

CHAPTER 3

OBJECTIONS

As mentioned in Chapter 1 of this tariff order, the Commission had invited objections on the tariff petition filed by the TVNL. The Commission received comments from M/s TISCO (Power Business Division) and M/s TATA Power, Jamshedpur. The Commission had conducted a public hearing on June 26, 2004, in Ranchi. The objections received have been carefully examined by the Commission and been taken into account as an integral part of the overall process of tariff determination. The major objections have been grouped together according to the nature of objection and have been summarized in this section.

3.1 Interest During Construction

TATA Power

The total expenditure on the project, including IDC (Interest During Construction) till 31st March 1998 is given as Rs. 1541.76 Crores, whereas details of financing are given as Rs. 1035.28 Crores. The difference of Rs.506.48 Crores seems to be account of IDC. However, in the petition it is indicated that the interest paid on government loan till 31st March 1998 including penal interest is Rs.407.98.

3.1.1 TVNL's rejoinder

TVNL could not provide a detailed breakup of IDC

3.1.2 The Commission's views

The Commission had directed the TVNL to provide a detail breakup of IDC, source-wise and interest-wise future loan repayment. However, TVNL was unable to provide the same. After the hearing TVNL have submitted a detail which also does not tally with above-mentioned figures.

3.2 Station Heat Rate

TISCO, Power Business Division

The Heat rate which is calculated on the basis of plant performance parameters like specific coal (0.68 kg/kWh) and specific oil consumption (8.17 ml/kWh) for the FY 2003-04, with an average coal Gross Calorific Value of 4500 kCal/kg, is equivalent to 3114 kCal/kWh. This is considerably higher than the CERC norm of 2500 kCal/kWh. However, in the petition, the Heat rate has been given as 1980 kCal/kWh. The objectors are of the view that TVNL needs to provide the correct data for Station heat rate.

3.2.1 TVNL's rejoinder

TVNL responded to this objection by stating that the heat rate, which was mentioned in the petition, was a mistake. They have submitted a revised heat rate of 3040.54 kCal/kWh.

3.2.2 The Commission's views

The Commission is also surprised regarding the ambiguity towards statement of heat rate by the petitioner. As discussed in section 2.9.2 of Chapter 2, initially the petitioner had specified the Station Heat Rate as 1980 kCal/ kWh. However, when this data was used to calculate the actual fuel consumption, the records of actual fuel consumption did not match with the computed fuel consumption figures. When the Commission questioned TVNL on accuracy of the data provided by them, they responded by submitting a revised Station Heat Rate of 3040.54kCal/ kWh. The Commission has further dealt with this issue in the section 5.18.2 of Chapter 5.

3.3 Secondary Specific Fuel Consumption

TISCO, Power Business Division

One of the objections was attributed towards the high secondary fuel consumption of 8.5 ml/kWh, as mentioned in the petition. This is much higher than the CERC norms of specific oil consumption, of 2ml/kWh. This would have an adverse impact on cost by 12 paise per unit. However, no action has been proposed by TVNL to reduce the specific oil consumption

3.3.1 TVNL's rejoinder

According to the petitioner, the main reasons for the high oil consumption are firstly, the grid evacuation capacity of the plant is very poor. There have been several instances where the load had to be reduced as per the instructions of PTPS and oil support had to be given. Another reason for the high oil consumption has been attributed to the Outage/tripping of one of the units due to frequent outage/ tripping of BiharSharif and PTPS Feeders.

3.3.2 The Commission's views

The Commission had directed TVNL to furnish a detailed schedule of monthly fuel consumption (coal and oil) along with their respective rates for the FY 2003-04. Further, the Commission is of the view that the secondary fuel consumption is indeed very high and TVNL needs to give a justification for this. TVNL has provided information in this regard. This has been discussed in section 5.18.6 (ii) of Chapter 5.

3.4 Interest on Working Capital

TISCO, Power Business Division

The rate of interest on Working Capital, as per the CERC norms, should be around 10.5%. However, the petitioner has considered the interest rate on working capital as 14%, which is on the higher side.

3.4.1 TVNL's rejoinder

There was no response from TVNL in this regard.

3.4.2 The Commission's views

The Commission agrees that current Short-term prime-lending rate of the SBI is in the range of 10.5%-12.5%. However, this primarily depends on the credit worthiness and credit rating of the company. Therefore the Commission has decided to use a conservative short-term market rate of 12.5% as against proposed 14% as interest rate on working capital.

3.5 Interest on Loan

TISCO, Power Business Division

One of the objections has been attributed to the fixed interest rate on loan as mentioned in the petition. This has been specified as 13% by the petitioner, which is very high as the long-term loan in the market, is available in the range of 7-8%. TVNL needs to indicate whether there has been any plan to swap the costlier loan.

3.5.1 TVNL's rejoinder

TVNL was unable to provide any comprehensive reply to this objection

3.5.2 The Commission's views

The Commission is of the view that the rate of interest payable for various loans is not very clear from the petition. The interest rate on loan seems to be very high as compared to the present market rate of interest. The Commission felt that TVNL should provide details regarding source-wise interest rate payable and the licensee plans' for refinancing of loans that carry a higher rate of interest. However, TVNL was unable to provide the same. The Commission also acknowledges that these loans were taken in the past and carries a higher rate of interest as against the prevailing rate of interest.

3.6 Low PLF and High Auxiliary Consumption

TATA Power

One of the major objections to TVNL's petition is that TVNL should explain why they are not able to run the thermal plant at a higher PLF even after line constraints have been removed. Since, according to TVNL, it is feasible to evacuate about 350 MW, they should be running at a PLF of over 90%. They should therefore, look into the possibility of supplying power to JSEB, grid, and deficit regions. Also, auxiliary consumption has been given in the petition to be in the range of 15-16%, which is considerably higher than the norm of 9%.

3.6.1 TVNL's rejoinder

The main reason given by TVNL for the low PLF and very high auxiliary consumption is that one of the units of the thermal plant has not been operational. However, they claim to overcome this barrier by December 2004, when both the units become operational.

3.6.2 The Commission's views

As discussed in sections 2.3.1 and 2.3.2 of Chapter 2, the petitioner has mentioned the actual PLF and auxiliary consumption of the TVNL plant for the FY 2004-05 as 46.61% and 12.5% respectively. The Commission is of the view that a PLF of 46.61% for the FY 2004-05 is abysmally low and hence cannot be approved. TVNL should achieve PLF of 80% but it may not be able to achieve it in a short time, hence the Commission has decided to consider the PLF at 68.5% keeping in view also the Regulation in this regard. The Commission also believes that the auxiliary consumption of 12.5% is very high and a normative value of 9% shall be considered for tariff determination purposes. This is further discussed in section 5.16 of Chapter 5.