APPENDIX "D"

DEVIATION FROM CERC NORMS

S. N.	Tariff Parameter	CERC norms	Assumptions of DVC	Justification for the Assumptions
1	Capital Structure (Debt / Equity)	70:30	15:85 (As per actuals till the end of March 2004)	Under the DVC Act, the entire capital cost has to be shared by the participating govts. Since 1968-69, no contribution has come from the participating governments. The Corporation has been ploughing back power surplus and retained interest each year. Further, the loan capital contributed by the participating Govts. to meet the capital cost of the project has been treated as DVC's own resources. Hence, the actual capital structure existing as on March 2004, has been taken as the basis for arriving at the equity capital in the project cost of the individual stations.
2	Date for capitalization of expenditure	As on COD , with additional expenditure being capitalized in the year of the same being incurred.	Capital cost, as on March, 2004, has been taken as the base.	The existing plants of DVC are very old, and, data on capital cost in respective years is difficult to collate . The depreciation for the year 2004-05 has been computed as per CERC norms applicable to individual items of the stations. The actual depreciation for the year 2004-05 has been arrived at after deducting the cumulative depreciation, (as per Audited Accounts), as on March 2004.

3	Capitalisation of project cost for non-operating Units / Units under shutdown	No benefit to be given for such Units	The capital cost of such Units has been added to the other Units of the same station. Since Gas Turbine Station is not generating any energy, it has also been considered as a non-operating unit, and , its capital cost has been added to the capital cost of the thermal stations.	Efforts are being made to revive such Units through RLA / LE studies. Detailed Action Plan on the same is placed at **Appendix – 'F'**. Besides, the Corporation has to meet the operational expenses relating to staff cost, pension liabilities of the staff, and, other overheads.
4	Interest cost on long term borrowings	To be calculated for each project based on its debt and interest rate	The normative loan outstanding for individual station, as on March 2004, has been computed by applying the normative debt equity structure of 15:85 to the capital cost of the station. The weighted average interest rate on the outstanding market borrowings / loans has been	Majority of the loans drawn by DVC are not project specific. Hence, the total debt is taken for DVC as a whole, and, its allocation to respective stations is based on the assumptions made.

			taken as the normative interest rate to arrive at the interest cost on long-term loan.	
5	O&M Expenses - Thermal Plants - T&D	Rs.10.4 lakhs / MW for 210 MW series. O&M expenses to be averaged for the period 1998-2003, with the base year taken as 2000-01. Thereafter, expenses have to be increased by 4% on year - year basis. . ▪ Rs.0. 227 lakhs / ckm	Followed norms as used by NTPC plants at Talcher. O&M expenses for the T&D infrastructure, too, have been computed in the similar manner as done for the generating stations. Its further allocation to	Around 50% of the generation comes from plants, which are much older than Talcher Hence, they require higher O&M expenses relative to the general norms. Besides, the CERC has allowed deviation from its norms in the case of power plants of NTPC at Talcher and Tanda. Further, in the absence of the availability of the data as per the CERC format , the O&M expenses presented by DVC in its Annual Report have been followed. Consistency in approach maintained.

		(2004-05) ▪ Rs.28.12 lakhs / bay (2004-05) ▪ Annual Escalation by 4%	Transmission and Distribution separately is made in the ratio of their estimated capital cost (87:13).	
6	Operating Parameters : PLF, Station Heat Rate, Aux. Energy Consumption, Fuel Consumption, Coal Transit Loss.	Availability-80% P.L.F : 80% Gross station Heat Rate : 2500 KCal/kWh(210 M.W series) SFOil consumption :2.0 ml/kWh Aux.consumption : 8.5%	Taken as per actuals	Around 50% of the generation comes from plants, which are much older than NTPC's Talcher and Tanda plants. Further, as the CERC has allowed deviation from its norms in the case of these power plants of NTPC, at Talcher and Tanda, it is submitted that the CERC may allow DVC to follow the actual operating parameters.
7	Capital cost on Transmission and Distribution.	As per actuals on the COD	The ratio of estimated capital cost on the Sub-station, Transformers and	Since the data on the Transmission and Distribution is not separately available, the assumptions made reflect the near about pattern of the capital cost.

			Transmission Lines installed at 220KV and 132KV level vis-a-vis the estimated expenditure on similar infrastructure at 33KV is used to make the necessary allocation. (Details given at **Appendix - 'G'**. The normative ratio, thus, arrived for T& D is 87:13.	
8	T&D Loss		Line loss allocated in proportion to the lines length (Transformation Loss is added to the total line loss).	Since the data on the individual T&D Loss is not separately available, the assumptions made reflect the near about pattern of determining the T&D Loss separately.