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Case Update



CERC Revises Tariff Calculation, Orders Proportional Apportionment of IEDC for Teesta Low Dam-IV Power Station

DATED: 22/03/2025



SKV Law Offices represented NHPC Limited before the Central Electricity Regulatory Commission ("CERC") in Review Petition No. 6/RP/2024, securing a crucial victory on the issue of unit-wise apportionment of deducted Interest During Construction ("IEDC") in the tariff determination of the Teesta Low Dam-IV Power Station (160 MW). The case arose from NHPC's challenge to the Commission's order dated December 8, 2023, which dealt with the truing-up of the tariff for the period 2014-19 and the determination of tariff for the period 2019-21. NHPC filed the review petition on the grounds of errors apparent on the face of the record in relation to several financial components that impacted its tariff calculations.

The most significant issue in this case was the Commission's deduction of ₹21.03 crore as IEDC from NHPC's capital cost at the Commercial Operation Date ("COD") of the first unit instead of distributing it proportionally across all four units of the power station. This methodology led to a disproportionate reduction in the capital cost allowed for the purpose of tariff and, consequently, had a negative impact on NHPC's annual fixed charges and financial recovery. NHPC contended that the Commission erred by applying a full deduction at the COD of the first unit rather than adopting a unit-wise apportionment for the computation of the IEDC amount. NHPC argued that this approach was inconsistent with established regulatory principles and past Commission rulings, thereby warranting a review.

During the review proceedings, NHPC submitted detailed financial data and regulatory precedents to demonstrate that the Commission's approach had led to a distortion in the capital cost determination. It was emphasized that IEDC should be deducted proportionally, in accordance with the cost of each unit as it was commissioned, rather than applying the entire deduction at the start of operations. Upon consideration of the submissions made by NHPC, CERC acknowledged that its original order contained an error apparent on the face of the record. As a result, the capital cost calculation was rectified to reflect a proportional deduction of IEDC across all units. This revision ensures a fairer and more accurate determination of NHPC's financial entitlements under the tariff regulations.

In addition to the IEDC issue, NHPC had also raised three other matters in its review petition, namely (a) Error in the Adjustment of Infirm Power Revenue,

(b) Rate of Interest on Working Capital (IOWC) (c) Methodology for Computing the Weighted Average Rate of Interest for Normative IDC.

The commission declined to revise its findings on these additional issues. However, the rectification of the capital cost structure has a direct impact on tariff determination, ensuring that NHPC's annual fixed charges for the 2014-19 period and subsequent truing-up exercises reflect a more accurate financial position. This ruling also sets an important precedent in tariff determination methodology, reinforcing the principle that capital cost deductions must be equitably distributed across unit commissioning timelines.

Click [here](#) to read the full order of the Central Electricity Regulatory Commission.

National Hydroelectric Power Limited (NHPC) was represented before the Central Electricity Regulatory Commission by Mr. Shri Venkatesh (Founding Partner) Mr. Bharath Gangadharan (Counsel) and Mr. Kartikay Trivedi (Associate) of the SKV Law Offices Team