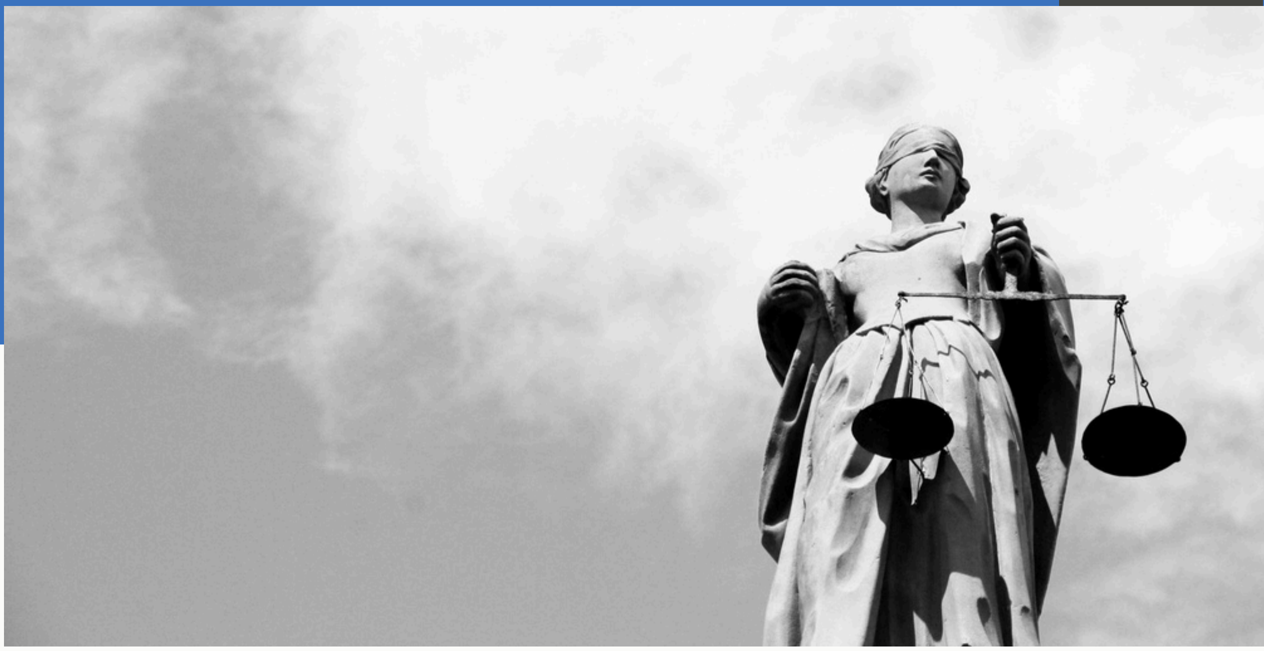
WEDNESDAY | 07 AUGUST 2024

Case Update

THE CENTRAL ELECTRICITY REGULATORY COMMISSION CONDONES THE DELAY OF NEARLY 3 YEARS IN COMMISSIONING OF THE LARA SUPER THERMAL POWER STATION IN CHHATTISGARH



The Central Electricity Regulatory Commission ("**CERC**") has passed an Order on 02.08.2024 in a Petition filed by NTPC Limited ("**NTPC**") for approval of tariff of its Lara Super Thermal Power Station (2 x 800 MW), Situated in Chhattisgarh from the actual Commercial Operation Date ("**COD**") of Unit-I (October 1, 2019) to 31.03.2024.

The Scheduled Commercial Operation Dates ("**SCOD**") were 11.04.2017, for Unit-I and 11.10.2017, for Unit-II. Both units were envisioned to produce 800 MW power each. However, actual Commercial Operation Dates ("**CODs**") were delayed, with a delay of 30 months (904 Days) for Unit-I and a delay of 37.5 (1124 Days) months for Unit-II from their respective SCODs.

The delays were attributed to various uncontrollable factors, including law and order issues, natural calamities, and disruptions caused by the COVID-19 pandemic. The Commission considered the delay analysis furnished by the Petitioner, indicating the activities delayed, reasons for delay, and corresponding delay for the two units. In the Order, CERC was pleased to condone the delay on the following grounds:

(a) Impact and Consequences of the Covid-19 pandemic.
(b) Delay due to Revenue Department Survey for land acquisition
(c) Delay due to Right of Way issues, such as strikes and agitations by local residents
(d) Delay in grant of approval from Forest Department, Raigarh
(e) Delay in acquisition of land d Right of Use issues on account litigations and pending clarifications on the application of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013.
(f) Delay on account of ban on sand mining activities by the Chhattisgarh Government
(g) Delay on account of non-availability of essential equipment like such as turbines due to external business events
(h) Delay due to reduced manpower as a result of the increase in Minimum wages by the Government of India Vide Notification dated 19.01.2017.

Further, CERC allowed several costs to be passed through to the tariff, reflecting the impact of time overruns that were condoned due to reasons beyond NTPC's control. Here are the key points regarding the allowed costs:

(a) Revised Cost Estimates: The Commission accepted the Revised Cost Estimate ("**RCE**") of Rs. 17,779.45 crores, which accounts for various factors such as changes in input rates, site-specific conditions, and additional costs related to environmental compliance and asset transfers.

(b) Interest During Construction: CERC allowed Interest During Construction ("**IDC**") to be included in the tariff. This reflects the financing costs incurred during the construction period, which are critical for project viability, especially when delays occur.

This order sets a precedent for future tariff determinations, emphasizing the importance of considering uncontrollable factors that impact project timelines and costs. Overall, the CERC's decision reflects a nuanced approach to tariff regulation, balancing the needs of generators with the realities of project execution challenges in the electricity sector.

The CERC Order dated 02.08.2024 discussed above can be read here

NTPC Limited was represented by SKV Law Offices' team led by Mr. Shri Venkatesh (Managing Partner), Mr. Ashutosh Srivastava (Counsel), Mr. Nihal Bharadwaj (Senior Associate) and Mr. Kartikay Trivedi (Associate).