

**BEFORE THE ODISHA ELECTRICITY REGULATORY COMMISSION**  
**BIDYUT NIYAMAK BHAWAN, PLOT NO-4, CHUNUKOLI, BHUBANESWAR-751023**

Filing No. : 2

Case No. : 61/2016

IN THE MATTER OF REJOINDER TO APPLICATION FOR APPROVAL OF ANNUAL REVENUE REQUIREMENT AND TARIFF OF INDIVIDUAL POWER STATIONS OF OHPC FOR THE FINANCIAL YEAR 2017-18 IN TERMS OF SECTION 61 & 62 READ WITH SECTION 86 OF THE ELECTRICITY ACT, 2003; OERC(TERM & CONDITIONS FOR DETERMINATION OF GENERATION TARIFF) REGULATIONS,2014 & IN ACCORDANCE WITH THE TERMS & CONDITIONS OF THE APPROVED PPA BETWEEN OHPC & GRIDCO.

AND

IN THE MATTER OF

ODISHA HYDRO POWER CORPORATION LTD., REGD. OFFICE: JANPATH, BHUBANESWAR-751022.

AND

IN THE MATTER OF

The Suggestions/Objections filed by

**.....Applicant**

- 1) Sri G.N. Agrawal, Convener-cum-General Secretary, Sambalpur District Consumers Federation, Balajee Mandir Bhawan, Khetrapur, Dist-Sambalpur-768003  
**.....Respondent**
- 2) Sri Ananda Kumar Mohapatra, Power Analyst, Proprietor, Mohapatra & Associates, Cost Accountant, Plot No: L-II/68, SRIT Colony, P.S Ainthapali, Dist:Sambalpur-768004.  
**.....Respondent**
- 3) Sri Ramesh Ch. Satpathy, Secretary, National Institute of Indian Labour, Plot No. 302 (B), Beherasahi, Nayapalli, BBSR - 751012.  
**.....Respondent**
- 4) Sri R.P. Mahapatra, Retd. Chief Engineer & Member (Gen.), OSEB, Plot No. 775(Pt.), Lane-3, Jayadev Vihar, BBSR-751013.  
**.....Respondent**
- 5) Sri Aditya Kumar Mishra, S/o- Late Laxminarayana Mishra, At/Po- Gudia Sahi, Dist-Puri-752001  
**.....Respondent**
- 6) M/s GRIDCO Limited, Regd. Office: Janpath, Bhubaneswar,751022  
**... Respondent**

**AFFIDAVIT VERIFYING THE APPLICATION**

I, Shri Pravakar Mohanty, Son of Shri Bhaskar Charan Mohanty , aged 58 years residing at Bhubaneswar do solemnly affirm and say as follows:

- (1) I am the Director (Finance) of Odisha Hydro Power Corporation Ltd., the applicant in the above matter and am duly authorized to make this affidavit on its behalf.
- (2) The statements made in paragraphs 1 to 13 of this rejoinder are true to my knowledge and the statements made in paragraphs are based on information available with OHPC and I believe them to be true to best of my knowledge.

**Verification:**

**DEPONENT**

I, the deponent above named do hereby verify that the contents of my affidavit are true to best of my knowledge, no part of it is false and nothing material has been concealed there from.

Verified at \_\_\_\_\_ on the day of \_\_\_\_\_

**DEPONENT**

**BEFORE THE ODISHA ELECTRICITY REGULATORY COMMISSION**  
**BIDYUT NIYAMAK BHAWAN, PLOT NO-4, CHUNUKOLI, BHUBANESWAR-751023**

Filing No. : 2  
Case No. : 61/2016

IN THE MATTER OF REJOINDER TO APPLICATION FOR APPROVAL OF ANNUAL REVENUE REQUIREMENT AND TARIFF OF INDIVIDUAL POWER STATIONS OF OHPC FOR THE FINANCIAL YEAR 2017-18 IN TERMS OF SECTION 61 & 62 READ WITH SECTION 86 OF THE ELECTRICITY ACT, 2003; OERC(TERM & CONDITIONS FOR DETERMINATION OF GENERATION TARIFF) REGULATIONS,2014 & IN ACCORDANCE WITH THE TERMS & CONDITIONS OF THE APPROVED PPA BETWEEN OHPC & GRIDCO.

AND  
IN THE MATTER OF ODISHA HYDRO POWER CORPORATION LTD., REGD. OFFICE: JANPATH, BHUBANESWAR-751022.

AND  
IN THE MATTER OF The Suggestions/Objections filed by .....Applicant

The Suggestions/Objections filed by

- 1) Sri G.N. Agrawal, Convener-cum-General Secretary, Sambalpur District Consumers Federation, Balajee Mandir Bhawan, Khetrajpur, Dist-Sambalpur-768003 .....Respondent
- 2) Sri Ananda Kumar Mohapatra, Power Analyst, Proprietor, Mohapatra & Associates, Cost Accountant, Plot No: L-II/68, SRIT Colony, P.S Ainthapali, Dist:Sambalpur-768004. ....Respondent
- 3) Sri Ramesh Ch. Satpathy, Secretary, National Institute of Indian Labour, Plot No. 302 (B), Beherasahi, Nayapalli, BBSR - 751012. ....Respondent
- 4) Sri R.P. Mahapatra, Retd. Chief Engineer & Member (Gen.), OSEB, Plot No. 775(Pt.), Lane-3, Jayadev Vihar, BBSR-751013. ....Respondent
- 5) Sri Aditya Kumar Mishra, S/o- Late Laxminarayana Mishra, At/Po-Gudia Sahi, Dist-Puri-752001 .....Respondent
- 6) M/s GRIDCO Limited, Regd. Office: Janpath, Bhubaneswar,751022 ... Respondent

**THE HUMBLE PETITIONER ABOVE NAMED MOST RESPECTFULLY SHOWETH THAT:**

- 1) The application for approval of Annual Revenue Requirement (ARR) and Tariff for the financial year 2017-18 in respect of individual power stations of OHPC was filed before the Hon'ble Commission on 29.11.16. As directed by the Hon'ble Commission, Public Notice was published on 14.12.16 in English text in the local English & Odia daily news papers The Samaj & The Times of India and in Odia text in Odia Daily The Dharitri. The above mentioned respondents from Sl. No. 1 to 6 have raised objections and given suggestions on

the ARR and Tariff application of OHPC for the FY 2017-18. The compliance to the objections/suggestions raised by aforesaid respondents are furnished herewith.

- 2) Besides this, OHPC vide Lr. No.87, Dtd. 05.01.2017 has submitted before the Hon'ble Commission, the replies to the Queries made by Secretary, OERC vide their Lr. No. 1697 dtd. 21.12.2016. The copies of the same have been supplied to all the individuals/ Organizations who had purchased Application of ARR for the FY 2017-18 from OHPC within scheduled date including the DoE, GoO for their kind information.
- 3) The decision taken by State Govt. which was intimated to OERC vide their letter no. 2091 dtd. 11.03.2016 and the decision of the OHPC Board in its 134<sup>th</sup> & 135<sup>th</sup> meeting formed the basis of tariff setting of OHPC for the FY 2017-18. For details page no.02 to 08 of the Original Tariff Application of OHPC for FY 2017-18 may please be referred.
- 4) As per the State Govt. decision in Dept. of Energy vide Notification No.5843 Dtd. 03.07.2015 regarding principal & interest repayment on Restructured Govt. investment at UIHEP, Convertible Bond issued by OHPC for Rs 766.20 Crores converted to loan @7% interest and RoE on Rs 300 Crs relating to Old Power Stations effective from the FY 2015-16, OHPC has considered the impact of this notification in the ARR & Tariff of OHPC Power Stations for FY 2017-18 as shown in the Table below, has been submitted before Hon'ble OERC for approval.

**Proposed Station wise ARR and Tariff for the FY 2017-18:-**

Details expenses	RHEP	UKHEP	BHEP	HHEP	CHEP	Sub Total	UIHEP	Total
Existing Saleable Design Energy (MU)	519.75	823.68	1171.17	677.16	485.10	3676.86	1942.38	5619.24
(Rs. in Crs.)								
Return on Equity	40.053	45.238	58.497	29.921	29.398	203.107	47.965	251.072
Interest on Loan	35.744	40.174	43.652	17.622	26.088	163.279	23.331	186.610
Depreciation	36.845	40.115	43.383	18.898	27.769	167.010	67.775	234.784
O&M Expenses	50.102	39.528	73.567	75.438	18.634	257.269	66.534	323.803
Interest on working capital	4.834	4.574	6.685	5.137	2.656	23.886	6.201	30.087
<b>Total ARR</b>	<b>167.578</b>	<b>169.629</b>	<b>225.784</b>	<b>147.015</b>	<b>104.545</b>	<b>814.551</b>	<b>211.805</b>	<b>1026.356</b>
<b>Average Tariff (p/u)</b>	<b>322.42</b>	<b>205.94</b>	<b>192.79</b>	<b>217.11</b>	<b>215.51</b>	<b>221.53</b>	<b>109.04</b>	<b>182.65</b>

OHPC in the Tariff application has submitted the proposal of annual revenue requirement for FY 2017-18 considering the following:

- i) The Project Cost (i.e. Revalued cost as on 01.04.1996 + New Addition from 01.04.1996 to 31.03.2016 - Asset reduction upto 31.03.2016) is considered for computation of Interest on loan, Depreciation & RoE as per Govt. Notification No. 5843 dtd.03.07.2015.
- ii) The principal & interest repayment on Restructured Govt. investment at UIHEP is considered in the tariff application for the FY 2017-18.
- iii) The interest repayment on Restructured Govt. investment at UIHEP w.e.f FY 2006-07 to FY 2016-17 is claimed as regulatory asset.
- iv) The differential principal repayment @Rs4.61Cr from FY 2010-11 to FY 2016-17 is claimed as additional depreciation of UIHEP along with normal Depreciation of Rs34.84Crs.
- v) Power Station wise upvalued project cost of old power stations as on 01.04.1996 along with approved additional capitalization/ decapitalization upto 2014-15 and audited additional capitalization / decapitalization for FY 2015-16 have been considered for determination of project cost for computation of tariff.
- vi) The principal & interest repayment on Convertible Bond issued by OHPC for Rs 766.20 Crores is claimed for FY 2015-16, FY 2016-17 & FY 2017-18 as per Notification No.5843 Dtd. 03.07.2015 of DoE, GoO which is effective from the FY 2015-16.
- vii) Differential RoE on Rs 300 Crs relating to Old Power Stations has been calculated for FY 2015-16 & FY 2016-17 while normal RoE has been considered for the FY 2017-18 considering Upvalued Asset (less decapitalization) to give effect to Notification no. 5843 dtd. 03.07.2015 of DoE, GoO.
- viii) Income Tax on Core Business is claimed as Reimbursement.

OHPC prays before the Hon'ble OERC to approve the ARR & Tariff of OHPC Power Stations for the FY 2017-18 as above.

**5. Installed Capacity(IC) of OHPC Power Stations for Computation of PAFM and payment of SLDC Charges:**

OHPC for the purpose of computation of PAFM and payment of SLDC Charges for the FY 2017-18 has submitted the information on installed capacities available from the OHPC power stations in Table No. 1 of the Original ARR & Tariff Application, considering the R&M of different generating units . However for the PAFM purpose the reduction of installed capacities on account of Capital Maintenance of different Units, have not been deducted which will be considered depending upon zero date as allowed by SLDC. However Hon'ble Commission may consider the submission of SLDC for approval of Installed Capacity for the purpose of payment of SLDC charges during the FY 2017-18.

**6. Reimbursement of Income Tax including Interest from GRIDCO:**

Since the reimbursement of Income Tax from GRIDCO takes considerable time, OHPC losses heavily by way of interest. It is therefore requested that GRIDCO while reimbursing the income tax due as claimed by OHPC should also consider the interest @ interest on Working Capital of that year. **Hence Hon'ble Commission may kindly accord in-principle-approval for reimbursement of interest pertaining to the period from FY 2014-15 to FY 2016-17.**

**7. Proposal of Capital Maintenance Work to be executed in FY 2017-18:**

**Capital Maintenance of Unit-IV of UKHEP:**

Brief History: It is apprehended that the stones of different sizes are coming from Lower Expansion Gallery of Surge Tank since 2006 entering into the Guide Vanes of Unit-4 Turbine. This had resulted in damage of Guide Vane and Turbine Equipments and shaft vibration of the Unit. Due to bad effect of water conductor system(Non-operation of stop log and intake gates) and Surge shaft (Non-operation of Surge Gates) the removal of boulders/ stones at surge shaft area is not possible at present. Due to damage by stone, replacement of 3 Nos. of Guide Vanes, Shaft sleeves, Bushes, Link plates, Eccentric Pin etc. is required urgently along with Runner welding, Labrynth machining by APHMEL, repair of draft tube, penstock dewatering etc.

Further, in addition to the Capital Maintenance of the Unit, it is also proposed for replacement of old Governor by microprocessor based Digital Governor which is procured and preserved in the store of UKHEP. During the period of Capital Maintenance, the replacement of Governor, HM panel, Speed sensing device, replacement of defective poles, Stator cleaning work & other works will also be taken up. It is also proposed for overhauling of 102MVA, 11/220KV Generating Transformer of Unit-4 and replacement of old Transformer oil by OEM, M/s. Crompton Greaves Limited. The Transformer is in service since inception of the Project and no major works have been taken so far.

**Hence it is proposed to carry out the Capital Maintenance of Unit No.-4 of UKHEP at a cost of Rs2.9 Cr.(approx..) within a shutdown period of 185days.**

The Capital Maintenance work of Unit No. 04 of UKHEP shall be taken up tentatively from 15<sup>th</sup> March 2017 to 15<sup>th</sup> September 2017 during the lean period of generation in consultation with the OEM and zero date shall be finalized in discussion with SLDC for the purpose. The details of works to be carried out and No. of days required for the work and the tentative cost is enclosed at ***Annexure-35 of Original Application***. In the mean time 137<sup>th</sup> BoD of OHPC has approved the proposal of Capital Maintenance of Unit-4 of UKHEP, Baraniput for inclusion in ARR and tariff application of OHPC for FY2017-18. The copy of the same is enclosed at **Annexure-I**.

Hon'ble OERC may kindly approve the proposal of Capital Maintenance of Unit-4 of UKHEP allowing a shut down period of 185 days at an estimated cost of Rs 2.90 Crs.

8. **Compliance to the Objections/Suggestions raised by Sri G. N. Agrawal, General Secretary, Sambalpur District Consumers Federation on the ARR application of OHPC for the FY 2017-18**

**Para 4 of Page 3:-**Regarding proper maintenance of reservoirs, the Department of Water Resources (DOWR) shall create a corpus as annual maintenance fund, to be utilized for removal of shoals/silt etc. through periodical dredging as directed by Hon'ble High court of Odisha vide its Order Dtd. 30.03.2012 in WP© No-8409 of 2012 at para 24.

All other paras of the objection are not related to OHPC.

9. **Compliance to the Objections/Suggestions raised by Sri Aditya Kumar Mishra, S/o-Late Laxminarayana Mishra, At- Gudia Sahi(near Ramani Chaura), Dist- Puri on the ARR application of OHPC for the FY 2017-18**

A. **Upvaluation of old power stations and issue of convertible bond:**

The contention of the objector that the effect of up valuation of the assets of the old power stations should not be allowed to be given up in the books of accounts as well as in ARR of OHPC since the ownership of OHPC till date has not be diluted as it is required under Section 23(4) (a) and 25(2) of the Reform Act ,1995 only to give effect for fair value only in case of transfer of the property or rights to any person or undertaking not wholly owned by the GoO are not stated to be correct as the applicability of Section 23(4)(a) arises only in case of the transfer of property etc. to a private party. Therefore Section 23(4) (a) has no applicability and relevance in respect of evaluation made for the old power stations of OHPC as because OHPC is a wholly Owned Govt. company and OHPC is entitled to get the effect of up valuation.

Moreover, the provisions of Section 25(2) of the Reform Act, 1995 doesn't impose any such restriction on Govt. for exercising any amending power so far as the funds allotted by the State Govt. is concerned. The said provision only imposes restriction upon the licensee to adhere to the regulation laid down by the Govt. for a period of one year or to make any further change with consent /approval of the State Govt.

Furthermore, the contention of OHPC is that since Govt. has the power to issue the SRO No.256/96 regarding up-valuation made on 01.04.1996, in the same way Govt. has also the power to amend such notification in future as mandated under the provisions of the Reform Act, 1995, which clearly indicates inter alia that the State Govt. reserve the right to alter, modify, add or otherwise change the terms in such manner as the State Government may consider appropriate.

OHPC has accordingly computed its ARR & Tariff for the FY 2017-18 considering the Tariff impact of Govt Notification No. 5843 Dtd. 03.07.2015 which was the decision of the State Govt. intimated to OERC vide their letter no. 2091 dtd. 11.03.2016 and the decision of the OHPC Board in its 134<sup>th</sup> & 135<sup>th</sup> meeting which form the basis of tariff setting of OHPC for the FY 2017-18.

**B. Servicing of Up valuation of Asset from Reserve Surplus of OHPC:**

*The Objector has rightly pointed out that “OHPC over the last 20years since its formation, has been able to generate above surplus amount by managing its business within the amount/ ARR approved by the Hon’ble Commission. Further, OHPC has been able to save this amount after meeting all its financial obligations like interest, Tax, Dividend, Leave alone the amount it spent on its day to day operation. After meeting all expenses and commitments, the remaining amount is parked by OHPC as deposits in Banks and interest is earned on the same and OHPC has been undertaking various RM&U as well as Capital Maintenance works of various generating units. These works are to be undertaken by availing loans and balance amount from self-financing. As post power sector reforms, GoO has stopped extending subsidies, OHPC has to invest from the surplus amount available with it.”*

To supplement the points raised by the objector in support of OHPC, it is to reiterate that the accrued balances are on account of accumulated RoE & Depreciation as approved by Hon’ble Commission, including interest thereon, which is being earned under Regulatory framework & invested or to be invested in RM&U projects, Capital Maintenance works investment in JV projects etc. under approval/ knowledge of the Hon’ble Commission, without any financial infusion/ subsidies from Govt. to that effect.

**Therefore OHPC considering the repeated plea which is now duly supported by the present objector, the observation made in the Para No 75(e) of the Tariff Order of OHPC for the FY 2016-17 may please be rectified suitably, as because servicing of**

**any loan need to be approved under the project cost and allowed Depreciation & Interest etc. by the Hon'ble Commission under the provisions of Tariff Regulation.**

**C. Project Cost of Old power station:**

The Historical Cost of the Old Power Station amounting to Rs479.80Cr has been considered for tariff purpose as per the details enclosed at *Annexure-II*.

**D. Project Cost of Upper Indravati Hydro Electric Project(UIHEP):**

The Project Cost of UIHEP for the purpose of determination of Tariff was finalized in the Public Hearing of ARR of OHPC for FY2008-09. After thorough scrutiny, Hon'ble OERC had approved the project cost of UIHEP at Para No.117 of the Tariff Order as follows:

*“Having taken into consideration the diverse views expressed in the matter of determination of the project cost, the Commission agrees with the views that OHPC cannot be held responsible for the delay in execution of the project prior to the transfer to OHPC on 01.04.1996. **The cost structure now submitted to us is based on the audited report of the Accountant General of Orissa.** In accordance with CERC Regulation (No.33) on determination of tariff dated 26.03.2004 “subject to the prudence check by the Commission, the actual expenditure incurred on completion of the project shall form the basis for determination of final tariff.” In view of the above, the Commission approved **Rs.1195.42 crores** as the final capital cost of UIHEP for the purpose of determination of tariff.”*

After adjustment of the infirm power cost amounting to Rs0.63Cr, the final project cost for UIHEP has been approved by the Hon'ble Commission to the tune of Rs1194.79Cr (i.e. Rs1195.42Cr – Rs0.63Cr) for the purpose of computation of Tariff.

**E. Design Energy of OHPC Power Stations:**

In the context of the Objection raised by the Respondent regarding Revision of Design Energy of different power station of OHPC, the Para No. 160 of the Tariff Order of OHPC for the FY 2009-10 is reproduced as follows:

*“As per the directives given by the Commission in its order dtd. 10.06.2005 at Para 6.5, which states that ‘the reassessment should be done by appointing an independent group of Consultants under the auspices of this Commission before November, 2005, OHPC has taken steps for reassessment of design energy. An independent consultancy agency M/s SPARC was awarded the job of reassessment of Design Energy. The Commission has regularly monitored the progress in respect of reassessment of design energy. After completion of the job by M/s SPARC, the Commission directed OHPC to make a detailed presentation on 19.01.2008 regarding the matter. Thereafter, the Commission in its Order dtd. 20.03.2008 gave a directive to OHPC as follows: “OHPC shall file the Final Report on determination of design energy of its power stations duly vetted by OHPC Board.” Accordingly, OHPC submitted the reports to the Commission on 31.05.2008 for approval. Thereafter, the Commission requested CEA to review*



*and communicate their comments and suggestions on the said Reports to facilitate approval of the same, since the revised design energy has got bearing on hydro tariff of the State.*

*CEA suggested that OHPC and the consultants (M/s SPARC Ltd.) should make a presentation with regard to the proposal/methodology adopted for review of design energy. A presentation was made by M/s SPARC before CEA in the presence of OHPC and OERC officials. CEA has made the following observations:*

***“From the presentation made by OHPC/ M/s SPARC Ltd. and from perusal of the ‘Reports on Re-assessment of Design Energy’ of the OHPC projects furnished earlier, it is seen that the guidelines issued by CEA have been broadly followed by OHPC while carrying out the review. However, authenticity/accuracy of the various data adopted for the review may be ascertained by OERC at their end.”***

However, without approving the proposal of Reassessed Design Energy of OHPC Power Stations prepared by Independent Consultant (M/s SPARC Ltd.), Hon’ble Commission in its order dt.30.01.2013 in Case No: 121/2009 in the matter of Approval of Revised Design Energy of Hydro Stations of OHPC at Clause No. 9 has allowed OHPC to recover in line with the CERC Regulations, the Revenue shortfall occurred in the event of Hydrology failure & worse monsoon years when the energy generation of any Hydro projects falls short of its Design Energy not attributable to the generators.

Accordingly OHPC in the Tariff petition for FY2014-15 had calculated the hydrology failure of Rs.52.23 Crs. for FY 2009-10; Rs.22.69 Crs. for FY 2010-11 and Rs.36.0 Crs. for FY 2011-12 as per the CERC norms and prayed for approval of same.

The Commission has examined the submission of OHPC and further observed that the compensation claimed towards hydrology failure is not to be allowed in view of the Commission’s earlier orders dt.10.06.2005 & dt.23.03.2006 wherein OHPC was directed to maintain a separate fund to deposit the revenue earnings out of sale of secondary energy which shall be utilized to replenish the shortfall in revenue due to lesser generation by OHPC in years of hydrology failure to provide necessary comfort to the consumers of the state. {Para 6.5(e) of Order dt.10.06.2005}.

As per direction of Hon’ble OERC, OHPC has been calculating the Secondary Energy Fund from the FY 1996-97 and is updating the same as per the actual generation achieved in the preceding years and submitting the same in the ARR & Tariff proposal with a prayer before the Hon’ble Commission to recognize the same as Regulatory Asset and fix suitable instalments for its pass through. But Hon’ble OERC has never provided their views to come across the situation of persistent deficit of the secondary energy fund, which is otherwise a financial crunch to

OHPC. The trend shows that the revenue loss on account of less generation cannot be replenished through the extra earning earned through sale of secondary generation.

Thus OHPC has tried its best to revise the Design Energy of different power stations of OHPC engaging Independent Agency M/s SPARC with due recommendation of CEA. But Hon'ble OERC has thought it suitable to replenish the shortfall in revenue due to lesser generation by OHPC in the years of hydrology failure from the secondary energy fund in order to provide necessary comfort to the consumers of the state. But unfortunately the secondary energy fund of OHPC is lying at around a negative figure of Rs.207.70 Crores, which is ultimately posing a financial constraint for OHPC.

**F. Short drawl of Generation of Odisha Share from Machhkund Hydro Electric(Joint) Project:**

OHPC, in the original tariff application, has stated that the real drawback in the system is the deficiency existing in the power evacuation of Odisha share of 50% Power (energy) from MHE(Joint) project by OPTCL(STU) & SOUTHCO(DISCOM). Due to evacuation constraints, Odisha is not getting 50% of the shareable energy on real time basis from Machhkund generation.

OHPC in its original ARR & Tariff Application for the year 2017-18 had justified its claim as follows:

- a) APTRANSCO (Andhra Pradesh Transmission Corporation) have 02 Nos of 132KV transmission lines for evacuation of power(energy) from Machhkund power house, whereas OPTCL is having only 01 No. of 132KV transmission line (i.e. 132KV Machhkund Jayanager feeder) for evacuation of Odisha Share. The second 132KV feeder from Machhkund supplying power to Railway traction is in defunct condition since long.
- b) MHEP is synchronized to Andra Pradesh Power system whereas Odisha is drawing and supplying power to some of its southern parts through 132KV Machhkund-Jayanager feeder radially. Due to this hardly 02 to 03 distribution substation (such as Akhusingh, Rayagada, Mohana) of SOUTHCO are getting supply radially from Machhkund generation purely on manual arrangement depending upon the generation at MHEP.
- c) In this process it is very difficult to match the distribution load of the above substations under SOUTHCO, exactly to 50% of the available energy from MHEP resulting in under drawl of Odisha share of Power from MHEP on a real time basis.
- d) OPTCL is again going to supply "Traction load" from Rayagada Grid. In case traction load is extended from Rayagada grid on MHEP supply then it will adversely affect the performance of the generators at Machhkund and APGENCO shall be forced to hand trip

the only 132KV Jayanager feeder in view of the safety and reliability of the generating units which will further deprive Odisha for availing it's Machhkund share of power.

The objection that incorrect monitoring the day-ahead-availability may not solve the problem of short drawl unless proper evacuation system and proper matching load on real time basis is not arranged since the power drawl is done by OPTCL in radial mode. Further, unless a synchronous system of power evacuation by SLDC & OPTCL are developed, the radial mode of power evacuation shall not solve the problem.

**G. Recovery of O&M and RoE in respect of generating units under RM&U/ Capital Maintenance:**

Different regulatory provisions for taking up successful timely Capital Maintenance & Renovation and Modernization of generating units of OHPC as provided by the Hon'ble Commission in their different Orders are as follows:

**Provisions of Capital Maintenance of Different Units:**

Hon'ble Commission at para 54 of Case No 65 dated 02.11.2010 has indicated that **“The Capacity of the generating units under renovation and modernization shall not be considered in Installed Capacity while computing the Plant Availability Factor. Further while computing the plant availability factor, the capacity of the generating units under capital maintenance period of more than 45 days may also be deducted from installed capacity after due approval of the Commission”**. Hon'ble Commission has again extended this benefit in para No. 137 of Tariff order of OHPC for FY 2014-15 while approving NAPAF of OHPC stations for FY2014-15 to FY 2018-19.

Further, Hon'ble Commission in its order dt. 01.05.2012 in case no-5 of 2012 has clarified that **“ a generator should not suffer from non- recovery of capacity charges due to capital maintenance of a generating unit which takes around three months and normally taken in each 3 or 5 Years as per the manufacture's guidelines”** .

**Provision of R&M in agreed PPA at Clause No. 4.1.3:-**

The clause no. 4.1.3 of agreed PPA between OHPC & GRIDCO provides that, **“In case of any generating unit(s) under R&M work, for the purpose of computation of NAPAF the capacity of the units under Renovation and Modernization shall not be reckoned and the relatable fixed charges relating to O&M and depreciation apportioned to the capacity under R&M shall not be included in the ARR and shall not be paid by GRIDCO as approved by OERC.”**

The above provision was further clarified by the Hon'ble Commission at Para No.162 of the Tariff Order of FY2011-12 which is reproduced as under:

*“The Commission is of the view that ARR/AFC of a hydro generating station consists of energy charge and capacity charge. In case any unit is kept under R&M, it will not affect the energy charge, but the capacity charge of the station will be reduced. Therefore, both OHPC & GRIDCO should compute the amount of depreciation and O&M expenses (excluding the expenditure on manpower and insurance, if any) apportioned to the unit capacity under Renovation and Modernization and arrive at a consensus. This amount should be deducted as a year end adjustment from the annual capacity charge claim of OHPC.”*

Hon’ble Commission has provided this provision to encourage the Generators to take up the Capital Maintenance of each machines at regular interval of 03 to 05 years as per guidelines of OEM. In this process the forced outage period of the Machines are minimized and the State get the cheap & clean hydro power to the Optimum.

OHPC never claim the Capacity Charges for non-availability of machines when the concerned machines are under outage unless it has a prior approval from Hon’ble OERC for the planned shutdown for taking up Renovation Modernization work & Capital Maintenance work requiring shutdown period more than 45 days. In case of R&M works OHPC is not claiming any repair, maintenance & operational expenses from the beneficiary except the Man Power and insurance charges which has to be incurred by OHPC.

OHPC has also utilized the water available in the reservoir to the Optimum as per the instruction of SLDC. If allowed by SLDC and if water is available, OHPC has attended the Design Energy. Besides OHPC is maintaining its power stations, which are quite old, at lowest rate of O&M expenses in the country and providing machine availability as of National Standard.

Regarding any less in O&M Expenses than the approved, shall automatically get reset while finalizing the Truing Up exercise.

In view of this the objection raised by the Objector has no merit.

**H. License fee for use of water for generation of Electricity:**

As per the gazette Notification Dt. 01.10.2010, OHPC has to pay @Rs. 0.01/KWh as Licence Fee on water used for generation of electricity from all Hydro Electric Project to the tune of Rs. 5.676 Crs. based on design energy which is to be reimbursed to OHPC by GRIDCO.

After due deliberation in the Public Hearing of OHPC for the FY 2011-12, Hon’ble Commission has approved License fee for use of water for generation of Electricity to be paid by OHPC @Rs. 0.01/KWh and be reimbursed from GRIDCO.

**I. Augmentation to Storage Capacity of Surulikonda Barrage:**

On the proposal of DoWR for Augmentation of the Storage Capacity of Surulikonda Barrage at Balimela, OHPC in its 133<sup>rd</sup> Board of Director meeting has viewed that since the

augmentation of the capacity of Surlikonda Barrage is linked with efficient management of water discharge through generation of Balimela Power House, for the purpose of irrigation in the command area and the bearing of the entire cost or sharing of a portion thereof by OHPC needs approval of Hon'ble OERC for recovery through tariff. Accordingly, it was decided in the BoD, that any payment to be made to DoWR for the above purpose will be subject to approval of Hon'ble OERC. The decision of the 133<sup>rd</sup> BoD, OHPC along with all other relevant document are submitted in the Original Tariff proposal of OHPC for kind perusal of Hon'ble OERC for suitable decision.

**J. Capacity Addition Plan:**

The Status Report of the Hydro Power Capacity addition is furnished below:

**a) Hydro-thermal mix (in MW as well as in % over the last 10 years):-**

The Financial year wise hydro generation achieved from different power stations of OHPC is enclosed as *Annexure-III*.

**b) Status of addition of 1,500 MW as identified by GoO:-**

No capacity addition till date. MoU signed with NHPC in the year 2011 has expired in 2013. All these projects are multi-purpose in nature which depends on construction of dam by DoWR.

OHPC will consider for development of large hydro project only after decision on construction of multipurpose dam taken up by DoWR as it involves flood control, irrigation, submergence of villages with R&R, forest and environment issues.

**c) Details of investment in OTPCL and BWCCCL including their present status:-**

The Status Report on details of investment, expenditure are enclosed at *Annexure-IV*.

**d) Capacity addition of 320 MW under Sindol projects:-**

Proposal is yet to be finalized.

**e) Any other plan for capacity addition by OHPC/ GoO:-**

i) Pump Storage Project at UIHEP(600MW), Mukhiguda:- The DPR for the above project is under preparation by OHPC through WAPCOS.

ii) PFR for Pump Storage H.E. Projects at Upper Kolab and Balimela has been prepared. Steps for DPR is under process.

**10. Compliance to the Objections/Suggestions raised by Sri R. P. Mohapatra, Retd. Chief Engineer & Member (Gen.) OSEB, Jayadev Vihar, Bhubaneswar on the ARR application of OHPC for the FY 2017-18**

**Para 1:-** OHPC has submitted its tariff proposal for the FY 2017-18 before the Hon'ble Commission based on the OERC Generation Tariff Regulation 2014, the decision of the State Govt. intimated to Hon'ble OERC vide their letter no. 2091 dtd 11.03.2016 regarding

consideration of the tariff impact of Notification No. 5843 dated 03.07.2015 of DoE, GoO and as per the decision of the OHPC Board in its 134<sup>th</sup> & 135<sup>th</sup> meeting..

**Para 2(i) & 2(ii):-** Para No. 03 & 04 of OHPC's submission (page no 3 of this Rejoinder) as above may please be referred for compliance of these para.

**Para 2(iii):-** The Objector has rightly acknowledged the concern of OHPC that there would be heavy impact as advance tax in each quarter is to be paid irrespective of payment received from GRIDCO. Hon'ble Commission may kindly consider the suggestion of the respondent and pass necessary tariff Order so that GRIDCO shall reimburse the quarterly advance tax , on receipt of deposited challan copies from OHPC.

This is because, in the present practice, OHPC shall be eligible to receive the reimbursement of Income Tax paid in FY2015-16 in FY 2017-18 after a gap of two years which leads to a heavy loss of interest for the above period. Further, it may be noted that OHPC is now making normal income tax payment instead of minimum alternate tax(MAT) since 2014-15. If Hon'ble commission approves the objector's suggestion then OHPC will be able to get the reimbursement of Income Tax deposited for the 1<sup>st</sup> Quarter in the 2<sup>nd</sup> Quarter and so on during the same financial year on production of documentary evidence towards deposit without sustaining any loss of interest by awaiting almost 2 years as mentioned above. Hence OHPC prays before the Hon'ble Commission to address on Reimbursement of Income Tax as suggested by the objector and approve the Reimbursement of Income Tax to be paid to OHPC by GRIDCO in FY2017-18 on Quarterly basis.

**Para 3:-** The objector has submitted the Average Approved Tariff of OHPC from FY 2012-13 to FY 2016-17. There is a rise of 97.45paise/ unit in Average Tariff of OHPC for FY 2017-18 from the previous approved Tariff which is mainly due to the consideration of Tariff impact of State Govt. Notification No. 5843 dated 03.07.2015.

**Para4:-** In the proceeding of the 72<sup>nd</sup> meeting of Hirakud Co- Ordination Committee held on 04.12.2013 at Rajiv Bhawan, Bhubaneswar it was decided that, “ *The reservoir level is aimed to attain R.L. 595.00ft on 25<sup>th</sup> June 2014 after effective utilization of reservoir water for irrigation & power generation. The Khariif water supply starts from 16<sup>th</sup> June to facilitate raising of paddy seedling in the entire Hirakud command area of about 1.59 lakh hectare. **The minimum water level of R.L 595.00ft is required for a driving head to push water through the canal network which runs for about 150Kms**”.*

Further in the 1<sup>st</sup> meeting of the committee on Dtd. 03.07.2012 in the Conference Hall of DoWR taken by Principal Secretary, DoWR on policy for optimum utilization of water in the reservoirs by industries and running of Hydro Electric Project with their optimum capacity it

was decided at Sl. No. 13 of the minutes of meeting that, ***“The minimum water level in Hirakud Reservoir is maintained at 595ft against the draw down level of 590ft. This is due to inadequate pressure in the end reaches of canal below RL 595ft, which is hampering irrigation. It is decided that DoWR shall issue necessary circular/ letter to OHPC for maintaining minimum RL at 595ft. OHPC will apprise the revised Design Energy of Hirakud and Chiplima Power House and inform accordingly to OERC.”***

Hon’ble Commission in the Tariff Order of OHPC for FY 2014-15 had suggested that, ***“Regarding compensation claimed due to restriction in generation, the Commission will consider the issue of raising MDDL from 590ft. to 595ft. by Water Resources Dept. to support irrigation once the resolution taken in this regard is implemented through a formal notification of the Revised Rule curve to be followed for this purpose.”***

In response to this, OHPC had requested to Dept. of Water Resources vide Ir. No.8515 Dtd. 17.07.2014; vide Ir. No.9298 Dtd. 19.08.2014 & vide Ir. No.10748 Dtd. 10.10.2014(with copies to Hon’ble Commission) to consider the above matter and issue the revised rule curve raising MDDL from 590ft to 595ft.

**Accordingly the Engineer-in-Chief, Water Resources, Odisha, and Bhubaneswar vide his letter dtd 25.11.2014 had intimated OHPC as quoted below:**

***“ It is intimated that the Maximum Draw Down Level (MDDL) of Hirakud reservoir has been fixed at RL 590 ft during the design stage of the project basing on various engineering parameters including water uses for different purposes. More so, the rule curve is an operation schedule for filling the reservoir and as such does not need any revision for depletion of water level due to different uses beyond filling period. This matter has been discussed at length in coordination committee meeting held on 04.12.2013, wherein it was unanimously agreed and decided to maintain the reservoir at RL 595 ft on 25<sup>th</sup> June.”***

The copy of the letter dtd 25.11.2014 of the Engineer-in-Chief, Water Resources, Odisha, Bhubaneswar was enclosed as **Annexure- 8 (iv) of Original Tariff Application of OHPC for FY 2015-16.**

In view of the above restriction in generation from Hirakud Reservoir up to 595ft only instead of MDDL 590ft, OHPC has proposed a reduction of 14.81MU from the design energy of HHEP, and 15.95MU from the design energy of CHEP, Chiplima w.r.t letter dtd 25.11.2014 of the Engineer-in-Chief, Water Resources, Odisha, Bhubaneswar.

As per Power Purchase Agreement of all the individual power stations of OHPC executed between GRIDCO & OHPC and duly vetted by Hon’ble Commission the following has been provisioned.

**“ Any statutory order issued by the Govt. of Odisha duly endorsed by the Commission shall be binding on both parties and the provisions of the PPA shall be interpreted accordingly”.**

In consideration of the above, the views of GRIDCO that OHPC in association with DoWR may explore the ways for better utilization of water below 595ft from Hirakud Reservoir is quite contradicting. In this context Hon’ble Commission may like to advise Govt. to allow OHPC to generate up to 590ft at HHEP, Burla keeping aside the decision taken in the 72<sup>nd</sup> meeting of Hirakud Co- Ordination Committee dtd. 04.12.2013 and the 1<sup>st</sup> meeting of the committee on water utilization policy dtd.03.07.2012. Other wise OHPC may be allowed to generate up to RL appropriate with reduction in Design Energy of HHEP & CHEP, which may kindly be decided by Hon’ble Commission.

In addition to the above, in spite of the best effort for maintenance and availability of units much above the normative level, it is observed that, CHEP, Chiplima could never achieve the target of Design Energy fixed at 490MU, which may be attributed to the following:

i) During Non- Monsoon period SLDC is scheduling the generation of HHEP, Burla mostly during the evening peak hours for 3 to 4hrs and during non- peak hrs the machines are remaining idle. The capacity of the Pond No.- 1 is not sufficient to store the large volume of water discharged from HHEP, Burla during peak hours leading to spillage of water through the auto siphon near the Head regulator at a level of 521.3ft without being utilized for generation in the lower Power House at Chiplima. Once the auto siphon operates at a R.L of 521.3ft it stops automatically only when the water level in pond reaches 519.5ft.

ii) In the monsoon period when DoWR opens the gate of the Hirakud Dam for flood control the RL of the river increases. The tail race of Chiplima Power House is connected to river. So the tail race level of CHEP also increases thereby reducing the net available head and generation of the power house.

iii) As the discharge capacity of the hill channel leading to Forebay of the Chiplima Power House is restricted to 12,500Cusec, thus, the maximum generation from CHEP is limited to 63.5MW only as against the total installed capacity of 72MW (i.e. 3x24MW).

iv) In the meeting on Dtd. 03.07.2012 in the conference hall of DoWR taken by Principal Secretary, DoWR on policy for optimum utilization of water in the reservoirs by industries and running of Hydro Electric project to their optimum capacity, it was decided that DoWR shall issue necessary circular/ letter to OHPC for maintaining minimum RL at 595ft. in the reservoir of Hirakud. OHPC will apprise the revised Design Energy of Hirakud and Chiplima Power House and inform accordingly to OERC. Due to this cascading effect the generation at



Chiplima Power house is proportionately reduced. The copy of the of above Minutes of meeting is enclosed at **Annexure-IV**.

**So in a realistic manner, a maximum generation of 350MU may be achievable for CHEP in case of optimum water availability and effective generation scheduling at HHEP, Burla, which shall ensure non-spillage of water through auto siphon near the head regulator as mentioned above.**

As proposed by GRIDCO regarding separate accounting of secondary generation, this is to intimate that as per direction of the Hon'ble Commission, OHPC has already computed the Secondary Fund & submitted in the Tariff application which is a deficit fund and unable to meet the less generation from HHEP, Burla & CHEP,Chiplima.

**Hence OHPC prays before the Hon'ble OERC for consideration of saleable energy of HHEP, Burla as 662.36MU and CHEP as 350MU for the purpose of Tariff computation.**

**Para 5:-** Original decision of the Hon'ble High court of Odisha vide in WP(C) No-8409 dated 30.3.2012 of 2011 between Keonjhar Navanirman Parishad -Vrs- State of Odisha & Others, Govt. of Odisha at para 24(ii) is as follows:

*“The State Govt. is directed to take steps to compute the amount of compensation to be recovered from the industrial Units which had used the water and ensure that the said amount is recovered and paid to OHPC within a period of three months from today, failing which such industrial units shall not be allowed to draw water from the reservoirs. ....x....x....x...”*

But.in the 1<sup>st</sup> meeting of the committee on Dtd. 03.07.2012 in the Conference Hall of DoWR taken by Principal Secretary, DoWR on policy for optimum utilization of water in the reservoirs by industries and running of Hydro Electric Project with their optimum capacity it was decided that OHPC will execute supplementary agreement with the Industries drawing water from Reservoirs. The DoWR will issues administrative order to the industries drawing water for execution of such agreement. In spite of issue of Administrative order from DoWR none of the Industries have executed the Supplementary agreement with OHPC. Some of the industries have taken the shelter of law regarding the execution of Supplementary Agreement, higher rate of energy compensation charges. The case is now sub-judice in the High court of Odisha.

The above matter in detail has also been intimated to OERC vide Memo No. 8599 Dtd. 22.09.2016 in response to Lr. No. 1161 Dtd. 25.08.2016 of Secretary OERC & Lr. No. 6336 dtd. 29.08.2016 of Additional Secretary to Government for a decision in this regard as the energy compensation charges should have been collected by the DoWR and paid to OHPC for necessary adjustment in the secondary energy fund.

**OHPC may claim the amount towards loss of generation, both for raising MDDL and also for loss due to drawl of water from the reservoirs by industries, from DoWR, who is responsible for the loss of generation and payment of energy compensation charges to OHPC.”**

OHPC treating the loss of generation arising out of drawal of water from the reservoirs by industries analogous to loss due to Hydrology Failure. Since Hydrology failure is claimed under Secondary Energy Fund which has a present deficit of Rs 207.7Cr, the compensation received from the industries due to such drawl of water will be accounted for out of the same. This has already been intimated to the Hon’ble Commission in the Tariff filing of OHPC for FY 2015-16 & FY 2016-17.

**Para 6:-**

OHPC obtained the approval of Hon’ble Commission regarding the Project schedules for R&M works prior to the starting of tendering process for the Project. The unavoidable delay occurred during the tendering process(International competitive Bidding) and the reasons of such delay has been indicated in the earlier submissions of OHPC. Although, there was delay in the starting of Project works, however OHPC is trying its best to get the Project executed within the approved project schedule after award of contract to the selected contractors. The status of units considered for R&M works of CHEP & HHEP is indicated below.

**Unit-3 of CHEP, Chiplima:-**

The old Unit has already been dismantled. Basic Design & Engineering activities have already been completed. Supply of Material and refurbishment works of the Unit is under progress. Erection activities will commence soon after refurbishment of civil works.

**Unit-5&6 of HHEP, Burla:-**

Both the units have already been handed over to the Contractor. Dismantling of Unit No. -6 completed and dismantling of Unit-5 is under progress.

**Unit-1 to 6 of BHEP, Balimela:-**

As regard to BHEP, Balimela the Contract has already been awarded for R&M works. The Unit-1 dismantling is scheduled to commence soon. Other units will be handed over for R&M works in a phased manner(2 units at a time) as indicated in the Original Tariff of application of OHPC. To avoid any catastrophic failure of these units, OHPC is trying its best to keep these old units running till the handing over of the units for R&M works.

**Hence OHPC pray before the Hon’ble Commission to approve the revise time schedule along with Capital Cost as shown in the Table No-35 of the Original Application of OHPC for FY 2017-18 which was derived after finalization of the Tenders through International Competitive Bidding for taking up the R&M works of different units for Capitalization of the Project Cost of respective Units & computation of PAFM during the period of Shut down.**

Para 7:- The loss of subsidiary and JV companies will not be a part of ARR of OHPC.

**Para 8:-** Hon'ble OERC has adopted the procedure for determination of O&M expenses of OHPC Hydro Power Stations in line with the CERC(Terms & Conditions of Tariff) Regulations considering an escalation factor of 5.72% over the previous years approved O&M expenses instead of 6.64% as considered by the Hon'ble CERC. In this process the O&M expenses for the 5 year block period from FY 2014-15 to FY 2018-19 is already decided by Hon'ble OERC for the OHPC power stations. Accordingly, OHPC is considering that amount as O&M expenses in its tariff proposal starting from FY2014-15 onwards.

**11. Compliance to the Objections/Suggestions raised by M/s GRIDCO Limited, Janpath, Bhubaneswar-751022 on the ARR application of OHPC for the FY2017-18**

**Para 1:-** About the Tariff proposal of OHPC for FY2017-18 & Reply to the Letter No. 1676 dated 21.12.2016 of Director(Tariff).

**Para 2:-** Chapter 4, Clause 4.7 of the OERC Generation Tariff Regulation, 2014 mandates,

*“Income tax of the Generating Company shall be recovered from the beneficiaries. This will exclude income tax on other income streams (income from non-generation and non-transmission business).”*

OHPC had paid a total amount of Rs72.649Crs towards income tax for FY 2015-16, which consists a sum of Rs 31.945 Crs on the interest income of Rs 92.3061Crs, which is a non-generation business and the sum of Rs 40.704Crs on Operational Income of Rs 117.61Crs which is a core business. The audited accounts of OHPC enclosed at **Annexure-14 of Original Tariff Application of OHPC** may please be referred.

**Hence, Hon'ble OERC may kindly approve a total reimbursement claim for an amount of Rs 40.704Crs from GRIDCO in the Tariff of OHPC for FY 2017-18 towards Income Tax as per the Audited Accounts of FY2015-16.** This amount may be accordingly provided in the ARR of GRIDCO.

**Para 3:- Compensation claim of OHPC towards hydrology failure and towards restriction in generation:**

As per the direction of the Hon'ble Commission the recovery of Annual Fixed Cost of OHPC comprises of Capacity Charges & Energy Charges on 50:50 basis. Accordingly 50% of the AFC is recovered through energy charges only when the design energy is achieved and sold.

The compensation claimed by OHPC for an amount of Rs207.70Crs (approximately) for the period from FY1996-97 to FY 2015-16 is only for non recovery of Energy Charges due to non-availability of water in the reservoirs during the years of Hydrology failure, and does not include any claim for shortfall in recovery of Capacity Charges.

The Design Energy of a power station is fixed after consideration of consumptive use of water and also after considering the irrigation. So, even after satisfying these priorities OHPC is expected to achieve its design energy. Any shortfall in design energy will be suitably compensated by the beneficiary (GRIDCO) as per the Regulations/ directions of the Commission.

Moreover Hon'ble Commission in its Tariff Order for the FY 2014-15 at para no. 143 had observed the following:

*“The Commission has examined the submission of OHPC and observed that the compensation claimed towards hydrology failure is not to be allowed in view of the Commission’s earlier orders dt.10.06.2005 & dt.23.03.2006 wherein OHPC was directed to maintain a separate fund to deposit the revenue earnings out of sale of secondary energy which shall be utilized to replenish the shortfall in revenue due to lesser generation by OHPC in years of hydrology failure to provide necessary comfort to the consumers of the state. {Para 6.5(e) of Order dt.10.06.2005}.”*

Accordingly OHPC has updated the Status of Secondary Energy Fund of OHPC from the FY1996-97 to FY 2015-16 which has a deficit of Rs 207.7Cr approximately. OHPC has prayed Hon'ble Commission to consider it as regulatory asset and requested for realization of the same.

In view of the contention of GRIDCO that, “OHPC is recovering the total annual fixed charges based on availability of machines & considering hydro generation as 4<sup>th</sup> priority ” is therefore not correct. The Power Stations under OHPC are dedicated to State of Odisha providing clean, green, cheap power with peaking support to the State Grid and hence the request of OHPC merits consideration.

**Para 4:- In-principle approval of Augmentation of Storage Capacity of Surlikonda Barrage:**

Considering the views of the Order dated 30.03.2012 of Hon'ble High Court of Odisha under Para No. 24(ii) in W.P( C ) No. 8409 of 2011 the decision taken in the 1<sup>st</sup> meeting of the Policy of Utilization of water (Sl. No. 16 and 24 of the MoM copy enclosed at *Annexure-V*), Hon'ble OERC may kindly take suitable decision on dredging & maintenance of water bodies & reservoirs. In case Hon'ble OERC approves any amount to be paid by OHPC for dredging of Surlikonda Barrage, then the modality of recovery of the same in the Tariff mechanism may kindly also be decided. Accordingly Hon'ble Commission may kindly specify whether it would be added to the project cost of BHEP or it would be an additional O&M Expense of BHEP.

The decision of Hon'ble OERC will be binding to OHPC & will be communicated to DoWR for further necessary action at their end.

**Para 5:- R&M of OHPC power stations of OHPC:**

OHPC has taken massive Renovation & Mordenisation works which covers Unit-3 of CHEP; Unit-5&6 of HHEP & Unit-1 to 6 of BHEP, Balimela. Out of these Unit-2 to 6 of BHEP are still available and satisfying the grid requirements as and when required. Presently Unit- 5&6 of HHEP, Burla and Unit-3 of CHEP are under RM&U programme.

The Update of Status of R&M works has already been furnished as Compliance to Para No. 6 of Shri R.P.Mohapatra above.

**Para 6:- Optimisation of generation of OHPC:**

OHPC provide cheapest power to the State of Odisha. Therefore, Hon'ble OERC may give suitable direction to the concerned authority for Optimum utilization of Hydro generation potential.

**12. Compliance to the Objections/Suggestions raised by Sri Ananda Kumar Mohapatra, Power Analyst, Proprietor, Mohapatra & Associates:**

**Para 1 to 2:-** OHPC is in the process of engaging a consultant to carry out the Truing Up process of different power stations from FY 1996-97 onwards. So the Truing Up process will be taken up shortly and will be submitted before OERC for approval. The performance of OHPC is constantly monitored by DoE, GoO & Hon'ble OERC from time to time. OHPC in the FY 2015-16 had maintained an weighted Plant Availability Factor of 85.95% against Targeted Plant availability of 83.304% with proper maintenance of the different Units, which are quite old. OHPC could be able to generate only 4120.719MU against the approved design energy of 5619.24MU. The less generation cannot be attributable to OHPC as the shortfall in generation is due to hydrology failure. Also the actual generation from OHPC power stations are basically governed by the DoWR & DoE, GoO looking into the requirement of irrigation, industry drawl, power requirement etc.

The performance of OHPC is not under rated and the contention of the objector in this regard is not correct. Further regarding the high value of generation tariff, this is to mention here that, being a wholly owned Govt. Company, OHPC has considered the tariff impact of Govt. Notification No. 5843 dated 03.07.2015 based on the State Govt. decision in Dept. of Energy communicated to OERC vide Ir. No. 2091 dtd. 11.03.2016.

**Para 3,4 &5 :-**

The tariff application of OHPC has been prepared as per the applicable regulations set by Regulatory Commission. The objection raised by the objector in this regard is irrelevant and out of context.

**Para 6:-**

State Govt. in the Dept. of Energy, vide Lr. No. 2091 Dtd. 11.03.2016 had written to OERC which are relevant in connection to the tariff setting of OHPC has been recorded by the Hon'ble OERC under para 60 of the Tariff Order of OHPC for the FY 2016-17 which is reproduced below.

x x x x x x

***“Keeping in abeyance of Up-valuation, Moratorium of Debt Service etc.:***

*The issue of up-valuation does not figure in case of GRIDCO which does not own any assets. However regarding the issue of up-valuation of assets pertaining to OPTCL, the Government for the time being agrees with the views of the Commission to keep in abeyance the up-valuation of assets, such a benefit cannot go indefinitely. However, considering the present difficult situation, the Govt. agrees to extend the status-quo on up-valuation till 2016-17.*

*As regards to assets, OHPC has considered the effect of convertible bond worth of Rs.766.20 crores in line with Deptt. of Energy, Govt. of Odisha Notification No.5843 dtd. 03.07.2015 wherein it has been mentioned to treat the entire amount of Rs.766.20 crore as loan bearing interest @7% w.e.f. 2015-16.*

*As stated by OHPC, they have considered the interest impact along with loan repayment for the financial year 2015-16 and 2016-17 with a repayment period of 15 years starting from the financial year 2015-16. Therefore the interest along with principal repayment of the convertible bond in respect of different old power stations as submitted by OHPC in its ARR for the FY 2016-17 should be considered.*

*Regarding moratorium of debt services of OHPC, it can be stated that moratorium of debt service have been allowed by Govt. for both repayment of loan and payment of interest for UIHEP Govt. Loan. The State Govt. vide notification dtd. 06.01.2010 is of the view that, the State Govt. investment actually made in Upper Indravati Project, excluding the normative equity, should yield return to the State Govt. w.e.f. FY 2010-11 after clearance of loan liabilities of PFC. However, interest @7% should be charged and paid on the investment from FY 2006-07 onwards. Further, the State Govt. vide letter no.4323 dtd.31.05.2014 has suggested Hon'ble Commission to include both payment of interest and repayment of principal in the ARR of UIHEP.*

***In view of above, Hon'ble Commission may include both payment of interest and repayment of principal in the ARR of UIHEP. The interest w.e.f. 2006-07 to 2016-17 may be kept as Regulatory Assets of OHPC to be paid in future tariff.”***

So the above decision of the State Govt. intimated to OERC vide their letter no. 2091 dtd. 11.03.2016 and the decision of the OHPC Board in its 134<sup>th</sup> & 135<sup>th</sup> meeting as mentioned in the Original Tariff Application form the basis of tariff setting of OHPC for the FY 2017-18.

OHPC is a fully State Govt, owned company and it has to fulfill the liability which had arose due to the Notification No5843 Dtd. 03.07.2015 from the FY2015-16.

Accordingly the effect of the State Govt. decision in Dept. of Energy vide Notification No.5843 Dtd. 03.07.2015 is the basis of ARR and Tariff computation of OHPC for the FY 2017-18.

**Para 7:-** The Objector may kindly refer to the Hon'ble OERC Order dated 30.01.2013 in Case No. 121 of 2009 regarding Reassessment of Design Energy of different power stations of OHPC where OHPC had made application to Revise the Design Energy in a Scientific manner engaging an Independent Consultant. The procedure adopted was acknowledged by CEA.

Hon'ble Commission in its order dt.30.01.2013 in Case No: 121/2009 in the matter of Approval of Revised Design Energy of Hydro Stations of OHPC at Clause No. 10 has decided not to approve the proposed Design Energy at the Moment. Finally Hon'ble OERC in the Tariff Order of FY 2014-15 at Para No 143 has decided as follows:

*"The Commission has examined the submission of OHPC and observed that the compensation claimed towards hydrology failure is not to be allowed in view of the Commission's earlier orders dt.10.06.2005 & dt.23.03.2006 wherein OHPC was directed to maintain a separate fund to deposit the revenue earnings out of sale of secondary energy which shall be utilized to replenish the shortfall in revenue due to lesser generation by OHPC in years of hydrology failure to provide necessary comfort to the consumers of the state. {Para 6.5(e) of Order dt.10.06.2005}."*

The proposal of OHPC already submitted in Case No. 121 of 2009 for revision of Design Energy for different power stations may be reconsidered.

**Para 8, 9 & 11:-** No comments

**Para 10:-** Compliance of para(F) of Aditya Kumar Mishra may please be referred.

**Para 12 to 25:-** No comment.

**13. Compliance to the Objections/Suggestions raised by Sri Ramesh Ch.Satpathy on the ARR application of OHPC for the FY 2017-18**

**Para 1&2:-** No comments.

**Para 3:-** The design energy of a hydro electric project is a basic design criteria which is calculated prior to the project inception considering statistical data of rainfall over the catchment and gross total inflow from all source and generator-turbine capacities. Accordingly, the D.E has been defined in OERC (Terms & Conditions for determination of Generation Tariff) Regulations 2014 as follows:

*"design energy" means the quantum of energy which can be generated in a 90% dependable year with 95% installed capacity of the hydro generating station."*

So, actual generation from a hydroelectric project depend on the rainfall pattern, availability of water in the reservoir & machines for generation, demand of the state. Further the water available in a carry over reservoir is very often carried over to the next year due to uncertainty

and irregular pattern of rainfall which affects the actual generation in a particular year. Therefore there is always a mismatch between actual generation & design energy.

**Para 4:-** The business plan of OHPC for 12<sup>th</sup> five year is under preparation.

**Para 5:- Proposed Installed Capacity of OHPC:-**

OHPC has proposed reduction in the Installed Capacity as per Clause No. 4.1.3 of the agreed PPA between OHPC & GRIDCO which was also duly vetted by Hon'ble OERC. Accordingly OHPC has proposed to reduce the Installed Capacity of different power stations considering the R&M programmes from the zero date till the scheduled completion period. However the reduction on account of approved Capital Maintenance will be considered depending upon the shut down approval of SLDC.

**OHPC will consider for development of large hydro project only after decision on construction of multipurpose dam is taken by DoWR as it involves flood control, irrigation, submergence of villages with R&R, forest and environment issues.**

**Para 6:-** Details of Man power position of all projects & OHPC as a whole is furnished at **Annexure-VI.**

**Para 7:-** Detail list of Engineers of OHPC managing the Power Houses is furnished at **Annexure-VII.**

**Para 8:-** Hon'ble Commission may take a suitable decision on this.

**Para 9:-** The decision of the State Govt. intimated to OERC vide their letter no. 2091 dtd. 11.03.2016 and the decision of the OHPC Board in its 134<sup>th</sup> & 135<sup>th</sup> meeting form the basis of tariff setting of OHPC for the FY 2017-18.

Accordingly the effect of the State Govt. decision in Dept. of Energy vide Notification No.5843 Dtd. 03.07.2015 is considered in the ARR and Tariff application of OHPC for the FY 2017-18.

**Para 10:-**

For Compliance please refer to Sl No. 9(B) of this rejoinder.

**Para 11:-**

The Reservoir Level of OHPC Power Stations as on 15.01.16 vis-à-vis on 15.01.17 is given below:

Sl. No.	Reservoirs	As on 15.01.2016	As on 15.01.2017
1.	Rengali	118.07meter	122.34 meter
2.	Kolab	855.54meter	856.21meter
3.	Balimela	1495.70ft.	1501.40ft.
4.	Hirakud	623.73ft.	627.02ft.
5.	Indravati	634.84meter	638.80meter



The actual generation of different Power Stations under OHPC from 01.04.2016 up to 15.01.2017 and anticipated generation up to 31.03.2017 for the FY 2016-17 prepared on the basis of the availability of water, irrigation requirement and peak load requirement of power in co-ordination with DoE, DoWR, GRIDCO and SLDC is furnished below.

Sl. No.	Name of the power stations	Actual generation from 01.04.16 up to 15.01.17 (in MU)	Anticipated generation from 16.01.17 to 31.03.17 based on DoWR & DoE Schedule (in MU)	RL likely to be achieved as on 31.03.17 as per generation Schedule	Total Anticipated generation for the FY 2016-17 based on DoWR & DoE Schedule (in MU)
1.	RHEP	515.32	79.703	118.87Mtr.	595.023
2.	UKHEP	455.28	192.71	852.75Mtr.	647.99
3.	BHEP	794.223	389.596	1485.80Ft.	1183.819
4.	HHEP	479.20	67.933	614.25Ft.	547.133
5.	CHEP	165.613	51.56	-	217.173
6.	UIHEP	1146.26	342.158	635.40Mtr.	1488.418
<b>Total</b>		<b>3555.896</b>	<b>1123.66</b>		<b>4679.556</b>

**Para 12& 16:-** For details of the Investment & Expenditures of the Subsidiary & JV companies of OHPC annexed at Annexure-III.

**Para-13:-**

A comparative statement on Actual O&M Expenses of OHPC against the Approved O&M Expense is shown in the Table below:

Sl. No.	Financial Year	O&M approved in ARR (Rs. in Crs.)	Actual Expenditure of OHPC (Rs. in Crs.)
1	2011-12	210.97	224.69
2	2012-13	221.18	249.95
3	2013-14	216.67	233.62
4	2014-15	294.46	254.87
5	2015-16	300.66	270.49

**Para 14:-** OHPC has received total amount Rs 4.95Crs towards compensation for industrial consumption of water from the reservoirs For detail information Annexure-18 of the Original Application may please be referred.

**Para 15:-** The information regarding the actual generation status of OHPC power stations since FY 2009-10 to FY2016-17(upto December 2015) is enclosed at Annexure-II..

## PRAYER

OHPC pray before the Hon'ble Commission to kindly approve the following in the ARR & Tariff Order of OHPC Power Stations for the FY 2017-18:

- i) The ARR amounting to Rs 1026.356 Crs. of OHPC Power Stations for the FY 2017-18 at an average tariff @ 182.65 p/u.
- ii) The miscellaneous reimbursement of Rs54.922 Cr by OHPC from GRIDCO.
- iii) The tariff for energy billing to CSPDCL at 196.78 paisa per Kwh considering Upvalued asset of HHEP and the norms of CERC (Terms & Conditions of Tariff) Regulations, 2014.
- iv) Recognizing the following as the Regulatory Asset and taking suitable decision for realization of the same.
  - a) Accumulated interest of UIHEP Govt. Loan from 2006-07 to 2016-17 = Rs.350.57Cr.
  - b) Accumulated interest on Normative Loan of UIHEP from 2001-02 to 2016-17 = Rs.65.24Cr.
  - c) Realization of Rs. 207.70 Crs. towards Hydrology Failure ( negative fund for Secondary energy) from FY 1996-97 to FY 2015-16.
- v) Suitable decision in allowing interest on the above recognized Regulatory Asset.
- vi) The fixation of Installed Capacity for computation of PAFM & payment of SLDC charges during the FY 2017-18 as per the information furnished under Table No.1.
- vii) To approve the revise time schedule along with Capital Cost as shown in the Table No.35 derived after finalization of the Tenders through International Competitive Bidding for taking up the R&M works of different units of OHPC.
- viii) Direct OPTCL to strengthen the power system network for evacuation of 50% Odisha share of generation from MHEP (Joint) Scheme. OPTCL, SOUTHCO to ensure drawl of 50% shareable energy from MHEP on real time basis.
- ix) Direct appropriate authorities for optimization of hydro power generation from OHPC power stations utilizing the water potential up to MDDL.
- x) In principle approval for the proposed Capital Maintenance Work of Uni-4 of UKHEP, Bariniput.
- xi) In-principle approval for Augmentation of storage capacity of the Surlikonda barrage through dredging at a cost Rs 24.5 Crs to be paid by OHPC to DOWR, GoO which is to be reimbursed from GRIDCO.
- xii) In-principle-approval for reimbursement of interest for the delayed period of Income Tax pertaining to the period FY 2014-15 to FY 2016-17 & to address on Reimbursement of Income Tax as suggested by the objector and approve the Reimbursement of Income Tax to be paid in FY2017-18 on Quarterly basis.
- xii) Observation made in the Para No 75(e) of the Tariff Order of OHPC for the FY 2016-17 may please be rectified suitably.
- xiii) Consideration of saleable Design Energy of HHEP, Burla as 662.36MU and CHEP as 350MU for the purpose of Tariff computation.

Place : Bhubaneswar

Date :

**Deponent**