Response to public hearing queries:

Objector's Name:

1. **Bharatiya Kisan Sangh**
2. **D. Narasimha Reddy**
3. **M. Thimma Reddy**

Sl. No.	Queries raised	Clarification
Issues in PPA		
2.1	According to Clause 1.7 of the PPA **Authority**: means the Central Electricity referred to in Electricity (Supply) Act, 1948 or any successor entity entrusted with its functions and capacities. It shall be the Central Electricity Authority referred to in The Electricity Act, 2003. In fact according to Clause 1.1 of this PPA **Act** means the Electricity Act, 2003. Again according to Section 185 (1) the Electricity	***SCCL Reply**:* *It may be modified as authority means the Central Electricity Authority referred to in Electricity Act, 2003.*

Sl. No.	Queries raised	Clarification
	(Supply) Act, 1948 was repealed.	
2.2	According to Clause 3.3 of the PPA "The obligation of SCCL to sell capacity to the TSDISCOMs under this PPA shall, in each Settlement Period, be 80% of the declared capacity of the Unit/ Project". It shall be 100% of the declared capacity. If the existing Clause is allowed, the question arises as to what SCCL will do with the remaining 20% of the declared capacity. As the TSDISCOMs are paying fully recovery of fixed costs they shall have access to 100% of	*Clause 3.3 -1st Para of PPA reads "From and after the Commercial Operation Date of the 1st Unit, subject to the provisions of this Agreement, SCCL shall sell, and TSSPDCL and TSNPDCL shall purchase, the entire Declared Capacity and all Net Electrical energy generated by the Unit/Project from the (2X600 MW) Power Project for the consideration set forth in this agreement".* *It is clear from this that SCCL shall sell entire net electrical energy generated and TSDISCOMs shall purchase the same.*

Sl. No.	Queries raised	Clarification
	the declared capacity.	
2.3	According to Clause 1.6.4 of the PPA **Approved Capital Cost** shall also include "Any additional works/ services that became necessary for efficient and successful operation of the generating station, but not included in the original project cost as per TSERC regulations applicable from time to time." But the question is: How can something that is not allowed under the existing Regulation be included in the approved capital cost?	*It is to state that the said clause is only a reproduction of regulation 10.9(iv) of AP Tariff Regulation 1 of 2008. The relevant portion is reproduced below:* *"10.9. Capital cost of the project shall be inclusive of, and shown separately with supporting evidence the expenditure if any, likely to be capitalised within the original scope of work after the date of commercial operation, and no separate claim for any additional capitalisation shall be entertained.* *Subject to prudence check Capital Expenditure of the following nature actually incurred after the cut-off date may be admitted by the Commission.* *i…….* *ii...……* *iii………* *iv. Any additional works / services that became necessary for efficient and successful operation of the generating station, but not included in the original project cost ;"* *As per the aforesaid regulation Capital Expenditure incurred after the cut-off date may be admitted by the Commission for any additional works / services that became necessary for efficient and successful operation of the generating station, but not included in the original project cost.* *several additional works/services become necessary from the point of view of successful running of the plant after cutoff period. These expenditures are required for sustainable generation of power plant.*

Sl. No.	Queries raised	Clarification
		Accordingly it is stated that clause 1.6.4 of the PPA provides win–win situation both for developer and consumer in accordance with regulatory provision. While PLF or availability is not allowed to drop to the benefit of the consumer, the same, requires additional capital expenditure by the developer on which Tariff benefit is allowed by the honorable commission as per regulation.
2.4	Clause 4.2.1 of the PPA stipulates that the capital cost of the Project shall be taken as Rs. 8250 Crores (provisional) as per Annexure-I. The capital cost of the Project shall be finalized by TSERC after thorough scrutiny of SCCL claims.	*The objection only states that project cost needs to be finalized by TSERC after scrutiny. It is only a statement which is already provided in the Regulation 01 of 2008.*

Sl. No.	Queries raised	Clarification
2.5	According to Clause 4.2.5 (a) "Annual Fixed Charges shall be computed for 100% after the Unit is declared for commercial operation date". It shall be seen that 90% of the fixed costs of the project are recovered over the agreement period and 10% of the fixed costs shall be treated as residual value of plant and machinery after accounting for depreciation.	*It is to state that 100% of Annual Fixed Charges is recoverable on reaching normative availability as per regulation 11.1.1 of AP Tariff Regulation 1 of 2008. The relevant regulation is quoted below:* *"11.1.1 Availability : Target availability for full recovery of annual fixed charges in case of coal /gas – based plants shall be 80 percent"*
2.6.1	According to Clause 4.2.5 (c)"Target availability of the unit for recovery of full fixed charges shall be 80%." Going by the CERC regulations on generation tariff it shall be 85%.	*The present PPA is being entered by TSDISCOMs with M/s. SCCL which is a State PSU. According to Section 861(b) of Electricity Act,2003, the State Electricity Regulatory Commission (TSERC) alone has jurisdiction to determine tariff in the present case.* *TSERC regulation 1 of 2014 states all regulations decisions directions or orders of APERC as in existence on the date of constitution of TSERC shall be valid.* *Therefore the Hon'ble Commission shall determine tariff of STPP as per terms and conditions of APERC Regulation 1 0f 2008.*

Sl. No.	Queries raised	Clarification
		It is to state that the normative availability is defined as per regulation 11.1.1 of APERC regulation 1 of 2008 is 80%.
2.6.2	According to Clause 4.5 (a) of the PPA "Target plant load factor for incentive shall be 80%." Going by the CERC regulations target plant load factor for incentive shall be 85%.	*The present PPA is being entered by TSDISCOMs with M/s. SCCL which is a State PSU. According to Section 861(b) of Electricity Act,2003, the State Electricity Regulatory Commission (TSERC) alone has jurisdiction to determine tariff in the present case.* *It is to state that TSERC Regulation 1 of 2014 states all regulations decisions directions or orders of APERC as in existence on the date of constitution of TSERC shall be valid.* *Therefore the Hon'ble Commission shall determine tariff of STPP as per terms and conditions of APERC Regulation 1 of 2008.* *The Target Plant Load Factor for incentive as given in the Regulation 15.1 of APERC Regulation 1 of 2008 is 80% which is reproduced below:* *"15.1 Thermal generating stations* *(a) Target Plant Load Factor for incentive shall be 80%.* *(b) Incentive shall be payable at a flat rate of 25.0 paise/kWh for ex-bus scheduled energy corresponding to scheduled generation in excess of ex-bus energy corresponding to target Plant Load Factor"*
2.7	The Clause 4.7 is redundant as COD is already defined under the Clause 1.19.	*Clause 4.7 may be deleted.*

Sl. No.	Queries raised	Clarification
2.8	The Clause 6.3 of the PPA and Annexure V provides for Escrow cover/ arrangement. As there is already provision for revolving Letter of Credit (LoC), there is no need for escrow cover/ arrangement.	*It is stated that as per Clause 1.0 and 2.0 of Annexure-V of PPA the beneficiaries have to establish an irrevocable Revolving letters of credit in favour of SCCL with any Public Sector / Scheduled Commercial Bank for 105% of month's estimated billing.* *Whereas Escrow account has also to be provided as an alternative payment security arrangement as a back up to the letters of credit. This is another security arrangement for payment of power bills in the event of bills are not realized through LC for any reason.* *It is to state that power is supplied to beneficiaries on perpetual basis and therefore escrow account has to maintain in tandem with revolving LC to ensure that the LC is recouped in time.* *Therefore clause 6.3 of the PPA and annexure V provides for escrow arrangement in spite of the provision for letter of credit.*
2.9	According to Clause 10.1 "This Agreement may be extended, renewed, amended or replaced by another Agreement, on or before the expiry of this Agreement, on such terms and for such further period of time as the Parties may mutually agree	*It is to submit that STPP is an integral part of SCCL which is developed by it after putting lot of managerial entrepreneurship and effort. Being a mining company, SCCL has taken significant risk by contributing necessary equity from its general reserves to construct STPP.* *Therefore the decision whether STPP will be sold after 25 years is the prerogative of SCCL Management. As such, the issue is not open to the general public.*

Sl. No.	Queries raised	Clarification
	subject to prior consent of Telangana State Electricity Regulatory Commission (TSERC)." This Agreement shall also provide for buyout of this plant by TSDISCOMs at the end of 25 year period.	
2.10	According to Clause 1.3 of Annexure II "A Generating Unit shall not be rejected by TSDISCOMs on the grounds of the installed Capacity test being demonstrated, at less than 540 MW in spite of the best efforts made by SCCL." Declared Capacity shall be + or - 10% of the contracted capacity of the plant, 600 MW in the present case. If it is less than 540 MW i.e., less than 90% of the capacity it cannot be accepted. Machinery	*It is submitted that Clause 1.3 of annexure II contemplates very unlikely event of the generating unit not being capable of producing even 540 MW and stipulates that the same shall be accepted by the discom. This provision is kept in larger public interest. On occurring of any such event the unit may be de-rated.* *CERC (Indian electricity grid code) (fourth amendment)regulation 2016 as per clause 5.(1) (vii) elaborates such procedures which is reproduced below:* *"5.(1) (vii) Where on the basis of the trial run, a unit of the generating station fails to demonstrate the unit capacity corresponding to Maximum Continuous Rating or Installed Capacity or Name Plate Rating, the generating company has the option to de-rate the capacity or to go for repeat trial run. Where the generating company decides to de-rate the unit capacity, the demonstrated capacity in such cases shall be more or equal to 105% of de-rated capacity."*

Sl. No.	Queries raised	Clarification
	supplier shall take responsibility for its failure. The EPC contract between SCCL and BHEL shall take care of this aspect.	
<u>Issues in general tariff determination</u>		
3.1	SCCL placed the proposal for determination of capital cost/ tariff for the period 2016-17 to 2018-19 for the STPP units I & II before TSERC	*Opinion expressed is merely a statement and need no comment.*
3.2	The SCCL thermal power plant is a sub-critical power plant. The capital cost of this 1200 MW is claimed to be Rs. 8250 Crore. Per MW capital cost of this plant comes to be Rs. 6.88 Crore. TSGENCO is setting up a 800 MW super critical thermal plant at Palvancha at a capital cost of	*It is to state that comparison of the capital cost of STPP (2x600MW) is being made with one of the TSGENCO plant named Palvancha of capacity 800 MW. The estimated capital cost of Palvancha as on May 2016 is Rs.* ***5548*** *Crores as per TSGENCO website and not Rs.* ***5291.15*** *Crores. Therefore, the capital cost on a per MW basis is Rs.* ***6.935*** *Cr/ MW and not Rs. 6.61 Cr/ MW as stated by the objector. As on January 2016, the actual incurred capital cost is Rs.* ***351.74*** *Crores, which is less than 10% of the estimated capital cost. Also the expected commissioning date of the project would not happen before July 2018 and there is always a high probability that the estimates project cost will increase going forward. Hence it is not prudent to compare the estimated capital cost of KTPS where the expected COD is at least 2 years from today with that of SCCL project which is ready for commissioning.*

Sl. No.	Queries raised	Clarification
	Rs. 5291.15 Crore amounting to capital cost of Rs. 6.61 Crore per MW. This shows that capital cost of SCCL power plant is higher than TSGENCO plant. Further as SCCL plant is a sub-critical plant and as TSGENCO plant is a super critical plant, SCCL plant is expected to be much cheaper than the TSGENCO plant. Higher capital cost of SCCL plant demands a thorough scrutiny of the capital expenditure claimed in the PPA	*Also, the TSGENCO plant in Palvancha, is an extension to the existing plant, i.e. Kothagudem Thermal Power Station and not a greenfield project. Therefore, a lot of facilities that are common to the existing project need not be constructed again for the 800 MW unit. Therefore, the capital cost of the 800 MW unit will not include the cost of the common facilities like water supply, coal handling plant, ash handling plant, townships, etc. However, the capital cost as mentioned for 2 x 600 MW SCCL project is a greenfield project and includes the cost of all the common facilities also along with the additional scope of work like construction of railway siding, external water supply system far from the site, coal transport roads and other facilities. These common facilities can be used for any extension of the SCCL power project without any additional burden.* *Also, as per BHEL annual report for FY 2014-15, the cost of BTG package for Kothagudem plant is Rs. 3810 Crores, i.e. Rs. 4.763 Cr/ MW, whereas the cost of BTG package for Singareni TPP including additional scope of work is Rs. 4878 Crores for 1200 MW, i.e. Rs. 4.065 Cr/ MW. This indicates that SCCL has put in efforts to control the BTG package cost even though it includes additional scope of work like higher wall thickness for boiler special parts, additional steel in furnace bottom hopper, installation of special instruments and chrome plating of IP turbine rotor journal.*
3.3	There is huge difference between the capital cost stated in the PPA signed in 2010 and the capital cost mentioned in the present PPA. Difference between	*It is to state that the objection is related to increase in capital cost and subsequent revision of capital cost after preparation of original DPR.* *It is to state that the Govt. of AP accorded approval for setting up STPP based on DPR prepared by Desein for Rs 5685 Crore which was prepared in May 2010 well before the awarding of contracts.* *The original DPR, which was used for feasibility analysis and obtaining necessary clearances / approvals for the project, was prepared by DESEIN based on preliminary consideration before awarding*

Sl. No.	Queries raised	Clarification
	2010 capital cost (Rs 5685 Crores) and 2016 capital cost (Rs. 8250 Crore) is Rs. 2565 Crore, amounting to 45% of the original capital cost. Such difference in capital cost of the same power plant gives rise to doubts about the claims of SCCL.	*of actual contracts.* *It is clarified that project cost was approved based on original DPR and a revised estimate was made after awarding all the contracts as per industry practice based on actual scope of work.* *It is to further submit that the detail reasons for increase in capital cost were submitted in P-48 to P-50 of our tariff filling dated 08.02.2016.* *As such, it is requested to compare the capital cost of the project with the capital cost as per Revised Estimates of Rs. 7573 cr.*
3.4	The capital cost according to the PPA of 2010 shall be taken as the basis. It is based on this PPA that works on the power plant started in 2012. According to the present filings (pg. 23), capital cost was revised in June 2013, after signing PPA in 2010 and after the BTG works started on 26-09-2012. Any revision of the capital cost after this date needs to be questioned.	*The query has been answered in Sl. 3.3*

<table>
<tr><th>Sl. No.</th><th>Queries raised</th><th>Clarification</th></tr>
<tr><td>3.5</td><td>BTG package cost increased from Rs. 3056 Crore according to 2010 PPA to Rs. 4878 Crore according to the present (2016) PPA. This shows an increase of 60% in BTG package cost. At the same time BoP package cost declined from Rs. 1114 crore to Rs. 1038 Crore. If cost escalation/ price variation is the reason for higher BTG package cost the same should have impacted the BoP package also. This again raises questions on higher BTG package cost.</td><td>The original DPR, which was used for feasibility analysis and obtaining necessary clearances / approvals for the project, was prepared by DESEIN based on preliminary consideration before awarding of actual contracts.
It is to state that the BTG package was awarded on 11.11.2011 based on the prevailing prices in September, 2010 whereas BOP package was awarded on 28.09.2013 with the prices prevailing in May 2012, i.e. 2 years later than the awarding of BTG contract.

Price escalation during 2010-16 is placed below:

Table 1.
<table>
<tr><th>September / Year</th><th>All commodities</th><th>High Speed Diesel</th><th>Iron & Semis</th><th>Grey Cement</th><th>Ferrous metals</th><th>metal products</th><th>Labour index</th></tr>
<tr><td>2010</td><td>142</td><td>153.5</td><td>124</td><td>150.3</td><td>131.4</td><td>166.7</td><td>179</td></tr>
<tr><td>2011</td><td>156.2</td><td>167.8</td><td>151.7</td><td>152.2</td><td>146.3</td><td>199.6</td><td>197</td></tr>
<tr><td>2012</td><td>168.8</td><td>182.8</td><td>163.6</td><td>171.5</td><td>156.7</td><td>220.5</td><td>215</td></tr>
<tr><td>2013</td><td>180.7</td><td>219.8</td><td>150.8</td><td>164</td><td>153.5</td><td>211.5</td><td>238</td></tr>
<tr><td>2014</td><td>185</td><td>242</td><td>157.8</td><td>172.7</td><td>156.3</td><td>210.2</td><td>253</td></tr>
<tr><td>2015</td><td>176.5</td><td>174</td><td>140.6</td><td>174.3</td><td>142.5</td><td>208.9</td><td>266</td></tr>
<tr><td>2016 (As of June)</td><td>182</td><td>214.4</td><td>135.5</td><td>174.6</td><td>139.5</td><td>217.1</td><td>-</td></tr>
<tr><td>Change</td><td>30.28%</td><td>57.65%</td><td>27.26%</td><td>14.90%</td><td>18.95%</td><td>26.09%</td><td>41.34%</td></tr>
</table>
</td></tr>
</table>

Sl. No.	Queries raised	Clarification

(2010-14)							
Change (2012-16)	***7.82%***	***17.29%***	***-17.18%***	***1.81%***	***-10.98%***	***-1.54%***	***-***

Note: The indices applicable for the month of September of each year are taken for comparison purpose.

It can be observed from the table that the price levels for all the components have been increased considerably during 2010 to 2014 as compared to the price levels for items during 2012-16. Therefore the cost escalation of these two packages are not comparable.

Rates of Taxes and Duties have also increased considerably since preparation of DPR. Service Tax rate has been increased from 10.3% to 12.36% to 14.5%. Similarly Excise Duty is increased from 8.24% to 10.3% to 12.36% to 12.5%. Financial impact due to increase in tax rates is around Rs 100 cr.

It is to further state that addition of scope to BTG package was made in consultation with technical consultant NTPC due to the following reasons:

- *Higher wall thickness of 0.6 mm of boiler special parts namely, Superheater, Reheater and water wall tubes as recommended by M/s NTPC.*
- *IP turbine rotor journal was overlaid by chrome plating of thickness 15 mm to cope with the increase in reheat steam temperature from 540 C to 568 C.*
- *Additional steel was used in furnace bottom hopper to safeguard against collapse in the condition of full ash*
- *Rotor flux monitoring, Acromat thermocouples and Acoustic pyrometer were installed as special*

Sl. No.	Queries raised	Clarification
		instruments, etc.
3.6	While BTG package was awarded to BHEL on nomination basis, BoP package was awarded to McNally Bharat Engineering Company Ltd. (MBECL) through competitive bidding. BTG package accounted for more than 50% of the total capital cost. Lack of competition and non-transparent award of BTG package to BHEL led to unusual hike in the BTG package cost as well as total capital cost. This non-transparent award of work seems to have led to gold	*It is stated that SCCL awarded BTG package to BHEL on nomination basis for the following reasons:* *I. At the time of awarding, BHEL had a share of 72% in the country's total installed power generating capacity. BHEL is the leading manufacturer of power generating equipment in India. The cumulative capacity of projects installed by BHEL worldwide has already crossed 1,00,000 MW.* *II. BHEL make equipment/units which were synchronized during 2006-2010 are around 28143 MW in NTPC, APGENCO, TSGENCO and other private sectors.* *III. BHEL secured 41,500 MW orders during 2006-2010 for 500 MW and above units from NTPC, APGENCO, TSGENCO and other private sectors* *IV. Majority of power plants set up by NTPC, a leading power generating company in India have BHEL equipment which are giving excellent performance.* *V. NTPC has procured all their 41 Nos. of 500 MW thermal sets from BHEL and they created all time record in PLF/ operational availability factors.* *VI. At present BHEL is the only manufacturer of 600 MW units in India. Till date 21 Nos. of 600 MW units were ordered on BHEL by Government and private power generating companies.* *VII. Till 2010, about 120 Nos. of 500/600 MW thermal sets have been erected /commissioned/ under installation in India by BHEL of which nearly 100 Nos. are 500 MW sets and balance are 600 MW sets. 500 MW thermal sets are in operation for more than 20 years with proven design*

Sl. No.	Queries raised	Clarification
	plating the capital cost of SCCL Plant. The Commission is requested to thoroughly scrutinize claims of SCCL on capital cost, particularly the cost of BTG package.	*leading to PLF of more than 96% and operational availability of more than 86% with lowest auxiliary power consumption.* *VIII. BHEL reinforced its commitment to provide prompt & efficient customer service aimed at facilitating uninterrupted power supply & keeping power plants in good running condition.* *IX. BHEL's orders are cost effective even in ICB route. They received orders both from Government and private power companies through ICB and on nomination basis.* *X. At the time of awarding contract ,private sector companies like India Bulls, Sterlite , Jaypee etc., have cancelled their orders placed on Chinese firms and placed orders with BHEL on nomination basis on quality & performance considerations.* *XI. Operation, Service & maintenance of foreign power equipment is a matter of concern since the equipment is manufactured as per their National standards and engineering practices. For carrying out repairs, they take long time. C.E.A has recently issued guidelines to all Central/State thermal power generating companies stating that power equipment suppliers must have manufacturing facility in India.* *Accordingly, SCCL being a new entrant in power sector selected the Govt. PSU BHEL from reliability and quality point of view.* *<u>Prudence in awarded contract cost was ensured in the following manner:</u>* *BHEL originally submitted the price bid on 12.11.2010 for Rs. 4,193.99 Crore (exclusive of Type Test Charges and Spares). The offer was evaluated by NTPC, SCCL's technical consultant and certain deviations were noticed in the technical specifications indicated in the NIT. When SCCL insisted for total compliance with technical specifications given in the NIT, BHEL while accepting the same has*

Sl. No.	Queries raised	Clarification
		submitted supplementary price bid on 28.02.2011 amounting Rs. 121.01 crore stating that they have price implications. Further to that BHEL submitted supplementary offer on 04.03.2011 for supply of additional requirement of 132 KV startup power as per the corrigendum issued by the SCCL for 10.15 crore. It was observed that BHEL had not quoted for certain items which are required for monitoring of temperature, boiler pressures, and flux densities etc., though indicated in NIT. At the insistence of SCCL BHEL submitted supplementary offer for Rs. 8.46 crore on 04.05.2011. Hence the total price initially offered by BHEL was Rs. 4993.88 crore (Inclusive of Type Test Charges and Spares) vide their offer dated 12.11.2010, 28.02.2011, 04.03.2011 and 04.05.2011. *The summary of price bids with original and supplementary offers submitted by BHEL is placed below in the following table:* ***(Amount in Rs. Crores)***

Item	*Original price bid dt. 12.11.2010*	*Supplementary price bid dated 28.02.2011*	*Supplementary price bid dated 04.03.2011*	*Supplementary price bid dated 04.05.2011*	*Total*
BTG contract price including civil works for equipment, transformer yard, switchyard etc.,	*4193.99 (exclusive of spares)*	*121.01*	*10.15*	*8.46*	*4333.62*

<table>
<tr><th>Sl. No.</th><th>Queries raised</th><th>Clarification</th></tr>
<tr><td></td><td></td><td>
<table>
<tr><td>Type test charges</td><td></td><td>25.98</td></tr>
<tr><td>Spares</td><td></td><td>634.28</td></tr>
<tr><td>Grand Total</td><td></td><td>4993.88</td></tr>
</table>
The offer received from BHEL was evaluated by making Techno commercial comparisons with (i) 2 x 500 MW Rihand TPP of NTPC ,(ii) 1 x 600 Kakatiya TPP of APGENCO and (iii) 2 x 660 MW Solapur TPP of NTPC all built by BHEL.
Rihand TPP (2 x 500 MW) of NTPC was awarded through ICB Route. Kakatiya TPP was awarded by APGENCO on negotiation basis. Solapur TPP was awarded considering L1 price bid against domestic enquiries.
Derived prices from all three contracts cited above after considering foreign exchange rate prevailing at the time of bid opening, time gap escalation factor and capacity escalation factor formed the rationale base for price negotiation.
A sub Committee was constituted with Principal Secretary (Energy Dept.) as Chairman and members from State and Central Governments:

To evaluate and recommend to the Board the proposal for procurement of BTG package from BHEL after recommendation by Tender Committee.
To undertake if necessary further price negotiations, seek clarifications from BHEL and the consultant.
While recommending the proposal to advise the management to furnish the clarifications before the same is put up to the Board for approval.

</td></tr>
</table>

Sl. No.	Queries raised	Clarification
		Accordingly Sub Committee evaluated and negotiated with BHEL for price reduction. Recommendations made by Tender Committee were placed before the Sub Committee and after detailed deliberation, Sub Committee directed the management to submit the proposal for BTG Package with price, terms and conditions as mutually agreed with BHEL. *After many negotiations, BHEL agreed to reduce the price (expect for type test charges & spares) through their letter dated 28.07.2011 and 30.07.2011 from Rs. 4993.88 crore to Rs. 4668.88 crore.* *In respect of mandatory spares offered by BHEL, NTPC pruned down the mandatory spares requirement. As a result the negotiated price for mandatory spares reduced to Rs. 155.61 crores. Further type test charges were reduced to 23.98 Crores.* *The details of negotiated price vis-à-vis offered price along with the reduction amount is shown in the following table:* *(Amount in Rs. Crores)*

Item	***Offered price***	***Negotiated price***	***Reduction***
BTG contract price including civil works for equipment, transformer yard, switchyard etc.,	*4333.62*	*3892.19*	***441.43***
Type test charges	*25.98*	*23.98*	***2***

<table>
<tr><th>Sl. No.</th><th>Queries raised</th><th>Clarification</th></tr>
<tr><td></td><td></td><td>
<table>
<tr><td>Spares</td><td>634.28</td><td>155.61</td><td>478.67</td></tr>
<tr><td>Grand Total</td><td>4993.88</td><td>4071.78</td><td>922.1</td></tr>
</table>
It is to state that the above offer at the negotiated price was approved by the SCCL Board.
</td></tr>
<tr><td>3.7</td><td>There is also discrepancy related to BTG package cost between PPA (Annexure I) and Capital Cost/ Tariff filings. According to Annex I of PPA total BTG package cost is Rs. 4120.86 Crore. According to Capital Cost/ Tariff filing BTG package cost is Rs. 4878 Crore. The difference between amount claimed against BTG in the PPA and that claimed in the Capital Cost/ Tariff filings is Rs. 750 Crore. This difference also demands an explanation.</td><td>It is stated that the total capital cost according to Annexure-I of PPA was Rs 8250 crores which is the same figure filed in the tariff petition. However due to allocation of common costs like taxes and duties, consultancy charges, overhead etc. in four heads namely BTG package, BOP package, works undertaken by SCCL and IDC and financing charges the figure arrived at for BTG package becomes Rs 4878 crores.

It is to further state that the figure of 4120.96 crore was not directly mentioned in annexure-I of PPA. However it is found that the respondent has derived this figure without allocating other necessary costs like Taxes, Duties, Freight & Insurance etc. in the head of BTG package.

It is to state that the actual cost of different packages including BTG Package shall be submitted before the Hon'ble Commission after COD.</td></tr>
</table>

Sl. No.	Queries raised	Clarification
3.8	The debt requirement/ contracted is more than the capital cost originally estimated. According to the present PPA total loan requirement is Rs. 5775 Crore while capital cost according to 2010 PPA was Rs. 5685 Crore. Usual complaint against private power developers - IPPs - is that they execute the plant with loan amount only and equity infusion is a myth. Is SCCL proving this correct?	*Estimated capital cost of the project is Rs. 8250. As per debt-equity ratio, 70% is Loan which works out to Rs. 5735 cr. Loan requirement of the project cannot be compared with that of original DPR cost which was a preliminary estimate before awarding of contracts. It is to further add that SCCL has infused Capital of about Rs. 2400 cr as equity from its internal resources.* *It is also to state that SCCL is maintaining necessary cost records in its SAP (PS module) which is available to external auditors. Audit of accounts in PSUs is mandatory by statutory auditors and Govt. auditors. The comments of the auditors, if any, become an integral part of our Annual Accounts. It is further stated that SCCL being a government company is committed to maintain absolute integrity in accounting and record keeping.*
3.9	SCCL has taken the failure of erstwhile APERC to scrutinize PPA in time and the interregnum provided by new Telangana state formation as an opportunity to hike capital cost.	*It is to state that the contention that the SCCL has utilized the failure of erstwhile APERC to scrutinize PPA in time and took opportunity of new Telangana state formation is not true.* *Govt. of erstwhile Andhra Pradesh has accorded approval for setting up of a 2x600MW coal based thermal power plant by the Singareni collieries company limited at Pegadapally village at a capital investment of 5685 crore based on original DPR.* *It is clarified that the original DPR was prepared before awarding the contracts and as per the industry*

Sl. No.	Queries raised	Clarification
		practice this DPR was revised to 7573.51 Crore. This revised estimate was considered by the SCCL Board in the meeting held on 30.07.2013, and the Board has requested the Govt. of Telangana for approval of the same. The Govt. of Telangana, after careful examination of the revised cost estimate, accorded necessary approval for project cost amounting Rs 7573.51 crore in April 2015. *It is also to state that SCCL has filed tariff petition with estimated capital cost of Rs 8250 Crore.*
3.10	According to capital cost/ tariff filings Rs.1175 Crore out of Rs. 8250 Crore of the total capital cost, accounting for more than 14% of the total capital cost, will be spent after COD of Unit II. It is unusual that such capital cost is going to be incurred after declaration of COD of Unit II.	*It is state that SCCL has filed tariff petition for capital cost of Rs 8250 Crore including additional capitalization amounting Rs 1175 crore. The estimation of COD is based on the completion of main works such as BTG contract so to supply continuous power to grid at the earliest.* *However at the time of COD several balance of plant works such as completion of quarter facilities to staffs, office buildings, completion of railway track, Water supply schemes (2nd source), Roads and drains etc. may not be completed.* *It was therefore filed before the Hon'ble Commission that these works shall be completed within the cutoff period and hence SCCL has estimated post COD expenditure amounting Rs 1175 crore which shall be trued up based on actual expenditure incurred.*
3.11	Capital cost/ tariff filings show that NTPC is selected for consultancy. From this filing it is not clear on what basis it was selected for this service.	*It is to state that SCCL ventured into the power generation for the first time and therefore kept reliance on the consultancy as there is no expertise in SCCL for attending pre & post award works i.e. preparation of NIT & its evaluation, scrutiny of drawings submitted by the agencies, inspection of material, supervision of construction activities etc. It is to state that existing power sector companies*

Sl. No.	Queries raised	Clarification
	APGENCO/ TSGENCO has equal credentials in providing these services. Even more they have an understanding of local situation. What is more cost of consultancy services increased to Rs. 127 Crores from Rs. 11.80 Crores as envisaged in 2010 DPR (pg. 36)? The filings did not throw light on the reasons for more than tenfold increase in consultancy service cost. The Commission is requested to scrutinize this expenditure.	*like NTPC and State Electricity Boards have separate wings for attending these jobs.* *It is further to state that NTPC is most prominent PSU in electricity sector with proven expertise in Project execution, operation and maintenance. It has been in Power Generation for the last 41 years and presently it has generating capacity of about 47,178 MW, and capacity under construction is for about 19,980 MW. NTPC is executing all their power projects on their own and has sufficient experience and expertise in Review Engineering, Quality Assurance, Construction, Erection, Inspection, Commissioning and O&M Services. Recently NTPC has received the prestigious PSU Excellence Award – 2010, from the Department of Public Enterprises and Indian Chamber of Commerce.* *As BHEL is the main equipment supplier for most of NTPC's power plants, NTPC is very much conversant with the equipment supplied by BHEL and other related working modalities.* *In view of this, after careful examination, SCCL has selected NTPC as Technical Consultant for 2 X 600 MW STPP.* *It is to state that engagement of NTPC as SCCL's Owner's Engineer was not considered while preparing DPR. As such the provision under this head has increased in RCE.*
3.12	Similarly, establishment cost increased from Rs. 11.80 Crore to Rs. 70 Crore. The Commission is requested to scrutinize this expenditure.	*It is to state that the provision was made in DPR under the heads "Establishment" and "Development" for Rs 11.80 Cr and 17.69 Cr respectively to meet the revenue nature of expenditure i.e. Salaries, material, vehicles etc. SCCL has established one cell in 2009 exclusively to attend the jobs such as getting the required approvals / clearances from various government agencies and follow up project activities for establishing 2 X 600 MW power plant. While the activities of power plant are progressing some more Engineers and staff have been posted to coordinate between the agencies and to*

Sl. No.	Queries raised	Clarification
		commission the units. Further it is to state that establishment costs were optimistically estimated while preparing DPR. *The reasons for increase in the establishment costs are as follows:* *a) About 100 employees in which 60 are executives are working at STPP to attend the construction activities for the last 4 years.* *b) Vehicles for conveyance have been deployed to the requirement.* *c) Engagement of contract labour.* *d) Other revenue nature of works.* *It is further stated that at the same time there are several other heads of expenditures like contingencies, development expenses, margin money etc., which decreased. Therefore one item among the various items in the basket cannot be picked in isolation for analytical purposes.*
3.13	**3.13.1** Expenditure on startup fuel increased from Rs. 12 Crore (2010 cost estimate) to Rs. 40 Crore (2016 cost estimate). Under the present filings expenditure on startup fuel is considered as capital cost. The present PPA provides for sale of infirm power generated during start	*It is clarified that the part of the startup fuel expenditure that will be recovered from sale of infirm power shall be deducted from total startup fuel expenditure before capitalization of the same*

Sl. No.	Queries raised	Clarification
	up and before COD. According to Clause 3.2 of the PPA **Sale and Purchase of Infirm Power**: "After synchronization and prior to COD of any Generating Unit, SCCL will sell and TSSPDCL and TSNPDCL will purchase all infirm power generated by that Generating Unit in proportion to the allocation made. TSSPDCL and TSNPDCL will reimburse SCCL the actual cost of all Coal & Secondary fuel consumed for such generation.	
	3.13.2 Full or part of expenditure on startup fuel should have been recovered from sale of infirm power. To that extent expenditure on	

Sl. No.	Queries raised	Clarification
	startup fuel cannot be treated as capital cost and cannot be recovered through tariff.	
3.14	Capital cost and tariff filings show that capital expenditure under CSR accounts for Rs. 22 Crore. If CSR stands for Corporate Social Responsibility, expenditure under such heading cannot be treated as part of capital expenditure. Expenditure on CSR cannot be shown as capital cost. CSR activities have to be carried out using part of revenue generated by the corporate entities. CSR expenditure cannot be included under capital spending.	*MoEF while issuing environmental clearance under the provisions of EIA notification dated September 2006 has directed SCCL to comply with the conditions laid out in the approval.* *As per point A (xxiv), an amount of Rs. 22.10 Crs. shall be earmarked as one time capital cost for CSR programme. Subsequently, a recurring expenditure of Rs. 4.40 Crs. per annum shall be earmarked for CSR activities.* *In line with the MoEF directive, SCCL has incurred the amount towards CSR on facilities like providing of roads, drinking water, construction of School building etc. in the villages of land losers and nearby villages.* *The copy of MoEF approval has already been submitted as an enclosure to the Hon'ble Commission in the Capital Cost Filing (Pg 196-198)*

Sl. No.	Queries raised	Clarification
3.15	According to present filings "Ministry of Coal allocated Naini coal block in Odisha State for the STPP. It is expected to take 3-4 years for the coal linkage to materialize. SCCL has requested Ministry of Coal for allocation of tapering coal linkage for the power plant" (pg. 12). As SCCL has plans to expand coal production in Telangana, coal allocation may be changed to SCCL mines. This will help to bring down variable charges.	*As decided by Ministry of Coal Naini coal block was allotted to SCCL. SCCL has no control over this decision. It is to state that SCCL has already taken up the same with the Ministry of Coal for linkage of coal from SCCL mines. Ministry of Coal has allotted bridge linkage for use of coal from SCCL mines for 3 years.*

<u>Objector's Name: M. Venugopala Rao</u>

Sl. No.	Queries raised	Clarification
1	In the public notice dated 28.3.2016, the Hon'ble Commission, while inviting suggestions, objections and comments on the application of SCCL seeking determination of capital cost and tariff of its subject project to sell power to the TS DISCOMS, directed the interested public to send their submissions to it "with a copy of such comments served to SCCL for its response. SCCL, as a generator, having entered into a PPA with the TS DISCOMs, is entitled to file the subject application before the Hon'ble Commission, seeking Determination of capital cost of its project and tariff. However, as distribution licensees and as signatories to the PPA, it is the primary responsibility of the TS Discoms to seek consent of the Commission to the PPA for purchasing power from the subject project. As such, the Discoms have to respond to the submissions made by the interested public and participate in the public hearings to be held by the Commission. Therefore, I request the Commission to forward copies of submissions made by the interested public to the TSDISCOMs, with a direction to them to send their responses to the objectors in time.	*It is to inform that SCCL entered into PPA with TSDISCOMs. PPA was submitted to the Hon'ble Commission by the TSDISCOMs for approval. It is to further state that Copies of Tariff submission, PPA etc. are made available in the websites of TSERC, SCCL and TSDISCOMs for general public so that they can submit their suggestions/ objections etc to the Hon'ble Commission.*

Sl. No.	Queries raised	Clarification
2	The Singareni Collieries Company Limited (SCCL) and TS Discoms - TSSPDCL and TSNPDCL have signed a power purchase agreement (PPA) on the 18th January, 2016 for 1200 MW (2x600 MW) from the first stage of Singareni Thermal Power Project being set up at Jaipur in Adilabad district for a period of 25 years from the date of commercial operation date of the project. The expected date of commercial operation of unit I is shown as end of March 2016 and of unit II as April, 2016. As such, the parties to the agreement should have signed and submitted the PPA for the consent of the Hon'ble Commission much earlier so that the entire process of holding public hearing and issuance of order by the Commission could have been completed well in time, i.e., a few months before declaration of COD. Since this is a direct agreement between public sector utilities through a memorandum of understanding between GoI, State Government and SCCL, and not selection of the project through competitive bidding based on lowest tariff quoted, and the Government of Telangana and the powers-that-be should have taken adequate care to enter into PPA, amended and restated, well in time, with appropriate clauses and obligations for timely implementation of the	*It is to state that SCCL entered into PPA with APDISCOMs on 29.09.2010 and APDISCOMs submitted the same to Hon'ble APERC which was pending for approval. Meanwhile the State of Andhra Pradesh has been bifurcated into Andhra Pradesh and Telangana vide Andhra Pradesh Reorganization Act, 2014. Accordingly the amended and restated PPA was entered between SCCL and two TSDISCOMs on 18.01.2016. SCCL submitted Tariff petition while the TSDISCOMs have submitted the PPA before the Hon'ble TSERC for approval.* *However, date of signing the PPA and approval of RCE has no impact on project completion time, since the Schedule Commercial Operation Date is computed from the date of awarding contract.* *With regard to the delay of 33 months from original estimation and revised cost estimate, it is clarified that project cost was approved based on original DPR and a revised estimate was made after awarding all the contracts as per industry practice based on actual scope of work.* *Once revised estimates are prepared, approval was obtained from the Govt of Telangana, which took 22 months as stated.* *The detailed reasons for increase in capital cost were submitted in page 48 to page 50 of our tariff filing dated 03-02-16.*

Sl. No.	Queries raised	Clarification
	project with prudent capital expenditure and accountability for failures in adhering to the same and consequences that would arise as a result of such failure. While the Government of A.P. accorded approval on 3.9.2010 for setting up the subject 2x600 MW project with the updated capital cost of Rs.5685 crore, the Government of Telangana accorded approval on 25.4.2015 for revised cost estimate of Rs.7573.51 crore for the same project. There is a huge gap of 33 months in getting the revised project report from the date of getting approval of the Government of A.P. for updated capital cost of the project. While the revised detailed project report was submitted in June, 2013, there is abnormal delay of nearly 22 months in seeking and getting approval of the · Government of Telangana for the revised cost estimate. Even for getting revised DPR, approval of the Government of Telangana for revised capital cost and signing the amended and restated PP A after bifurcation of Andhra Pradesh and formation of the State of Telangana, these abnormal delays are not justified, especially in view of the fact that the original PP A was signed between SCCL and four Discoms of the erstwhile A.P. as long back as on 29th September, 2010.By delaying signing of the PPA	

Sl. No.	Queries raised	Clarification
	abnormally, fixing of time schedule for completion of the project and ·payment of penalty by SCCL to TS Discoms for delay in completion of the project are avoided much to the undue advantage of SCCL and disadvantage of the TS Discoms and their consumers of power. It seems that these developments fall within the pattern of modus operandi of redesigning projects, resulting in abnormal escalation of cost, .with doubtful additional benefit to the people. This modus operandi is being widely questioned and criticized in the State of Telangana, on the ground that there is no consonance between cost and benefit. The· escalation of capital cost of the subject project also falls within this dubious pattern.	
3	Going by the date of signing of the PPA originally, i.e., 29.9.2010, the project should and could have been completed in the first half of the year 2014 itself. Whatever be the reasons, due to delay in completion of the project, interest during construction and other expenditure increased substantially, resulting in a hefty increase from the originally estimated total cost of Rs.5685 crore to the latest projected cost of Rs. 8250 crore, i.e., an increase of a whopping 31 %. It reflects on the kind of planning, re-designing and implementation of the project, both in terms of delay in its	*It is stated that considerable time is required for obtaining necessary statutory clearances, selecting project engineering consultants, selecting EPC contractor, Price negotiation with EPC contractor, inviting Bids for BOP packages etc before finally awarding the projects.* *Scheduled Commercial operation date shall be reckoned from the date of LOA (Letter of award) of EPC Package. SCCL awarded contract on 11.11.2011. The timeline for completion of the project provided in CERC 2014-19 regulations for green field projects of 2 X 600 MW capacities is 50 months.*

Sl. No.	Queries raised	Clarification
	execution and escalation of its total cost, much to the disadvantage of the State of Telangana and consumers of power. The latest projected cost of the project works out to Rs.6.875 crore per MW. On the face of it, the projected capital cost for MW is higher and questionable. Even this projected higher capital cost is "provisional" (Clause 4.2.1 of PPA). Clause 4.2.5 (b) says: "when the actual Capital Cost of the project is finalized, the amount of any over payment or underpayment relative to the Approved Capital Cost shall be refunded or paid (as the case-may be) in twelve. Equal payments at the time of the payment of the next twelve monthly bills for Tariff payments after such finalization." In the application seeking consent of the Commission to the PPA filed by SCCL, it maintains that: "SCCL being a coal mining company is eligible for a grant towards 70% of cost for the construction of the railway siding from the Ministry of Coal. The total estimated cost for construction of railway siding is around Rsd.280 crores. Presently, around 30% of this cost, i.e., Rs.80 crores for the construction of the railway siding is included in the estimated total capital cost. If SCCL does not receive the grant, around 70% of the expenditure incurred, i.e., Rs.196 crores shall be added on to the capital cost of the project"(page 10). In other words, grounds for	*It is once again informed that a pre award level DPR cannot be compared with present day estimated expenditure of 8250 Cr, as DPR is only a preliminary estimate used for preliminary feasibility analysis. Rather, estimated cost of 8250 Crore can be compared with Rs 7573.51 Crore, which is already approved by Govt. of Telangana.* *The Bench mark hard cost for 2 X 600 MW green field project as per CERC order as on Dec 2011, is 4.54 Cr/ MW. Accordingly, normative Hardcost for 2 X 600 MW green field project scheduled to be commissioned in June 2016 comes to around* ***Rs. 5.54 Crores/ MW*** *due to WPI escalation for the 5 year period.* *Further, the total benchmark Project cost comes in the range* ***of 6.70 Cr/ MW to 7.14 Cr/ MW*** *considering optional package cost in the range of 8%-12% of hard cost and financing cost, IDC is in the range of 12%-15% of hard cost and optional package cost. The total estimated cost of STPP is* ***Rs 6.875 Cr/ MW*** *which is also within the range of* ***Rs. 6.70 Cr/ MW to Rs. 7.14 Cr/ MW****.* *Also, please find below the table containing the capital cost of under construction projects of similar configuration (500 MW, 660 MW) as follows:* *Source: Infraline Energy*

Sl. No.	Queries raised	Clarification
	further adding to capital cost are already prepared, with resultant increase in fixed charges.	(see table and text below)

Estimated Project Cost of Power Projects under construction	Unit Configuration	Total Capacity in MW	Revised Capital Cost in Rs. Crores	Capital Cost per MW in Rs Cr/ MW
NTPC/ Barh STPP-I	3x660	1980	15,096	7.62
JV of NTPC & BSPGCL/ New Nabi Nagar TPP	3x660	1980	13,624	6.88
DVC/ Bokaro "A" TPS Exp.	1x500	500	4,138	8.28
NTPC/ North Karanpura TPP	3x660	1980	14,367	7.26
NTPC/ Solapur STPP	2x660	1320	9,395	7.12
NTPC/ Unchahar -IV	1x500	500	3,363	6.73
NTPC/ Tanda TPP	2x660	1320	9,189	6.96

It can be inferred from the above data that the capital cost of SCCL project, i.e. Rs. 6.875 Cr/ MW, is less than the projects of similar configuration as detailed above.

SCCL being a mining company is eligible for assistance from CCDAC upto 70% of construction cost of railway siding. CCDAC has already approved Rs 196 Cr for the aforesaid work. It is to state that Claims for about Rs. 88 Cr have already been submitted to Coal Controller; out of which an amount of Rs. 38 Cr has been sanctioned so far. Therefore the apprehension of ground preparation for adding capital cost by the respondent lacks merit.

Sl. No.	Queries raised	Clarification
4	SCCL submitted that "a detailed project report (DPR) was prepared by DESEIN in 2010 for the proposed power project and the estimated total cost of the project was Rs.5685 crore. A revised DPR was prepared by DESEIN and the same was submitted in June 2013. As per the revised DPR in June, 2013, the total project cost projected was Rs.7574 crores. As of FY 2016-17, the estimated capital cost of the project is Rs.8250 crores." SCCL further informed that "the EC contract for Boiler, Turbine & Generator (BTG) package has been awarded to M/s BHEL and EPC contract for Balance of Plant (BoP) package has been awarded to M/s Mcnally Bharat Engineering Company Limited, Kolkata. Total engineering, supply, erection, testing and commissioning of the power plant are in the scope of the EPC Contracts. SCCL has employed NTPC (Consultancy Wing) Noida as technical consultant for the above EPC contracts." As per appendix-4 to contract agreement with BHEL, the time schedule says "it is clearly understood and agreed that time is the essence of this Contract and shall be strictly adhered to by the Contractor." As per this time schedule, commencement date is 11.11.2011 and the period of completion of facilities & Trail operation (COD) for	*It is to state that Scheduled Commercial operation date shall be reckoned from the date of LOA (Letter of award) of EPC Package. SCCL awarded contract on 11.11.2011. The timeline for completion of the project provided in CERC 2014-19 regulations for green field projects of 2 X 600 MW capacities is 50 months.* *It is to further state that a shorter project completion time schedule (43 months) is given in LOA so that the project could be completed within stipulated completion time (50 months for 2 X 600 MW thermal power projects) even with some unforeseen hiccups while implementing. Therefore delay, if any, may be computed from SCOD with reference to the normative construction period for 2 x 600 MW Greenfield power project from the date of awarding contract.* *It is stated that unforeseen technical problems/ snags during stabilization process (ie. after the completion of the project) that is beyond the control of SCCL had occurred and the same has been attended to. Such technical problems are normally accepted for the projects of such magnitude.*

Sl. No.	Queries raised	Clarification
	First Unit (600 MW) is 39 months, i.e., COD should be declared by 11.2.2015. But SCCL has shown expected date of commercial operation of Unit I as March 2016; i.e., a delay of 13 months.	
5	Explaining the reasons for escalation in costs, SCCL pointed out that due to increase in WPI, the price of BTG packed increased by Rs.706 crore, due to increase in excise duty and service tax rate the cost increased by Rs.100 crore, due to increased length of water pipeline the cost increased by Rs.246 crore and the interest during-construction increased by Rs.407 crore. In this connection, necessity and permissibility of changes for-works of the project made in the revised DPR, etc., cost audit report and cost accounting records and impact on account of each reason for time over run on cost of the project need to be made public and examined by the Commission.	*It is to state that SCCL submitted detailed reasons for time and cost overrun of the project in its submission dated 3rd February, 2016. Once the project is completed and contract closure is made, a detailed analysis on cost related aspects may be ascertained.* *SCCL is maintaining necessary cost records in its SAP (PS Module) which are subjected to audit by Statutory Auditors and Govt. Auditors, as the same is mandatory for SCCL being a PSU. The comments of the auditor, if any, become an integral part of Annual Accounts which is a public document. SCCL being a government company is committed to maintain absolute integrity in accounting and record keeping. It is to further state that once all the works of STPP are completed, cost audit will be done and the cost audit report will be made available to beneficiaries.* *As per Regulation 1 of 2008 of APERC, the Hon'ble Commission is obliged to have a prudent check of the capital cost claimed by the generating company.*

Sl. No.	Queries raised	Clarification
		Therefore, requirement of cost accounting records and cost audit report and its impact in respect of each of the reason for the increased cost of the project need not be made public.
6	Clause 10.8 Of Regulation No.I of 2008 of APERC, which is adopted by TSERC, says: "Capital cost:-Subject to prudence check by the Commission based on information filed by the generating company, licensees, evidence from other Commissions, generating companies, licensees and international experience etc. the Commission shall determine the Capital Cost of the project. The Capital Cost as determined above, shall also include further capital expenditure incurred if any up to the first financial year closing one year after the date of commercial operation of the last unit of the project, its stage or the unit, as the case may be is admitted by the Commission. "The process of competitive bidding adopted for sanctioning of works of the project to contractors, whether tenders for sanctioning EPC contract for balance of plant package were cancelled and tenders were invited again by NTPC (consultancy wing) whose services were engaged by SCCL, resulting in delay and escalation of cost/IDC, when the installments of loans were drawn and spent, reasons for delay in completion of	*SCCL states that BOP package was awarded based on international competitive bidding on receipt of responses against NIT floated for the purpose. It is stated that any cancellation of tenders had not taken place and the contention expressed by the respondent is misconstrued. However some delay took place in awarding BOP package due to verification of capabilities of the bidders, mainly of foreign companies.* *Generally, BoP package is awarded 9-12 months after the awarding BTG package as the financial and technical parameters in the BTG package have a material impact on the BoP Package.* *It is to state that after awarding the BTG package in November 2011 and obtaining necessary inputs from BTG vendor for finalization of technical scope of BOP package, NIT was published immediately in December 2011 through ICB. In view of overwhelming response (36 nos. bidders who purchased bid documents) and request by some of them for extension of bid opening date, request for clarification & amendment to bid documents etc, techno Commercial bids from 13 nos. bidders were opened in June 2012. Out of these, 8 bids were from Consortium and Joint venture routes .Since the*

Sl. No.	Queries raised	Clarification
	the project and their impact, etc. need to be examined by the Commission as a part and parcel of -prudence check for determination of permissible capital cost of the project and the same needs to be made public. In this connection, it is to be noted that, in the bulky documents of SCCL put on the web site of the Commission, 29 pages, from page 11 to page 39, relating to enclosures of capital cost/tariff of the subject project are missing. The same should be made public and examined by the Commission. It may be noted that in its letter dated 6.7.2015 to the Ministry of Coal, SCCL informed that "as synchronization of the Project is to take place in October 2015, coal is required for the Project by September 2015."	*capacity and capability of some of the bidders were not proven, it required physical assessment of foreign (from Italy, Spain and Russia) as well as domestic bidders. It took time for obtaining invitation letters from foreign bidders. It also took time for resolving techno commercial deviations listed by bidders.* *It is to inform that the pages 11 to 39 of our tariff submission stated as missing relates to PPA entered between SCCL and TSDISCOMs, which is filed with the TSERC and the same was kept in the websites of TSERC and SCCL for stakeholder's information.*
7	In their ARR and tariff revision proposals for the year 2016-17, the TS Discoms informed that "during the united AP State regime the then 4 APDISCOMs had entered into a PPA with M/s Singareni Collieries Company Limited (SCCL) in respect of their 2x600 MW Thermal Power Project (stage I) at Pagadapalli (V), Jaipur (M), Adilabad district on 29.09.2010. The aforesaid PPA was submitted to the then APERC for its consent. The then APERC however, returned the said PPA without giving its consent for the reason that	*As per the norm, the generation company submits the capital cost and the tariff filing to the Commission for approval. Here, SCCL has submitted to TSERC. Also, TSDISCOMs have submitted the PPA to the Commission for approval.* *It is to state that SCCL shall deliver power on Ex-bus as per the terms and conditions mentioned in the PPA. Accordingly, evacuation of power from Ex-*

Sl. No.	Queries raised	Clarification
	the said PPA did not specify precisely the tariff payable in terms of its Regulation No.1 of 2008 .and directed that the then APDISCOMs & TSDISCOMs may file suitable petitions under section 86(l)(b) of the Electricity Act 2003. Consequent to the State bifurcation and formation of Telangana State; the Govt. of Telangana sought to work out the fresh PPA to be entered by 2 DISCOMs of Telangana only. The scheduled COD of 1st unit (600 MW) has been assumed in June-2016 and the scheduled COD of 2nd unit (600 MW) in July-2016. A new PPA has been signed between M/s SCCL and TS Discoms for a capacity of 1200 MW (2x600 MW) on 18th January 2016.Now, instead of the TS Discoms submitting the PPA for the consent of the Commission, SCCL has submitted the same, seeking determination of capital cost of the project and tariff. SCCL worked out annual fixed charges as Rs.1794.59 crore for 2016-17, Rs.1852.80 crore for 2017-18 and Rs.1793.07 crore for 2018-19. Similarly, for the three years it worked out energy charges as Rs.1.74, Rs. 1.81 and Rs.1.88 per unit respectively. The tariff per unit works out to Rs.4.15 during 2016-17, Rs.4.19 during 2017-18 and Rs.4.19 during 2018-19 for projected net generation of 7460.07 mu, 7778.88 mu	*bus is under the scope of the beneficiaries (TSDISCOMs) in coordination with TSTRANSCO.* *Further Wheeling charges, costs of transformation and transmission losses etc for TRANSCO/DISCOMS are decided by the Hon'ble TSERC as per the regulation of TSERC. The transmission losses also depend upon the technology that is being put to use by TSTRANSCO/DISCOMS in the evacuation of power. SCCL has no role to play in that regard.*

Sl. No.	Queries raised	Clarification
	and 7778.88 mu respectively. Wheeling charges and costs of transformation and transmission losses are additional. How evacuation of power is being arranged and how-much would be wheeling charges and costs of transforn1ation and transmission losses per unit need to be explained and worked out.	
8	SCCL informed that there would be an addition of capital cost of the project to the tune of Rs.1095 crore in 2016-17 and Rs 80 crore in.2017-18. When the Commission has to do prudence check and determine the capital cost of the project, the capital cost to be incurred should not be considered till it is actually incurred and permitted by the Commission for the purpose of calculating fixed charges.	*The objection relates to admission of additional capitalization during the years 2016-17 and 2017-18, which falls within the definition of Add cap within Cut-off date and is under the purview of Hon'ble TSERC as per regulation 10.9 of Regulation No. 1 of 2008.* *It is to state that the estimated add cap expenditures are those expenditures which are likely to be capitalized after the date of commercial operation and are within the original scope of work. Since these expenditures are within the original scope of work, the same cannot be avoided by any means.* *It is further to state that if the tariff is allowed without considering the projected add cap of 2016-18, the final tariff after truing up (based on capital cost as on COD and accumulated actual ADD cap) shall exceed provisional tariff and with appropriate interest added to it, the same has the potential to produce undesirable tariff shock to the beneficiaries and the consumers of beneficiaries at large.*

Sl. No.	Queries raised	Clarification
		It is also to state that if this add cap expenditure is allowed on provisional basis, the impact of such expenditure can also be suitably considered during finalization of ARR of Discoms on projection basis which will ultimately become beneficial to the end consumers. *Therefore SCCL prayed before the Hon'ble commission for allowing such projected expenditure on provisional basis to avoid tariff shock to the general consumers.*
9	SCCL informed that Ministry of Coal had allocated Naini coal block in Odisha State for the subject 2x600 MW project and that it is expected to take 3-4 years for the coal linkage to materialize. It further informed that it had requested the Ministry of Coal for allocation of tapering coal linkage for this power project on an interim basis. Correspondence went on between SCCL and the Ministry of Coal on allocation of coal for the subject project (plus third unit of 600 MW). Though SCCL requested for allocation of coal from its own mines to the subject project, the Ministry of Coal allocated coal from Naini coal block in Odisha. In its letter dated 6.7.2015, SCCL requested the Ministry of Coal to arrange tapering coal linkage for the subject project for a quantity of 6.13	*It is to state that SCCL has taken up the issue of coal linkage allocation for STPP from SCCL mines before MOC. Meantime MOC has allotted bridge linkage from SCCL mines for 3 years.*

Sl. No.	Queries raised	Clarification
	million tonnes per annum from SCCL mines. SCCL made it clear that it would be able to supply the coal without affecting the existing FSA/linkage quantity. It is strange that the Ministry of Coal allocated coal from Odisha to the power project of SCCL, in which the Government of Telangana has ownership share of 51 per cent while GoI has 49 per cent, instead of allocating coal from the mines of SCCL which is available. Needless to say, cost of transportation of coal from Odisha coal mines is higher compared to cost of coal available from mines of Singareni Collieries Company Limited in view of their vicinity to its own power project. Hon'ble Chief Minister Sri .K. Chandrasekhar Rao had repeatedly announced that SCCL had untapped deposits of coal which would meet requirements of thermal power projects up to a total capacity of 10,000 MW. Therefore, the possibility for getting coal allocation to the subject project from mines of SCCL may be explored by the GoTS taking up the issue with GoI at appropriate level again in view of the assertion of SCCL that it would be able to supply the coal without affecting the existing FSA/linkage quantity. It would substantially reduce variable cost of power to be purchased from TSTPP running into hundreds of crores of	

Sl. No.	Queries raised	Clarification
	Rupees over the period of 25 years of the PPA and benefit consumers of power immensely.	
10	Clause 3.1 of Regulation No.1 of 2008 says: "the Distribution Licensee shall prepare a Power Procurement Plan as per the Commission's Guidelines on Load Forecasts, Resource Plans and Power Procurement and shall submit the same for Commission's approval· as specified in clause 9 of the APERC (Terms and Conditions for determination of tariff for wheeling and retail sale of electricity) Regulation, 2005 (Regulation No.4 of 2005), as amended from time to time" Clause 3.2 says: "The Licensee shall make explicit the steps ,it intends to take that will enable the acquisition of the resources required in the Power Procurement Plan." I once again request the· Commission to direct the Discoms to submit load forecasts, resources plans and power ,procurement plan on a long'-term basis and make the same public, as various PPAs, including the subject PPA, are:being entered into on a long term basis	*The issue does not relate to SCCL, and hence no comment is offered*

Sl. No.	Queries raised	Clarification
11	Clause 15.4 says: "In other cases SCCL shall have the right to terminate this Agreement. In the event of termination of this Agreement, TSSPDCL and TSNPDCL shall be liable and continue to pay the Capacity Charges each month till firm arrangement for sale of TSSPDCL's and TSNPDCL's ·share with alternate customers substituting the TSSPDCL and TSNPDCL is tied ·up." The reasons for termination of the agreement should be specific and justifiable. Contrary to that, Clause 15.4 is too vague, too general and too sweeping that it can give scope for SCCL to misuse it to its undue advantage and to the disadvantage of TS Discoms and their consumers. Therefore, Clause 15.4 should be deleted from the PP A.	*It is to state that the Clause 15.4 flows from Article 15 whose heading is "Assignment". Clause 15.1 to 15.3 considers different scenarios that may arise on the reorganization of the functions of TSSPDCL and TSNPDCL into another organization(s), public or private, and stipulates that the agreement is binding mutatis mutandis upon the emerging agencies and continue to remain valid with respect to the obligations of the successor organization(s) subject to successor entities establishing letter of credit and payment security mechanism and signing of escrow agreements and agreement to Hypothecate cum Deed of Hypothecation.* *It is to inform that Clause 15.4 stipulates that if the successor entity doesn't fulfill the above condition related to payment security or signing of required agreements, SCCL reserves the right to terminate this agreement and in that case, the obligation to pay capacity charges shall be upon the TSSPDCL and TSNDCL till firm arrangement for sale of TSDISCOMs share is tied up with others. It is stated that there is no ambiguity in clause 15.4 which can be appreciated by coherent reading of clause 15.1 to 15.4.Accordingly the objection raised lacks merit.*

Sl. No.	Queries raised	Clarification
12	Article 11.1 in the PPA says, inter alia, that The same article says: "No party shall be liable for any claim for any loss or damage whatsoever arising out of failure to carry out the terms of the Agreement to the extent that such a failure is due to force majeure events and any other reason beyond the control of concerned party. "Contrary to that it is further incorporated in the article that "the Generator - (SCCL) is entitled to claim only fixed charges and cannot claim any consequent losses during Force Majeure Period." When conditions of force majeure are beyond the control of the parties to the PPA, it is unfair to claim fixed charges from the Discoms for power not generated and supplied during force majeure period. Therefore, this clause should be deleted.	*It is to state that as per Regulation 8.7 of terms and conditions of tariff 2014 by CERC, "the financial gains and losses by a generating company or the transmission licensee, as the case may be, on account of uncontrollable parameters shall be passed on to beneficiaries of the generating company or to the long term transmission customers/ DICs of transmission system, as the case may be."* *It is further stated that PPA, in 2nd Para of clause 11 contains a provision In line with the above regulation, by which SCCL can claim the fixed charges during force majeure situations. This provision is necessary because SCCL has to meet its unavoidable expenditures like O&M, Depreciation (for loan repayment), interest on loan etc. which are obligatory in nature and payable even in force majeure conditions.* *It is also stated that the claiming of such benefit under clause 11.1 of PPA is subject to reasonable satisfaction of the other party which shall give comfort to the Discoms as unreasonable claim cannot be made.* *Moreover, the 2nd Para of clause 11.1 ,while giving scope to claim fixed charges prevents the generating company from claiming any consequential losses which also may arise due to partial or complete damage of equipment ,destruction of structures etc. during force majeure conditions.*

Sl. No.	Queries raised	Clarification
13	Article 10 of the PPA says, inter alia, that "Agreement shall remain operative up to completion of twenty five (25) years from the date of commercial operation of last unit of the Project, unless it is specifically extended on mutually agreed terms." During the PPA period of 25 years or even earlier, SCCL will recover much more than the entire capital cost of the project, including debt and equity, with interest on debt and return on equity, as a part and parcel of fixed charges, with weighted average depredation rate of 7.81 %. Clause 12.2 (b) of APERC Regulation I of 2008 lays down the norms for depreciation. The clause says: "depreciation shall be calculated annually, based on straight line method over the useful life of the asset and at the rates prescribed in Ministry of Power notification dated 21-03-1994, as amended till date. The residual life of the asset shall be considered as 10% ...... On repayment of entire loan, the remaining depreciable value shall be spread over the balance useful life of the asset." SCCL explained that "depreciation has been calculated annually, based on straight line method over the useful life of the asset and the rates prescribed in Ministry of Power (MoP) notification dated 21st March, 1994 till the loan repayment period of 12	*It is stated that the apprehensions of respondent that if PPA is extended then SCCL may insist on unreasonable terms lacks merit since the last Para of 10.1 specifically says that such extension, renewal, amendment or replacement of present agreement by another agreement on mutually agreed terms by the parties is subject to prior consent of Hon'ble TSERC.*

Sl. No.	Queries raised	Clarification
	years. The balance depreciation after the loan repayment till 90% of the asset value has been spread over the remaining useful life of the power plant which is another 13 years." As such, having borne the burden of frontloading the tariff, the consumers of power of TS Discoms are in all justification entitled to get the benefit of frontloading the tariff even after expiry of the term of the PPA in the form of nominal depreciation charges, etc. If the term of the PPA is to be extended "on mutually agreed· terms," SCCL may demand its pound of flesh by insisting on unreasonable terms or to deny extension of term of PPA much to the detriment of the consumers of power, notwithstanding the fact that by then it will have recovered much more than the entire capital cost of the project from the consumers of TS Discoms. Therefore, in all fairness, in Article should be amended appropriately by incorporating that after completion of the term of the PPA for 25 years, the project shall be handed over to TSSPDCL and TSNPCL by SCCL, without any liabilities and with all rights	
14	In view of lack of adequate. time, despite the time extended by the Hon'ble Commission for submissions on the subject issue, to study the bulky documents relating to the subject	---

Sl. No.	Queries raised	Clarification
	issue due to our preoccupation with studying issues of similar nature and others before this Commission and APERC and preparation of our submissions, in addition to our other pressing engagements, some more issues pertaining to the subject issue remain to be studied and submissions on the same to be prepared. Therefore, I request the Hon'ble Commission to permit me to make further submissions before and during public hearings on the subject issue. I also request the Commission to direct SCCL and TS Discoms to send their responses to our submissions in time with relevant information sought so that we can study the same and come before the Commission to make further submissions during public hearings.	