Member (Law)
Shri Prabhat Kishor Dimri	Member (Technical)

Date of Order: October 17, 2025

1. Background

- 1.1 M/s Gama Infraprop Pvt. Ltd. (hereinafter referred to as "Generator" or "M/s GIPL") is a 214 MW gas based Combined Cycle Power Plant (CCPP) located in Mahuakheraganj, Kashipur, District Udham Singh Nagar Uttarakhand. This 214 MW gas based CCPP comprises of two gas turbine generator (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 heat content of the exhaust gas from each of the gas turbine would be recovered from the associated dual pressure non reheat horizontal heat recovery steam generators (HRSG). The steam generated would then be expanded in a condensing type non-reheat steam turbine which drives an electric generator.

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.

- 1.2 UPCL had filed a Petition dated 11.12.2015 before the Commission seeking approval of the Power Purchase Agreement (PPA) it proposed to enter with the generator for procurement of 50% capacity, i.e. 107 MW from its 214 MW Gas based Kashipur Combined Cycle Power Plant. The Commission, in accordance with the provisions specified in the above referred Scheme dated 27.03.2015 of GoI, vide its Order dated 08.02.2016 approved the PPA for contracted capacity of 107 MW with certain modifications. Subsequently, the generator and UPCL executed the PPA on 11.02.2016.
- 1.3 Subsequently, the Commission vide its Tariff Order dated 16.05.2017 had approved the Business Plan and Multi Year Tariff for M/s GIPL for the contracted capacity of 107 MW 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 for 50% of the total capacity of Gas Plant.
- 1.4 Against the Commission's Order dated 16.05.2017, M/s GIPL approached the Hon'ble APTEL through its Appeal No. 259 of 2017 on the following issues:
 - (a) Error in disallowing the Interest During Construction ("IDC") to the tune of Rs.200.63 Crore for April, 2012 till March, 2015 for the entire Power Plant and Rs. 150.06 Crore for the first unit of the Power Plant consisting of one gas turbine generator and the steam turbine generator ("First Unit") which achieved COD on 16.03.2016;
 - (b) Error in allocating the capital costs, including hard costs, IDC, and pre-operative expenses in terms of only tied capacity instead of actual utilization of the plant assets;
 - (c) Error in not allowing actual pre-operative expenses and preliminary expenses to the tune of Rs. 29.96 crore for the entire Power Plant and Rs. 22.04 crore for the First Unit against the claim of the Appellant; and
 - (d) Error in allowing the hard costs only up to Rs. 658.95 Crore as against the claim of Rs. 689.92 Crore, thereby disallowing the Appellant's claim to the tune of Rs. 30.96

Crore.

1.5 In the above-mentioned Appeal, the Hon'ble APTEL vide its Judgement dated 30.05.2025 remanded back the Impugned Order dated 16.05.2017 of the Commission with the direction to pass a consequential order within two months from the date of Judgement, strictly in conformity with the findings and observations as follows:

- (i) The disallowance of Interest During Construction (IDC) for the period from April 2012 to March 2015 was unjustified; accordingly, the IDC is allowed from April 2012 to the COD of the entire plant, i.e. including Unit 1 and Unit 2.
- (ii) The capital cost apportionment undertaken by the State Commission on a 50:50 basis between the contracted and uncontracted capacities fails to reflect the utilisation of plant and infrastructure for the operation of Unit 1. The Appellant's proposed methodology, based on the usage and deployment of the assets, is accepted. The Commission shall reassess the apportionment following this direction as concluded in the foregoing paragraphs, considering the capital cost of the equipment used for the purpose of generating electricity from Unit 1.
- (iii) Preliminary and pre-operative expenses incurred by the Appellant, which were linked to the prolonged gestation of the project due to gas shortage, were prudent and supported by audit certification. Accordingly, the full amount as admissible is allowed corresponding to unit 1.
- (iv) From the material on record, it is evident that the Appellant furnished substantial documentation in support of Rs. 14.8 Crore out of the disallowed Rs. 30.96 Crore. For the remaining Rs. 16.16 Crore, we find it appropriate to grant liberty to the Appellant to submit relevant documents in support of these claims, and accordingly, the State Commission is directed to allow such claims after a prudence check.
- (v) The Appellant is also entitled to carrying cost on the differential amounts as allowed. The Commission is directed to compute this based on the applicable prevailing norms.

2. Proceeding before the Commission

2.1 The Hon'ble APTEL vide Para 198 of its judgement dated 30.05.2025 has held that

appropriate liberty should be granted to the generator to submit relevant documents in support of claim of Rs. 16.16 Crore and accordingly, the Commission has been directed to allow such claims after a prudent check. The relevant Paragraphs of the said Judgement dated 30.05.2025 are reproduced herein below:

"197. From the material on record, it is evident that the Appellant furnished substantial documentation in support of Rs. 14.8 crore out of the disallowed Rs. 30.96 crore.

198. As for the remaining Rs. 16.16 crore, we find it appropriate to grant liberty to the Appellant to submit relevant documents in support of these claims, and, accordingly, the State Commission is directed to allow such claims after a prudence check.

...

... Emphasis Added

Accordingly, the Commission directed the generator to submit summary of invoices of Rs. 16.16 Crore and Tariff calculations along with the carrying cost and further, during the course of proceedings, for cross verification of summary sample invoices very sought.

The generator submitted the requisite information before the Commission through its letter dated 19.08.2025. The copy of the same was forwarded to the distribution licensee inviting its comments. UPCL vide its submission dated 29.09.2025, submitted its comments wherein it referred to the Order dated 26.09.2025 in the Civil Appeal no. 42118/2025, IA No. 243479/2025 and IA no. 243478/2025 before the Hon'ble Supreme Court filed by UPCL against the Judgement dated 30.05.2025 passed by the Hon'ble APTEL in Appeal No. 259 of 2017 & IA 718 of 2024, M/s Gama Infraprop Pvt. Ltd. V/s Uttarakhand Electricity Regulatory Commission & Others. and submitted that the Hon'ble Supreme Court has granted a stay on the decision of Hon'ble APTEL that permits recovery of an additional 17% capital cost from the consumers of Uttarakhand.

As mentioned earlier, the Hon'ble APTEL vide its Order dated 30.05.2025 had directed the Commission to pass the consequential Order within two months, however, it got delayed due to unavoidable reasons including delay in reply from the distribution licensee and pendency of other urgent matters before the Commission, the Commission filed an application before the Hon'ble APTEL seeking additional time upto 31.10.2025 for compliance of the Judgement dated 30.05.2025. The Hon'ble APTEL vide its Order dated 15.0.2025 in IA no. 1384 of 2025 allowed time extension of one week (by 21.10.2025)

from the date of the Order.

3. Commission's view and decision

3.1 As mentioned above, the present Order is being passed for implementation of the Hon'ble APTEL's Judgement dated 30.05.2025 in Appeal No. 259 of 2017 & IA 718 of 2024, M/s Gama Infraprop Pvt. Ltd. V/s Uttarakhand Electricity Regulatory Commission & Others. Vide the said Judgement dated 30.05.2025 the Hon'ble APTEL has ordered as follows:

" ORDER

For the foregoing reasons as stated above, we are of the considered view that the captioned Appeal No. 259 of 2017 has merit and is allowed. It is hereby ordered as follows:

- (i) The disallowance of Interest During Construction (IDC) for the period from April 2012 to March 2015 was unjustified; accordingly, the IDC is allowed from April 2012 to the COD of the entire plant, i.e., including Unit 1 and Unit 2.*
- (ii) The capital cost apportionment undertaken by the State Commission on a 50:50 basis between the contracted and uncontracted capacities fails to reflect the utilisation of plant and infrastructure for the operation of Unit 1. The Appellant's proposed methodology, based on the usage and deployment of the assets, is accepted. The Commission shall reassess apportionment following this direction as concluded in the foregoing paragraphs, considering the capital cost of the equipment used for the purpose of generating electricity from Unit 1.*
- (iii) Preliminary and pre-operative expenses incurred by the Appellant, which were linked to the prolonged gestation of the project due to gas shortage, were prudent and supported by audit certification. Accordingly, the full amount as admissible is allowed corresponding to unit 1.*
- (iv) The hard costs as observed in the foregoing paragraphs are allowed.*
- (v) The Appellant is also entitled to carrying cost on the differential amounts as allowed. The Commission is directed to compute this based on the applicable prevailing norms."*

3.2 In compliance of the Judgement of the Hon'ble APTEL, the following issues are to be dealt with, taking into consideration the interim Order dated 26.09.2025 passed by the Hon'ble Supreme Court in Civil Appeal no. 42118/2025, IA No. 243479/2025 and IA no. 243478/2025 and also the submissions of the generator and distribution licensee:

- A) Disallowance of Interest During Construction (IDC),
- B) Disallowance of preliminary and preoperative expenses.

- C) Disallowance of hard cost.
- D) Apportionment of capital cost between Units.
- E) Return on Equity and Debt-Equity Ratio.
- F) Carrying Cost.

A. Disallowance of Interest during Construction

3.3 The Hon'ble APTEL in Para 158 of its Judgement dated 30.05.2025 has held that as per assessment of CEA report dated 13.09.2013, the erection of GTG, ST, STG, HRSG, ACC, Switch Yard, and BOP works was completed by the end of March 2012. It is only the completion of commissioning in combined mode operation due to the unavailability of gas, which was beyond the control of the generator. It was further held that the CEA report is unambiguous and confirms completion of all erection works and considering the submission of Appellant/ generator concluded that the State Commission erred in disallowing IDC for the period April 2012 to March 2015. The disallowance to the tune of Rs. 200.63 crore for the entire Power Plant and Rs. 150.06 crore for the First Unit (i.e., one gas turbine generator and the steam turbine generator) is set aside, and the IDC for the period from April 2012 till the CoD of Unit 1 is held to be admissible. The relevant paragraphs of the said Judgement dated 28.08.2024 are reproduced herein below:

"150. As such, the CEA Report dated 13.09.2013 and the clarification issued vide letter dated 06.07. 2018 affirms that the erection of GTG, ST, STG, HRSG, ACC, Switch Yard, and BOP works was completed by the end of March 2012. It is only the completion of commissioning in combined mode operation pending due to the unavailability of gas, which was beyond the control of the Appellant.

151. We find the selective interpretation by the State Commission as unjust and unacceptable; the CEA report is unambiguous and confirms completion of all erection works.

152. On being asked, the Appellant submitted that the decision to defer certain installations was taken to avoid degradation of sensitive equipment (such as temperature probes) appears prudent and reasonable. Further, the factual matrix in Sravanthi Energy, relied upon by the Appellant, bears significant resemblance and supports the principle that delays due to gas unavailability warrant full IDC recovery.

153. We agree with the submission of the Appellant that the major and all technically possible

construction and installation work for the Power Plant was completed by the Appellant by the SCOD pending testing and trial. Only minor work, relating to testing and trial of the Power Plant, such as steam blowing, oil flushing, installation of instruments in the pipeline, final tightening of the Steam Turbine, etc., could not be completed pending commencement of gas supply. The Appellant also placed before us the communication received from the EPC Contractor (Luna Infraprop) on 20.07.2012 in support of such submissions.

...

157. *We agree with the contentions of the Appellant, as these are miscellaneous works, even the expenditure on these accounts is around 1.5 % only. This itself provides that the erection works were completed much earlier.*
158. *We, therefore, conclude that the State Commission erred in disallowing IDC for the period April 2012 to March 2015. The disallowance to the tune of Rs. 200.63 crore for the entire Power Plant and Rs. 150.06 crore for the First Unit (i.e., one gas turbine generator and the steam turbine generator) is set aside, and the IDC for the period from April 2012 till the CoD of Unit 1 is held to be admissible."*

As observed by the Hon'ble APTEL, as per CEA Report dated 13.09.2013 and clarification issued vide letter dated 06.07.2018, the erection of GTG, ST, STG, HRSG, ACC, Switch Yard, and BOP works was completed by the end of March 2012 and only because of non-availability of gas, the combined cycle plant could not be commissioned. Therefore, the delay in commissioning of the plant is not attributable to the generator.

- 3.4 The generator vide auditor's certificate dated 19.03.2016 had stated that the IDC for the entire plant upto CoD of 1st Unit, i.e. 16.03.2016 amounted to Rs. 301.91 Crore. The Commission vide its Order dated 16.05.2017 had determined the IDC amounting to Rs. 96.80 Crore for the entire plant as on 16.03.2016 after reducing penal interest amounting to Rs. 4.46 Crore and IDC of Rs. 194.77 Crore for delayed period attributable to the generator and apportioning the resultant amount of IDC i.e. 102.68 Crore (Rs. 301.91 Crore less Rs. 4.46 Crore & Rs. 194.77 Crore) with the hard cost inclusive of pre-operative expenses claimed i.e. Rs. 699.42 Crore and hard cost inclusive of pre-operative expenses worked out at that time i.e. Rs. 659.47 Crore.
- 3.5 However, as mentioned above, the Hon'ble APTEL vide its Judgement dated 30.05.2025 has held that the delay from April 2012 to March, 2015 is not attributable to the generator,

and the entire IDC till commissioning of the first unit is to be allowed. Against the Hard Cost inclusive of pre-operative expenses of Rs. 699.42 Crore, the generator had claimed IDC amounting to Rs. 301.91 Crore. The generator had paid penal interest amount of Rs. 4.46 Crore which can be allowed as part of IDC. The Commission has re-determined the hard cost inclusive of pre-operative expenses, as discussed in succeeding paragraphs, works out to Rs. 688.26 Crore based on which allowable IDC works out to Rs. 292.70 Crore for the entire plant as on 16.03.2016. Further, as discussed in succeeding paragraphs of this Order w.r.t. apportionment of the Capital cost, the Commission has considered Rs. 146.35 Crore for the 1st unit of the Plant as on 16.03.2016.

B. Disallowance of preliminary and preoperative expenses

- 3.6 The Commission vide its Order dated 16.05.2017 had disallowed the pre-operative expenses from April, 2012 to March 2015 stating that delay in commissioning of the plant is attributable to the generator. Further, the pre-operative expenses worked out after deducting the disallowed expenses had been apportioned between two units in the ratio of 50:50 in accordance with the tied up capacity. Furthermore, the pre-operative expenses worked out for 1st Unit was adjusted with start-up fuel cost and infirm power recovery.
- 3.7 In the matter, the Hon'ble APTEL through its Judgement dated 30.05.2025 stated that the delayed period was not attributable to the generator. Further, the Hon'ble APTEL had set aside the partial disallowance of pre-operative expenses by the Commission stating that since the IDC has been allowed in full, and pre-operative expenses being inextricably linked to the delay, hence, there was no reason to uphold the partial disallowance of preliminary and pre-operative expenses. The relevant paragraphs of the said Judgement are re-produced herein below:

"185. This Tribunal finds that preliminary and pre-operative expenses are a well-recognized and permissible component of capital cost under the regulatory framework, particularly in infrastructure projects involving gestation. What remains critical is the standard of prudence and documentation supporting such claims has allowed the IDC in full, and the pre-operative expenses are inextricably linked to that delay, we find no reason to uphold the partial disallowance by the State Commission

186. We note from the record that the increase in pre-operative expenses corresponded with the

prolonged gestation period of the project, which, as already held, was substantially due to the unavailability of gas. It follows that the costs linked to maintaining the site, staffing, insurance, consultancy, and incidental activities during this extended period were unavoidable and legitimate.

187. *Furthermore, the Appellant's submission that a portion of the disallowance was due to a lack of itemized documentation needs to be considered in the context of practical realities. Not all minor expenditure under this head will be supported by invoices exceeding material thresholds, and such expenditure may still be valid and prudently incurred. The auditor-certified figures provide sufficient assurance of their authenticity.*

188. *Since this Tribunal has allowed the IDC in full, and the pre-operative expenses are inextricably linked to that delay, we find no reason to uphold the partial disallowance by the State Commission.*

189. *We, therefore, allow the claim of the Appellant in respect of preliminary and pre-operative expenses, subject to observations made herein above."*

3.8 The Commission, to work out the allowable pre-operative expenses for the 1st Unit, firstly determined the pre-operative for the entire plant as on commissioning of the 1st Unit, i.e. 16.03.2016. The Commission has deducted the start-up fuel cost amounting to Rs. 11.16 Crore from the claimed pre-operative expenses of Rs. 39.16 Crore and has subsequently, reworked the pre-operative expenses for the entire plant as on 16.03.2016. Accordingly, pre-operative expenses works out to Rs. 27.99 Crore against the claim of Rs. 39.16 Crore. Further, as discussed in the preceding paragraphs of this Order, as per Order dated 26.09.2025 of the Hon'ble Supreme Court, the additional 17% liability fixed on the distribution licensee has been stayed. Therefore, the pre-operative expenses attributable to 1st Unit, i.e. 50% works out to Rs. 14.00 Crore and after adjusting start up fuel cost of Rs. 11.16 Crore for the 1st Unit and infirm power recovery of Rs. 9.62 Crore, pre-operative expenses for the 1st Unit works out to Rs. 15.54 Crore.

C. Disallowance of Hard Cost

3.9 The Commission during the proceedings in the matter of determination of tariff for 1st Unit of the plant of the generator, had directed the generator to submit the invoices of expenses more than Rs. 2.50 Lakh and also directed it to submit the summary of expenses upto Rs. 2.50 Lakh. However, the generator had failed to submit appropriate justifiable

summary for invoices of Rs. 2.50 Lakh and below. Accordingly, the Commission had disallowed Capital Cost amounting to Rs. 30.96 Crore and balance hard cost was apportioned in the ratio of 50-50 based on the tied up capacity of 107 MW against the total installed capacity of 214 MW.

3.10 The Hon'ble APTEL through its Judgement dated 30.05.2025 has stated that the Appellant has submitted substantial documents for Rs. 14.80 Crore out of the disallowed capital cost of Rs. 30.96 Crore. Further, with regard to balance amount of Rs. 16.16 Crore, the Hon'ble APTEL stated that a liberty should be given the Appellant to submit relevant documents in support of its claim and directed the Commission to allow such expenses after prudence check. The relevant extract of the Judgement dated 30.05.2025 is as follows:

"196. This Tribunal acknowledges that hard cost constitutes a core component of project capital expenditure, encompassing fixed assets essential to plant construction and operation. The principle of prudence must be applied holistically, bearing in mind the scale of the project and practical norms of documentation.

197. From the material on record, it is evident that the Appellant furnished substantial documentation in support of Rs. 14.8 crore out of the disallowed Rs. 30.96 crore.

198. As for the remaining Rs. 16.16 crore, we find it appropriate to grant liberty to the Appellant to submit relevant documents in support of these claims, and accordingly, the State Commission is directed to allow such claims after a prudence check.

199. Importantly, the expenditures were capitalised and subjected to a statutory audit, which lends credibility to the Appellant's claim. The auditors' certification, coupled with the absence of any indication of overstatement or duplication, ought to have been given due consideration by the Commission."

3.11 Based on the direction of the Hon'ble APTEL, the Commission directed the generator to submit the summary of the capital cost amounting to Rs. 16.16 Crore duly specifying the work performed against the capital cost disallowed earlier. The generator, through its letter dated 19.08.2025, submitted the information as directed by the Commission. The Commission examined the summary of the capital cost amounting to Rs. 16.16 Crore along with the invoices submitted by the generator during the initial proceedings for tariff determination of the project and found no instance of duplicity. The Commission

further sought a few sample invoices from the generator for cross-verification. It was observed that the invoices were raised by the EPC Contractor, M/s Luna Infraprop Pvt. Ltd., to the generator, and most of the bills pertained to mechanical, electrical, and transportation works, which appear to be in order and relevant to the commissioning of the plant. Besides UPCL has also not commented on the prudence of the expenditure, accordingly, the Commission allows the capital cost of Rs. 16.16 Crore. Further, as held by the Hon'ble APTEL w.r.t. capital cost of Rs. 14.80 Core that the generator has submitted substantial documents, the Commission has considered the same as part of allowable total capital cost for the project as on 16.03.2016.

D. Apportionment of capital cost between Units

3.12 With regard to the apportionment of capital cost between the two units, the Hon'ble APTEL through its Judgement dated 30.05.2025 observed that the apportionment of capital cost based on usage of facilities, is fair, reasonable, and in consonance with the principles of prudence. Further, the Hon'ble APTEL directed the Commission to determine the capital cost allocation for tariff purpose in accordance with the usage based approach as demonstrated by the Appellant and the Hon'ble APTEL also directed the Commission to revise the apportionment as soon as the Appellant enters into a long term agreement. The relevant extract of the Judgement is as follows:

"172. Upon consideration of the competing arguments, we find that the State Commission's approach of apportioning capital cost solely based on PPA-tied capacity fails to account for the actual deployment and usage of infrastructure during the tariff period in question. It is noted that the first phase of the project involved full commissioning of the first GTG and the STG, which necessitated the use of integrated systems and facilities shared across both phases.

173. The Appellant has furnished credible evidence, including technical documentation and component-wise expenditure, establishing that a major portion of shared assets and civil infrastructure was indeed put to use in the generation and supply of contracted power. Regulation 42(3) of the UERC MYT Regulations, 2015 provides for reasonable allocation of capital cost in multi-unit projects. The term "reasonable" should be interpreted in the context of actual economic deployment and not merely contractual allocation.

174. ...

175. *Furthermore, the reliance on CERC's decision in the ONGC Tripura Power Company case lends persuasive value. The CERC had approved allocation based on engineering design and usage pattern rather than solely on contractual commitment.*
176. *In light of these considerations, we hold that the Appellant's proposed apportionment methodology, which seeks to attribute approximately 66% of the capital cost to the First Unit based on usage of facilities, is fair, reasonable, and in consonance with the principles of prudence.*
177. *The equal allocation adopted by the State Commission is, therefore, set aside, and the Commission is directed to determine the capital cost allocation for tariff purposes in accordance with the usage-based approach as demonstrated by the Appellant, as detailed in Annexure-A/12 (page 491) of the Appeal Paper book.*
178. *We also direct that the State Commission, later on, shall revise the apportionment as soon as the Appellant enters into a long-term agreement for Unit 2, keeping in view the sharing of the capital assets, keeping a balance."*

- 3.13 The Commission through its Order dated 16.05.2017 had considered 50% of the capital cost for the 1st Unit of the plant based on the tied up capacity of 107 MW out of total plant installed capacity of 214 MW.
- 3.14 The Hon'ble APTEL through its Judgement directed the Commission to determine the capital cost based on the usage based approach as demonstrated by the generator in its Appeal. However, as discussed earlier, the Hon'ble Supreme Court through its Order dated 26.09.2025 in the Civil Appeal Diary no. 42118/2025 against Hon'ble APTEL's Judgement dated 30.05.2025, has stayed the usage based methodology laid down by the Hon'ble APTEL for apportionment of capital cost and has upheld the Commission's 50:50 methodology. Accordingly, the Commission has considered the same apportionment methodology as adopted by it in its Order dated 16.05.2017. The Commission apportioned the capital cost as on 16.03.2016 for the entire plant between unit-1 and unit-2 in the ratio of 50:50.
- 3.15 Accordingly, based on the above discussion in the preceding paragraphs of this Order, the Capital cost for Unit-1 works out to Rs. 492.03 Crore as on 16.03.2016. Detail of the same is as follows:

Capital Cost as on CoD of 1st Unit

Particulars	Capital Cost as on 16.03.2016		
	Entire Plant	1 st Unit	1 st Unit after apportionment of soft cost
Hard Cost			
Freehold Land	11.46	5.73	8.54
Furniture and Fixtures	0.32	0.16	0.24
Plant & Machinery	599.87	299.93	447.14
Building premises	48.11	24.05	35.86
Office equipments	0.09	0.05	0.07
Computers	0.03	0.02	0.02
Vehicles	0.21	0.11	0.16
Soft Cost			
Interest Cost	292.70	146.35	
Expenses incurred (includes Pre-Operative expenses)	27.99	15.54	
Less- Sale (Electricity)/Other Receipts	-	-	
Preliminary Expenses	0.18	0.09	
Total Cost	980.97	492.03	492.03

Further, it is observed that the generator has incurred a hard cost of Rs. 29.83 Crore between 16.03.2016 to 31.06.2016. The Commission has considered an amount of Rs. 14.92 Crore, i.e. 50% of Rs. 29.83 Crore as AddCap during FY 2016-17 in line with the methodology specified by it in the Order dated May 16, 2017 wherein the Commission had apportioned the hard cost as on 31.08.2016 in the ratio of 50:50. In this regard, the Commission had held as under:

“Based on the above discussion, the hard cost with respect to Civil work and E&M related works is Rs. 646.58 Crore for the entire plant as on 31.08.2016. Further, the Petitioner has claimed the hard cost of Rs. 12.37 Crore for balance minor assets (namely freehold land, furniture and fixtures, office equipment a, computer and vehicles) for the project. The Commission has considered the same after prudence analysis. Accordingly, the Commission has worked out the hard cost of the project amounting to Rs. 658.95 Crore against the entire plant’s hard cost of Rs. 689.92 Crore submitted by the Petitioner vide its auditor’s certificate dated 15.11.2016.”

E. Return on Equity and Debt-Equity Ratio

3.16 The Commission, in its Order dated 16.05.2017 had considered the equity of Rs. 195.38 Crore for FY 2015-16 and debt of Rs. 813.82 Crore as per the audited annual accounts for determination of Debt-equity ratio of 80.64:19.36 and the same had been considered for the purpose of capital structure as on COD of the 1st unit of the Plant in accordance with provisions of UERC MYT Regulations, 2015.

3.17 The Hon’ble APTEL vide its Judgement dated 30.05.2025 directed the Commission to

decide the issue in accordance with Regulation 24 and Regulation 26 of UERC MYT Regulations, 2015. The relevant extract of the Judgement is as follows:

“200. The State Commission in the Impugned Order has observed as under:

“The Petitioner has claimed financing of additional capitalization in debt equity ratio of 70:30. However, as mentioned above, the Commission has not considered any amount of additional captialisation. Hence, financing of the same also has not been considered, however, the same will be reviewed at the time of truing up based on the actual funding and applicable regulations.”

201. In light of the above, we direct the State Commission to decide the issue in the truing up order in accordance with Regulation 24 and Regulation 26.”

3.18 Based on the directions of the Hon’ble APTEL the Commission has applied Regulation 24 and Regulation 26 of UERC MYT Regulations, 2015 for determination of Debt-Equity Ratio for the admissible capital cost.

F. Carrying Cost

3.19 With regard to Carrying Cost, the Hon’ble APTEL vide its Judgement dated 30.05.2025 has stated that the Commission has wrongly disallowed several key cost components IDC, pre-operative expenses and hard cost. Consequently, the generator was deprived of the opportunity to recover these amounts through tariff, resulting in significant financial implications. The Hon’ble APTEL further observed that the generator’s claim does not arise from any fault or delay attributable to the Commission, but rests on the well-established doctrine of restitution. Since the original denial of costs was unjustified, the consequential financial impact must be remedied by granting carrying cost. The relevant extract of the Judgement dated 30.05.2025 is as follows:

“202. The consistent judicial position is that carrying cost is a legitimate compensatory measure designed to protect the economic interests of stakeholders when legitimate claims are withheld or deferred.

203. In the present case, we have found that several key cost components IDC, pre-operative expenses, and hard cost, were wrongly disallowed by the State Commission. As a result, the Appellant was denied the opportunity to recover these amounts through the tariff. This deferral of recovery undeniably entailed financial implications.

204. *The Appellant's claim is not based on fault or delay attributable to the Commission, but on the established doctrine of restitution. Once this Tribunal has held that the original denial of cost was unjustified, the consequential financial impact must be remedied by awarding carrying costs.*

205. *We are of the considered view that the Appellant is entitled to carrying cost on the amount of additional capital cost now allowed, calculated from the date of the supply of power under the PPA signed with UPCL until the effective date of recovery through tariff adjustment.*

206. *Accordingly, the State Commission is directed to compute and allow carrying costs on the admissible additional capital cost elements, applying the rate as per the applicable prevailing norms."*

In accordance with the directions and the principles laid down by the Hon'ble APTEL in its various Judgements that carrying cost/ interest owing to revision in tariff will be due from the date from which the payment was due in the form of compensation for time value of money, or the monies denied at the appropriate time and paid after a lapse of time. In the present case, the carrying cost in the form of compensation has been worked out in the subsequent paragraphs of this Order.

Re-determination of Tariff for GIPL

3.20 The capital cost as on CoD works out to Rs. 492.03 Crore as discussed in the above paragraphs of this Order against the capital cost of Rs. 388.96 Crore initially approved by the Commission through its Order dated 16.05.2017.

3.21 The Commission has re-determined the Annual Fixed Charges (AFC) from CoD, i.e. 16.03.2015 till FY 2023-24 based on the now approved capital cost of Rs. 492.03 Crore in accordance with the prevailing UERC Tariff Regulations in the subsequent paragraphs of this Order as the Commission has carried out the truing up till FY 2023-24.

3.22 Year wise details of the trued-up AFC in the Tariff Order of the respective year and re-determined tariff as per the above discussions is as follows:

Year wise detail of AFC approved in Tariff Orders and Re-determined AFC as per Judgement dated 30.05.2025 of the Hon'ble APTEL (Rs. in Crore)

Financial Year	2015*	2016*	2017	2018	2019	2020	2021	2022	2023
	2016	2017	2018	2019	2020	2021	2022	2023	2024
Approved AFC as per respective Tariff Orders of the Commission	-	-	95.30	98.33	98.81	100.38	98.17	92.13	90.45
Revised AFC on the above observations	-	-	115.77	116.33	117.85	118.66	115.70	108.75	106.99

**Under PSDF Scheme*

3.23 Year wise details of incremental tariff, on account of the above discussion, to be recovered from UPCL is as follows:

Year-wise detail of (Surplus)/Gap approved in Tariff Orders and Re-determined as per Judgement Dated 30.05.2025 of Hon'ble APTEL (Rs. in Crore)

Financial Year	2015	2016	2017	2018	2019	2020	2021	2022	2023
	2016	2017	2018	2019	2020	2021	2022	2023	2024
(Surplus)/Gap - Allowed in respective Tariff Order by the Commission	-	-	-2.20	-5.23	-0.25	-3.37	-5.60	-8.51	-5.72
Revised (Surplus)/Gap based on the above observations	-	-	18.26	14.60	18.80	14.91	11.93	8.10	10.82
To be recovered from UPCL	0.00	0.00	20.47	19.83	19.05	18.28	17.53	16.62	16.54

3.24 Further, since the Commission has not carried out the truing up for FY 2024-25, the impact of FY 2024-25 shall be allowed during the truing up exercise based on the audited account. The redetermined tariff for FY 2024-25 shall be reviewed by the Commission based on the actual expenditure at the time of tariff proceedings for ARR of FY 2026-27 alongwith truing up for FY 2024-25.

3.25 Details of ARR and energy charged approved vide Tariff Order dated 11.04.2025 for the fifth Control Period from FY 2025-26 to FY 2027-28 and re-determined ARR based on the above discussions is as follows:

Annual Fixed Charges approved vide Tariff Order and Re-determined by the Commission for FY 2025-26 to FY 2027-28 (Rs. in Crore)

Annual Fixed Charges	FY 2025-26		FY 2026-27		FY 2027-28	
	Approved vide Order 11.04.2025	Re-determined	Approved vide Order 11.04.2025	Re-determined	Approved vide Order 11.04.2025	Re-determined
Depreciation	20.42	26.53	20.42	26.53	20.42	26.53
Interest on Loan	17.87	23.58	15.15	20.05	12.44	16.52
Bank Charges	2.00	2.00	2.20	2.20	2.50	2.50
Return on Equity	11.81	14.90	11.81	14.90	11.81	14.90
O&M Expenses	52.30	52.30	53.61	53.61	54.95	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
Net Annual Fixed Charges	103.76	118.67	102.55	116.65	101.47	114.76
True up Impact with carrying cost for FY 2023-24 (AFC and Energy Charge)	-4.74	-4.74				
Total Annual Fixed Charges	99.02	114.00	102.55	116.65	101.47	114.76

The carrying cost of Rs 101.15 Crore, for the period from FY 2015-16 to FY 2025-26 (till October,2025), has been worked out taking rate of interest as per the prevailing regulations. Accordingly, alongwith recoverable tariff, i.e. Rs. 128.31 Crore for the period from FY 2015-16 to FY 2023-24 and carrying cost, total arrears work out to Rs. 229.46 Crore.

The arrears, i.e. Rs. 229.46 Crore, so determined along with the applicable carrying cost, shall be recovered by the Generator from UPCL in eleven (11) equal monthly installments commencing from the billing month of November 2025. Further, the Annual Fixed Charges (AFC) approved for the period from FY 2025-26 to FY 2027-28 shall be recovered in accordance with the prevailing Tariff Regulations. However, as the matter is sub judice before the Hon'ble Supreme Court, the Commission will re-determine the tariff, if required, based on the final judgement in the Civil Appeal no. 42118/2025, IA No. 243479/2025 and IA no. 243478/2025.

4. Ordered accordingly.

(Prabhat Kishor Dimri)
Member (Technical)

(Anurag Sharma)
Member (Law)

(M.L. Prasad)
Chairman