



THE SINGARENI COLLIERIES COMPANY LIMITED
(A Government Company)
2 X 600 MW SINGARENI THERMAL POWER PROJECT
Jaipur (V&M)-504216, Mancherial (Dist), T.S.

Ref no: STPP/COML/2020-21/

Dt: 20.04.2020

To,
The Secretary,
T.S. Electricity Regulatory Commission,
5th Floor, Singareni Bhavan, Red Hills,
Lakdi ka pool, Hyderabad – 500 008.

Sub: SCCL – Reply to the comments by **M. Thimma Reddy** regarding true up claims in respect of Singareni Thermal Power Project, Phase-I (2X600 MW)– Reg.

Ref: Your email dated 13.03.2020 regarding comments by M. Thimma Reddy on true up claims related to 2X600MW STPP for the control period 2016-19.

Sir,

The reply to the comments made by the objector on true up claims related to 2X600MW STPP for the control period 2016-19 as sought by the Hon'ble Commission vide reference email relating to truing up petition (O.P. No. 4 of 2019), Multi-year tariff petition (O.P. No. 5 of 2019), Business plan (O.P. No. 8 of 2020) and Capital investment plan (O.P. No. 9 of 2020) is hereby submitted with six copies.

The Hon'ble commission is kindly requested to accept the same.

Thanking you.

Yours sincerely


Director (Finance)
N. BALRAM, IRS
DIRECTOR (FINANCE)
SINGARENI COLLIERIES CO. LTD.,
KOTHAGUDEM - 507 101.

Encl: Reply to the email dated 13.03.2020 with 6 copies.

CC:

M. Thimma Reddy,
Convenor, People's Monitoring Group on Electricity Regulation,
139, Kakatiyanagar, Hyderabad – 500 008.

Reply to the objections raised by M. Thimma Reddy dated 13.03.2020.

Objections	Reply
<p>1.1 The Commission in its Order on capital cost and tariff of SCCCL's Thermal power plant (STPP) dated 19-06-2017 in O.P. No. 9 Of 2016 had approved capital cost of the plant to be Rs. 7575.26 Crore, and this includes Rs. 6691.63 Crore towards hard costs and Rs. 883.63 Crore towards interest during construction (IDC) and financing charges (FC). (Table 3.4) This cost also includes differed capital expenditure after CoD of Unit-2. The Commission in its Order has specifically mentioned, "The Commission has approved the package wise additional capitalisation based on the claim of SCCCL subject to the total cost for the respective package is within the approved cost, ..." (para 3.15.2) Following this final capital cost of the STPP cannot be higher than the above capital cost approved by the Commission.</p>	<p>The Hon'ble TSERC has adopted CERC tariff regulation 2014-19 for determination of tariff for STPP as per order dated 19.06.2017 relevant portion of Para 1.2.4. is quoted below:</p> <p><i>"The Commission in this Order has determined the Capital Cost and generation tariff for SCCCL TPP for FY 2016-17 to FY 2018-19 in accordance with the Regulation No. 1 of 2008 and adopted the CERC (Terms and Conditions of Tariff) Regulations, 2014 as the existing Regulations apply to a generating station having 500 MW capacity only."</i></p> <p>Regulation 8 of the above regulation provides that:</p> <p><i>"8. The Commission shall carry out trueing up exercise along with the tariff petition filed for the next tariff period, with respect to the capital expenditure including additional capital expenditure incurred upto 31.03.2019, as admitted by the commission after prudent check at the time of trueing up".</i></p> <p>Further, the regulation 8.12 provides that the generating company is entitled to recover tariff differential, if approved tariff as a result of this trueing up exercise becomes more than the tariff approved earlier.</p> <p>Audited certificates of expenditure was submitted to Hon'ble TSERC vide submission dated 04.12.2019.</p> <p>It is also to state that the Hon'ble TSERC has approved additional capital expenditure based</p>



N. BALRAM, IRS
DIRECTOR (FINANCE)
THE SINGARENI COLLIERIES CO. LTD.,
KOTHAGUDEM - 507 101.

	<p>on projected values of add cap beyond COD which is now required to be finalized based on actual.</p>
<p>1.2 While the Commission had placed the final hard cost at Rs. 6,691.63 Crore in its true up filing SCCL claimed it to be Rs. 7,315.88 Crore.</p>	<p>The Hon'ble commission has allowed capital expenditure based on the projections submitted by the SCCL. The audited actual expenditure till 31.03.2019 is now submitted before the Hon'ble commission to carry out trueing up exercise in accordance with clause 8 of CERC tariff regulation, 2014.</p>
<p>1.3 In the case of BTG package against SCCL's original claim of Rs. 4,878 Crore the Commission had approved Rs. 4,463.44 Crore. In the true up filings SCCL is claiming Rs. 4,849.48 Crore. The Commission brought down BTG package cost due to undischarged liabilities. In the true up filing SCCL claimed to have discharged most of the liabilities. This claim needs to be verified.</p>	<p>The audited certificate showing the details of liability discharged during 2017-18 and 2018-19 was submitted in page 6-7 of final trueing up petition dated 04.12.2019.</p>
<p>1.4 In the case of Railway siding the Commission approved Rs. 80 Crore while SCCL claimed Rs. 113.32 Crore. In the Order the Commission noted that the work was taken up on nomination basis but not on competitive basis (para 3.8.4). The Commission allowed Rs. 80 Crore on the basis of DPR and also noted, "The Commission shall take an appropriate view on allowing shortfall, if any,</p>	<p>The contention of the objector that the Railway siding work was taken up on nomination basis was not correct. It is to submit that only project management consultancy for tendering and execution of railway siding work has been awarded to M/s.RITES Ltd on nomination basis. The agreement in this respect is made in line with the MoU entered by Coal India and M/s.RITES Ltd for railway siding works. In fact, RITES charged 0.02% less to SCCL compared to the project management consultancy fees charged to Coal India Ltd. SCCL have already given clarification regarding this.</p>



in funds from the Coal Controller on this account from that envisaged in this Order during the truing up of additional capitalisation. In the true up filings SCCL claimed Rs. 322.57 Crores towards Railway siding work. This shows that this cost increased by nearly three times in a span of two years. As the work was given on nomination basis this inflated cost raises doubts about its veracity. SCCL in its true up filings also noted that CCDAC grant to the extent of Rs. 162.22 Crore has to be received. This amount needs to be deducted from the final cost of the siding arrived at by the Commission.

It is to further submit that all other contracts of railway siding package were awarded through competitive bidding. The list of other contracts are given below:

1. Earth work formation 0 to 8.5 kms
2. Earth work formation 8.5 to 21.175 kms
3. Construction of major bridge on Rasulpally vagu
4. 9 Numbers Road under bridge(RUB)
5. Supply and stacking of ballast
6. Supply and stacking of PSC sleepers
7. Supply of payment way materials, track linking etc.

The total estimated cost of railway siding was 276 crore (Ref para 3.8.3(iii) of tariff order dated 19.06.2017). SCCL claimed actual expenditure of 322.56 Crore up to 31.03.2019 in the truing up petition and projected a spill over amount of 57.43 crores.

The expenditure increased due to the following reasons:

1. As per updated guidelines from Indian railways the top width of the embankment is increased from 6.85 m to 7.85 m and the bottom width is increased from 9.25 m to 10.25 m. "Rock requiring blasting" increased due to this.
2. Further, the tracks in the yards are spaced at 12 m (instead of 6.0 m). The requirement of earth-work quantities have increased due to this.
3. National high-ways authority (NHAI) has insisted for construction of road under bridge (RUB) on NH-63 with 2m x24.20m dimension against 2m x18.30m span



N. BALRAM, IRS
DIRECTOR (FINANCE)
THE SINGARENI COLLIERIES CO. LTD.,
KOTHAGUDEMI - 507 101.

	<p>originally planned.</p> <p>4. One additional bridge (2m x12.20m span) for movement of dumpers at SRP-OCP is made during tendering.</p> <p>5. Railways have revised the depth of piles from 12m to 25m for the bridge on Rasulpalli vagu.</p> <p>6. Implementation of GST w.e.f 01.07.2017 in place of service tax, revised royalty charges, DMFT, SMET, and PVC etc.</p> <p>Further, it is to state that as per provision of 9.6 (d) of CERC tariff regulation 2014-19 only grant received may be excluded from the capital cost. The objector may note that SCCL has received a grant of only 84.19 crore against the total CCDCA claim of 162.22 crores till 31.03.2019.</p>
<p>1.5 In the case of Establishment costs as a part of Overhead costs while SCCL originally claimed Rs. 70 Crore in the true up filings it increased to Rs. 106.53 Crore. This shows that the Establishment costs increased by 50% and the same needs to be scrutinized.</p>	<p>The Establishment Costs claimed was Rs. 70 crs in the Original petition and the contingencies claimed was Rs. 47.52 crs. These costs were reclassified in RCE-2 as Establishment cost of Rs. 94 crs and Contingencies of Rs. 5 crs. This reclassification was made based on the fact that several revenue natures of expenditures related to establishments were made from contingency.</p> <p>Further, the Establishment cost incurred upto 31.03.2019 is Rs. 106.53 Crs as against RCE-2 cost of Rs. 94 Crs and Contingencies of Rs. 5 Crs.</p>
<p>1.6 The capital expenditure claimed by SCCL in its true up filings does not include Rs. 27.73 Crore towards</p>	<p>It is to state that the Hon'ble commission has disallowed Rs. 380.71 crores interest during construction (IDC) which results into a perpetual loss to SCCL. Therefore, liquidated</p>


N. BALRAM, IRS
 DIRECTOR (FINANCE)
 THE SINGARENI COLLIERIES LTD.,
 KOTHAGUDEM - 507 101.

<p>liquidated damages and Rs. 0.94 Crore towards penalty for technical deviation levied on BHEL, the contractor of BTG package. The Commission needs take this in to account while deciding the final capital cost of this power plant.</p>	<p>damages if imposed on various contracts are required to be set off with the final disallowance of IDC.</p>
<p>1.7 The Commission in its above Order had approved Rs. 883.63 Crore towards IDC & FC against SCCL's original claim of Rs. 1,266.34 Crore. In its true up filing SCCL is again claiming Rs. 1,264.34 Crore towards the same. The Commission in its Order allowed delay of 5 months only in declaring CoD as evident from the following para "As discussed in the preceding paragraphs, the Commission has held that out of the delay of 17 months, the delay of 5 months is condonable. Hence, the Commission has allowed the increase in IDC for the condoned delay of 5 months ..." (Para 3.13.7) As there is no material change since this Order the same shall prevail. Hence, we request the Commission to limit IDC to Rs. 883.63 Crore only.</p>	<p>The Hon'ble commission has not considered various issues like non-availability of sand, state bifurcation movement, delay in construction of water pipeline.</p> <p>In particular, the delay in various contracts happened due to non-availability of sand which was required for construction activities. Initially due to closure of Government leased sand quarries, the progress of work suffered. Subsequently, on opening of Telangana State Mineral Development Corporation (TSMDC), sand was issued through a cumbersome and time consuming process. Further, due to grounding of several Government projects, shortage of labor was there which resulted in delaying the project.</p> <p>The Hon'ble commission has the power to re-consider these issues and finalize the approved delay in COD and consequently the Commission may finalize interest during construction.</p>
<p>2.1 Tariff for purchase of electricity generated in the SCCL's thermal power plant shall be based on the capital cost approved by the Commission but not the capital cost claimed by SCCL in its true up filings.</p>	<p>SCCL has submitted the audited capital cost and the discharge of liabilities in trueing up petition. The Hon'ble commission is required to carry out trueing up exercise based on actual audited capital cost. Further, the approved fixed charge shall be based on approved capital cost as a result of this trueing up exercise.</p>



N. BALRAM, IRS
DIRECTOR (FINANCE)
 THE SINGARENI COLLIERIES CO. LTD.,
 KOTHAGUDEMI - 507 101. 6

Annual Fixed Charges

	Fixed charges allowed by TSERC	Fixed charges claimed by SCCL	(Rs. Crore)
2016-17 (From CoD of Unit1 to CoD of Unit 2)	147.91	161.70	
2016-17 (From CoD of Unit2 to 31.3.2017)	505.50	531.59	
2017-18	1468.58	1655.30	
2018-19	1514.92	1734.17	
Total	3,636.91	4,082.76	

2.2 While the Commission allowed Rs. 3,636.91 Crore towards fixed charges during the control period 2016-19 SCCL through the true up filings is claiming Rs. 4,082.76 Crore. SCCL is claiming Rs. 445.85 Crore higher than that allowed by the Commission towards fixed charges.

2.3 In the case of depreciation and return on equity the SCCL in its true up claims is adopting higher capital cost than that allowed by the Commission. For example, in the



N. BALRAM, IRS

DIRECTOR (FINANCE)

6 | Page

THE SINGARENI COLLIERIES CO. LTD.,

KOTHAGUDEMI - 507 101,

<p>case of return on equity for FY 2018-19 while the Commission had adopted Rs. 2,272.58 Crore as closing equity SCCL is claiming Rs. 2,538.30 Crore towards the same. It is the inflated capital costs that is leading to higher fixed charges. The SCCL's claims in this regard shall not be allowed.</p>	
<p>2.4 In the case of interest on loan also SCCL is claiming higher amount than that allowed by the Commission. This is because SCCL is showing larger loan amounts and also higher rates of interest than that allowed by the Commission. For example, for FY 2018-19 SCCL is claiming Rs. 5,125.10 Crore loan against Rs. 4,444.68 Crore allowed by the Commission. SCCL adopted 9.99% as rate of interest against 9.21% approved by the Commission following CERC regulations. The SCCL's claims in this regard shall not be allowed.</p>	<p>The claim of interest on loan by SCCL is as per clause 26.7 of the CERC tariff regulation, 2014 which specifically provides the methodology for sharing gains on account of loan restructuring. The relevant clause is produced below:</p> <p><i>“26.(7) The generating company or the transmission licensee, as the case may be, shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event the costs associated with such re-financing shall be borne by the beneficiaries and the net savings shall be shared between the beneficiaries and the generating company or the transmission licensee, as the case may be, in the ratio of 2:1.”</i></p> <p>The amounts claimed by SCCL towards loan is as per the actual loan repayments done by SCCL. The interest rate of 9.99% is actual rate of interest paid by SCCL and the 1/3 of benefit as per clause 26.7 of CERC regulations.</p>
<p>2.5 While the Commission had set the energy charges for the SCCL's power plant at Rs. 1.69 per unit SCCL in its true up filings is claiming Rs. 1.84 per unit towards the same. The higher energy charges appear to be a result of</p>	<p>The energy charge during 2016-19 was raised based on the norms approved by the Hon'ble commission and the actual price and GCV of fuel based on clause 30.6 of CERC tariff regulation 2014, which was adopted by the TSERC for determination of tariff for STPP.</p>


N. BALRAM, IRS
 DIRECTOR (FINANCE)
 THE SINGARENI COLLIERIES CO. LTD.,
 KOTHAGUDEMI - 507 101.

low-quality coal, higher coal consumption and also higher price of coal. While the Commission set the Wt. Avg. GCV of coal at 4,130 kcal/kg SCCL is claiming it to be 3,895.18 kcal/kg. In fact, SCCL in its original filing had shown it to be 4,113 kcal/kg. In other words, quality of coal was less than that assured by it and SCCL is the coal supplier. While the Commission had set the specific coal consumption at 0.56 kg/kWh SCCL is showing to be 0.59 kg/kWh indicating less than efficient operation of the plant. While the Commission adopted price of coal as Rs. 2.84 per kg SCCL is claiming it to be Rs. 2.90 per kg. As the higher energy charges claimed by SCCL is a result of low-quality coal and inefficient operation of the plant we request the Commission to see that electricity consumers in the state are not burdened with inefficient operation of the power plant.

It is to state that coal quality variations are nothing abnormal to occur in a thermal power plant. In fact, boiler was designed to handle coal with varying GCV's. In case of STPP boilers were designed to handle GCV from 3786 kcal/kWh to 4529 kcal/kWh.

It may also be noted that Hon'ble TSERC has not specific coal consumption at 0.56kg/kWh. The quoted figure is derived based on the prevailing GCV of coal during the determination of tariff petition which shall vary based on actual GCV of coal received in plant.



N. BALRAM, IRS
DIRECTOR (FINANCE)
THE SINGARENI COLLIERIES CO. LTD.,
KOTHAGUDEM - 507 101.