



**ORDER
OF THE
WEST BENGAL ELECTRICITY REGULATORY COMMISSION
IN CASE NO. OA-235/16-17**

IN REGARD TO THE APPLICATION SUBMITTED BY THE WEST BENGAL POWER DEVELOPMENT CORPORATION LIMITED (WBPDC) FOR IN-PRINCIPLE APPROVAL FOR INVESTMENT IN RENOVATION AND MODERNIZATION PROGRAMME IN RESPECT OF UNITS 1, 2 AND 3 OF KOLAGHAT THERMAL POWER STATION IN TERMS OF REGULATION 2.8.4.2.1 OF THE WEST BENGAL ELECTRICITY REGULATORY COMMISSION (TERMS AND CONDITIONS OF TARIFF) REGULATIONS, 2011, AS AMENDED.

PRESENT:

**SRI SUTIRTHA BHATTACHARYA, CHAIRPERSON
SRI DURGADAS GOSWAMI, MEMBER
SRI PULAK KUMAR TEWARI, MEMBER**

DATE: 12.11.2021



Application for 'in-principle' approval for investment in Renovation and Modernization Programme in respect of Unit 1, 2 and 3 of Kolaghat Thermal Power Station of the West Bengal Power Development Corporation Limited in terms of regulation 2.8.4.2.1 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011, as amended



FACTS IN BRIEF:

- 1.0 The West Bengal Power Development Corporation Limited (in short 'WBPDCCL') has submitted an application vide letter dated 04.08.2016 for 'in-principle' approval for investment in Renovation and Modernization Programme in respect of Unit #3 of Kolaghat Thermal Power Station (KTPS) of WBPDCCL in terms of regulation 2.8.4.2.1 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011, as amended (in short 'Tariff Regulations'). Subsequently, WBPDCCL vide letter dated 17.05.2019 has submitted a revised application for approval for investment in renovation and modernization programme in respect of Unit #1, #2 and #3 of KTPS. WBPDCCL vide letter dated 23.07.2021 has also submitted their detailed economic justification of the project. The Commission has admitted the application submitted by WBPDCCL and registered in Case No. OA – 235/16-17.
- 2.0 The application of WBPDCCL inter-alia states the following:
 - 2.1 WBPDCCL in their initial application dated 04.08.2016 stated that they were going to renovate and modernize its Unit #3 of KTPS with installed capacity of 210 MW, being the oldest unit of KTPS having commissioned on 12.10.1984. WBPDCCL stated that the renovation and upgradation include Electrostatic Precipitators (ESP) modernization, Milling System and Ash Handling System upgradation, etc. The estimated project cost of such renovation and upgradation is Rs. 290.85 Crores. WBPDCCL submitted that project would be funded through borrowings from Banks/ Financial Institutions as loan (70%) and approach would be made to the Government of West Bengal for equity portion (30%). WBPDCCL submitted that the proposed R&M works will help them to achieve unit load of 210 MW even with low grade coal along with improvement in availability factor.
 - 2.2 Subsequently, WBPDCCL in their revised application dated 17.05.2019 has stated that they have planned for up-gradation of Unit #1, Unit #2 and Unit #3 by Renovation and Modernization of ESP and Ash Handling Plants (AHP) in accordance with the Order dated 22.02.2017 of the Hon'ble National Green Tribunal, Eastern Zone Branch, Kolkata. WBPDCCL submitted that the works would include total renewal of existing ESPs and upgradation of ash extraction and conveying systems of all the three units and the same will be taken up in phases. WBPDCCL submitted that the estimated cost as per the revised DPR comes to Rs 285 Crores which consists of Rs. 165 Crores for ESP and



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Rs. 120 Crores for AHP. WBPDCCL also submitted that Particulate Matter (PM) concentration in emission after the R&M works shall be below the 100 mg/Nm³ which is within the prevailing limit.

2.3 The Commission directed WBPDCCL to submit detailed economic justification of the project and accordingly, WBPDCCL vide letter dated 23.07.2021 has inter-alia submitted the following:

- (i) WBPDCCL has placed Letter of Awards (LoA) to L1 vendors with a total contract price of Rs. 239.93 Crores on emergency basis for execution of R&M works of ESP and AHP of all three units of KTPS in accordance to order dated 22.02.2017 of Hon'ble National Green Tribunal to reduce the SPM level within permissible limit.
- (ii) Due to this, Unit #3 was taken shut down for execution of R&M from 17.04.2017 and thereafter Unit #1 and Unit #2 was put on shutdown on 07.06.2018 and 11.07.2020 respectively.
- (iii) After R&M work of ESP, Unit #3 was commissioned on 14.09.2019. The R&M activity of Ash Handling System is still under progress. Unit #1 and Unit #2 is still under shutdown.
- (iv) The total cost incurred for R&M Work of Unit #3 is Rs. 80.72 Crores and for Unit #1 and Unit #2 is Rs. 52.79 Crores.
- (v) Subsequently, the Board of Directors, WBPDCCL in their 202nd meeting approved the decommissioning and dismantling of Unit #1 and Unit #2 of KTPS and WBPDCCL has already submitted its proposal to the Department of Power, Government of West Bengal (GoWB) for necessary clearances.
- (vi) WBPDCCL submitted that they will submit a fresh application for finalization of the project cost of Unit #3 of KTPS once approval of the Department of Power, GoWB is received.

OBSERVATIONS OF THE COMMISSION:

3.0 The Commission observes that, in terms of regulation 2.8.4.2 of the Tariff Regulations, approval of the Commission is mandatory for Renovation and Modernization Programme or Life Extension Programme or Replacement Programme inclusive of retrofitting nature of any generating station



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and such approval shall have to be taken in two stages and also before any investment is made in order to minimize the investment risk.

- 4.0 WBPDCCL has placed LoA to respective L1 bidders on emergency basis on 22.03.2017 and 24.10.2017 in accordance with the order of the Hon'ble National Green Tribunal dated 22.02.2017. The Commission observes that WBPDCCL have failed to properly follow the regulatory procedures for investment approval for R&M project.
- 5.0 The Commission observes that Unit #3 of KTPS has already been commissioned on 14.09.2019 after its Renovation and Modernization work of ESP. The Commission finds that it is not tenable to consider the investment proposal submitted by WBPDCCL at this stage since their approach for seeking approval of the Commission for investment proposal deviates from the practice and procedure laid down in the regulations.
- 6.0 Further, the Commission observes that WBPDCCL has already incurred an expenditure of Rs. 52.79 Crores for Unit #1 and Unit #2 of KTPS and simultaneously planned for decommissioning of those units which is inconsistent. Thus, the same will not be considered by the Commission at any stage.

ORDER OF THE COMMISSION:

- 7.0 In view of the above, the Commission decides not to consider the investment proposal of renovation and modernization programme in respect of Unit #1, #2 and #3 of KTPS at present.
- 8.0 The Commission further directs WBPDCCL to submit a fresh application for the final project cost for renovation and modernization programme of only Unit #3 of KTPS as per provision of the Tariff Regulations.
- 9.0 The petition is thus disposed of.
- 10.0 A copy of the order shall be posted in the website of the Commission.
- 11.0 WBPDCCL and concerned entities shall download the copy of the order from the website of the Commission and shall act on it. Certified copy of this order, if applied for, be given to the parties on



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completion of formalities laid down in West Bengal Electricity Regulatory Commission (Conduct of Business) Regulations, 2013, as amended and on submission of necessary fees.

Sd/-
(PULAK KUMAR TEWARI)
MEMBER

Sd/-
(DURGADAS GOSWAMI)
MEMBER

Sd/-
(SUTIRTHA BHATTACHARYA)
CHAIRPERSON

Dated: 12.11.2021

Sd/-
SECRETARY