Order

On

True up for FY 2024-25,

Annual Performance Review

for FY 2025-26

&

ARR for FY 2026-27

For

M/s Gama Infraprop Pvt. Ltd.

September 17, 2026

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.: 05 of 2026

In the Matter of:

Petition filed by M/s Gama Infraprop Pvt. Ltd. for true-up of AFC for FY 2024-25, Annual Performance Review for FY 2025-26 and ARR for FY 2026-27.

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)**
Shri Prabhat Kishor Dimri	**Member (Technical)**

Date of Order: September 17, 2026

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 11.04.2025 on approval of Business Plan and Multi Year Tariff for the fifth Control Period from FY 2025-26 to FY 2027-28. The Commission had also carried out the true-up of FY 2023-24 and Annual Performance Review (APR) for FY 2024-25 vide the Order dated 11.04.2025.

In compliance with the provisions of the Act and Regulation 8(1) and Regulation 10(1) of UERC Tariff Regulations, 2021 and UERC Tariff Regulations, 2024, M/s Gama Infraprop Pvt. Ltd. (hereinafter referred to as "M/s GIPL" or "the Petitioner" or "the Generator") filed the Petition (Petition No. 05 of 2026 and hereinafter referred to as "Petition"), giving details of its revised projections of Aggregate Revenue Requirement (ARR) for FY 2026-27 and Annual Performance Review for FY 2025-26 on 27.11.2025. Through the aforesaid Petition, the Petitioner also requested for true up of FY 2024-25 based on the audited accounts in accordance with UERC Tariff Regulations, 2021.

The Petition filed by the Petitioner had certain infirmities/deficiencies which were informed to the Petitioner vide Commission's letter no. UERC/TF-811/2025-26/2025/1374 dated 08.12.2025 and the Petitioner was directed to rectify the said infirmities in the Petition and submit certain additional information necessary for the admission of the Petition. The Petitioner vide its letter dated 13.01.2026 and further vide e-mail dated 16.01.2026, submitted the information sought by the Commission, and based on the same, the Commission provisionally admitted the Petition on 20.01.2026 for further processing subject to the condition that the Petitioner shall furnish any further information/ clarifications as deemed necessary by the Commission during the processing of the Petition, 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 Tariff Petition filed by M/s GIPL for true up for FY 2024-25, APR for FY 2025-26 and revised ARR for FY 2026-27 and is based on the original as well as the 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. The Petitioner in its subsequent submissions has re-submitted the tariff formats revising it claims of ARR for FY 2024-25 and subsequent years, and accordingly, the Commission has considered the same for comparing the claims made by the Petitioner vis-à-vis approved in this Order as discussed in subsequent paras of this Order.

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. 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 Truing up for FY 2024-25.

Chapter 4 - Petitioner's Submissions, Commission's Analysis, Scrutiny and Conclusion on APR for FY 2025-26.

Chapter 5 - Petitioner's Submissions, Commission's Analysis, Scrutiny and Conclusion on ARR for FY 2026-27.

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.

The Commission had issued the Order dated 11.04.2025 on approval of Business Plan and Multi Year Tariff for the fifth Control Period from FY 2025-26 to FY 2027-28, alongwith the true-up of FY 2023-24 and Annual Performance Review (APR) for FY 2024-25. Subsequently, the Commission initiated a Suo-moto proceeding 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 and issued an Order dated 17.10.2025 thereby revising the Capital cost of the Petitioner's project as on CoD, in line with the direction/observations of the Hon'ble APTEL, as against the cost initially approved by the

Commission through its Order dated 16.05.2017. Consequently, the Commission re-determined the Annual Fixed Charges (AFC) from the date of CoD, i.e. 16.03.2026 till FY 2023-24 based on the revised capital cost in accordance with the prevailing UERC Tariff Regulations including the impact of truing up as discussed in detail in the Commission's Order dated 17.10.2025.

In accordance with Regulation 12 of the UERC Tariff Regulations, 2024, the Generating Company is required to file a Petition for Annual Performance Review by November 30 of every year. In compliance with the Regulations, M/s GIPL, filed Tariff Petition dated 27.11.2025 on APR for FY 2025-26. Through the above Petition, M/s GIPL sought true up for FY 2024-25, APR for FY 2025-26 and ARR for FY 2026-27 based on the audited accounts for FY 2024-25 and revised projections for additional capitalisations for FY 2025-26 and FY 2026-27. The Commission vide its letter no. UERC/TF-811/2025-26/2025/1374 dated 08.12.2025 sought certain information from the Petitioner for the purpose of admittance of the Petition. M/s GIPL submitted the required information vide its submissions dated 13.01.2026 and further vide e-mail dated 16.01.2026, and based on the submission made by M/s GIPL, the Commission provisionally admitted the Petition on 20.01.2026

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 a copy of the Petition to UPCL vide letter no. UERC/TF-811/2025-26/2026/606 dated 20.01.2026.

UPCL vide its letter no. 624/UPCL/Comm/SE-II/B-II/Gama dated 03.02.2026 sought additional information/documents from the Petitioner on certain points related to the Petition to enable it to provide comments in the matter. The Commission vide its letter dated 05.02.2026 directed the Petitioner to make its submission on the information sought by UPCL, in response to which the Petitioner vide its letter dated 20.03.2026 submitted its response on the information sought by UPCL. Subsequently, UPCL vide its letter no. 2048/UPCL/Comm/SE-II/B-II/Gama dated 15.04.2026 submitted its comments on the Petition filed by the Petitioner, i.e. M/s GIPL, which were forwarded to the Petitioner for counter reply, if any. The Petitioner vide its letter no. GIPL/UERC/11/2026 dated 01.05.2026 submitted its rejoinder on the same.

The submissions made by the Respondent, i.e. UPCL, and M/s GIPL in the Petition as well as additional information sought and replies received thereon have been discussed by the Commission at appropriate places in the Order alongwith the Commission's views on the same.

This Order, accordingly, relates to the Petition filed by M/s GIPL for true up for FY 2024-25, APR for FY 2025-26 and revised ARR for FY 2026-27 and is based on the Petition as well as all the subsequent submissions made by M/s GIPL during the course of the proceedings and the relevant findings contained in the previous Orders of the Commission.

Section 64(3) of the Electricity Act 2003 mandates the issuance of the tariff Order within 120 days of the date of receipt of the application. Moreover, it has been the practice of the Commission to issue Tariff Orders of the generators and transmission licensees alongwith the Tariff Orders of UPCL as the AFC of the generators and transmission licensees is considered towards the power purchase cost of UPCL. In the present case, the Commission, based upon the further information submitted by the parties, observed that the issues raised by the Respondent and the Petitioner would require detailed deliberation on various aspects of the tariff determination, which would take some time. Accordingly, the Commission was of the view that the same shall affect the timely completion of the proceedings, as the Commission would be required to examine the issues raised by UPCL and the replies of the Petitioner and, thereby, apply prudence on the same. Moreover, since the ARR of M/s GIPL is considered towards the power purchase cost of UPCL, a delay in the issuance of the Petitioner's tariff Order will delay the entire tariff proceedings of the distribution licensee and create uncertainty for consumers. In view of the same, and in light of the statutory provisions, the Commission vide interim Tariff Order dated 30.03.2026 provisionally approved the Aggregate Revenue Requirement (ARR) and Energy Charges (EC) of the Petitioner for FY 2026-27 attributable to its beneficiary, which was applicable till the final tariff is determined by the Commission.

The Commission through the present Order, as discussed subsequently, has determined the final ARR of the Petitioner's Gas based Plant attributable to UPCL for FY 2026-27 alongwith the impact of truing-up of FY 2024-25. Accordingly, the revised ARR alongwith the methodology for adjustment of the differential amount has been dealt in the subsequent paras of this Order.

This Order, accordingly, relates to the Petition filed by M/s GIPL for true up for FY 2024-25, APR for FY 2025-26 and revised ARR for FY 2026-27 and is based on the Petition as well as all the subsequent submissions made by M/s GIPL during the course of the proceedings and the relevant findings contained in the previous Orders of the Commission.

As discussed, hereinabove, the Commission vide its Order dated 17.10.2025, in line with the direction/observations of the Hon'ble APTEL, had revised the Capital cost of the Petitioner's project as on CoD. The Commission has, therefore, for carrying out the true-up of FY 2024-25 and determination of ARR/Tariff for FY 2026-27 alongwith APR of FY 2025-26, considered the revised capital cost as on CoD as approved vide Order dated 17.10.2025 and additional capitalization/ decapitalization approved from the date of CoD till the end of FY 2023-24 to arrive at the opening values for FY 2024-25 and subsequent years.

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

At the outset, the Commission deems it appropriate to record its concern regarding the delay in issuance of the Tariff Order in respect of the Gas based power Plant of M/s GIPL. The said delay is attributable to the manner in which the present proceedings have been conducted, particularly with respect to the exchange of information and submission of comments by the parties. The Tariff proceedings are structured to assist the Commission in arriving at a just determination, not to be prolonged through avoidable procedural delays.

It was observed that UPCL, being the sole Respondent, undertook an extensive exercise of seeking documentary evidence from the Petitioner and refrained from filing its comments until, in its view, all requisite information had been furnished. While the Commission acknowledges the Respondent's right to call for such documents as may be necessary for the purpose of examining the Petition and formulating its response, such right cannot be exercised in a manner that effectively supplants or encroaches upon the adjudicatory domain of the Commission. The approach adopted by the Respondent, in repeatedly seeking comprehensive records and supporting materials, indicates an attempt to undertake a parallel scrutiny of the Petition, rather than offering focused and constructive submissions on the issues raised therein.

The process of tariff determination vests exclusively with the Commission, which is competent to evaluate the sufficiency, relevance, and evidentiary value of the material placed before it. Therefore, any attempt by the Respondent to unduly expand the scope of information requests, thereby impeding the progress of the proceedings, is liable to be discouraged.

At the same time, it is equally incumbent upon the Petitioner to act with diligence and expeditiously furnish the information sought as directed by the Commission. In the present case, it is observed that certain information requisitioned by the Respondent was not furnished by the Petitioner within a reasonable timeframe and was instead submitted at a later stage. The eventual submission of the required information at a belated stage has further contributed to the delay in the conclusion of the present proceedings. Such delay on the part of the Petitioner is not conducive to the efficient conduct of proceedings and ought to be avoided. The Petitioner is hereby reminded of its obligation to strictly adhere to the directions of the Commission and to ensure timely submission of all requisite information, as adherence to prescribed timelines is of the essence in the tariff proceedings.

The Commission emphasizes that tariff determination proceedings are time-bound in nature and are required to be concluded expeditiously in order to avoid regulatory uncertainty, mid-term tariff adjustments, and consequential impact on consumers. Any avoidable delay in the process is, therefore, undesirable and contrary to the regulatory framework. The parties to the proceedings must adhere to the procedural discipline. The Respondent should confine its queries to relevant and necessary information, and refrain from raising repetitive or superfluous requisitions. Correspondingly, the Petitioner must ensure timely and complete furnishing of all information sought, so as to facilitate expeditious disposal of the matter.

In view of the above, the Commission advises both the Petitioner and the Respondent to act with due diligence and responsibility, adhere strictly to the timelines prescribed, and confine their respective roles to providing relevant, concise, and constructive inputs. The responsibility of examining the material on record and arriving at a reasoned determination squarely rests with the Commission, which shall consider the entirety of the material on record and pass appropriate orders in accordance with law, and the parties are advised to refrain from adopting any approach that may impede or delay the adjudicatory process.

The Commission has received suggestions/objections/comments from UPCL on M/s GIPL's Petition for approval of true up for FY 2024-25, Annual Performance Review for FY 2025-26 and determination of revised ARR for FY 2026-27. 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 Additional Capitalization

I. Evaporative Cooling System

2.1.1 UPCL's Comment

With regard to the Evaporative Cooling System, UPCL submitted that significant expenditure towards the same had been incurred at the cost of the consumers of the State. UPCL submitted that the Petitioner is not able to generate electricity due to its inability to tie-up a viable gas proposal, and if the Petitioner is unable to secure the long-term arrangement of gas, then there is no use of having the long term PPA. UPCL submitted that it is not the case, where the Petitioner is facing losses due to high Station Heat Rate which needs to be corrected, and, therefore, the additional capitalization made on account of Evaporative Cooling System at this juncture is being done without the necessity of the work in the present scenario.

UPCL submitted that the Petitioner had relied on the consultant suggestions recorded in the Commission's order dated 05.04.2019, in terms of the query raised by UPCL w.r.t. the report of an independent agency in reference to the expenditure incurred on Evaporative Cooling System, however, it failed to comply with the direction given by the Commission in the said Order, to follow the suggestion given by the consultant for improvement of Station Heat Rate, after carrying out a cost-benefit analysis, based on discussion with OEMs/ suppliers and Techno economic analysis etc., and also after getting the same approved by the Commission, as neither the cost-benefit analysis has been furnished, nor the approval of the same has been sought by the Petitioner. Therefore, the additional capitalization may not be considered and be rejected.

UPCL further submitted that the installation of Evaporative Cooling System was suggested for considerable improvement in system, and, therefore, since the expenditure has been made for improvement of SHR only, accordingly, the design Station Heat Rate and Gross Station Heat Rate approved by the Commission vide Order dated 05.04.2019 may suitably be revised so as to pass the cost benefit of the expenditure to the consumers of the State.

2.1.2 *Petitioner's reply*

The Petitioner submitted that it was available for generation with suitable gas arrangements, and UPCL has wrongly mentioned about "*inability to tie up viable gas proposal*", as Petitioner has always shared a viable gas proposal which is on record of UPCL, like vide proposal dated 28th August 2025 the RLNG was offered at USD 11 per MMBTU approximately, but due to lack of response from UPCL till March 2026, the said proposal got stalled. The Petitioner, w.r.t. the need for installation of Evaporative Cooling System, submitted that the GE 6FA gas turbine is a constant-volume machine, performance of which is primarily limited by the mass flow of air entering the compressor. At higher ambient temperatures, air density decreases, leading to a significant drop in power output and an increase in heat rate. Implementing an evaporative cooling system recovers these losses by reducing the inlet air temperature towards the wet-bulb temperature, effectively restoring

"ISO-like" performance during hot periods.

The Petitioner further submitted that the recent summers have witnessed high ambient temperature in the range of 44 – 47 degree C at times, reducing the Plant's generation with poor heat rate majorly in the peak demand months from April to June. The Petitioner provided the justification of work and impact on efficiency of the Plant as follows:

a) Power Degradation: Every 1°C rise in ambient temperature typically results in a 0.5% to 1% decrease in gas turbine power output.

b) Mass Flow Restoration: Cooling the inlet air increases its density, allowing the compressor to move a higher mass of air, which directly increases turbine work output.

c) CCPP Synergy: In a combined cycle, the increased mass flow also boosts the energy available in the exhaust (approx. 603°C for the 6FA), enhancing steam production in the HRSG and increasing steam turbine output.

The Petitioner further submitted that it has been observed that due to high ambient temperature, the Gas Turbine gets difficult to start-up in peak summers and they have to wait for ambient temperature to fall before taking the start-up. Therefore, the installation of Evaporative Cooling System, is not just for efficiency improvement but to facilitate start-up of turbine during any time of the day.

Further, regarding impact on Station Heat Rate by installation of Evaporative Cooling System, the Petitioner submitted that the recent summers have witnessed high ambient temperature in the range of 44 – 47degree C at times, reducing Plant's generation and inability to start the Plant in the peak demand season (April, May, June), and therefore, the Commission has kept the provision of sharing of gain/loss in case of any savings which is being complied during true-up.

II. Variable Frequency Drive

2.1.3 UPCL's Comment

With regard to the Variable Frequency Drive, UPCL while reiterating its earlier stance given for capitalization related to the Evaporative Cooling System, submitted that the additional capitalization made on account of Variable Frequency Drive at this juncture seems unjustified and is being done without the necessity of the work. UPCL submitted that the

Petitioner vide its additional document submission dated 20.03.2026 mentioned that the implementation of the system can reduce auxiliary power consumption by 10-30% in specific applications, directly improving the net Plant heat rate and overall profitability. UPCL submitted that even after infusing huge expenditure, the Petitioner has not portrayed the benefit of the reduction in Auxiliary Consumption which can be passed on to the consumers, and submitted that the Auxiliary consumption of the Petitioner's Plant for further years may be revised accordingly by the Commission. UPCL further submitted that the Petitioner has accepted that the implementation of the system will lead to improvement in SHR and therefore, the submission of UPCL for squeezing the range of SHR is appreciated by the Petitioner through its own submissions.

2.1.4 *Petitioner's reply*

The Petitioner submitted that it has already given the detailed justification on need for installation of VFD's as per the technical requirement, and therefore, any impact on auxiliary power consumption will be reflected in future Plant operation and also there is provision of sharing of gain/loss in UERC Regulations which is being complied during true-up.

III. Vehicles

2.1.5 *UPCL's Comment*

With regard to the additional capitalization on account of Vehicles, UPCL submitted that the Petitioner has mentioned that the same has been purchased for General Manager (Site). UPCL submitted that to have a rational approach, the same may be apportioned in the Petitioner's Plant total capacity vis-à-vis contracted capacity with UPCL.

2.1.6 *Petitioner's reply*

The Petitioner submitted that it has given the detailed breakup of expenses incurred towards operation of untied capacity, and the Petitioner is having a separate contract for the same with a separate team.

2.1.7 *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. Further, with respect to the contention raised by UPCL for revision of SHR on account of installation of Evaporative Cooling System and Variable Frequency Drive, the Commission would like to state that the determination/modification of SHR is an extensive exercise which considers several operational and technical parameters before arriving at an outcome and nonetheless the plant should be in regular operations. The same cannot be taken alongside the Tariff proceedings based on unilateral submission of UPCL, and, therefore, UPCL may bring this matter separately before the Commission, if it so desires, based on which, if required, appropriate view shall be taken after considering the input/comments of all the parties concerned.

2.2 Operation &Maintenance Expenses

2.2.1 UPCL's Comment

UPCL submitted that the Petitioner in its Petition has shown the expense of Rs. 3.18 Crore for FY 2024-25 under the head Salaries & Other Allowances which is approx. 43% high in comparison to the amount of Rs. 2.22 Crore for FY 2023-24. UPCL submitted that certain high salaried employees have been added in the FY 2024-25 by the Petitioner, and thus a genuine question arises that when the Plant is not operational, why such high salaried employees have been engaged, and the Petitioner must provide the reasons for the same. UPCL submitted that a prudence check must be applied to verify the requirement & justifiability of the employees engaged in untied capacity.

UPCL further submitted that the Petitioner has claimed O&M expenses of Rs. 35.43 Crore for FY 2024-25. UPCL mentioned that the Petitioner's Plant was scheduled for operation for a period of April 2024 to August 2024, and the optimal power management by procuring cost effective power from short-term sources cannot be termed as back down. UPCL submitted that, the Petitioner did not inform about the O&M works carried out or to be carried out by them till date which the Petitioner was required to comply as per the directions of the Commission vide the tariff order of the Petitioner, resulting in non-compliance of the directions of the Commission, and considering the same O&M expenses should be restricted to bare minimum and optimum. UPCL submitted that the Petitioner must demonstrate and portray the testing, inspection and details of O&M works carried out by it in FY 2024-25 alongwith the break-up and justification on the cost incurred on O&M head.

UPCL further submitted that, the Petitioner has projected the O&M cost of Rs. 52.30 Crore and Rs. 53.61 Crore for FY 2025-26 & FY 2026-27 respectively in comparison to Rs. 35.43 Crore for FY 2024-25. UPCL submitted that, when the Plant is non-operational why such huge expenses are being projected without having a gas tie-up, and accordingly, the O&M works which can be deferred may be shifted to further years.

2.2.2 *Petitioner's reply*

The Petitioner submitted that it has submitted all the details on account of salaries to the Commission with detailed breakup of the same. Further, the Petitioner has tried to optimise the O&M expenses as much as possible and the Plant has remained efficient in almost 10 years of operation without any major faults or shutdown. The Petitioner further submitted that it shall inform the Commission about any major additional capitalisation or O&M expenses to be incurred in Plant.

2.2.3 *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. Further, the projected O&M expenses for the FY 2025-26 & FY 2026-27 have been approved by the Commission 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 the respective financial year based on the actual O&M expenses incurred after prudence check.

2.3 Interest on Working Capital

2.3.1 *UPCL's comment*

UPCL submitted that the Petitioner has agreed to forego the Interest on Working Capital, however, as known to the Commission UPCL is undergoing a serious financial crunch. UPCL further submitted that, by way of accepting the Petitioner's proposal of foregoing the Interest on Working Capital, different payment terms for the Gas Based Generator would imply as if a distinction has been made between these Gas Based Generators and rest of the generators which are being billed as per the terms & conditions of the PPA which seems to be against the mandate of Electricity Act, 2003. Further, considering the Petitioner's request of foregoing of IoWC and, accordingly, prompt payment terms to Gas Generators will lead to hardships to the Respondent that may arise on account of LPS payable in case of default of payment not done within 7 days which would further deteriorate UPCL's financial health and consequently shall affect services to the consumers of the State. Moreover, loss incurred by UPCL in the form of levy of LPS shall also be borne by the electricity consumers of the State. UPCL, accordingly, requested to allow the Petitioner to claim the part of Interest on Working Capital in this tariff Petition.

2.3.2 *Petitioner's reply*

The Petitioner submitted that the matter of IWC is being followed as per the suitable orders of the Commission.

2.3.3 *Commission's view*

The Commission has gone through the submissions of the Petitioner and the Respondent in the matter and is of the view that modifying the terms of payment between the parties cannot be undertaken in the current tariff proceedings based on unilateral submissions of UPCL. The existing payment terms were initially approved by the Commission vide Order dated 17.04.20217 after considering the submissions of the parties concerned, which were later modified vide Order dated 03.05.2024, based on the MoM dated 21.02.2024 signed between the State Gas based generators, i.e. M/s Sravanthi Energy Private Limited & M/s Gama Infraprop Private Limited and UPCL, wherein as per the agreed terms between the parties, no LPS would be levied if Gas supply invoice/bill is paid within 15 days from the date of receipt of the bill and/or AFC invoice/bill is paid within a period of 30 days from the date of receipt of the bill, thus providing sufficient liquidity to the Respondent to honour the payment of generators in a timely manner. However, UPCL is at liberty to approach the Commission jointly with the Gas based generators for modification of the terms of the PPA, if it so desires, and the Commission shall take appropriate view on the same, if required, after hearing the parties concerned.

3. Petitioner's Submissions, Commission's Analysis, Scrutiny and Conclusion on Truing up for FY 2024-25

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 2024-25 based on the audited annual accounts and has, accordingly, requested the Commission to carry out the truing up for FY 2024-25 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.

3.1 Impact of Sharing of Gains and Losses on account of Controllable Factors for FY 2024-25.

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 comprise 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.

3.1.1 Physical Parameters

3.1.1.1 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 2024-25 in the Tariff Order dated 31.03.2022 for the fourth Control Period shall continue to be applicable without any change.

3.1.1.2 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 NAPAF of 85% as specified in the Regulations and reducing the auxiliary power, the saleable energy works out as 776.80 MU for FY 2024-25. However, due to restrictions imposed by UPCL on power offtake, only 213.33 MUs of electricity was supplied by M/s GIPL to UPCL in FY 2024-25.

Based on the provisionally verified declared capacity by SLDC, the generator's Plant availability was more than 85% during FY 2024-25.

3.1.2 Financial Parameters

3.1.2.1 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. 524.77 Crore as on 01.04.2024. The Commission vide order dated 17.10.2025, as discussed in preceding paras, has revised the Capital Cost as on CoD of the Petitioner's project. Considering the revised cost and additional capitalisation or de-capitalisation until the end of FY 2023-24, the opening GFA as of 01.04.2024 works out to Rs. 524.77 Crore. This figure has been considered by the Commission as the opening GFA for the purpose of truing up for FY 2024-25.

3.1.2.2 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. 3.31 Crore for FY 2024-25, comprising of Plant & Machinery Rs. 2.95 Crore, Office equipment & other items Rs. 0.05 Crore, Computers Rs. 0.01 Crore and Vehicle Rs. 0.30 Crore respectively, in accordance with Regulation 22(2) of UERC Tariff Regulations, 2021.

The Petitioner submitted that the major additional capitalization claimed for FY 2024-25 is towards 'Evaporative Cooling System at GT Inlet Filters' amounting to Rs. 2.19 Crore, Rs. 0.52 Crore towards control panels, Rs. 0.17 Crore Air Conditioner procured for Plant, and Rs. 0.30 Crore towards procurement of Vehicle respectively. The Petitioner submitted that other capitalization relates to meeting the regular operational needs of the Plant.

It is pertinent to mention that the Commission vide its Tariff Order dated 28.03.2024 and further vide its Order dated 11.04.2025 while carrying out the APR for FY 2024-25 had not approved any projected additional capitalisation for FY 2024-25, stating that the additional capitalisation shall be allowed at the time of truing-up of FY 2024-25 based on the actual expenditure incurred and after carrying out prudence check of the same.

The Petitioner submitted Purchase Orders/Work Orders, and invoices, alongwith the justification for the expenditure and photographs in support of the additional capitalisation incurred for FY 2024-25. The Commission has gone through the submissions made by the Petitioner for the purpose of allowance or otherwise of the additional capitalisation for FY 2024-25.

Asset wise discussion on Additional Capitalisation approved by the Commission for FY 2024-25 is as follows:

1. **Evaporative Cooling System at GT Inlet Filters:**

The Petitioner has claimed an amount of Rs. 2.19 Crore towards the 'Evaporative Cooling System at GT Inlet Filters' and submitted that, it has been installed because during high ambient temperature period, the mass air flow to GT is reduced, thereby reducing generation of GT. Further, recent summers have witnessed high ambient temperature in the range of 44 – 47 degree C at times, reducing Plant's generation with poor heat rate, and installation of evaporative cooling system at inlet filter house is done for reducing the inlet air temperature to increase the GT generation and improve heat rate. Additionally, it will increase the usable life of Air Filters. The Petitioner further submitted that due to increase in ambient temperature there is decrease in gas turbine power output, and cooling the inlet air increases its density, allowing the compressor to move a higher mass of air, which directly increases turbine work output. Further, the increased mass flow also boosts the energy available in the exhaust (approx. 603°C for the 6FA), enhancing steam production in the HRSG and increasing steam turbine output. Moreover, it also facilitates start-up of turbine during any time of day. The Petitioner, further, w.r.t. the impact on Plant efficiency submitted that it can increase net Plant power output by 11% to 15% during peak summer conditions, and also the thermal efficiency can improve by 3% to 4% as the compressor requires less specific work to compress cooler, denser air. This in turn can decrease the Plant heat rate by approximately 4%, representing significant fuel savings per MWh produced, and the increased moisture in the inlet air can reduce NOx emissions by 0.8% to 1.5% per degree Celsius of cooling.

In this regard, the Commission analysed the submissions made by the Petitioner and finds the justification provided by the Petitioner to be satisfactory as the ambient temperature during the peak summers have recently witnessed a drastic increase, and the installation of Evaporative Cooling System mechanism appears to support the operational needs of the Plant. Moreover, the Commission also notes that in the Order dated 05.04.2019, the Commission while approving the SHR of the Gas based generators, had mentioned the suggestion given by the expert consultant who also suggested implementation of an Evaporative ambient air-cooling system at the suction end for operation during the hot weather conditions. The Commission analysed the invoices submitted by the Petitioner towards the capitalization of the Evaporative Cooling System in FY 2024-25 and observed that as against the claimed amount of Rs. 2.19 Crore, since the actual invoices have been submitted for a total amount of Rs. 2.18 Crore (including GI pipes), the Commission allows an amount of Rs. 2.18 Crore towards the same.

2. Control Panels:

The Petitioner claimed an amount of Rs. 0.52 Crore towards the 'Control Panels' and submitted that the same is on account of Variable Frequency Drive Air Cooled Condenser Fans (VFD's ACC Fans), Condensate Extraction Pump (CEP) & Steam Turbine Generator Closed Cooling Water (STG CCW) for performance improvement. The Petitioner submitted that in a Combined Cycle Power Plant, auxiliary system comprising primarily of motors for pumps and fans account for a significant portion of internal power consumption. Traditional systems utilize constant-speed motors with mechanical throttling (valves or dampers), which is inherently inefficient, and implementing VFDs allows for precise speed control, matching motor output to real-time process demand. This transition can reduce auxiliary power consumption by 10-30% in specific applications, directly improving the net Plant heat rate and overall profitability. The Petitioner submitted that for centrifugal loads like Cooling Water Pumps and Induced Draft (ID) fans, power consumption is proportional to the cube of the speed, and a mere 10% reduction in speed can result in around 27% reduction in energy use. Further, VFDs initiate motors at zero voltage and frequency, eliminating high in-rush currents (typically 6-8x full load), which reduces mechanical stress on windings, bearings, and couplings, extending the lifespan of major assets. Further, VFDs provide smooth, stepless control over flow and pressure, ensuring optimal boiler and condenser performance. The Petitioner submitted that this directly reduces the internal load, increasing the net power available for export, and soft starts & lower average operating speeds decrease unplanned downtime and repair costs.

The Commission analysed the submissions made by the Petitioner and observes that, theoretically the justification given by the Petitioner for capitalization of Control Panels appears to be reasonable, however, the actual impact of the same can only be ascertained in future years when the Plant is operating in optimal capacity. In recent period, due to volatility in the prices of the gas in the international market, the Petitioner and the Respondent were unable to tie up the gas at an optimum price level thereby resulting in minimalistic operation of the Plant in the recent past. The Commission understands that despite facing low operation period, the Petitioner is obliged to maintain its Plant in optimal condition and is required to carry on efficiency improvement measures in a manner that as and when the requirement arises, they are ready to meet the power demand of the State. However, the same must also not result in unwarranted expenditure at the whims and fancies of the Petitioner. Here in the case of the Control Panels, the Commission observes that the justification provided by the Petitioner appears to be satisfactory and, therefore, the Commission allows an amount of Rs. 0.52 Crore towards the installation of Control Panels.

3. Vehicles:

The Petitioner submitted that a new Innova Vehicle has been purchased for General Manager at Plant site and claimed an amount of Rs. 0.30 Crore against the same. In this regard, the Commission asked the Petitioner to submit the information w.r.t. the existing arrangement of vehicles for GM at the site prior to procurement of new vehicle, alongwith details of decapitalization, if any, and policy for handing down old assets to the existing employees. In response to the same, the Petitioner submitted that earlier there was an old Swift Dzire car available at site which was for GM site and now the same is being utilized by general shift employees. The Petitioner submitted that no old car has been de-capitalized against the new procurement and there is no policy of handing down old assets to existing employees, and the same is done as per site requirement.

The Commission analysed the submission made by the Petitioner and the Respondent in this regard. Since there is only one GM looking after the entire plant and also since both the units have been commissioned and are in operation, the Commission considering the Plant's requirements, is allowing additional capitalisation of 50% each towards Unit-I and Unit-II towards the Innova vehicle amounting to Rs. 0.30 Crore in FY 2024-25. **The Petitioner is however directed to exercise caution and a judicious approach in planning future vehicle procurement to avoid wasteful expenditure. The Petitioner is also directed to maintain an inventory of its vehicles and submit the same at the time of claiming capitalization under the head vehicles, if any, in ensuing tariff filings before the Commission.**

4. Air Conditioners:

The Petitioner submitted that new ACs have been installed in GT Control & Plant control room in various panels and for air-conditioning of the Plant and claimed an amount of Rs. 0.17 Crore towards the capitalization of the same. In this regard, the Commission asked the Petitioner to submit the information w.r.t. the need analysis of new AC installation, details of de-cap/decommissioned assets, if any, as against the procurement of new ACs. In response to the same, the Petitioner submitted that the new ACs have been installed as there is major increase in ambient temperature during summers, and the existing ACs cooling is not sufficient to cater to the requirement. The Petitioner further submitted that no de-cap of old ACs is done yet, and they are planning to utilize these ACs in other Plant areas. Further, few of the ACs are de-commissioned and lying idle.

The Commission analysed the submissions made by the Petitioner and is of the view that the Petitioner has failed to provide the comprehensive details of the treatment of old ACs replaced with the new ones and has simply mentioned that few shall be used in other location of the Plant and few of them have been decommissioned and lying idle. The Commission is of the view that until and unless complete details w.r.t the decapitalisation/decommissioning is submitted by the Petitioner, the final view on allowability or otherwise of the cost of ACs cannot be made, as there is no merit in allowing the servicing of capital cost of new assets alongwith decommissioned assets, that are no longer being used and still exists in the financial records of the Company. Accordingly, the Commission is provisionally disallowing the additional capitalization of Rs. 0.17 Crore towards installation of ACs, and the Petitioner is at liberty to file its claim, alongwith complete details, for consideration of the Commission in the ensuing tariff proceedings, and the Commission shall take appropriate view on the same based on prudency.

The Commission further analysed the invoices/documentary evidence in support of the other additional capitalization claimed for FY 2024-25, i.e. Computers, Office Equipment's, DSM Implementation etc. totalling to Rs. 0.13 Crore and observes that justification provided by the Petitioner that the said assets have been procured to meet the operational requirements of the Plant appears to be reasonable. The Commission, therefore, allows an amount of Rs. 0.13 Crore towards the same for FY 2024-25.

Accordingly, based on the above discussion, the Commission has allowed total additional capitalization of Rs. 2.99 Crore as against the Petitioner's claim of Rs. 3.31 Crore, as summarized in the Table given below:

Table 3.1: Approved Gross Fixed Assets for FY 2024-25 (Rs. Crore)

Particulars	Opening GFA	Additional Capitalisation	De-capitalisation	Closing GFA
Land (Freehold Land)	9.28	0.00	0.00	9.28
Civil Works	37.67	0.00	0.00	37.67
Plant & Machinery	476.78	2.78	0.00	479.55
Furniture and Fixtures	0.26	0.00	0.00	0.26
Office Equipment & Others	0.10	0.05	0.00	0.14
Computers	0.10	0.01	0.00	0.12
Vehicles	0.58	0.15	0.00	0.73
Total	**524.77**	**2.99**	**0.00**	**527.76**

3.1.2.3 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 81.68:18.32 as on 01.04.2024 while carrying out the truing up for FY 2024-25. The Commission, as discussed in previous paras, has approved the revised Capital cost for the Petitioner's project as on CoD and has approved the debt equity ratio as at the end of FY 2023-24 as 81.68:18.32. The same Debt-Equity Ratio has been considered by the Commission for the opening GFA of FY 2024-25.

Further, with regard to the additional capitalisation claimed for FY 2024-25, 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 2024-25 in the ratio of 70:30 in accordance with the UERC Tariff Regulations, 2021.

The Capital structure for the GFA, additional capitalisation for FY 2024-25 is as summarized in the Table given below:

Table 3.2: Financing for capitalisation for FY 2024-25

Particular	Opening Capital Structure as on 01.04.2024		Addition during year		Deletion during year		Closing Capital Structure as on 31.03.2025	
	(Rs. Crore)	%	(Rs. Crore)	%	(Rs. Crore)	%	(Rs. Crore)	%
Debt	428.65	81.68	2.09	70.00	0.00	0.00	430.74	81.62
Equity	96.12	18.32	0.90	30.00	0.00	0.00	97.02	18.38
Total	**524.77**	**100.00**	**2.99**	**100.00**	**0.00**	**0.00**	**527.76**	**100.00**

3.1.2.4 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. 26.62 Crore for FY 2024-25 considering the revised capital cost as approved by the Commission vide Order dated 17.10.2025, and the capital addition for 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 5.04% by applying the operational days of the assets and depreciation rates as specified in Appendix-II of UERC Tariff Regulations, 2021. The Commission, accordingly, has worked out the depreciation of Rs. 26.54 Crore on the admissible average GFA of Rs. 526.27 Crore for FY 2024-25 by applying the weighted average rate of depreciation of 5.04%.

Depreciation, as approved in the Tariff Order dated 28.03.2024, claimed by the Petitioner and trued up for FY 2024-25 is as follows:

Table 3.3: Depreciation claimed and approved for FY 2024-25 (Rs. Crore)

Particular	Approved in Tariff Order dated 28.03.2024	Claimed by Petitioner	Approved after truing up
Opening Capital Cost	403.79	524.77	524.77
Addition during year	0.00	3.31	2.99
Less: De-capitalisation	0.00	0.00	0.00
Closing Capital Cost	403.79	528.08	527.76
Average Capital Cost	403.79	-	526.27
Weighted Average rate of Depreciation	5.05%	-	5.04%
Depreciation	**20.40**	**26.62**	**26.54**

3.1.2.5 *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. 32.97 Crore for FY 2024-25 for the purpose of truing up based on the weighted average rate of interest of 16.07% p.a. The Petitioner has considered addition to normative loan amounting to Rs. 2.32 Crore and repayment amounting to Rs. 26.62 Crore towards repayment of normative loan for FY 2024-25.

The Petitioner submitted that the principal payment towards the actual loan done in FY 2024-25 is Rs. 82.12 Crore which includes the principal due of Rs. 24.26 Crore and prepaid principal of Rs. 57.86 Crore. For computation of Weighted Average Rate of Interest for FY 2024-25, the Petitioner has considered the principal payment of only principal due, i.e. Rs. 24.26 Crore and then arrived at average normative loan of Rs. 205.22 Crore. The Petitioner through its subsequent submission dated 13.01.2026 submitted the updated tariff formats wherein it claimed that based on actual repayment of loan (including prepayment) and interest charged by the bank, the weighted average rate of interest works out to 16.07% for FY 2024-25, which has been considered for the purpose of true up and calculation of the interest on normative loan. The Petitioner also submitted that it has been charged with the actual interest of 13.63% during FY 2024-25.

The Commission analysed the submission made by the Petitioner and observed that the Petitioner has made prepayment of its outstanding loan in FY 2024-25, and consequent to the same the computed weighted average rate of interest is being reflected on a very higher side. This does not depict the correct picture of the actual levy on the Petitioner company towards the interest on loan amount. The Commission, therefore, asked the Petitioner to submit the documents in support of the applicable rate of interest on long term loans in FY 2024-25, in support of which the Petitioner submitted the rate of interest document of the Bank of Baroda for FY 2024-25. The Commission, based on the documents provided by the Petitioner, observed that the rate of interest applicable from 01.04.2024 to 30.09.2024 is 13.45% and from 01.10.2024 to 31.03.2025 is 13.70%, and, accordingly, the weighted average rate of interest applicable to Petitioner company during FY 2024-25 works out to 13.57%. The Commission has, therefore, considered the same for the purpose of truing up of FY 2024-25.

The Commission has considered the net opening normative loan of Rs. 216.97 Crore and repayment has been considered equal to the admissible depreciation, i.e. Rs. 26.54 Crore. Further, as mentioned in preceding paras of this Order, admissible additional capitalisation for FY 2024-25 of Rs. 2.99 Crore has been considered in the ratio of 70:30 in accordance with the UERC Tariff Regulations, 2021. Accordingly, the Commission has considered net addition to normative loan amounting to Rs. 2.09 Crore.

Further, the Petitioner has claimed Bank Charges amounting to Rs. 2.07 Crore for FY 2024-25 as finance charges, excluding the bank charges towards untied capacity. The Commission observed that the total bank charges as per audited accounts are Rs. 2.23 Crore, and excluding the bank charges towards untied capacity as submitted by the Petitioner, the Commission has considered the bank charges of Rs. 2.07 Crore for the purpose of truing up of FY 2024-25.

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

Table 3.4: Interest on Normative Loan for FY 2024-25 (Rs. Crore)

Particular	Approved in Tariff Order dated 28.03.2024	Claimed by Petitioner	Approved after truing up
Gross Opening Normative Loan	327.71	429.29	428.65
Cumulative Repayment	163.14	211.92	211.68
Net Opening Normative Loan	164.57	217.37	216.97
Net Additional Capitalisation	0.00	2.32	2.09
Normative Repayment of loan	20.40	26.62	26.54
Net Closing Normative Loan	144.17	193.07	192.52
Average Normative Loan	154.37	205.22	204.74
Rate of Interest	12.11%	16.07%	13.57%
Normative Interest	**18.70**	**32.97**	**27.67**
Add: Financial charges	1.34	2.07	2.07
Total Interest and Finance Charges	**20.04**	**35.04**	**29.74**

3.1.2.6 *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. 14.98 Crore on the average equity for FY 2024-25 after considering actual additional capitalisation during FY 2024-25.

The Commission has allowed the Return on Equity on the Average equity base at the rate of 15.50%, after considering 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. 0.90 Crore for FY 2024-25 against works beyond the original scope of work.

As discussed in preceding paras of this Order, the Commission has approved rate of interest on loan capital as 13.57% for FY 2024-25. Accordingly, RoE has been allowed on the addition post cut-off date, as discussed above, at the rate of 13.57% 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 2024-25 is given in the Table below:

Table 3.5: Return on Equity approved for FY 2024-25 (Rs. Crore)

Particular	Approved in Tariff Order dated 28.03.2024	Claimed by Petitioner	Approved after truing up
(A) Equity within Original Scope of Work			
Opening Equity	75.69	96.12	95.59
Net Addition during the year	0.00	0.99	0.00
Closing Equity	75.69	97.11	95.59
Rate of Return on Equity	15.50%	15.50%	15.50%
Return on Equity	**11.73**	**14.98**	**14.82**
(B) Equity beyond Original Scope of Work			
Opening Equity	0.39	-	0.53
Net Addition during the year	0.00	-	0.90
Closing Equity	0.39	-	1.42
Rate of Return on Equity	12.11%	-	13.57%
Return on Equity	**0.05**	**-**	**0.08**
Total RoE (A)+ (B)	**11.78**	**14.98**	**14.90**

3.1.2.7 Operation & Maintenance (O&M) Expenses

3.1.2.7.1 Truing up of O&M Expenses for FY 2024-25

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. 51.03 Crore for FY 2024-25 for the contracted capacity of the Petitioner's Plant. The Petitioner submitted that the actual O&M expense of Rs. 35.43 Crore has been incurred during FY 2024-25.

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, under the head Administrative & General expenses, has claimed expenses amounting to Rs. 0.50 Crore during FY 2024-25 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 Petitioner submitted the reasons for increase in O&M expenses in FY 2024-25 under the major heads as compared to FY 2023-24 as follows:

S. No.	Expense Head	FY 2023-24 (Rs. Crore)	FY 2024-25 (Rs. Crore)	Reason for variance
1.	R&M (Plant & Machinery)	16.97	19.61	Gas Turbine fastener set for diaphragm coupling, HGPI GT Spares procured for upcoming major inspection of Gas Turbine and other regular maintenance in BoP.
2.	R&M (Building)	1.97	4.61	Raw water tank structure is constructed again with foundation work due to major leakage; Store Roof work is redone with some new columns added, Columns casted for GT filter house support work and other repair work in BoP.
3.	Professional & Consultancy Charges	1.76	2.28	Consultancy charges are increased due to ongoing legal matters in Hon'ble Supreme Court & APTEL.
4.	Employee Cost	2.65	3.59	Increase is due to revision in salary of existing employee, and some new employees have joined the organization
5.	Miscellaneous expenses	0.05	0.70	Misc. expenses are done at site for Pooja, First Aid, Staff Compensation etc.

The Commission observed that the Petitioner has submitted the major reason for increase in R&M Plant & Machinery is due to procurement of Gas Turbine spares for HGPI, and asked the Petitioner to submit whether actual HGPI was carried out in FY 2024-25 or not along with detail of firing hours of the turbine till the end of FY 2024-25. In response to the same, the Petitioner submitted that the total Firing hours of GT is approx. 21616 hrs till the end of FY 2024-25 and HGPI has not been carried out yet. The Petitioner during the discussion apprised that usually the HGPI is carried at an interval of 24000 firing hours of the GT, which in normal course of operations of the Plant, was expected to happen in FY 2024-25, however, due to unviable gas rates in the market, the Plant operation was very minimal and therefore the anticipated firing hours could not be achieved. The Petitioner also stated that it had procured Gas Turbine spares for HGPI in anticipation of the same and the said spares shall be utilized in future based on the operational requirement of the Plant as and when the HGPI is carried out.

The Commission analysed the submissions made by the Petitioner and is of the view that advance planning is essential for such major inspection of the Gas Turbine, i.e. HGPI, and the justification given by the Petitioner that it had procured spares for the same in anticipation appears to be reasonable, and accordingly, accepts the same.

Further, the Petitioner w.r.t. the increase in expenses under the head R&M Buildings submitted that the raw water tank structure is constructed again with foundation work due to major leakage, Store Roof work was redone with some new columns added, Columns casted for GT filter house support work and other repair work in balance of Plant. In this regard, the Commission asked the Petitioner to submit the reason for claiming cost of construction of water tank under R&M expenses, and the details of de-cap, if any, against the old assets. In response to the same, the Petitioner submitted that the repair of raw water tank is towards the repair of major leakage in the same, and accordingly, the cost has been claimed under R&M expenses, and no decapitalization has been done of the old asset.

The Commission has gone through the submissions made by the Petitioner and based on the submission made by the Petitioner and records brought before the Commission for consideration, the Commission is of the view that the same have been incurred to meet the operational needs of the Plant.

Further, w.r.t. the increase in employee expenses, the Commission observed that in FY 2024-25 the Petitioner has recruited 21 new employees. The Commission asked the Petitioner to submit the details of the new employees recruited by it in FY 2024-25 alongwith functional areas where they have been deployed in the company. In response to which the Petitioner vide its submission dated 20.02.2026 provided the details wherein it was informed that, apart from regular functional requirement, the Petitioner has appointed two technical associates for Gas Turbine for HGPI & other modifications for which employee cost of Rs. 0.50 Crore has been booked in FY 2024-25. In this regard, the Commission asked the Petitioner to submit the CV alongwith the appointment letter issued to these two technical associates and inform whether these two technical associates have been recruited for a fixed period or are permanent employees. In response to the same, the Petitioner submitted the requisite documents and informed that these two employees have been recruited on permanent basis by the Company. The Petitioner, further, during the discussion informed that these employees, apart from other works, shall assist in HGPI of the Plant. The Commission has gone through the justification submitted by the Petitioner and accepts the same.

Further, the Commission analysed the other heads of the O&M expenses claimed by the Petitioner for FY 2024-25, and based on the submissions made by the Petitioner and records brought before the Commission for consideration, the Commission is of the view that the same have been incurred to meet the operational need of the Plant as per the claims made by the Petitioner.

Based on the above discussion, allowable O&M expenses, for the purpose of sharing, works out to Rs. 34.93 Crore against the claim of Rs. 35.43 Crore for FY 2024-25. 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 2024-25 after sharing of gain/loss in accordance with the Regulations as shown in the Table below:

Table 3.6: O&M Expenses Approved After Sharing of Gains & Losses for FY 2024-25 (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
35.43	34.93	51.03	16.10	10.73	45.66

3.1.2.8 *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 foregoes 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 2024-25.

3.1.2.9 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. 0.75 Crore as per the audited annual accounts for FY 2023-24. The Commission observed that as per audited accounts for FY 2024-25 interest income is Rs. 0.75 Crore and other incomes are Rs. 0.54 Crore, totalling to Rs. 1.29 Crore. Accordingly, the Commission has approved the actual non-tariff income of Rs. 1.29 Crore for FY 2024-25 as per the audited annual accounts after prudence check.

3.1.2.10 Annual Fixed Charges (AFC) for FY 2024-25

Based on the above analysis, the Commission has worked out the approved figures of AFC for FY 2024-25. The summary of the same is as follows:

Table 3.7: Annual Fixed Charges for FY 2024-25 as approved by the Commission (Rs. Crore)

Particulars	Tariff Order dated 28.03.2024	Claimed in Petition	Approved/ Trued up
Depreciation	20.40	26.62	26.54
Interest on Loan & Financial Cost	20.04	35.04	29.74
Return on Equity	11.78	14.98	14.90
O&M Expenses	51.03	35.43	45.66
Interest on Working Capital	0.00	0.00	0.00
Less: Non-Tariff Income	(0.64)	(0.75)	(1.29)
Sub-Total	**102.61**	**111.31**	**115.55**
True up for FY 2022-23 with carrying cost	(10.58)	0.00	(10.58)
Total	**92.03**	**111.31**	**104.97**

Accordingly, trued-up AFC for FY 2024-25 works out to Rs. 104.97 Crore against Rs. 92.03 Crore approved by the Commission vide its Tariff Order dated 28.03.2024. The Commission has worked out a deficit of Rs. 12.94 Crore for FY 2024-25 which works out to Rs. 16.37 Crore with carrying cost which shall be recovered by the Petitioner in 7 equal instalments starting from September 2026 in the monthly invoices to be raised on UPCL.

3.1.2.11 Capacity Charge and Energy Charge Rate (ECR) for FY 2024-25

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 2024-25.

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 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*

$$ECR = GHR \times LPPF \times 100 / \{CVPF \times (100 - AUX)\}$$

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 2024-25, 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 1971.952 kCal/kWh for FY 2024-25 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 2.58% for FY 2024-25 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 2024-25 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 higher 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 3.8: True-up of Energy Charges approved by the Commission

Particulars	Unit	FY 2024-25
CVPF (Weighted average GCV of fuel)	Kcal/SCM	9,444.64
Gas Consumption (SM3)	SM3	4,57,19,343.79
Total Fuel cost	Rs.	1,67,03,89,380.48
LPPF (Total Gas bill amount/ Total Gas taken during the month)	Rs./ SM3	36.54
Gross annual Generation	kWh	21,89,72,333.33
Actual Station Heat Rate	kCal/kWh	1,971.952
Normative Station Heat Rate	kCal/kWh	1988.05
Actual Auxiliary Energy Consumption	%	2.58%
Normative Auxiliary Energy Consumption	%	2.50%
Actual Energy Charge Rate **(a)**	Rs./kWh	7.830
Normative Energy Charge Rate **(b)**	Rs./kWh	7.888
Energy Sent out **(A)**	kWh	21,33,29,315.75
Energy Charges to be recovered at Actual Energy Charge Rate **(B) = (A)*(a)**	Rs.	1,67,03,84,022.75
Energy Charges to be recovered at Normative Energy Charge Rate **(C)= (A)*(B)**	Rs.	1,68,26,94,751.01
Gain/(Loss) **(D) = (C)-(B)**	Rs.	1,23,10,728.25
Sharing of Gain *(2/3 of Gain/loss)* **(D)**	Rs.	82,07,152.17
Energy Charges after sharing **(E)=(B)+(D)**	Rs.	1,67,85,91,174.92
Actual Energy charges already recovered **(F)**	Rs.	1,67,19,15,106.07
Balance amount to be recovered or (refund) (E)-(F)	**Rs.**	66,76,068.85

Accordingly, Energy Charges after sharing works out to Rs. 167.86 Crore against Rs. 167.19 Crore recovered by the Petitioner for FY 2024-25. The Commission has worked out a deficit of Rs. 0.67 Crore for FY 2024-25 which works to Rs. 0.84 Crore with carrying cost. Accordingly, the energy charges to be recovered from UPCL works out to Rs. 0.84 Crore, which shall be recovered by the Petitioner in 7 equal instalments starting from September, 2026 in the monthly invoices to be raised on UPCL.

4. Petitioner's Submissions, Commission's Analysis, Scrutiny and Conclusion on APR for FY 2025-26

4.1 Annual Performance Review

The Commission, vide its Tariff Order dated 11.04.2025, approved the Tariff for the Petitioner's Plant for FY 2025-26. Regulation 12(3) of the UERC Tariff Regulations, 2024 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, 2024 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 11.04.2025 had approved the AFC for FY 2025-26 for the Petitioner's Plant. The Petitioner, in its present Petition, has proposed revision of estimates for FY 2025-26 based on the audited accounts for FY 2024-25 and revised estimates for FY 2025-26.

The Commission, in this Order, has carried out the Truing up for FY 2024-25 in accordance with the UERC Tariff Regulations, 2021. In accordance with Regulation 12(3) of the UERC Tariff Regulations, 2024, 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 2024-25 based on the audited accounts for that year and has given effect on this account during the proceedings for determination of AFC for FY 2026-27.

Further, the Petitioner has proposed additional capitalization of Rs. 2.92 Crore in FY 2025-26 comprising of Plant & Machinery (diverter damper installation) amounting to Rs. 2.1 Crore, Vehicle procurement for senior employee Rs. 0.30 Crore and other minor purchases towards P&M, office equipment's, computers etc. The Commission has gone through the submissions of the Petitioner and observed that out of the projected additional capitalisation of Rs. 2.92 Crore, only Rs. 0.02 Crore has been incurred under the head of computers till H1 of FY 2025-26. Accordingly, the Commission is of the view that the proposed additional capitalisation shall be allowed at the time of truing-up of FY 2025-26 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 fifth Control Period vide Order dated 11.04.2025.

Further, the Petitioner is directed to submit independent agency report for the capitalisation describing the necessity of the work, and provide proper justification duly substantiated with the documentary proofs, during the proceedings for true-up of FY 2025-26. Further, the Petitioner is also directed to claim additional capitalisation only when the entire works are completed, and asset is put to use.

The Commission further directs the Petitioner to give prior information to the licensee, including the scheduled date of commencement of works, before incurring any major Capital Expenditure or any major Repair & Maintenance in its Plant, at least 2 months in advance. The licensee will be at liberty to physically verify the claims of the Petitioner, not later than 10 days before the scheduled dated of commencement of works as informed by 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 of the site (prior to execution of work and post execution of the work) etc. in support of works to be executed and submit the same to the Commission at the time of truing up of respective years.

The Commission would like to further clarify that major Capital Expenditure, or any major Repair & Maintenance shall include all the expenditure which are generally non-recurrent in nature and cannot be equated with regular nature works in normal parlance.

5. Petitioner's Submissions, Commission's Analysis, Scrutiny and Conclusion on ARR for FY 2026-27

5.1 Physical Parameters

5.1.1 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 FY 2026-27 in the Tariff Order dated 11.04.2025 shall continue to be applicable without any change.

5.1.2 Design Energy, Auxiliary Energy Consumption and Saleable Primary Energy

The Petitioner in its Petition has projected energy generation from its 225 MW CCPP as approved for FY 2026-27 in the Tariff Order dated 11.04.2025.

Accordingly, the Commission approves saleable primary energy after deducting the normative auxiliary consumption of 2.85% as 774.02 MUs for FY 2026-27.

5.2 Financial Parameters

5.2.1 Additional Capitalisation for the fifth Control Period

As discussed in tariff Order dated 11.04.2025, 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 Petitioner has proposed additional capitalisation of Rs. 16.10 Crore for FY 2026-27. 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 FY 2026-27, 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, and also as requested by the Petitioner in the tariff Petition to consider the additions based on actuals at the time of truing up of FY 2026-27, additional capitalisation proposed for FY 2026-27 has been considered as nil, however, the same shall be reviewed at the time of truing up of the respective years.

Further, as discussed in preceding paras, the Commission has revised the Capital Cost as on CoD of the Petitioner's project vide order dated 17.10.2025. Accordingly, capital cost worked out as on 31.03.2025, i.e. Rs. 527.76 Crore after considering the net additional capitalisation approved for FY 2024-25, has been considered as opening capital cost for FY 2025-26. Further, as discussed above, no additional capitalisation has been considered for FY 2025-26 which shall, however, be reviewed at the time of truing up of the respective financial year. Therefore, capital cost of Rs. 527.76 Crore has been considered as on 01.04.2026.

5.2.2 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 for FY 2026-27 based on the opening capital cost and proposed additional capitalisation for the respective financial year. 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 FY 2026-27. Details of the depreciation claimed and approved for FY 2026-27 is as follows:

Table 5.1: Depreciation approved by the Commission for FY 2026-27 (Rs. Crore)

Particulars	Approved in T.O. dated 17.10.2025	Claimed	Approved
Depreciation	26.53	27.58	26.69

5.2.3 *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 FY 2026-27 amounting to Rs. 16.10 Crore out of its equity. The Petitioner has claimed RoE of Rs. 15.56 Crore on an average equity for FY

2026-27.

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 FY 2026-27. 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-rata basis considering additional capitalization done during the year. The details of Return on Equity claimed and approved for FY 2026-27 is as follows:

Table 5.2: Return on Equity approved by the Commission for FY 2026-27 (Rs. Crore)

Particular	Approved in Order dated 17.10.2025	Claimed	Approved
Return on Equity	14.90	15.56	15.04

5.2.4 *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. 168.32 Crore for FY 2026-27. The Petitioner has also considered addition to normative loan of Rs. 11.27 Crore in FY 2026-27 equivalent to 70% of the proposed additional capitalisation for FY 2026-27. Further, the Petitioner has considered the weighted average rate of interest as 13.75% for FY 2026-27.

The Commission has considered the closing loan balance of FY 2024-25 as opening loan balance for FY 2025-26. The Commission has considered the depreciation for FY 2025-26 as the normative repayment for the year, and accordingly, the closing loan balance for FY 2025-26 has been considered as the opening loan balance for FY 2026-27, i.e. Rs. 165.83 Crore. As discussed in preceding paras, the Commission has decided to approve the additional capitalisation on actual basis, therefore, the Commission has not considered any addition to loan during FY 2026-27. The Commission has considered the normative repayment equivalent to the approved depreciation for FY 2026-27. Furthermore, weighted average rate of interest as derived for FY 2024-25, i.e. 13.57% has been considered for determination of interest on normative loan which shall be reviewed at the time of truing up.

Further, the Petitioner has claimed Bank charges amounting to Rs. 2.20 Crore for FY 2026-27. The Commission has decided to provisionally approve the Bank Charges for FY 2026-27 as claimed by the Petitioner. 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 FY 2026-27 are as shown in the Table given below:

Table 5.3: Interest on Loan approved by the Commission for FY 2026-27 (Rs. Crore)

Particulars	Approved in Order dated 17.10.2025	Claimed	Approved
Normative Interest	20.05	22.02	20.70
Add: Finance Charges	2.20	2.20	2.20
Interest and Finance Charges	**22.25**	**24.22**	**22.90**

5.2.5 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 FY 2026-27 are as follows:

Table 5.4: O&M expenses approved by the Commission for FY 2026-27 (Rs. Crore)

Particular	Approved in Order dated 17.10.2025	Claimed	Approved
O&M expense	53.61	53.61	53.61

However, the Petitioner is directed to be vigilant while incurring the 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.

5.2.6 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 option 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 FY 2026-27.

5.2.7 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 FY 2026-27. In the absence of any yardstick for estimating the non-tariff income of the Petitioner, the Commission provisionally accepts the same for FY 2026-27. However, the same shall be trued up based on the actual audited accounts for the respective year.

5.2.8 *Annual Fixed Charges for FY 2026-27*

In accordance with the UERC Tariff Regulations, 2024, the Annual Fixed Charge (AFC) for FY 2026-27 as claimed and approved by the Commission is shown in the Table below:

Table 5.5: Annual Fixed Charges for FY 2026-27 approved by the Commission (Rs. Crore)

Particulars	As approved in Order dated 17.10.2025	As claimed by the Petitioner	As approved by the Commission
Depreciation	26.53	27.58	26.69
Interest on Loan and Finance charges	22.25	24.22	22.90
Return on Equity	14.90	15.56	15.04
O&M Expenses	53.61	53.61	53.61
Interest on Working Capital	0.00	0.00	0.00
Less: Non-Tariff Income	0.64	0.64	0.64
Sub- Total	**116.65**	**120.33**	**117.60**
True up for FY 2024-25 with carrying cost	-	-	16.37
Total	**116.65**	**120.33**	**133.97**

5.2.9 *Capacity Charge and Energy Charge Rate (ECR) for FY 2026-27*

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 FY 2026-27 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 x Σ DCi / { N x IC x (100 - AUX) } %

i = 1

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.

5.2.10 Adjustment of Annual Fixed Charge approved vide interim Order dated 30.03.2026

The Commission vide interim Order dated 30.03.2026 approved the Annual Fixed Charges for the Petitioner's project for FY 2026-27. The relevant extract of interim Order dated 30.03.2026 is reproduced hereunder:

"…

The Annual Fixed Charges (AFC) of the Petitioner for FY 2026-27 attributable to its beneficiary is summarized in the Table given below:

Table 1.1: AFC provisionally approved by the Commission for FY 2026-27 (Rs. in Crore)

Particulars	*Approved in Order dated 17.10.2025*
Depreciation	*26.53*
Interest on Loan and Finance charges	*22.25*
Return on Equity	*14.90*
O&M Expenses	*53.61*
Interest on Working Capital	*0.00*
***Less:** Non-Tariff Income*	*0.64*
Sub- Total	***116.65***
True up for FY 2024-25 with carrying cost	*-*
Total	***116.65***

"…

In this regard, the differential amount of Annual Fixed Charges, as already claimed by the Petitioner based on the interim Order dated 30.03.2026 and that approved by the Commission in this Order for FY 2026-27 (excluding impact of truing-up of FY 2024-25), shall be claimed by the Petitioner from UPCL in 7 monthly instalments and UPCL shall be at liberty to recover the same from the consumers as part of FPPCA, post the date of issue of this Order. The Petitioner is also required to enclose the calculation for the differential amount claimed alongwith the invoice in which the said differential amount is claimed by it. From 01.09.2026, the recovery of AFC shall be based on the AFC approved vide this Order.

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