

From: "thimmanna m" <thimmanna_m@rediffmail.com>
To: "Nagaraj Naram" <secy@tserc.gov.in>
Sent: Monday, October 16, 2023 4:04:53 PM
Subject: Comments on SCCL CIP and BP for 2024-29

To,
The Secretary,
T.S. Electricity Regulatory Commission,
5 th Floor, Singareni Bhavan, Red Hills,
Lakdi ka pool, Hyderabad – 500 008 From,
M. Thimma Reddy,
Convenor, People's Monitoring Group on Electricity Regulation, House No: 3-4-107/1, Plot
No. 39, Radhakrishna Nagar, Hyderabad – 500 048 Date: 16-10-2023

Dear Sir;

Sub: - Comments on Capital Investment Plan and Business Plan filed by SCCL for Singareni Thermal Power Plant for the control period 2024-29.

Ref: - Public Notice dated 23-09-2023 with respect to O.P. Nos. 25 and 26 of 2023.

1.1 In response to the above Public Notice with respect to O.P. Nos. 25 and 26 of 2023 we are submitting the following comments on Capital Investment Plan and Business Plan filed by SCCL for Singareni Thermal Power Plant Phase I for the control period 2024-29 for consideration of the Commission.

Capital Investment Plan

2.1 The Singareni Collieries Company Limited (SCCL) has filed an application for approval of Capital Investment Plan (CIP) in respect of Singareni Thermal Power Project (STPP) (2 X 600 MW) for the control period 2024-29. The application is for additional capital investment of Rs. 1,090 Crores during the ensuing control period. This additional capital investment includes Rs. 776 Crores towards FGD and other pollution mitigation measures, Rs. 68 Crores towards operation and maintenance modules, Rs. 240 Crore towards Railway works and Rs. 6 Crores towards township related works. The capital cost of the STPP as approved in the mid-term review order dated 23-03-2023 is Rs. 7745.32 Crores. The proposed capital investment is equivalent to 14% of the approved capital cost.

2.2 According to Clause 7.10 of the Regulation 1 of 2019, "The capital cost admitted by the Commission after prudence check shall form the basis for determination of tariff. Provided that prudence check may include scrutiny of the reasonableness of the capital expenditure, financing plan including the choice and manner of funding, interest during construction, use of efficient technology cost over run and time over run, and such other matters as may be considered appropriate by the Commission for determination of tariff."

2.3 According to Clause 7.3 of the Regulation 1 of 2019 the Capital Investment Plan shall include, among other things, cost-benefit analysis of the proposed capital investment. The applicant did not provide such analysis for any of the components of the proposed investment. This is particularly the case with works related to railway works.

2.4.1 The applicant proposed Rs. 736 Crore expenditure towards installation of FGD. This amounts to Rs. 0.61 Crore expenditure per MW for installation of FDG. In the MYT for the control period 2019-24 SCCL proposed Rs. 645.32 Crore expenditure for setting up FDG at

STPP. The present application shows that proposed expenditure towards FGD increased by nearly Rs. 100 Crores.

2.4.2 The Commission in its the mid-term review order dated 23-03-2023 provided as follows, “However, the Commission in its order 08-02-2020 in exercise of its power of relaxation under Clause 26.4 read with clause 7.10.1 of Regulation No. 1 of 2019 has accorded in-principal approval of additional capital works after cut-off date for executing of works for FGD system and in-furnace modifications for NOx in compliance with revised emission control norms, subject to the prudence check of the expenditure after commissioning of FGD system.”(para 3.5.14)

2.4.3 NTPC has awarded GE Power four orders (for four power plants with aggregate capacity of 4,460 MW) for supply and installation of FGD systems for a combined value of Rs 1783 crore. Per MW cost of FGD in this case comes to Rs. 0.40 Crore. Sembcorp Energy has also started bidding for setting up of two FGD units worth Rs 1000 crore in two power plants with a total capacity of 2,640 MW in Andhra Pradesh. Per MW cost of FGD in this case comes to Rs. 0.38 Crore. [<https://www.electricalindia.in/fgd-implementation-in-thermal-power-plants/> | <https://www.electricalindia.in/fgd-implementation-in-thermal-power-plants/>] Following this experience we request the Commission to limit the cost of FDG in the case of STPP at Rs. 450 Crore.

2.5.1 The applicant proposes expenditure of Rs. 68 Crores towards purchase of critical modules LP rotor and Exciter assembly. The applicant justified this expenditure in the name of maintaining high power plant availability and recovery of fixed costs. There should have been agreements over warranty of the machinery and availability of spares with the machinery and equipment suppliers.

2.5.2 According to clause 7.17 of the Regulation No. 1 of 2019, “The capital cost may include initial spares capitalised as a percentage of the plant and machinery cost up to the cut-off date, subject to the following ceiling norms: coal based generation stations – 4.0%.”

2.5.3 The Commission must have already allowed certain expenditure towards initial spares as a part of total capital expenditure. The present proposal on purchase of critical modules may be allowed to the extent that it does not cross the 4.0% limit provided for spares in the above regulation.

2.6.1 The applicant proposes expenditure of Rs. 240 Crores towards railway works related to over-head electrification and signalling and telecommunication.

2.6.2 The Commission in its MYT order dated 28-08-2020 did not approve OHE and S&T works. According to this Order, “The Commission has gone through the details of railway works and justification submitted by SCCL for the same. In accordance with clause 7.19.1 of the Regulation No.1 of 2019 the capital investment for railway works is not allowable as the same is after cut-off date. The consumers cannot be unduly burdened for the act of Commission on part of the Petitioner. In view of the above, the Commission does not find it prudent to exercise the power of relaxation of clause 7.19.1 for allowing capital investment for railway works.”(Para 5.4.35)

2.6.3 The Commission in its mid-term review order dated 23-03-2023 also did not allow this expenditure. According to this order, “The Commission reiterates its stand as held in its Order dated 28.08.2020 and is reproduced below: ‘... the capital investment for railway

works is not allowable as the same is after cut-off date...” (para 3.6.11)

2.6.4 We request the Commission not to approve the expenditure related to proposed railway works.

2.7 In this application it is mentioned that the proposal of constructing STPP Phase-II (1 x 800 MW) is under active consideration by the SCCL management and that CIP for STPP Phase II may be submitted as an addendum of present CIP. The load forecast and resource plan submitted by TSDISCOMs for 5 th control period show that there would be significant surplus energy available during this period. In such circumstances it is not advisable to add 800 MW new plant of SCCL to the Telangana state grid.

Business Plan

3.1 Target availability of 85% as allowed by the Commission in its Order dated 28.08.2020 and as provided in Clause 17.3.1 of Regulation no. 1 of 2019 shall be taken in to account while computing power availability from the STPP Phase I units. If power is available over and above this level it will be for the TSDISCOMs to decide whether to procure this additional power from STPP Phase I.

3.2 SCCL proposes to increase normative auxiliary power consumption to 6.25%. We request the Commission to adhere to 5.75% as provided in its Order dated 28.08.2020.

3.3 Provisional Statement of Profit and Loss provided as a part of Business Plan shows annual depreciation during the control period 2024-29 to be in the range of Rs. 420.46 Crores to Rs. 454.42 Crores. The Commission in MYT order dated 28-08-2020 and MTR order dated 23-03-2023 approved annual depreciation of Rs. 400.36 Crores. Depreciation claimed by SCCL for STPP Phase I is much higher than that approved by the Commission during the previous control period. The Commission is requested to closely scrutinise SCCL claims related to depreciation for the control period 2024-29.

3.4 Annual profit claimed by SCCL for STPP Phase I during the control period 2024-29 is in the range of Rs. 459.70 Crores to Rs. 527.05 Crores. The Commission approved annual return on equity of Rs. 436.40 Crores during 2019-24. Profit claimed by SCCL for STPP Phase I during the ensuing control period is much higher than the return on equity approved by the Commission during the previous control period. The Commission is requested to closely scrutinise SCCL claims related to profit for the control period 2024-29.

3.5 Whether Other Income listed in the Provisional Statement of Profit and Loss includes income from leasing out marketing complex proposed to be taken up in the Township.

4.1 We request the Commission to take our above submission on record.

Thanking you,

Sincerely yours,

M. Thimma Reddy