

ANNEXURE 11
Submission of Capital Cost Estimates for Upcoming Thermal Power Stations

TANGEDCO humbly submits that

- 1) TANGEDCO herein TANGEDCO LTD (Tamil Nadu Generation and Distribution Corporation Limited), hereinafter called TANGEDCO, is a Government Company within the meaning of the Companies Act, 1956.
- 2) TANGEDCO is a subsidiary Company to Tamil Nadu Electricity Board (TNEB) which came into existence on 1st July 1957 and has been in the business of generation, transmission and distribution of electricity in the state of Tamil Nadu.
- 3) The Electricity Act 2003 mandates unbundling of State Electricity Boards under section 131. In accordance with the above mandate the Government of Tamil Nadu (GOTN) had given in principle approval for the re-organization of TNEB by establishing a holding company, named TNEB Ltd and two subsidiary companies, namely Tamil Nadu Transmission Corporation Limited (TANTRANSCO) and Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) vide G.O.Ms.No.114 Energy (B2) Department dated 8th October 2008 with the stipulation that the aforementioned companies shall be fully owned by Government.
- 4) Based on the approval of Memorandum of Association and Articles of Association of TANGEDCO and TNEB Limited by the Government of Tamil Nadu vide G.O.Ms.No.94 Energy (B2) Department dated 16th Nov 2009, Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) and TNEB Limited was incorporated on 1st Dec 2009 with an authorized share capital of Rs. 5.00 Crores and paid up capital of Rs. 5.00 Lakhs each for TANGEDCO and TNEB Limited. The Certificates of commencement of business have been obtained for the TANGEDCO on 16th Mar 2010 and for TNEB Ltd on 12th Mar 2010 respectively.
- 5) TANGEDCO vide Provisional Transfer Scheme notification dated 19th October 2010 has been into existence from 1st November 2010 and since then TANGEDCO has been in the business of generation and distribution of electricity in the state of Tamil Nadu.
- 6) TANGEDCO has mix of the various generating capacities such as 2970 MW of coal based four thermal stations, 516 MW from the five Gas Turbine Stations and 2223 MW from 39 Hydro Stations.

7) The present submission is been filed for approval of Capital Cost of three upcoming Thermal Power Stations namely:-

- a. Mettur Thermal Power Station (MTPS) Stage III Unit – I (1x600MW);
- b. North Chennai Thermal Power Station Stage II Unit – I (1x600MW);
- c. North Chennai Thermal Power Station Stage II Unit – II (1x600MW);

a. Mettur Thermal Power Station (MTPS) Stage III Unit – I (1x600MW);

8) The EPC contract for construction of Mettur Thermal Power Station Stage III Unit – I was awarded to BGR Energy Systems Ltd (BGRESL) and the works commenced on 25th June 2008. The project was to be commissioned during September 2011 but was delayed due to delay in Coal handling, Ash Handling, Milling System and Bunkers Erection, etc. The contract has been extended up to 31st March 2013 in order to facilitate the commissioning.

9) The unit was synchronized with oil on 4th May 2012 and achieved a full load capacity of 608 MW on 11th October 2012. The initial operation of the unit was under progress from 23rd November 2012 to 04th December 2012. However the unit was forced shut down from 04th December 2012 to attend to few technical problems that were encountered during the period of initial operation.

10) On completion of entire Coal Handling System and Ash Handling system the unit is expected to be commissioned with full load on sustained basis by March 2013 as committed by M/s.BGRESL during the Chief Secretary's review meeting on 11th January 2013.

b. North Chennai Thermal Power Station Stage II Unit – I & II (2x600MW);

11) The EPC contract for construction of North Chennai Thermal Power Station Stage II Unit – I and Unit – II was awarded to Bharat Heavy Electricals Ltd (BHEL) and the works commenced on 16th August 2008. The project was to be commissioned during November 2011 but was delayed due to delay in Coal Handling System, Cooling water system, Ash handling system etc.

12) The works for 400 KV GIS switch yard has been completed and it was commissioned on 09th December 2012. The unit was synchronized into the grid with a capacity of 101 MW with oil on 17th December 2012. The boiler has been lit up for coal firing on 19th January 2013. Therefore sustained generation of 250 MW to 300 MW is expected from 30th January 2013.

13) On completion of entire Coal Handling System and Ash Handling system the unit is expected to be commissioned with full load capacity on sustained basis by April 2013 as committed by M/s. BHEL during the Chief Secretary's review meeting on 11th January 2013.

- 14) It is submitted that power generated from these Thermal Power Stations shall be supplied to TANGEDCO for retail supply of power to its consumers.
- 15) The investment approval of Mettur Thermal Power Station Stage III Unit – I was accorded by TANGEDCO board at its board meeting held on 22nd October 2008 at the project cost of Rs. 3,550 Crores.
- 16) The investment approval of North Chennai Thermal Power Station Stage II Unit – I was accorded by TANGEDCO board at its board meeting held on 24th April 2008 at the project cost of Rs. 3,095.28 Crores.
- 17) The investment approval of North Chennai Thermal Power Station Stage II Unit – II was accorded by TANGEDCO board at its board meeting held on 13th October 2008 at the project cost of Rs. 2,718.75 Crores.
- 18) The copy of board approval for all the three Thermal Power Station namely Mettur Thermal Power Station Stage III Unit – I, North Chennai Thermal Power Station Stage II Unit – I and North Chennai Thermal Power Station Stage II Unit – II is enclosed at Annexure A.
- 19) The Hon'ble Commission under Regulation 18 of TNERC Terms and Condition of Tariff is vested with the jurisdiction to determine/approve capital cost of upcoming power plants of generating stations of TANGEDCO.
- 20) The table below shows the installed capacity and the expected COD of all the four Hydro Stations.

| Name of Power Plant | Installed Capacity (in MW) | Expected COD | Board Approved Cost | Cost as on COD |
|--|----------------------------|----------------------------|---------------------|-----------------|
| Mettur Thermal Power Station Stage III Unit – I | 1 x 600 MW | 1 st March 2013 | 3,550 Crores | 3,550 Crores |
| North Chennai Thermal Power Station Stage II Unit – I | 1 x 600 MW | 1 st May 2013 | 3,095.28 Crores | 3,095.28 Crores |
| North Chennai Thermal Power Station Stage II Unit – II | 1 x 600 MW | 1 st April 2013 | 2,718.75 Crores | 2,718.75 Crores |

- 21) TANGEDCO is filing the present submission for approval of capacity cost up to COD and the cost of additional capitalization which is estimated to be incurred in the ensuing years.
- 22) In terms of Tariff Regulations 2005, TANGEDCO has filled in the formats provided in Appendix 1 of Tariff Regulations 2005 as notified by Hon'ble TNERC including that in regards to estimated capital expenditure from a period from date of commercial operation up to 31st March 2016. The formats are enclosed as Annexure I and are based on anticipated date of COD as mentioned in the table above.
- 23) The projected estimated capital expenditure claim made by TANGEDCO is based on expected capitalization as on COD of the respective units of the station. The projected additional capital expenditure up to cut off date is on works within the original scope of work and is in accordance with Regulation 18 of TNERC Terms and Conditions of Tariff Regulations, 2005. The capital expenditure is the actual expenditure incurred up to the cutoff date and in case of additional expenditure to be incurred after the cutoff date, the same shall be submitted at the time of truing up before the Hon'ble Commission in respect to the instant station.
- 24) It is submitted by TANGEDCO that there has been no foreign loans taken for funding of the capital expenditure for project execution. Therefore there are no details of foreign loans submitted in the prescribed formats. Also there has been no extra rupee liability with respect to foreign exchange fluctuation towards interest payment and loan repayment in the relevant years.
- 25) In line with TNERC Terms and Conditions of Tariff equity in excess of 30% of the fund deployed has been considered as normative loan and notional IDC. The return on equity is considered at normative rate of 14% as specified in the Regulations.
- 26) It is further submitted that the levies, taxes, duties, service tax etc, levied by various authorities on TANGEDCO in accordance with the law shall be billed to beneficiaries additionally.
- 27) It is further submitted that the Hon'ble Commission may be pleased to take the above details/computations for determination of capital cost.

PRAYERS

In light of the above submission TANGEDCO, therefore prays that the Hon'ble Commission may be pleased to:

- i. Approve Capital Cost for all three upcoming Thermal Power Stations up to the anticipated date of Commercial Operation.
- ii. Allow TANGEDCO to claim the cost of the respective thermal stations in the ARR of TANGEDCO as per this submission.
- iii. Allow the recovery of filing fees as and when paid to the Hon'ble Commission and publication expenses from beneficiaries.
- iv. Pass any other order as it may deem fit in the circumstances mentioned above.