



ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION

Vidyut Nyantrana Bhavan, Adjacent to 220/132/33 kV AP Carbides
Sub-Station, Dinnedevapadu Road, Kurnool-518002, Andhra Pradesh

TUESDAY, THE THIRTIETH DAY OF DECEMBER
TWO THOUSAND AND TWENTY FIVE

Present

**Sri P.V.R.Reddy,
Member & Chairman _{i/c}**

O.P.No.12 of 2024

In the matter of determination of additional Capital Cost of the coal-fired thermal power station (2 x 520 MW capacity) of HNPCL and its Multi Year Tariff (MYT) for the 5th Control Period (FY 2024-25 to FY 2028-29) under APERC's Tariff Regulation 1 of 2008 read with Sections 61, 62 & 64 of the Electricity Act, 2003.

Between

Hinduja National Power Corporation Limited (HNPCL) ... Petitioner

And

1. Eastern Power Distribution Company of Andhra Pradesh Limited

2. Southern Power Distribution Company of Andhra Pradesh Limited

3. Andhra Pradesh Central Power Distribution Corporation Limited

(DISCOMs)

... Respondents

The Original Petition has come up for final hearing on 26.11.2025 in the presence of Sri K. Pranshul & Ms. Grancy Bonam, Advocates representing Sri P.Ravi Charan, learned counsel for the Petitioner; Sri P.Shiva Rao, learned Standing Counsel for the respondent DISCOMs; Sri Sidharth Das, Vice-President/Commercial, HNPCL; Sri A.V.Suresh Babu EE/APPCC; the learned Objectors, Sri M. Venugopala Rao, Senior Journalist; Sri Kandarapu Murali, Secretariat Member, CPI (M); Sri Ch. Babu Rao, State Secretariat Member, CPI (M); Sri R.Shiv Kumar, Secretary, AP Textile Mills Association

(APTMA). After hearing all the parties and after carefully considering the material available on record, the Commission passes the following:

ORDER

1. HNPCL filed the present petition on 14.03.2024, relying on the draft CERC (Terms and Conditions of Tariff) Regulations, 2024, for certain tariff elements and parameters. The Commission admitted the petition on 20.03.2024 and assigned the number as O.P. No. 12 of 2024. During the initial hearing on the petition held on 12.06.2024, the Commission directed HNPCL to publish the petition in one Telugu-language daily newspaper and one English-language daily newspaper (Andhra Pradesh editions). The Commission also directed its office to place a Public Notice on the homepage of its website and posted the matter for the next hearing on 10.07.2024.
2. Accordingly, the Commission's office placed a Public Notice on its website on 23.06.2024, along with a copy of the Petition and Forms in Excel format, inviting views/objections/suggestions, if any, from interested persons and stakeholders, to reach the Secretary/APERC on or before 05.07.2024. As directed by the Commission, HNPCL published the Petition in one English-language newspaper and one Telugu-language newspaper on 23.06.2024. In response to the Commission's Public Notice and HNPCL's newspaper publications, no views/objections/suggestions were received by the Commission, although certain objectors requested a two-week extension for submitting the same.
3. On 07.08.2024, HNPCL filed an Interlocutory Application (I.A.) in the aforesaid O.P. under Section 94(2) of the Electricity Act, 2003 read with Order VI Rule 17 of the Code of Civil Procedure, 1908, seeking amendment of the main petition in light of the Notification issued by the Central Electricity Regulatory

Commission finalising the CERC (Terms and Conditions of Tariff) Regulations, 2024 on 15.04.2024. The Commission admitted the I.A. on record and numbered it as I.A. No. 1 of 2024. The DISCOMs filed their counters to the Petition on 09.09.2024, and to the I.A. on 19.05.2025. HNPCL filed a Rejoinder on 19.05.2025, in response to the counter filed by the DISCOMs on the Petition.

4. On 29.05.2025, the Commission placed a Public Notice on its website, making available copies of the I.A., the Original Petition, Excel-format forms, the counters filed by the DISCOMs, and the Rejoinder filed by HNPCL. The Notice invited views/objections/suggestions from all interested persons and stakeholders regarding the Petition and I.A., requiring submissions to reach the Secretary/APERC by 16.06.2025, with copies sent to the Petitioner. HNPCL and the DISCOMs were further directed to file their responses to any objections received within 15 days after the deadline, i.e., 01.07.2025. In response to the Public Notice, four objectors submitted their views/objections/suggestions by the stipulated deadline. Subsequently, on 21.07.2025, HNPCL filed its replies to these objections.

5. On 31.10.2025, the Commission issued a Public Notice on its website, notifying interested persons and stakeholders that it would conduct a public hearing on the Petition and the I.A. at 11:00 AM on 26.11.2025, in the APERC Court Hall in Kurnool, with options for both in-person and online participation. Along with the Public Notice, the Commission uploaded copies of the I.A., the Original Petition, Excel-format forms, counters submitted by the DISCOMs, the Rejoinder filed by HNPCL, the views/objections/suggestions received from objectors, and HNPCL's responses to those objections. The Commission accordingly held the public hearing on November 26, 2025.

6. The submissions of HNPCL, in brief (after consolidating the main Petition, the Interlocutory Application, and its note dated 26.11.2025), are as follows:

Capital Cost, including Additional Capital Cost

The Commission approved the capital cost of the project vide its common order dated 01.08.2022 in O.P. No. 21 of 2015 and O.P. No. 19 of 2016. HNPCL's subsequent review petition against this order was dismissed by the Commission on 19.06.2023. Aggrieved by the dismissal, HNPCL has filed an appeal before the Hon'ble Appellate Tribunal for Electricity (APTEL) (Appeal No. 743 of 2023), which is currently pending. HNPCL's present petition is based on the approved capital cost of Rs. 5,810.75 Crores in the above common order dated 01.08.2022, along with the claim for additional capitalisation of Rs. 130.03 Crores, totalling Rs.5,940.78 Crores. HNPCL reserves its right to seek a revised capital cost from the Commission, subject to the final outcome of the pending appeal or any further orders from higher courts.

A. Pre-filtration work:

HNPL meets its process water needs through a desalination plant with a capacity of 12.5 Million Litres per Day (MLD), designed in 2012 based on seawater analysis during mid-monsoon, showing maximum turbidity of 3 NTU at 400 meters depth. Following Cyclone Hud-Hud, input water turbidity increased significantly to 1.5-45 NTU due to impurities like mud, sand, silt, and aquaculture. During the monsoon season in 2024, i.e., May 2024 to September 2024, the turbidity has gone as high as 50-60 NTU. The variation in the water turbidity after the impact of Cyclone Hud-Hud was also considered in a paper published by the Indian National Centre for Ocean Information Services (INCOIS) in the Current Science Journal on 10.10.2015. This variation damaged the ultra-filtration and Reverse Osmosis

(RO) membranes, reducing water generation to 3-3.5 MLD, insufficient for continuous plant operation requiring 5-6 MLD. Therefore, HNPCL proposed installing a pre-filtration system comprising a clarifier, dual multimedia filter, and auxiliaries to ensure constant low turbidity of 2-3 NTU. The estimated total cost for this system is Rs. 30.03 Crores, including GST and IDC. The Commission is requested to approve this expenditure as part of additional Capital Cost, with the system expected to be completed in FY 2025-26.

B. Seawater pipeline work:

The power plant uses a once-through cooling system drawing approximately 1,82,000 cubic meters per hour of cold seawater from an intake well located 650 meters offshore in the Bay of Bengal, conveyed through two Glass Reinforced Plastic (GRP) pipes along a piled jetty. Originally, the return (warm) water was to be discharged via six 1600 mm OD HDPE pipeline segments laid in a semicircular arc on the seabed, each with 16 diffusers for proper dispersion. However, Cyclone Hud-Hud in October 2014 damaged part of the return line jetty beyond 650 meters and left substantial debris at the diffuser site, compromising pipe strength. Consequently, HNPCL abandoned the original design and modified it to a diffuser tank at 400 meters with eight 1600 mm OD GRP pipes extending 900 meters along the seabed. Over time, routine inspections revealed leakages in the submerged pipes, exacerbated by prolonged reserve shutdowns from 2018-2022 due to litigation, which allowed sand and silt ingress. To address this, HNPCL plans a comprehensive inspection, de-choking, cleaning, and replacement of unusable pipes, with a new parallel RCC chamber and downcomers to minimise plant shutdown to just 2-3 days for connection. Total estimated

cost works out to approximately Rs. 99.99 Crores, including GST and IDC. The Commission is requested to approve this cost to prevent further leakage, protect marine life, and ensure sustainable plant operation.

C. Railway Corridor:

HNPCL has been actively pursuing the construction of a railway corridor for coal transportation. Despite repeated follow-ups by HNPCL and the Special Secretary (Energy)/Government of Andhra Pradesh, NTPC expressed unwillingness to construct the corridor in September 2023. HNPCL approached Indian Railways in November 2023 for the 0–19 km rail corridor (excluding the 5 km stretch from 19–24 km to be built by HNPCL), appointed RITES Limited as consultants, and received an estimated cost of Rs.384 Crores (excluding land cost) with a 24–36 month construction timeline post land acquisition. A joint inspection by a five-member railway team was conducted on 12.02.2024, and a pre-feasibility report prepared by RITES has been submitted to Railways, with feedback expected in the second week of March 2024. The Commission is requested to give liberty to approach it again after the Detailed Project Report (DPR) is approved by Railways, to submit details of the new rail corridor costs and estimated capital cost for the Merry-Go-Round (MGR) system for inclusion in the capital cost and Multi-Year Tariff (MYT). HNPCL has already sought an extension of time for the railway corridor implementation before the Hon'ble APTEL in Appeal No. 743 of 2023, and the Tribunal (vide order dated 05.12.2023) granted liberty to seek the same before this Commission in light of subsequent developments.

In O.P. No. 1 of 2024 before the Commission, HNPCL sought the determination of the base variable cost for FY 2023-24 and consideration of

road transportation charges until 31.07.2024. On 02.04.2024, the Commission revised the base variable cost from Rs. 3.16/unit (claimed) to Rs. 3.03/kWh, disallowed road transport charges to the tune of Rs.0.58/kWh with effect from 01.08.2023 due to non-completion of the rail corridor within the stipulated timeline. HNPL challenged the deduction of Rs. 0.58 per unit before the Hon'ble High Court of Andhra Pradesh through Writ Petition No. 8782 of 2024. On 12.04.2024, the Hon'ble High Court passed an interim order staying the operation of the Commission's order, to the extent of the said Rs. 0.58/kWh reduction. Further, the Hon'ble High Court observed that the stay does not preclude HNPL from expediting the construction of the railway corridor and that the payment of Rs.0.58 per unit by the respondents (DISCOMs) towards energy charges is subject to the final outcome of the writ petition.

D. Flue Gas Desulfurization (FGD):

HNPL's power plant is classified under Category "A", requiring the installation of an FGD system by 31.12.2024, to comply with environmental Regulations. Due to significant setbacks from ongoing litigations between 2018 and 2022, HNPL submitted a letter on 21.01.2022 to the Ministry of Environment, Forests and Climate Change (MoEFCC), requesting an extension of the installation timeline to 31.12.2026, and a re-categorisation of the plant to Category "C". While commissioning the FGD by the original 2024 deadline is not feasible, HNPL has initiated preparatory work, including the selection of appropriate technology. The DISCOMs will be closely involved in the commissioning process. HNPL may be permitted to approach the Commission at a later stage to file claims related to the FGD

installation, in line with the liberty granted by the Commission's order dated 01.08.2022.

E. Mega Power Project Status (MPP Status):

HNPCL's project cost, as submitted in OP 21 of 2015, incorporates Mega Power Project (MPP) benefits amounting to Rs.706.31 Crores (including interest). The Commission's Common Order dated 01.08.2022 acknowledged this but ruled that HNPCL cannot claim additional costs from the DISCOMs if MPP status is not granted. However, HNPCL was allowed to pursue permanent MPP status with the Central Government and retain any resulting gains. HNPCL continues to actively engage with the Ministry of Power and CEA on this issue. It has also raised the matter in Appeal No. 743 of 2023 against the 01.08.2022 order. HNPCL may be given liberty to approach the Commission for any additional costs arising from the non-grant of MPP status, pending the appeal's outcome before Hon'ble APTEL.

Aggregate Revenue Requirement (ARR) & determination of MYT for the 5th Control Period (FY 2024-25 to FY 2028-29)

Fixed Charges

HNPCL has filed the Petition under Clause 10 of the APERC Tariff Regulations, 2008, and the Commission's Order dated 01.08.2022, seeking the determination of ARR and MYT.

F. Operation and Maintenance (O&M) Charges:

HNPCL stated that it claimed O&M expense based on the norms specified in the CERC Tariff Regulations, 2024. The year-wise O&M Charges claimed by HNPCL are shown in the following table:

Table 1: O&M Charges Filed (Rs.Crores)

Description	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
O&M Charges	282.57	297.44	313.04	329.47	346.74

HNPCL stated that in addition to the normative O&M Charges, it is entitled to the reimbursement of Water Charges, Security Expenses and Capital Spares as per CERC Tariff Regulations through supplementary bills. HNPCL requested the Commission to recover the actual charges incurred from the DISCOMs, subject to a true-up by the Commission.

G. Part Load Compensation

HNPCL stated that it is claiming Part Load Compensation from the DISCOMs in accordance with Clause 1.2.5 of Schedule F of the Revised Consolidated Power Purchase Agreement (PPA) dated 16.02.2024, in terms of Regulation 6.38 of the IEGC (Fourth Amendment), 2016, as amended from time to time, and the Order dated 05.05.2017 passed by the CERC.

H. Depreciation:

HNPCL stated that the Commission adopted a depreciation rate of 3.5% for the first 20 years and 4% for the remaining 5 years of the PPA term, as outlined in the Common Order dated 01.08.2022. HNPCL stated that it has also applied the same rates for arriving at depreciation amounts for the 5th Control Period. The year-wise depreciation amounts claimed by HNPCL are shown in the following table:

Table 2: Depreciation Filed (Rs.Crores)

Description	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Depreciation	199.58	200.37	204.13	204.13	204.13

I. Working Capital:

HNPCL stated that it computed the Working Capital requirement in accordance with Clause 12.4 of the APERC Tariff Regulations, 2008. In computing the Working Capital requirement, HNPCL based the cost of linkage coal on the Fuel Supply Agreement (FSA) with Mahanadi Coalfields Limited (MCL). HNPCL stated that if coal needs to be procured from alternate sources (e.g., imported coal, e-auctions) due to shortages from MCL, or the requirement for washed coal (given MCL's insufficient washery capacity), or to maximise plant availability, it will seek approval from the Commission for a suitable revision in the Working Capital requirement. The year-wise claims towards the Working Capital are shown in the following table:

Table 3: Working Capital Filed (Rs.Crores)

Description	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Working Capital	913.65	920.82	926.19	933.04	936.92

J. Regulated Rate Basis(RRB):

HNPCL claimed the RRB for each financial year in the 5th Control Period as shown in the following table:

Table 4: Regulated Rate Base Filed (Rs.Crores)

S.No.	Description	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
1	Original Capital Cost	5,810.75	5,940.78	5,940.78	5,940.78	5,940.78
2	Less: Accumulated Depreciation	1,605.05	1,804.63	2,005.00	2,209.13	2,413.26
3	Working Capital	913.65	920.82	926.19	933.04	936.92
4	Regulated Rate base(1-2+3)	5,119.35	5,056.97	4,861.97	4,664.69	4,464.44

K. Weighted Average Cost of Capital (WACC):

HNPCL stated that while computing the WACC, it adopted a debt: equity ratio of 70:30 (in accordance with clause 12.1(b) of APERC Tariff Regulation 1 of 2008), the Cost of Debt as 10.85% (Weighted Average of Interest Rate on Loans and Interest on Working Capital) and the Return on Equity (RoE) as 15.5%. Accordingly, the WACC works out to 12.25%.

L. Return on Capital Employed (RoCE):

HNPCL claimed the RoCE as shown in the following table:

Table 5: Return on Capital Employed (RoCE) Filed

S.No.	Description	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
1	RRB (Rs.Crores)	5,119.35	5,056.97	4,861.97	4,664.69	4,464.44
2	WACC	12.25%	12.25%	12.25%	12.25%	12.25%
3	RoCE (Rs.Crores) (1 x 2 / 100)	626.94	619.37	595.46	571.27	546.73

M. Non-Tariff Income:

HNPCL stated that it has no Non-Tariff income at present, and that if there is any income on this account in future, the same will be accounted for during the True-up exercise.

N. Other expenditure:

HNPCL stated that it is incurring additional costs for ash disposal at its plant due to a change in law notified (dated 31.12.2021 and 30.12.2022) by the MoEFCC, as well as the Ministry of Power's advisory dated 22.02.2022, requiring 100% fly ash utilization and transportation at the plant's expense to user agencies (e.g., via tenders floated on 21.07.2023 for evacuation to NHAI site ~120 km away). In the letter dated 22.02.2022 issued by the Ministry of Power, it has been clarified that upon scrutiny of the expenses incurred by the thermal power plant in respect of the utilisation of fly ash,

these expenses should be passed through in the tariff. In terms of Article 12 of the Revised Consolidated PPA dated 16.02.2024, the above imposition of the mandate of Fly Ash in terms of the MoEFCC Notifications dated 31.12.2021 is a change in law event.

HNPCL stated that the expenditure is not due to any failure, deficiency or imprudence but statutory obligations, supported by CERC order No. 205/MP/2021, recognising the 2021 notification as a change in law and allowing recovery through a monthly provisional billing of the additional expenditure incurred on account of fly ash transportation charges under Clause 12.6 of the APERC Tariff Regulations, subject to prudence check at the time of the truing up. HNPCL stated that it is ready to provide all details regarding fly ash transportation from FY 2024 to date.

O. Income Tax:

HNPCL stated that it will claim the Income Tax as per actuals, limited to the Tax on RoE in accordance with Clause 12.5 of APERC Tariff Regulations, 2008.

P. Annual Fixed Charges:

Based on the above components, HNPCL claimed the Annual Fixed Charges for the 5th Control Period as shown in the following table:

Table 6: Annual Fixed Charges (Rs.Crores)

S.No.	Description	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
1	O&M Charges	282.57	297.44	313.04	329.47	346.74
2	Return on Capital Employed (RoCE)	626.94	619.37	595.46	571.27	546.73
3	Depreciation	199.58	200.37	204.13	204.13	204.13
4	Other Expenditure	–	–	–	–	–
5	Fixed Charges (1+2+3+4)	1,109.09	1,117.18	1,112.63	1,104.87	1,097.60

Q.Energy/Variable Charges:

HNPCl stated that it has challenged the Commission's approved parameters (for computing Energy Charges) in the order dated 01.08.2022, before Hon'ble APTEL. However, for the present Petition, HNCPCL stated that it adopted the Commission's approved parameters except for the Auxiliary Energy Consumption of 5.25% and Normative Transit/Handling Loss of 1% as per CERC Tariff Regulations 2024. HNPCl requested the Commission to exercise its power to relax under APERC Regulation 1 of 2008, and retain Auxiliary Consumption at 5.75% instead of 5.25%, given the power plant's unique peculiarities elaborated in the main petition and its amendment application. HNPCl sought liberty from the Commission to claim differential energy charges based on Hon'ble APTEL's decision. The parameters, GCVs and weighted average prices of coal and oil used by HNCPCL to arrive at Variable Charges are shown in the following tables:

Table No.7
Normative Parameters used by HNPCl

S.No.	Description	Units	Values
1	Station Heat Rate	kCal/Kg	2,372
2	Normative Auxiliary Consumption	%	5.25
3	Specific Oil Consumption	ml/kWh	0.5
4	Windage & Transit Losses	%	1
5	Normative Availability	%	85

Table No.8
GCV Values and Prices Used by HNPCl

S.No.	Description	Units	Value	Remarks
1	GCV of Coal	Kcal/Kg	3117.8	Oct-Dec23 period
2	GCV of Oil	Kcal/Litre	10,858	
3	Landed Cost of Coal	Rs/MT	3,949	Jan 24 Rates
4	Landed Cost of Oil	Rs/KL	84,783	

HNPCl stated that though it has a primary FSA with MCL for 4.624 million tonnes per annum (covering 80% of plant capacity), it requested the

Commission for the flexibility to procure additional coal through Government of India circulars, e-auctions, or imports as per the revised Consolidated PPA dated 16.02.2024, which will mitigate risks such as domestic supply shortfalls or the lack of washed coal.

HNPCL further stated that it currently uses a rail-cum-road transport model for its coal, where Indian Railways delivers the supply to nearby sidings (Gangavaram, Bayavaram, and Kantakapalli) and trucks transport it the remaining distance to the plant. HNPCL requested the Commission to permit it to continue this method for the 5th control period, as the direct railway link to the plant from Jaggyapalem station is still under construction, and once this is completed, it will submit all the details to the Commission to revise the fixed and variable costs. HNPCL claimed the Energy/Variable Charges for the 5th Control Period as shown in the following table:

Table 9: Energy Charges

Description	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28 (Leap Year)	FY 2028-29
Gross Generation (MU)	7,743.84	7,743.84	7,743.84	7,765.06	7,743.84
Net Generation (MU)	7,337.29	7,337.29	7,337.29	7,357.39	7,337.29
Energy Charges Rate (Rs/kWh)	3.37	3.37	3.37	3.37	3.37
Energy Charges (Rs.Crores)	2,471.47	2,471.47	2,471.47	2,478.24	2,471.47

Views/Objections/Suggestions

(List of Objectors is as per Annexure-I)

7. DISCOMs counter to the main Petition

- HNPCL's claims for Additional Capital Expenditure (ACE) are legally and contractually unsustainable. Since the project reached its Commercial Operation Date (COD) in 2016, Regulations restrict ACE recovery to costs incurred within one year of COD, with the sole exception of those mandated by a Change in Law. Therefore, the Rs. 30.03 Crores claim regarding water turbidity and the Rs. 99.98 Crores claim for seawater pipeline repairs do not meet these criteria, as they do not fall under the change law or are not supported by the terms of the PPA. Furthermore, the seawater pipeline leakages are a result of routine operational issues rather than capital-intensive events. Such repairs fall under O&M, which are already covered within the project's fixed cost structure. Any damage resulting from historical events like the Hud-Hud cyclone should be addressed through the project's insurance rather than being passed on to DISCOMs as a capital expense.
- HNPCL's failure to complete the corridor is not attributable to the DISCOMs. Furthermore, any assurances regarding land or cooperation provided by the Government of Andhra Pradesh (GoAP) are legally distinct from the PPA and not part of the determination of Capital Cost, as the GoAP is not a signatory to the PPA. If HNPCL has any grievances regarding government inaction or defaults, those claims must be pursued directly with the GoAP. Additionally, the issue of delays in the railway corridor development has already been adjudicated by the Commission in a previous order (OP 1 of 2024).
- The FGD system mandate was issued by the Government well before the

tariff determination by the Commission in 2022, and HNPCL deliberately chose not to claim the additional cost of FGD at that time, apparently with the oblique motive of projecting a lower tariff to appear more competitive than other projects. The DISCOMs will be bound by the orders of the Commission regarding the passing of FGD system costs that may be passed in future.

- HNPCL's claim for Mega Power Project (MPP) status has already been decided in OP 21 of 2015 by the Commission. Since HNPCL has filed an appeal against that decision before the Hon'ble APTEL, the DISCOMs will be bound by the final decision passed by the last court in the matter.
- The Commission may approve the O&M Charges as per Clause 36(1) of CERC Tariff Regulations, 2024, for 500 MW units. As regards the reimbursement of Water Charges, Security Expenses and Capital Spares through supplemental bills, the same may be allowed as per Clause 36(6) of CERC Tariff Regulations, 2024, as approved by the Commission. Part Load compensation may be allowed as approved by the Commission.
- The depreciation rate should be restricted to 3.5% by excluding the additional capital claim. The Working Capital, RRB, RoCE and Fixed Charges should be allowed as per APERC Tariff Regulation 1 of 2008 by excluding the additional capital claim of Rs.130.78 Crores. Any Non-Tariff income earned by HNPCL shall be shared in a 1:1 ratio as Clause 84 of the CERC Tariff Regulations, 2024. Income Tax shall be allowed as per Clause 12.5 of APERC Tariff Regulation 1 of 2008.
- HNPCL's claim for reimbursement of ash disposal costs—based on the MoEFCC and the Ministry of Power (MoP) notifications—is legally unfounded. These notifications prioritise providing affordable power and reducing the

financial burden on end consumers. These mandate that Thermal Power Plants (TPPs) must first exhaust all efforts to monetise ash before attempting to pass costs to utilities. Furthermore, these ministerial notifications are merely advisory and do not override the specific terms of the PPA, which does not provide for ash disposal reimbursements. Citing a 2022 Andhra Pradesh High Court's judgment, DISCOMs argued that the government should not interfere in tariff matters and that Clause 12.6 of the APERC Tariff Regulation 2008 is inapplicable here.

- Energy Charges shall be computed as per Clause 13.1 of APERC Tariff Regulation 1 of 2008 by adopting the latest norms in the CERC Tariff Regulations, 2024.

Reply of HNPCL:

The DISCOMs' interpretation of "additional capital expenditure" is legally flawed and contradicts established Regulations. The Capital Costs incurred after the COD or the Cut-off Date are not limited solely to "change in law" events. As per Clause 10.9 of Regulation 1 of 2008 and Clause 26 of CERC Tariff Regulations 2024, the additional capitalisation must be admitted for several other reasons, including deferred liabilities, arbitration awards, Force Majeure events, and works essential for the efficient and successful operation of the generating station. The State and Central Regulations must be read in conjunction, especially in light of the Common Order dated 01.08.2022. Therefore, the claims for additional capital expenditure are valid and legally recoverable because they fall under the recognised categories of Force Majeure and/or necessary expenditures for efficient plant operation.

- HNPCL stated that it has given a detailed justification for the claim towards pre-filtration work on account of increased water turbidity, and the same

ought to be allowed by the Commission. The cost of examining, de-choking, and replacing seawater pipes should be treated as Additional Capitalisation, not O&M expenses. If the DISCOMs insist it is an O&M expense, HNPCL will accept this only if it is allowed above the standard normative O&M limits and if the DISCOMs formally admit this before the Commission. The damage (sand/silt ingress and pipe choking) occurred because the plant was forced into a prolonged "reserve shutdown." The lack of water flow during these shutdowns allowed sediment to settle and damage the pipes. The shutdown was caused by the DISCOMs' refusal to schedule power and their "wrongful" litigation between 2018 and 2022. HNPCL cited a Supreme Court judgment (Feb 2022), which found that the DISCOMs acted wrongfully and without reasonable cause, supporting HNPCL's claim that the plant's non-operation was the fault of the DISCOMs, not the power producer. The claim is not related to the Hud-Hud cyclone (a Force Majeure event). Because the damage resulted from a shutdown caused by litigation—not a natural disaster—the DISCOMs' suggestion that "insurance should cover it" is incorrect. The cost is attributed solely to the acts of omission by the DISCOMs.

- The present Petition does not contain any claim/approval for the capital costs of the Railway Corridor construction. HNPCL will approach the Commission at an appropriate stage once the project costs are crystallised.
- HNPCL asserted its right to claim costs for FGD installation, citing that the Commission's August 2022 Order explicitly granted them the liberty to file a separate application for this purpose. It rejected the DISCOMs' allegations of concealment or misrepresentation, maintaining that FGD requirements were previously disclosed and that their current claim aligns with a Ministry of Power notification dated 20.11.2024, which extended FGD installation

deadlines by 36 months. Consequently, HNPCL argued that their request is both legally authorised and consistent with updated environmental compliance timelines.

- HNPCL stated that its only Non-Tariff income stems from the sale of fly ash, which has already been credited and factored into the billing for fly ash transportation expenses. HNPCL denied the existence of any other sources of Non-Tariff income during the relevant financial years.
- HNPCL contended that the MoEFCC notifications impose an absolute legal obligation on them for the timely disposal of fly ash, classifying these mandates as "Change in Law" events. Citing an APTEL order (NTPC v. UPPCL), HNPCL maintained that these statutory notifications are binding and require strict compliance to improve fly ash utilisation. Furthermore, HNPCL cited the DISCOMs' reliance on a 2022 Andhra Pradesh High Court judgment, stating that it is irrelevant to the current facts and that the costs associated with these environmental obligations are legally recoverable.

8. DISCOMs Counter to IA

The amendments to the original petition (OP No. 12 of 2024) are legally unsustainable. The amendment seeks to fundamentally alter the nature and scope of the case by introducing new financial assumptions, cost components, and tariff parameters. Furthermore, HNPCL is improperly attempting to apply CERC Regulations 2024 to a project commissioned under older regimes, which is a legally invalid ground for amendment. Additionally, HNPCL is using the amendment to fill gaps and weaknesses in their original filing after the proceedings have already reached the hearing stage. This "afterthought" lacks a valid explanation or evidence of prior due diligence, which violates settled legal principles. Consequently, the DISCOMs urged the Commission to dismiss the

application to maintain regulatory discipline and prevent a substantive shift in the character of the existing petition.

Reply of HNPCL: HNPCL has not furnished any replies. However, in the hearing on 21.05.2025, Sri P. Shiva Rao, learned Standing Counsel for the DISCOMs, did not oppose the IA and consented to the proposed amendment. Therefore, the Commission allowed the IA during the hearing.

9. Sri M. Venugopala Rao and two others

- Since HNPCL has appealed that Commission's 2022 order and the matter remains pending before the Hon'ble APTEL, the Commission must reject any new claims that are contrary to said order. Any expenditure, especially capital expenditure, claimed to have been incurred by HNPCL after one year of COD, should not be allowed, as the same is contrary to the terms of the PPA and applicable Regulations.
- HNPCL's claim for Rs.30.03 Crores in additional capital expenditure, specifically for seawater system repairs and water turbidity issues, should be covered under the existing O&M budget rather than passed on to consumers as new capital costs. HNPCL is responsible for using durable components with optimum lifespans to avoid repetitive spending; allowing these claims would set a dangerous precedent, leading to uncontrolled fixed costs and an unfair tariff burden on DISCOMs and the public. These claims are an attempt to shift the financial consequences of HNPCL's own operational failures onto consumers, which is illegal and a violation of the approved PPA.
- HNPCL's Rs.99.98 Crores claim for seawater pipeline works must be absorbed within the existing O&M budget rather than being passed on to consumers. HNPCL is responsible for the quality, maintenance, inspection and servicing of its infrastructure; therefore, any failures in these areas are

the fault of HNPCL, not the DISCOMs. Any damage caused by the Hud-Hud cyclone has been covered under the insurance of the project, and the additional expenditure, if any, incurred on account of the same should not be allowed to be recovered from the DISCOMs and their consumers.

- The responsibility for the timely development of the railway corridor lies solely with HNPCL. The DISCOMs and consumers should not be penalised with additional costs resulting from HNPCL's failures or delays in this process. Regarding the FGD system, HNPCL has delayed the implementation for over nine years since the project's COD. The Commission should consider this "avoidable delay" when deciding on HNPCL's claims for FGD-related expenditures.
- It is HNPCL's sole responsibility to secure Mega Power Project status for the plant. This specific issue was previously litigated in OP No. 21 of 2015, where the Commission issued a ruling. Because HNPCL has challenged that decision, and the appeal is currently pending before the Hon'ble APTEL, the Commission should maintain its original stance.
- The Commission is urged to determine O&M expenditure, Water Charges, and Security Expenses based on CERC Tariff Regulations, after a prudence check. The depreciation rate, Working Capital, Annual Fixed Charges, RoCE, and RRB must be calculated using the original capital cost already approved by the Commission in accordance with the applicable Regulations, by excluding the additional capital costs claimed by HNPCL. Non-Tariff income earned by HNPCL should be shared between it and the DISCOMs in the ratio of 1:1.
- The PPA contains no provision allowing HNPCL to recover fly ash disposal costs from DISCOMs or consumers. The government notifications are merely

advisory and focused on transparency and 100% ash utilisation, with the least burden on the electricity consumers. They do not have the legal authority to override the existing PPA or mandate cost recovery from consumers. HNPCL should either auction the fly ash to generate revenue or provide it free of cost to parties who would then be responsible for their own transportation and handling fees. Even if evidence of the spending exists, it is an imprudent expenditure that should not be passed on through tariffs.

- Income tax reimbursement should be strictly limited to the amount paid on Return on Equity (RoE). It should exclude any tax paid on general profits, penalties, or interest accrued due to delayed tax payments. The Auxiliary Consumption and the Station Heat Rate may be continued at the levels previously determined by the Commission.
- HNPCL is relying on the CERC 2024-2029 Regulations to justify additional capital costs and a new tariff framework. These Regulations are intended for new projects, whereas HNPCL's plant is an "old" one that has already been in operation for nine years. While HNPCL adopts the new 2024 Regulations to seek higher costs, it relies on the old Regulations for auxiliary consumption. The same stand should be made applicable for other parameters of tariffs for the 5th control period.

10. Sri U.M.Kumar/APTMA

- Regulations allow capital claims only up to one year following the COD. Since the COD was in 2016, a claim made eight years later is legally "specious". As Cyclone Hud-Hud was a Force Majeure event, the costs should have been recovered through insurance. Replacement of system parts should be part of O&M Charges, not new capital expenditure. Given that cyclones are a predictable weather pattern on India's Eastern Coast, any

technical failure is a result of poor planning or inadequate engineering by HNPCL. The claim is "inadmissible by Regulation or act" and should be rejected in limine.

- The APERC has previously ruled that the apportioned amount of Rs.707 Crores is strictly excluded from any future claims against DISCOMs, and by extension, cannot be passed on to consumers, if Mega Power Project Status (MPPS) is not granted and all legal avenues have been exhausted. He requested the Commission to confirm the same.
- For Station Heat Rate (SHR), HNPCL used a multiplier of 1.045 (based on 2019 CERC Regulations) instead of the 1.05 multiplier mandated by the 2024 CERC Regulations. For Auxiliary Consumption, the figure should be 5.25% in accordance with current Regulations, rather than the 5.75 % proposed by HNPCL. The Commission is urged to apply the 2024 CERC Regulations consistently for the determination of MYT.
- HNPCL is requested to clarify whether the FGD is being proposed now as an "afterthought" or if it was planned but never implemented. Based on the coal type (0.5% to 1% sulfur) and plant efficiency, the plant will release approximately 63,500 tons of SO2 per year. He questioned how there can be no FGD or system to mitigate the ill effects of SO2.
- The development and timely execution of the railway corridor is the responsibility of only HNPCL, and the DISCOMs have no role. Any costs attributable & arising out of its non-implementation should not be accepted as part of the tariff.
- The plant is projected to release approximately 9,680 Metric Tonnes of CO2 annually, posing a direct threat to the health of nearby townships and villages within a 30–40 km radius. These emission levels fundamentally

contradict India's UNFCCC commitments, leading to the demand for mandatory mitigation measures—such as a coal washery to raise GCV to 3,550+ kcal/kg, the blending of domestic coal with high-calorific imported coal, and the urgent adoption of advanced technological upgrades to optimise the Station Heat Rate (SHR).

Reply of DISCOMs (to all the objectors): In the Memo filed on 21.06.2025, the DISCOMs stated that objections submitted by the objectors are broadly similar to those in the counter filed by them.

Reply of HNPCL (to all the objectors):

- The "Public Objections" regarding additional capital expenditure are legally flawed because they ignore specific regulatory provisions. Relying on APERC Regulation 1 of 2008 and the CERC Tariff Regulations 2024, HNPCL stated that capital costs incurred after a project's "cut-off date" (the end of the financial year following either one or three years from the COD) are indeed admissible. These Regulations explicitly permit additional capitalisation for specific reasons, including Change in Law, Force Majeure, and works necessary for the efficient and successful operation of the generating station. Regulation 1 of 2008, read with the Commission's order dated 01.08.2022 has also emphasised the Central Commission Regulations for certain provisions, and thus, the Regulations framed by APERC have to be read in conjunction with the Central Commission Regulations, *inter alia*, in the context of HNPCL's requirement of additional capital expenditure. Therefore, the claims raised by HNPCL towards additional capitalisation fall within the scope of force majeure and/or on account of the efficient operation of the Generating Station.

- The expenditure on de-choking, assessing damage to, and replacing the unusable seawater intake pipes is capital expenditure (additional capitalisation), not routine O&M work as erroneously claimed by the objectors. These costs arise from the need to examine and fully replace pipes that suffered severe, unavoidable damage due to prolonged forced idling, and therefore do not fall within the scope of normal O&M Charges. Without prejudice to its primary claim that the expenditure on seawater pipes is capital in nature, even if the public objectors classify it as additional O&M expenditure, the company would have no objection to such classification, as the costs would then be allowed over and above the normative O&M limits due to the exceptional circumstances that caused the damage.

The additional capital expenditure for seawater pipelines was necessitated by severe sand and silt ingress caused by the lack of water flow during prolonged, frequent plant shutdowns between 2018 and 2022. These shutdowns were the direct result of ongoing litigation with the DISCOMs, who failed to schedule power from the plant despite explicit directives from the Hon'ble APTEL and the Hon'ble Supreme Court. Thus, the above is clearly not due to any fault or default of HNPCL but rather, on account of prolonged litigations initiated by the DISCOMs. The claim raised by HNPCL on account of overhauling and repairing of underwater pipelines is not consequent to the Hud-Hud cyclone.

HNPCL cited a Supreme Court judgment which held the DISCOMs' actions as "legal malice," noting that the utilities acted willfully and without reasonable cause in a way that harmed public interest. Thus, the entire time period involved during the pendency of the litigation and the consequent frequent non-operation of the Plant is not attributable to HNPCL.

- Regarding delays in the Railway Corridor construction, HNPCL already submitted evidence of its "sincere efforts" to expedite the project in a recent amended application dated 01.08.2024. The Commission may consider the same while determining the tariff. The current petition does not seek approval for capital costs related to the railway corridor; rather, HNPCL intends to approach the Commission for cost recovery only after the final project charges are fully crystallised.
- The Commission, in its Order dated 01.08.2022, explicitly granted HNPCL liberty to file a separate application for claiming FGD-related costs. HNPCL had transparently disclosed the FGD requirement in earlier proceedings (Petition No. 19 of 2016 and OP No. 21 of 2015) with no concealment or misrepresentation. The objectors cannot now raise contentions contrary to the 01.08.2022 Order, which they did not challenge. Furthermore, the Ministry of Power, vide notification dated 20.11.2024, extended the FGD installation timeline by 36 months for all thermal power plants, beyond the earlier MoEFCC deadline
- HNPCL is actively pursuing the MPP status with the Ministry of Power/ CEA. Further, HNPCL has also raised the issue of MPP Status in the appeal filed against the order dated 01.08.2022 before the Hon'ble APTEL.
- The MoEFCC notifications dated 25.01.2016 and 31.12.2021 imposed a mandatory requirement for timely fly ash disposal, constituting "change in law" events under the applicable provisions. While compliance with the 2016 notification was required during the period 01.04.2019 to 30.12.2021, the 2021 notification became binding from 31.12.2021 onwards. The binding nature of these notifications is no longer res integra, as per Hon'ble APTEL's Order dated 28.10.2022 (NTPC Limited v. UPPCL), which directed strict

compliance with statutory notifications on fly ash utilisation to reduce transportation costs.

- HNPCL has filed an Amendment Application on 01.08.2024, incorporating the changes as brought about by the Tariff Regulations, 2024, notified by the Central Commission. The Commission may consider the same while determining the tariff.
- The Non-Tariff income, if any, is on account of the sale of fly ash, which has already been accounted for while billing for the fly ash transportation expenditure. Apart from the above, there has been no other Non-Tariff income in the relevant financial years.

Commission's Analysis and Decision

11. Pre-filtration work:

As per Clause 10.9 of APERC Regulation 1 of 2008, no additional capital works are allowed after the cut-off date from the COD, except for the following works:

- A. Deferred liabilities relating towards works/services within the original scope of work.
- B. Liabilities to meet the award of arbitration or for compliance with the order or decree of the Court.
- C. On account of a change in the law.
- D. Any additional works/services that became necessary for the efficient and successful operation of the generating station, but were not included in the original project cost, and
- E. Deferred works relating to the ash pond or the ash handling system in the original scope of work

HNPCL contends that the proposed work falls under the Force Majeure

and/or necessary expenditures for efficient plant operation category. HNPCL stated that its desalination plant was designed in 2012 based on mid-monsoon seawater analysis, but the increased turbidity (1.5-45 NTU post-2014, up to 50-60 NTU in 2024) is attributed to a natural event (Cyclone Hud-Hud).

Since the design was based on 2012 data, HNPCL should have incorporated buffers for environmental variability during engineering (e.g., via robust pre-treatment in the original EPC contract). The damage to membranes and reduced output is due to ongoing operational challenges (e.g., impurities like mud, sand, silt, and aquaculture). The routine upgrades for efficiency (e.g., clarifiers, dual multimedia filters) are part of O&M expenses, not capital additions. Cyclone Hud-Hud occurred in October 2014, before the plant's COD. HNPCL was aware of the 2015 paper from INCOIS for nearly a decade, but it only proposed the fix in 2024. This work does not fall under the Force Majeure and/or necessary expenditures for efficient plant operation category, as it is a foreseeable risk in a coastal area prone to cyclones. Treating this as additional capex would unfairly pass on design inadequacies to consumers. Therefore, the Commission is not inclined to accept HNPCL's request.

12. **Seawater Pipeline work:**

HNPCL claims the repairs (de-choking and replacement due to sand/silt ingress during shutdown) as capital expenditure (capex), but these are routine maintenance issues arising from operational neglect (e.g., lack of water flow leading to clogging). HNPCL attributes damage to the 2018-2022 shutdown (due to PPA disputes), but this is not a "change in law" (e.g., no new environmental mandate directly causing pipeline issues). The shutdown stemmed from litigation with the DISCOMs. If ingress occurred due to

inactivity, it reflects poor maintenance protocols during shutdown, not an external event. Sand/silt ingress during shutdown indicates failure to implement preventive measures like periodic flushing or monitoring. The damage likely occurred during the 2018-2022 shutdown, yet was claimed in 2024. Allowing the claim would reward "operational failures," shifting burdens to consumers and inflate tariffs without justification. Therefore, the claim of HNPCL is rejected.

13. Railway corridor:

The Commission notes that in its order dated 01.08.2022 in O.P. No. 21 of 2015 and O.P. No. 19 of 2016, the approved capital cost of Rs. 5,810.75 Crores was deemed to cover expenses towards the railway corridor, even though not yet incurred, and HNPCL was directed not to raise future claims on this account. HNPCL was further directed to complete the rail corridor within one year (by 01.08.2023), failing which road transport costs would be disallowed. When HNPCL approached the Commission through O.P. No. 1 of 2024, the Commission, apart from declining to extend the timeline for completing the railway corridor work, also decided to deduct Rs. 0.58/kWh in variable charges from 01.08.2023 (Para No.12 of the Order). HNPCL challenged the Order in Writ Petition No. 8782 of 2024 before the Hon'ble High Court of Andhra Pradesh, resulting in a stay of Para No.12 of the Order on 12.04.2024. Since the matter is sub-judice before the Hon'ble High Court of AP, the Commission will take an appropriate decision on this issue based on the outcome of the said Writ Petition.

14. Flue Gas Desulfurization (FGD):

In its order dated 01.08.2022 in O.P. No. 21 of 2015 and O.P. No. 19 of 2016, the Commission took note of HNPCL's statement that it would file a separate

application before the Commission regarding compliance with the directions under the Environment Protection Act, 1986, and the rules notified thereunder about the installation of Flue Gas Desulphurisation (FGD) systems. Further, the Commission observed that, in the event such an application is filed, it would dispose of the same in accordance with the law. The Commission reaffirms that any such application, once filed, will be disposed of in accordance with the law.

15. Mega Power Project Status (MPP Status):

In its order dated 01.08.2022 in O.P. No. 21 of 2015 and O.P. No. 19 of 2016, the Commission held that HNPCL shall not be entitled to raise any claims against the DISCOMs in the future if MPP status is not granted to the project. However, the Commission granted liberty to HNPCL to pursue the matter with the Central Government for obtaining permanent MPP status for its project and to retain any benefits arising therefrom. Since HNPCL has challenged the same before the Hon'ble APTEL in Appeal No. 743 of 2023, which is presently pending, the Commission will take an appropriate decision on the issue based on the outcome of the said appeal.

16. Fixed Charges

With the rejection of the additional Capital costs claimed by HNPCL, the Commission adopts the Capital Cost of the project as Rs.5,810.75 Crores (same as that approved in the Common Order dated 01.08.2022) to work out the fixed charges as below:

O&M Charges:

A. HNPCL claimed O&M Charges in line with the norms specified in the CERC Tariff Regulations, 2024, for 500 MW thermal units. For the 5th control period, the Commission approved O&M Charges for thermal units of 500

MW and above belonging to APGENCO and SEIL Energy India Limited by adopting the norms specified in the CERC Tariff Regulations, 2024. Moreover, as per Clause 10 of APERC Regulation 1 of 2008, the Commission can adopt the principles and methodologies of CERC Tariff Regulations as amended from time to time. Accordingly, the Commission adopts the CERC norms for the HNPCL plant as well. The O&M Charges approved by the Commission are shown in the following table:

Table 10: O&M Charges approved by the Commission (Rs.Crores)

Description	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
O&M Charges	282.57	297.44	313.04	329.47	346.74

In addition to the normative O&M Charges, HNPCL submitted that it is entitled to reimbursement of Water Charges, Security Expenses, and Capital Spares in accordance with the CERC Tariff Regulations, through supplementary bills, subject to true-up by the Commission.

The Commission is not inclined to approve Water Charges and Security Expenses as separate recoverable components. Consistent with its approach for all intra-State generating stations, the Commission—while approving O&M Charges as per the norms specified in the CERC Tariff Regulations—has treated Water Charges and Security Expenses as forming part of the normative O&M expenses, notwithstanding the provision in the CERC Tariff Regulations that permits recovery of these expenses over and above the normative O&M Charges. However, HNPCL is at liberty to file a true-up petition demonstrating that its actual O&M Charges have exceeded the approved normative O&M Charges on account of Water Charges and Security Expenses. In such a case, the Commission will, after due prudence

check and verification of the genuineness of the expenditure, pass an appropriate order.

As regards the Capital Spares, the Commission has determined the project's capital cost based on the CERC benchmark cost, which already incorporates provisions for this component. Accordingly, the Commission is not inclined to accept HNPCL's request for additional Capital Spares.

Depreciation:

B. HNPCL claimed depreciation amounts at a rate of 3.5%, consistent with the rate approved by the Commission in the previous common order dated 01.08.2022. In that order, the Commission decided to adopt a depreciation rate of 3.5% for the first 20 years and 4% for the remaining 5 years of the PPA. This rate is lower than the MoP depreciation rates under Clause 12.2(b) of APERC Regulation 1 of 2008. These lower rates avoid the front-loading of the tariff, benefiting the consumers. Therefore, the Commission adopts a depreciation rate of 3.5% for the 5th control period. This rate is applied to the Capital Cost after excluding the cost of land, as the same is not a depreciable asset as per the above Clause. The depreciation amounts approved by the Commission are shown in the following table:

Table 11: Depreciation approved by the Commission (Rs.Crores)

Description	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Depreciation	199.58	200.37	204.13	204.13	204.13

Working Capital:

C. HNPCL Stated that it has submitted the Working Capital claim in line with Clause 12.4 of the APERC Tariff Regulations, 2008. As per this Clause, Working Capital comprises the cost of coal and oil for one month at target

availability, O&M Charges for one month, maintenance spares at 1% of the historical cost escalated by indexation of O&M norms, and receivables for electricity sales equivalent to two months of the combined annual fixed charges and energy charges calculated at target availability. The Commission computed the Working Capital amounts as per this Clause, which are shown in the following table:

Table 12:Working Capital approved by the Commission (Rs.Crores)

S.No.	Description	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
1	Cost of Fuel for 1 month, including oil	202.5	202.5	202.5	203.1	202.5
2	O&M Charges for 1 month	23.55	24.79	26.09	27.46	28.89
3	Spares @1% of Capital Cost with escalation at O&M indexation	87.30	91.89	96.72	101.81	107.16
4	Receivables equivalent to 2 months	585.66	584.30	583.08	583.14	581.07
Working Capital (1+2+3+4)		899.00	903.47	908.38	915.46	919.63

Weighted Average Cost of Capital (WACC):

D.HNPCL claimed a WACC of 12.25% by adopting a Debt/Equity ratio of 70:30, a Return on Equity (RoE) of 15.5%, and Cost of Debt at 10.85% (Weighted Average of Interest Rate on Loans and Interest on Working Capital). Clause 12.1.b. of APERC Regulation 1 of 2008 specifies the following formula for the computation of WACC:

$$\text{WACC} = [D/E/(1+D/E)] rd + [1/(1+D/E)]re$$

Where

'D/E' is the Debt to Equity Ratio and shall be determined at the beginning of the Control Period after considering the Generating Company's previous years' D/E mix, market conditions and other relevant factors.

‘rd’ is the Cost of Debt and shall be determined at the beginning of the Control Period after considering the Generating Company’s proposals, present cost of debt, market conditions and other relevant factors.

‘re’ is the Return on Equity and shall be determined at the beginning of the Control Period after considering CERC norms, Generating Company’s proposals, previous years’ D/E mix, risks associated with generating business, market conditions and other relevant factors.

Further, as per Clause 10.13 of APERC Regulation 1 of 2008, the Debt-to-Equity Ratio is to be determined at the start of the Control Period, taking into account the Generating Company’s historical Debt/Equity mix, market conditions, and other relevant factors. After considering the above provisions, the Commission adopts a Debt/Equity ratio of 70:30, consistent with its practice for all intrastate generators.

For the RoE, the Commission adopts a rate of 15.5%, as specified in Clause 30 of the CERC Tariff Regulations, 2024, in line with its consistent adoption of CERC norms for RoE for other intrastate generators. For Cost of Debt, the Commission adopts the actual latest interest rate of 10.20% incurred by HNPCL for the term loans as per the Auditor’s Certificate furnished by them. Based on these adopted figures and the specified formula, the WACC works out to 11.79%.

Return on Capital Employed (RoCE):

E. HNPCL claimed RoCE as per the procedure specified in Clause 12.1(a) of APERC Regulation 1 of 2008. As per this Clause, RoCE is equal to the sum of

- I. Original Capital Cost less Accumulated depreciation, and;
- II. Working Capital approved by the Commission as per this

Regulation, multiplied by the Weighted Average Cost of Capital (WACC).

The Commission computed the RoCE amounts as per the above Clause, which are shown in the following table:

Table 13: Return on Capital Employed (RoCE) approved by the Commission

S.No.	Description	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
1	RRB (Rs.Crores)	5,104.70	4,909.60	4,714.93	4,522.43	4,327.02
2	WACC	11.79%	11.79%	11.79%	11.79%	11.79%
3	RoCE (Rs.Crores) (1 x 2/100)	601.84	578.84	555.89	533.19	510.16

No-Tariff Income:

F. Since HNPCL stated that it has no Non-Tariff income at present, the Commission is not considering the same.

Other expenditure:

G. HNPCL claimed additional costs for ash disposal, citing notifications from the MoEFCC and the MoP. The Commission notes that the MoEFCC's directions in the Gazette notification dated 31.12.2021, and its subsequent amendment regarding fly ash disposal under the Environment (Protection) Act, 1986, are statutorily binding. Additionally, paragraph 10 of the Gazette specifies that the statutory obligation for 100% ash utilisation shall be treated as a change in law, wherever applicable. Therefore, HNPCL may file a petition before the Commission based on the actual expenditures incurred for fly ash disposal. The Commission will examine the petition to determine whether HNPCL adhered to the procedures outlined in the MoP letter dated 22.02.2022, aimed at minimising the burden on consumers, and will take an appropriate decision following a prudence check.

Income Tax:

H. As per Clause 12.5 of APERC Regulation 1 of 2008, Taxes on Income actually payable and paid shall be limited to Tax on Return on the Equity component of the RoCE, and exclusive of tax on profit, if any, in excess of such return, penalties, interest on delayed payment of tax etc., and duly adjusted for any refund, etc., received for previous periods. Accordingly, HNPCL is directed to claim Income Tax as per the above Clause.

Incentive:

I. As per Clause 15.1.b of APERC Regulation 1 of 2008, an Incentive shall be payable at a flat rate of 25.0 paise/kWh for ex-bus scheduled energy corresponding to scheduled generation exceeding the ex-bus energy associated with the target Plant Load Factor. Therefore, HNPCL is permitted to claim the Incentive at 25.0 paise/kWh for the actual energy above the target Plant Load Factor of 85% till the Commission notifies the Intrastate ABT/Deviation Regulation.

Fixed Charges:

J. The fixed charges after aggregating the RoCE, O&M Charges and Depreciation are shown in the following table:

Table 14: Annual Fixed Charges approved by the Commission (Rs.Crores)

S.No.	Description	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
1	O&M Charges	282.57	297.44	313.04	329.47	346.74
2	Return on Capital Employed (RoCE)	601.84	578.84	555.89	533.19	510.16
3	Depreciation	199.58	199.58	199.58	199.58	199.58
4	Annual Fixed Charges (1+2+3)	1,083.99	1,075.86	1,068.51	1,062.24	1,056.47

17. **Variable/Energy Charges**

The formula specified in Clause 13.1.(a) of APERC Regulation 1 of 2008, for computing Variable Charges (Rs./kWh), incorporates the landed cost of fuel, Gross Calorific Value (GCV) of fuel, and normative parameters for specific oil consumption, auxiliary consumption, and Station Heat Rate. For the Station Heat Rate, the Commission retains the value of 2,372 kCal/kWh, as approved in the common order dated 01.08.2022. For specific fuel oil consumption and normative availability, the Commission adopts the norms from the CERC Tariff Regulations, 2024, consistent with its approach for newer intrastate thermal units.

Although HNPCL initially proposed variable charges based on the normative auxiliary consumption of 5.25% specified in the CERC Tariff Regulations, 2024, it subsequently requested the Commission, vide a note dated 26.11.2025, to consider 5.75% instead. In this regard, the Commission notes that it retained the normative auxiliary consumption at 5.75% for newer intrastate thermal units of 500 MW and above capacity that have been supplying power to the DISCOMs from prior to 2024, notwithstanding the reduction of the norm to 5.25% in the CERC Tariff Regulations, 2024. Accordingly, the Commission extends the same benefit to HNPCL. Regarding transit losses for coal, the Commission decides to adopt 0.8% (instead of the 1% claimed by HNPCL) to ensure parity with other intrastate thermal units.

As per Clause 13.1.b of APERC Regulation 1 of 2008, the initial/base Variable Charge (Rs./kWh) for the plant must be calculated using the actual gross calorific value (GCV) of coal and oil based on the three immediate preceding months. HNPCL has computed the base rate using weighted average prices and GCVs of coal and oil for the period October–December 2023 and the

prices of coal and oil at January 2024 prices. The Commission decides to adopt the weighted average GCVs of domestic coal and oil, along with the prevailing prices of coal and oil, for the period January–March 2024, i.e., the three months immediately preceding the commencement of the 5th Control Period on 01.04.2024. The normative parameters, the GCVs of domestic coal and the prices of coal and oil adopted by the Commission are shown in the following tables:

Table No.15
Normative Parameters adopted by the Commission

S.No.	Description	Units	Value
1	Station Heat Rate	kCal/Kg	2,372
2	Normative Auxiliary Consumption	%	5.75
3	Specific Oil Consumption	ml/kWh	0.5
4	Windage & Transit Losses	%	0.8
5	Normative Availability	%	85

Table No.16
GCV Values and Prices adopted by the Commission

S.No.	Description	Units	Value
1	GCV of Coal	Kcal/Kg	2,981
2	Landed Cost of Coal	Rs/MT	3,905
3	GCV of Oil	Kcal/Kg	10,840
4	Landed Cost of Oil	Rs/KL	80,201

Based on the above and as per the formula specified under Clause 13.1(a) of APERC Regulation 1 of 2008, the Variable Rate works out to Rs. 3.33/kWh. Any variations in the above rate arising due to the variations in the GCVs of coal and oil & the landed prices of coal and oil, shall be adjusted on a month-to-month basis and paid by the DISCOMs.

18. When submitting bills to the DISCOMs, HNPCL shall furnish all requisite information strictly in the format prescribed in Annexure-II of this Order. Failure to provide the information in the specified format shall render the bill

incomplete, entitling the DISCOMs to withhold payment until HNPCL submits the required details in the correct format.

19. HNPCL shall file an annual performance petition with the Commission every year as soon as its audited financial statements become available.

20. The following CERC directions regarding the sampling and testing of GCV at the receiving end of generating stations must be strictly adhered to.

“As per the directions of the Hon’ble High Court of Delhi, the CERC vide its order dated 25.1.2016 in Petition No. 283/GT/2014 has decided as under:

(a) There is no basis in the Indian Standards and other documents relied upon by NTPC etc. to support their claim that GCV of coal on as received basis should be measured by taking samples after the crusher set up inside the generating station, in terms of Regulation 30(6) of the 2014 Tariff Regulations.

(b) The samples for the purpose of measurement of coal on an as-received basis should be collected from the loaded wagons at the generating stations either manually or through the Hydraulic Auger in accordance with provisions of IS 436(Part 1/Section 1)-1964 before the coal is unloaded. While collecting the samples, the safety of personnel and equipment as discussed in this order should be ensured. After collection of samples, the sample preparation and testing shall be carried out in the laboratory in accordance with the procedure prescribed in IS 436(Part 1/Section 1)-1964, which has been elaborated in the CPRI Report to PSERC.”

21. For the computation of Energy Charge/Variable Charge, the GCV shall be measured at the receiving end (i.e., at the plant), in accordance with the

sampling procedure outlined above. Such measurement shall duly incorporate the minimum margin specified in the Ministry of Power notification dated 18.10.2017, to account for the degradation in GCV from the wagon/truck top at the unloading point to the point of firing in the boiler.

22. Consistent with the directives issued for APGENCO, APPDCL and SEIL thermal stations, the Commission hereby directs the DISCOMs to apply the following deductions from the Variable Cost:

- Five paise per unit, if the actual monthly availability falls up to 5% below the normative/target level;
- Ten paise per unit, if the shortfall is between 5% and 15%; and
- Fifteen paise per unit, if the shortfall exceeds 15%.

HNPCCL may seek release of any amounts withheld by the DISCOMs on this account by filing an appropriate petition before the Commission, justifying the reasons for the shortfall and establishing that the underperformance was attributable to uncontrollable factors.

23. Any violation of the directions issued by the Commission in this Order will result in the Commission taking suo motu action under Sections 142 and 146 of the Electricity Act, 2003.

24. HNCPCL is entitled to recover the tariff as determined in this order from the DISCOMs in proportion to the power supplied to them.

25. This Order is subject to the final outcome of Appeal No. 743 of 2023 pending before the Hon'ble APTEL and Writ Petition No. 8782 of 2024 pending before the Hon'ble High Court of AP.

Sd/-
Sri.P.V.R.Reddy
Member/Chairman i/c

ANNEXURE-I
(List of Objectors)

S.No	Name of the Objector
1	Sri M. Venugopala Rao, Senior Journalist & Convener, Centre for Power Studies, H.No.1-100/MP/101, Monarch Prestige, Journalists' Colony, Serilingampally Mandal, Hyderabad.
2	Sri Ch. Baburao, State Secretariat Member, AP Committee, CPI (M), H.No.27-30-9, Akulavari Street, Governorpeta, Vijayawada.
3	Sri Kandharapu Murali, Secretariat Member, CPI(M), Tirupati District Committee, Tirupati.
4	Sri U.M. Kumar, APTMA, 2nd Floor, Manoharam Skin Clinic, 4/2, Lakshmipuram, GUNTUR - 522 007,



Annexure-II**Information to be furnished by HNPCL at the time of submission of the monthly FCA bill to the DISCOMs**

S.No.	Month	Units	Quantum /Value
A) OPENING QUANTITY			
1	Opening Quantity of Coal	(MMT)	
2	Value of Stock		
B) QUANTITY			
3	The quantity of Coal supplied by the Coal Company for the particular month, giving complete details of the mode of transportation used, along with the quantity.	(MMT)	
	By Rail		
	By Road		
	By Ship		
	By MGR		
	By any other mode (specify)		
4	Adjustment (+/-) in quantity supplied made by the Coal Company *	(MMT)	
5	Coal supplied by Coal Company (3+4)	(MMT)	
6	Actual Transit & Handling Losses specify the source	(MMT)	
7	Actual coal received	(MMT)	
C) PRICE			
8	The amount charged by the Coal Company	(Rs.)	
9	Adjustment (+/-) in the amount charged by Coal Company *	(Rs.)	
10	Unloading, Handling and Sampling charges.		
	Unloading charges		
	Handling charges		
	Sampling charges		
11	Total amount Charged (8+9+10)	(Rs.)	
D) TRANSPORTATION			
12	Transportation charges by rail/ship/road transport	(Rs.)	
	By Rail		
	By Road		
	By Ship		
	By MGR		
13	Adjustment (+/-) in the amount charged made by Railways/Transport Company	(Rs.)	
14	Demurrage Charges, if any	(Rs.)	
15	Cost of fuel in transporting coal through the MGR system, if applicable	(Rs.)	
16	Total Transportation Charges (12+13+14+15)	(Rs.)	

17	Total amount charged for coal supplied, including Transportation (11+16)	(Rs.)	
E)	TOTAL COST		
18	Landed cost of coal $(2+17)/(1+7)$	Rs./MT	
19	Blending Ratio (Domestic/Imported)		
20	Weighted average cost of coal for the preceding twelve months	Rs./MT	

F)	QUALITY	Units	Value
21	GCV of Domestic Coal of the opening coal stock as per the Bill of the Coal Company	(kCal/Kg)	
22	GCV of Domestic Coal supplied as per the bill of the Coal Company	(kCal/Kg)	
23	GCV of the Imported Coal of the opening stock as per the Bill of the Coal Company	(kCal/Kg)	
24	GCV of Imported Coal supplied as per the bill of the Coal Company	(kCal/Kg)	
25	Weighted average GCV of coal as billed	(kCal/Kg)	
26	GCV of Domestic Coal of the opening stock as received at Station	(kCal/Kg)	
27	GCV of Domestic Coal supplied as received at the Station	(kCal/Kg)	
28	GCV of Imported Coal of opening stock as received at the Station	(kCal/Kg)	
29	GCV of Imported Coal supplied as received at the Station	(kCal/Kg)	
30	Weighted average GCV of coal as received	(kCal/Kg)	
31	Actual Station heat rate achieved	(kCal/kWh)	
32	Actual Auxiliary Consumption	%	
33	Actual Specific Oil Consumption	ml/kWh	

Note:

- HNPCL must submit the as-billed and as-received GCV, coal quantity, and price, duly certified by the statutory auditor.
- A report detailing the measures taken to address the discrepancy between as-billed and as-received GCV must be submitted.
- Details of source-wise fuel used for computing energy charges must be provided in the format specified in Annexure-II, with separate details for each fuel source. If multiple sources are used, an additional column should be included for each source.
- A separate break-up statement of the amounts charged by the coal company must be provided.