

CHAPTER 3

COMPLIANCE OF DIRECTIVES

The Commission had identified several areas where the Petitioner needed to make substantial efforts for improvement. The Commission issued a number of directives to the petitioner pertaining to these areas in the Order for FY 2005-06. The following sections list these directives, the status of compliance by the petitioner and the Commission's view on the compliance.

3.1 Loan refinancing option

In view of the trend of falling interest rates the Commission has been asking the petitioner right from the first tariff order (2004-05) to refinance its loan. The petitioner had claimed that it had proposed to the State Government to swap the high interest rate loans with lower interest loans. Since, no action had been taken on this issue, the Commission had asked the petitioner to follow up aggressively on this proposal.

3.1.1 Response:

The petitioner has responded that it is pursuing this matter with the State Government. It has asked the State Government to convert loan and part of the accrued interest into equity and waive the balance accrued interest. The petitioner has provided documentary evidence for the same.

3.1.2 Commissions View

In its note ref 1273/08 dated 27.08.05 TVNL has proposed that out of accumulated interest of RS 949.52 crores upto 31.03.2005, an amount of Rs 391.11 be converted into share capital. It is to be noted that accumulated interest is that interest, which has not been paid by TVNL, and such interest cannot be allowed to be converted into equity, as it would mean allowing return on funds, which is not a capital expenditure. It would also set a precedent for other utilities to not pay interest on loans and get it converted into equity and take benefit of return on equity for the entire life of the project at the cost of the consumer. It would have the effect of pushing up the tariff of electricity over the entire life of the plant. It is the duty of TVNL to pay up its accumulated interest. It cannot get its accumulated interest converted into equity.

3.2 Completion of Merry Go Round (M.G.R)

The Commission had directed TVNL to ensure that the MGR construction is completed by the deputed agencies by June 2006.

3.2.1 Petitioners Response

The petitioner has stated that the entire work of track linking from Dumri Bihar Station to plant areas has been entrusted to two agencies- East Central Railways and Rites Ltd. East Central Railway, Hazipur is doing the work of Junction arrangement including track linking at Dumri Station. Most of the earthwork has been completed.

The petitioner further states that the laying of track linking work at Dumri station will be started very soon. The execution of this work was delayed due to non-supply of P-way materials including P.S sleepers. The delay in supply of the materials has been attributed to the poor response received to the tenders floated for the same.

RITES Ltd has done the entire track linking work except the work inside power- house. Track linking work inside powerhouse has been delayed due to non-supply of P.S.C sleepers. Now the P.S.C sleepers have been supplied to the Agency and work is expected to commence very soon.

The petition expects that the entire remaining work of the MGR system will be completed by the end of March 2008.

3.2.2 Commission's View

Coal is transported to the Tenughat Thermal power station, from the Central Coalfields Limited (CCL) mines through trucks. The Commission has observed that more than Rs 60 Crores has been spent on railway siding. However, the line is still not operational. There is time and again slippage on this front due to which capital expenditure already incurred is going waste. At the same time cost of MGR has gone up. Also, TVNL is paying a high cost for transportation, year after year. The work on the M.G.R needs to be taken up on war footing. A lot of transportation cost in carrying coal will be reduced once the M.G.R is in place.

3.3 Scheduled Maintenance Plan

The Commission had directed TVNL to submit a detailed maintenance plan with information on maintenance activity, personnel involved, tools, tackles, time schedule, shutdown, spares and actions required to be performed.

3.3.1 Petitioner's Response

The petitioner has stated that Unit 1 is under forced capital maintenance since June 2007 due to damage of L.P Turbine. The work of capital maintenance of Unit 1 is likely to be completed by March 31, 2008. The petitioner has stated that there is no maintenance plan for unit –II during 2007-08. The petitioner has however stated that it is trying to contact HMT for setting up workshop at the plant.

3.3.2 Commission's View

The petitioner has not complied with the above directions due to which it is incurring high cost on maintenance. Also, from a perusal of the minutes of meeting with BHEL titled 'record notes of observation on LP turbine following blade failure at Unit I, Tenuughat TPS/TVNL' submitted the commission, it is evident that routine maintenance is not being carried out properly.

3.4 Operational Efficiency

Commission had directed TVNL to submit the findings of the energy audit being conducted by GENPEEP and NTPC on both the unit to the Commission by June 2006.

3.4.1 Petitioners Response

The petitioner has responded that the energy audit will be carried out by NTPC or any other suitable agency once the major overhauling of Unit–I is completed.

3.4.2 Commission's View

The petitioner has not complied with the above direction of the Commission due to which its auxiliary consumption is high and its station heat rate is also high. Energy Audit through an Accredited Energy Auditor as per the Energy Conservation Act, 2001 is a must.

3.5 Proper Data Recording System

The Commission in its Generation Tariff Order for TVNL for both FY 2004-05 and FY 2005-06 had directed the petitioner to provide to the Commission an action plan for improved accuracy of data recording and improvement in operation to normative levels.

3.5.1 Petitioners' Response

The petitioner has stated that it has replaced the older version of data recording system (MMI/DAS, POSE 9021) with the upgraded system WS-POSE. This new system was supplied to it by BHEL in August 2006.

3.6 Auxiliary Consumption

The Commission had directed TVNL to bring down its auxiliary consumption to normative levels during FY 2006-07.

3.6.1 Petitioners Response

The petitioner responded that the power supply to the nearby villages and its own township has been isolated. Calibration of energy meters has been completed and old energy meters have been replaced by digital energy meters. The petitioner has stated that the auxiliary consumption has been brought down to 12.04% in FY 2006-07 from 14.23% in FY 2005-06.

3.6.2 Commission's View

The petitioner did not have its system energy audited due to which its auxiliary consumption is high.

3.7 Specific Oil Consumption

The Commission had observed that the specific oil consumption reported by TVNL in its petition for FY 2005-06 was higher than the normative levels. The Commission had directed TVNL to bring down its specific oil consumption to normative levels during FY 2006-07.

3.7.1 Petitioners Response

The petitioner has responded that the present specific oil consumption is lesser than 2.5 ml/kwh and is comparable to the normative level.

3.7.2 Commission's View

The Commission appreciates the steps taken by TVNL to reduce its specific oil consumption and hopes that during 2007-08, TVNL would be able to bring down its specific oil consumption to normative level.

3.8 Ash Utilization and Management

In the 2005-06 Order, the Commission had observed that huge quantities of ash were piled up at the thermal power project site. TVNL had reported huge expenditure to the tune of

Rs. 350 lakhs towards ash disposal during FY 2005-06. The Commission had asked TVNL to make use of the ash to manufacture of bricks, blocks, tiles, etc.

3.8.1 Petitioner's Response

The petitioner has responded that the TVNL plant has only one ash pond in which the ash-produced daily is deposited. Currently TVNL does not have a fly ash collection system. It has a temporary arrangement through which it is able to supply 100 Tonne to any user on demand. At present only M/s. Kalyanpur Cement Ltd, Bihar is taking ash from the powerhouse. The petitioner states that it has made efforts to encourage brick and cement manufacturers to use the fly ash, but these efforts have been in vain. The petitioner is therefore depositing the bottom ash and fly ash into the ash pond in slurry form. The pond has almost reached its full capacity.

The petitioner further states that the pond ash from this plant is being utilized in filling of low-lying areas of colony as well as areas surrounding the powerhouse. In 2006-07, 2 lakh tonne of pond ash was utilized to fill low-lying areas.

The petitioner has also stated that the present condition of ash pond is such that there is need to start evacuation work of ash from ash pond at the earliest. It has been planned that evacuation work of ash from the ash pond at a cost of Rs 3.81 Crore would be taken up during 2007-08. The tender for the same has already been floated but the contract has yet to be finalized.

The petitioner reiterates that it is making efforts to persuade brick and cement manufacturers to install their units at the plant site so that the fly ash can be utilized in manufacturing cement and brick.

3.8.2 Commission's View

As per the MOEF Notification dated September 14, 1999 all existing thermal power plants as on September 1999 have to achieve ash utilization level of 100% in a phased manner by 2013-14 in accordance with 15-year action plan. Hence, the Commission directs TVNL to take necessary initiatives to sell the ash either by their own efforts or by engaging private entrepreneurs to ensure effective ash utilization. The progress should be reported on a quarterly basis.

3.9 Debt-equity Conversion Proposal

TVNL has indicated in its petition submitted for FY 2005-06 that it has proposed to the state government to convert the loan and part of interest into equity. In this regard the Commission had directed TVNL to submit in subsequent ARR, a detailed breakup of the amount of loan and interest that has been converted into the share capital of TVNL.

3.9.1 Petitioner's Response

The petitioner has responded that the proposal for conversion of Rs 608.9 Crore of outstanding loan and part of accrued interest into equity (making the total equity of Rs 1100 Crore) is already with the Government. The petitioner expects to receive favourable communication from the government soon.

3.9.2 Commission's View

The Commission has stated its view on the issue in Section 3.1.2 of this Order.

3.10 Recovery of dues from Jharkhand State Electricity Board (JSEB)

The Commission had directed TVNL to take stronger action to collect its dues amounting to approx Rs 434 Crore from JSEB.

3.10.1 Petitioner's Response

The petitioner has stated that the total outstanding dues from JSEB had gone up to Rs 802 Crore as on August 31, 2007. Even the current energy bill is not being paid by JSEB. The petitioner states that it has reminded JSEB on the matter on several occasions but no action has been taken. The petition has provided documentary evidence of its communication with JSEB on this matter.

3.10.2 Commission's View

The Commission considers realization of dues as one of essential factors in running the plant efficiently. Hence the Commission directs TVNL to take stronger action on this matter.

3.11 Power Evacuation

TVNL has entered into an agreement with PTC Ltd to trade power. The Commission had directed TVNL to clearly indicate the rate at which it would trade power with PTC in subsequent ARR petition.

3.11.1 Petitioner's Response

The petitioner has clarified that TVNL had called for bids and selected PTC India Ltd for trading power but agreement to trade power was not finalized for want of approval of competent authority.

3.11.2 Commission's View

FY 2006-07 has shown that TVNL is capable of achieving more than 75% PLF on a sustained basis. It is absolutely necessary that TVNL must explore all possibilities of power evacuation including laying of dedicated transmission lines after getting its Capex approved from the Commission.

Regarding approval of Competent Authority, TVNL must make concerted efforts to expedite the same.