SMP 27/2014

M.P. Electricity Regulatory Commission
Bhopal

Tariff Order
for
procurement of power
from
Biogas based Power Projects
in Madhya Pradesh

February, 2015

1. LEGISLATIVE PROVISIONS

1.1 Section 86(1) (e) of the Electricity Act 2003, mandates the State Electricity Regulatory Commissions to promote co-generation and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person. The Regulatory Commissions are also required to specify, for the purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution Licensee. Further the Act, under Section 62, empowers the Commissions to determine the tariff for the supply of electricity by a generating company to a Distribution Licensee in accordance with the provisions of the Act. Also, Section 61 provides that the Commissions specify the terms and conditions for the determination of tariff and, in so doing, be guided by the principles listed in Clauses (a) to (i) of that Section.

1.2 As per section 6.4 of Tariff Policy, it has been recognised that it will take some time for the non-conventional energy sources to compete with conventional sources of energy, hence its procurement shall be done at preferential tariffs to be determined by the Commissions and states as under:

(2)Such procurement by Distribution Licensees for future requirements shall be done, as far as possible, through competitive bidding process under Section 63 of the Act within suppliers offering energy from same type of non-conventional sources. In the long-term, these technologies would need to compete with other sources in terms of full costs.

(3)The Central Commission should lay down guidelines within three months for pricing non-firm power, especially from non–conventional sources, to be followed in cases where such procurement is not through competitive bidding.

1.3 The Central Electricity Regulatory Commission issued revised guidelines vide notification dated 06.02.2012 specifying the norms for various non-conventional sources of energy including biogas based power plants. By order dated 28.02.2013, it indicated various parameters for working out the tariff for the financial year 2013-14.

1.4 Hence, in exercise of the powers vested in it under Section 86(1)(a), (b), (c) and (e) and Section 62(1) of the Electricity Act, 2003 and all other powers enabling it in this behalf, the Madhya Pradesh Electricity Regulatory Commission (Commission), through this order, determines the tariff, procurement process and related dispensation for purchase of power by Distribution Licensees in the state from biogas based power projects including terms and conditions for captive use or third party sale.

2. REGULATORY PROCESS ADOPTED

2.1 The Commission had issued a public notice on 25.11.2014 inviting comments/suggestions/objections on the approach paper on “Fixation of norms for determination of tariff for procurement of power from biogas based power projects” from various stakeholders by 16.12.2014. The list of those stakeholders who have submitted their comments in writing is given in Annexure-I. A public hearing was held on 19.12.2014. The list of participants who participated in the hearing is given in Annexure-II.

2.2 While arriving at the terms and conditions and consequently, the tariff for generation of power from biogas based power projects, the Commission has analyzed the comments received from various stakeholders and considered the facts from various sources on generation from biogas based power plants and guidelines issued by CERC for determination of tariff for procurement of power from renewable energy sources.

3. APPLICABILITY OF THE ORDER

3.1 This tariff order will be applicable to all new biogas based power generation projects in Madhya Pradesh commissioned on or after the date of issue of this order for sale of electricity to the distribution licensees within the state. This order also specifies the terms & conditions (other than tariff) for captive user or for sale to third party.

3.2 This order also separately specifies the tariff for existing biomass based power generation projects in the state.

4. TARIFF REVIEW PERIOD/CONTROL PERIOD

4.1 The control period to which this order shall apply will start from the date of issue of this order and will end on 31.03.2018 (i.e. end of FY 2017-18). The determination of tariff for next control period shall be done separately and in case tariff for the next control period is not determined before commencement of next control period, the tariff as per this order shall continue to be in force until revised tariff is determined. The tariff decided in this order shall apply to all projects which are commissioned during the above mentioned control period and the tariff determined shall remain valid for the project life of 20 years.

5. MECHANISM FOR TARIFF DETERMINATION

Benchmarking

5.1 Benchmarking generally requires evaluation, detailed scrutiny and determination of each cost parameter for each project separately. There is a considerable diversity in the value of various parameters across projects, such as plant capacity, location, project cost, financing plan etc.

5.2 In absence of availability of such extensive data in Madhya Pradesh , the approach for benchmarking was done adopting the following process:

a) Analysis of responses from stakeholders on procurement of electricity from biogas based power plants.

b) Policies and guidelines issued by Indian Renewable Energy Development Agency, Ministry of New and Renewable Energy Sources and Government of Madhya Pradesh.

5.3 Regulatory clarity and certainty in Tariff setting is necessary from the perspective of project developers, investors and lenders; in order to support investments in renewable sources of energy projects which are still at the nascent stage of growth in Madhya Pradesh. Thus, while there is merit in setting a uniform tariff level for the biogas based power projects, it is also necessary to set out clearly its premise and rationale. A 'Benchmark Tariff Determination' approach has been made and the cost of generation on benchmark performance norms has been arrived at by the Commission.

Single Part vs. Two Part Tariff

5.4 Normally, two part tariff is applied in order to recover fixed and variable costs through the fixed and variable components of tariff separately. This is especially useful in a scenario of merit order dispatch.

5.5 It may be mentioned that the Commission through a separate notification, has prescribed minimum renewable purchase obligations for procurement of power from renewable sources of energy. In order to simplify procurement process, **single part tariff comprising both fixed and variable cost components appears best suited** for energy generated from biogas based power plants. This will also incentivize the project developers to maximize generation even beyond the normative Plant Load Factor. Thus, the Commission has adopted single part tariff approach.

Project Specific or Generalized Tariff

5.6 A Generalized tariff mechanism would provide an incentive to the investors for use of most efficient equipment to maximize returns and for selecting the most efficient site. The process of project specific tariff fixation is cumbersome and time consuming. It is, therefore, decided to use generalized tariff for all the biogas based power projects.

Yearly or levelized tariff

5.7 The Commission in earlier tariff orders for procurement of power from wind electric generators and solar energy projects had determined levelized tariff. Thus, the Commission has decided to determine this tariff on levelized basis to keep in line with earlier tariffs.

6. TARIFF DESIGN

6.1 The Working Group constituted by the Forum of Regulators (FOR) for policies on renewables have, in their recommendations, suggested that a cost-plus tariff based on reasonable norms should be adopted for renewable energy. Keeping in view the above recommendations, the Commission has adopted an approach of preferential treatment on a cost-plus basis for determining tariff for the biogas based power plants. In a cost plus approach, the key elements that influence the determination of tariffs for a project are mentioned below :

- Capital Cost (including cost of power evacuation infrastructure)
- Debt-Equity ratio
- Fixed Cost
  - (a) Return on Equity
  - (b) Interest on debts
  - (c) Depreciation
  - (d) Operation &Maintenance Cost
  - (e) Interest on working capital
- Variable Cost
  - Cost of fuel
- Operating Norms
  - (a) Plant life
  - (b) Plant Load Factor
  - (c) Station Heat Rate
  - (d) Gross Calorific Value
  - (e) Auxiliary power consumption

Capital Cost (including cost of power evacuation infrastructure)

6.2 Capital Cost is the most critical element in tariff determination. This comprises of cost of land, plant and machinery, civil works, erection, commissioning, cost associated with power evacuation and other related charges.

6.3 The Commission had proposed capital cost of Rs. 9.25 Crs./MW(inclusive of power evacuation cost net subsidy) in its draft approach paper floated in November,2014. Various stakeholders have indicated the capital cost ranging from Rs. 8.50 Crores/MW to Rs. 10.00 Crores/ MW.

CERC in its Regulations dated 06.02.2012 have adopted capital cost of Rs. 8.54 Crores/MW for 2014-15 with indexation for future years.

Commission's views

As brought out earlier, the project cost varies on account of various factors including location of the project, rating of the units, total capacity, technology, designed capacity utilization factor etc. and therefore, a reasonable project cost needs to be considered on a uniform basis for tariff determination.

6.4 The Commission observed that diverse views were expressed by various stakeholders including licensees. However, item wise cost data has not been submitted by any of the project developers/licensees to substantiate their proposed capital cost. Keeping in view the various data available with the Commission, the Commission is of the view that it would be reasonable to adopt a capital cost of Rs. 9.25 Crores per MW net of subsidy and including cost associated with power evacuation system from the project site to nearest sub-station of distribution/transmission licensee.

Debt - Equity Ratio

6.5 The Commission had proposed debt-equity ratio of 70:30 in its draft approach paper. The Clause 5.3(b) of the Tariff Policy also stipulates a debt-equity ratio of 70:30 for financing power projects. The Commission in its earlier tariff orders in respect of renewable energy had considered debt-equity ratio of 70:30. Various stakeholders in their responses have also agreed for the same.

Commission's views

6.6 The Commission has, therefore, considered a debt-equity ratio of 70: 30.

Fixed Cost

(a) Return on Equity

6.7 The Commission had proposed return on equity as 20% pre-tax in its draft approach paper. Various stakeholders in their responses have agreed return on equity @20 % pre-tax. The Commission in its earlier orders in respect of renewable energy had also allowed return on equity (RoE) @ 20% pre-tax.

Commission's views

6.8 The Commission has, therefore, decided to allow Return on Equity @ 20% pre-tax for biogas based power projects also.

(b) Interest on Debts

6.9 The Commission had proposed interest on debt @ 12.7% p.a. in its draft approach paper. The CERC in its Regulations dated 06.02.2012 have recommended interest on debt at Long Term Prime Lending Rate of SBI plus 150 basis points. Various stakeholders have agreed the interest on debts as mentioned in the approach paper.

Commission's views

6.10 The Commission considers that the interest rates for both deposit and loans are changing from time to time. The Commission therefore, considers the annual interest rate on debt at 12.7% for tariff determination purposes. The investor is allowed to retain benefits, if any, by taking a cheaper loan.

(c) Depreciation

6.11 The Commission in its draft approach paper proposed depreciation @ 7% per annum for the first 10 years and remaining 20% to be spread over the useful life of the plant from 11th year onwards. Various stakeholders have agreed depreciation @ 7% per annum for the first 10 years and balance 20% in next 10 years. In its Regulations, the CERC has specified the rate of depreciation at 5.83% p.a. for the first 12 years and from 13th year onwards the balance may be spread over the remaining useful life of the project. M.P. Power Management Co. Ltd. also suggested the same rate of depreciation as specified by the CERC.

Commission's views

6.12 The Commission has decided that for the purpose of tariff determination, it would be prudent to assume depreciation @ 7% per annum for the first 10 years so that the debt is repaid within the period of 10 years and balance 20 % to be depreciated in the next 10 years so that the asset is depreciated to a residual value of 10 % of its initial value over its 20 years life span.

(d) O & M expenses

6.13 The operation and maintenance expenses comprise of manpower expenses, insurance expenses, spares and repairs, consumables and other expenses (statutory fees etc.). The Commission in its earlier orders in respect of renewable energy had considered O&M expenses as 4% of Capital Cost for the first year and thereafter an increase of 5% per year.

6.14 The Commission had proposed operation and maintenance expenses as 4% of Capital Cost for the first year and thereafter an escalation of 5.72 % per year in its draft approach paper. Various stakeholders have agreed operation and maintenance expenses as proposed in the approach paper.

6.15 The CERC in its Regulations dated 06.02.2012 has suggested O&M expenses as Rs. 40 lakhs/MW for the first year and thereafter an escalation of 5.72 % per year.

Commission's views

6.16 Considering views of the stakeholders and recommendations of CERC, the Commission has decided that it would be appropriate to allow 4 % of the capital cost of the project as O&M expenses in the first year with an escalation of 5.72% for each year thereafter.

(e) Interest on Working Capital

6.17 The CERC in its Regulations dated 06.02.2012 has recommended interest on working capital at the rate of Short Term Prime Lending Rate of SBI plus 100 points and the amount of working capital to be calculated using the following norms:

a) O&M expenses for 1 month

b) Receivables equivalent to 2 months of energy charges

c) Maintenance of spares @ 15% of O&M expenses.

d) Fuel cost for 4 months

6.18 The Commission in its approach paper has considered amount of working capital as mentioned above except the fuel cost for two months only. The rate of interest was proposed at 13.2 % p.a.

6.19 Various stakeholders have agreed the rate of interest at 13.2% p.a. on working capital. M/s RDM Care (India) Pvt. Ltd. and M.P. Urja Vikas Nigam Ltd. suggested the fuel cost for four months may be considered for the calculation of working capital.

Commission's views

6.20 The Commission, after considering suggestions of various stakeholders decided that the amount of working capital shall be calculated adopting the following norms and interest thereon shall be calculated by using a simple rate of 13.2% per annum:

a) O&M expenses for one month
b) Receivables equivalent to two months of energy charges based on normative PLF.
c) Maintenance of spares @ 15% of O&M expenses
d) Fuel cost for 4 months

Variable Cost

Cost of Fuel

6.21 The price of fuel depend upon various factors including but not limited to the nature of fuel used, its availability and transportation cost depending on the location of the plant etc. The Commission has noted that there is only one such plant existing using a mix of Cow Dung and Vegetables & Fruits wastes in the ration of 90% and 10% respectively as the fuel. The Cow Dung is available in large quantity nearby this project site. The procurement and transportation of fuel is handled by the highly unorganized sector and the prices are therefore influenced by various local factors. Also, there is no system/mechanism to know the real price of fuel in advance. The CERC has specified the base price of biomass as a fuel for such projects at Rs. 1176.54 per MT on the ground that the biogas power projects use variety of biomass fuels with different characteristics and calorific values in varying proportions. The Commission had issued the tariff order for procurement of power from biomass based power projects separately.

6.22 The Commission in its approach paper has proposed the price of fuel as Rs. 150 per MT including the cost of transportation considering the Cow Dung as a fuel.

6.23 M/s RDM Care (India) Pvt. Ltd. and M.P. Urja Vikas Nigam Ltd. suggested considering the actual price for cattle dung (90%) at Rs. 175 per MT and for vegetables & fruits waste (10%) at Rs. 1200 per MT. The weighted average works out to Rs. 277.50 per MT. The Electricity Consumer Society suggested the cost of fuel at Rs. 150 per MT or actual, whichever is higher. M/s Value Recyclers and Reclaimers Pvt. Ltd. suggested considering the transportation cost also. The representative from M/s SEPL stated that cost of fuel may be considered at Rs. 250 per MT. Various stakeholders agreed for the rate of escalation of fuel cost at 5% p.a. The Electricity Consumer Society suggested the rate of escalation of fuel cost at 5% p.a. or actual.

Commission's views

6.24 The Commission has considered the suggestions from the stakeholders. The Commission also considered the fact that there is no necessity of mixing the vegetables & fruits waste with the Cow Dung to use as a fuel for such types of projects. These projects can very well perform by using only Cow Dung as a fuel. The Commission has, therefore, decided that it would be appropriate to consider the cost of fuel at Rs. 175 per MT for the purpose of determination of tariff. Also, an escalation in fuel price at the rate of 5 % per annum on base price for all the projects may be allowed.

Operating Norms

(a) Plant Life

6.25 The Commission had proposed plant life as 20 years in its draft approach paper. Various stakeholders have also agreed for the same. CERC in its Regulations dated 06.02.2012 have taken plant life as 20 years. The Commission in its earlier Orders in respect of renewable energy had considered plant life of 20 years.

Commission's views

6.26 The Commission after considering the views of the stakeholders, has taken the plant life as 20 years for tariff determination purposes.

(b) Plant Load Factor

6.27 The Plant Load factor (PLF) depends on several factors such as technology employed, capacity and age of machines installed, fuel used etc.

6.28 CERC in its Regulations dated 06.02.2012 suggested PLF as 90%.

6.29 The Commission had proposed PLF at 70% during first year of operation which includes stabilization period and 80% from 2nd year onwards in its draft approach paper. Various stakeholders have suggested PLF as proposed in the approach paper. M.P. Power Management Co. Ltd. and M.P. Poorv Kshetra Vidyut Vitaran Co. Ltd. suggested considering the PLF at 90% as specified in its Regulations by the CERC.

Commission's views

6.30 The Commission, after duly considering the stakeholders' views as well as the CERC recommendations, has considered adopting PLF at 70% during first year of operation which includes stabilization period and 80% from 2nd year onwards for determination of tariff as reasonable for such projects.

(c) Specific Fuel Consumption

6.31 The Specific Fuel Consumption is defined as the ratio of Station Heat Rate and the Gross Calorific Value and is determined in Kgs./kWh. The CERC in its Regulations dated 06.02.2012 suggested Specific Fuel Consumption at 3.0 using biomass as a fuel.

6.32 The Commission had proposed Specific Fuel Consumption at 10.7 Kgs./kWh in its draft approach paper. Various stakeholders have agreed for the same.

Commission's views

6.33 The Commission, after duly considering the stakeholders' views as well as the CERC recommendations, has decided that for such projects using cattle dung as the fuel, it would be appropriate to consider Specific Fuel Consumption at 10.7 Kgs./kWh for the purpose of determination of tariff.

(d) Income from manure

6.34 In such projects, the produced gas is used to generate electricity running biogas generator sets and the digested slurry known as 'manure' coming out of the plant is used for organic fertilizer production. It is estimated that about 10% of the fuel is collected as manure. The Commission had proposed income from manure at Rs.2 per Kg. in its draft approach paper. M.P. Power Management Co. Ltd. suggested considering the same. M/s RDM Care (India) Pvt. Ltd. stated that there is no buyer for the dry manure and the company has to incur expenditure towards labour and cartages for clearing the manure heap. The Electricity Consumer Society suggested exempting income from manure for 10 years. The representative from M/s SEPL stated that income from manure may be considered at Rs. 1.5 per Kg. M/s Value Recyclers and Reclaimers Pvt. Ltd. suggested not considering income from manure as there is no such assured market.

Commission's views

6.35 The Commission has noted that none of the stakeholders have denied the collection of by-product as manure. The problem associated is the marketing of the manure. After duly considering the stakeholders' views and the facts, the Commission is of the view that it would be appropriate to consider income from manure at Rs. 1.5 per Kg. and the quantum of manure may be considered at 10% of the quantity of the fuel used. The Commission also considered the escalation of income from manure at 5% p.a. since the cost of the fuel is also escalated at the same rate.

(e) Auxiliary Power Consumption

6.36 The Commission had proposed auxiliary consumption at 10% in its draft approach paper. Various stakeholders have suggested auxiliary consumption as mentioned in the approach paper. The CERC in its Regulations dated 06.02.2012 have taken auxiliary consumption at 12%. M.P. Poorv Kshetra Vidyut Vitaran Co. Ltd. suggested to consider auxiliary consumption at 6-7%.

Commission's views

6.37 The Commission after considering the views of various stakeholders, is of the view that it would be prudent to consider the auxiliary consumption at 10%.

7. DETERMINATION OF TARIFF

In view of the foregoing discussions, the various parameters considered by the Commission for determination of tariff are given in the table below:

Key elements of norms	Proposed Norms for the new projects
Capital Cost inclusive of power evacuation cost net subsidy	Rs. 9.25 Cr/MW
PLF	(i) During first year of stabilisation --- 70% (ii) From 2nd year onwards --- 80%
Auxiliary consumption	10%
Cost of fuel	Rs. 175/MT
Fuel price escalation	5% per year
Return on Equity	20% pre-tax
Specific fuel consumption	10.7 Kg./kWh
O&M Expenses	4% of the capital cost for the first year thereafter an escalation of 5.72% per year
Working Capital	(A) Operation & Maintenance expenses for one month (B) Receivables equivalent to 2 (Two) months of energy charges sale of electricity calculated on the normative PLF. (C) Raw material cost for 4 (Four) months. (D) Maintenance of spares @ 15% of O&M expenses
Interest on Debt	12.7 %
Debt-equity ratio	70:30
Interest on working capital	13.2 %
Tariff Design	Levelised
Depreciation	7% per annum for the first 10 years and remaining is spread over the remaining useful of Plant from 11th year onwards.
Less: Income from manure	Rs. 1.5 per Kg. with escalation of 5% per annum
Discounting Rate	10.2 %

considered for working out levelized tariff	
Reactive energy charges	27 paise per unit
Wheeling charges for third party sale	2% of the energy injected towards wheeling charges be deducted in terms of units and 4% of the energy injected be claimed by the licensee from State Govt.
CDM benefit	Shared on a gross basis from 100% to developers in the first year and thereafter reducing by 10% every year till the sharing becomes equal between the developers and the licensee. Thereafter, the sharing shall remain equal till the time that benefit accrues.

7.1 Considering the above parameters, the Commission determines the tariff for generation of electricity from new biogas energy projects to be commissioned after issue of this order for project life of 20 years at Rs. 4.20 per unit.

8. TARIFF FOR EXISTING PROJECTS

8.1 Existing projects are those, which have their date of commissioning before the date of issue of this tariff order. Considering the fact that these projects were set up under the guidelines existing at the time of such investments, the Commission allows the following norms for the existing projects which were selling power to the distribution licensees.

Key elements of norms	Proposed Norms for the existing projects
Capital Cost inclusive of power evacuation cost net subsidy	Rs. 8.50 Cr/MW
Cost of fuel	Rs. 145 /MT

Note : Other norms shall be the same as mentioned in clause 7 for new projects.

8.2 Considering the above parameters, the Commission determines the tariff for generation of electricity from the existing biogas energy projects for project life of 20 years from the date of commissioning at Rs. 3.40 per unit.

9. OTHER TERMS AND CONDITIONS APPLICABLE TO EXISTING/NEW PROJECTS

9.1 The tariff rates are inclusive of all charges on account of taxes/duties/cess/octroi etc. except Electricity Duty/Cess on auxiliary power consumption and sale of power. The Electricity Duty/Cess, if payable by the generators on sold energy to the procurer, shall be payable by the procurer in addition to the above tariff charges.

9.2 The tariff rates and structure shall be firm and will not vary with fluctuation in exchange rate or on account of changes in law or in taxes.

Accelerated Depreciation and Consequential Tariff

9.3 The above determined tariffs shall apply to projects that do not avail benefit of accelerated depreciation. The Commission further decides that for projects availing benefits of accelerated depreciation of the above tariff as determined shall be reduced by **Rs. 0.10 per unit** for such projects.

Power Purchase Agreement

9.4 The State Government has transferred and vested the functions, properties, interest, rights and obligations of the MPSEB relating to Bulk Purchase and Bulk Supply of Electricity along with the related agreements and arrangements in the State Government and re-transferred and re-vested these in the M.P. Power Management Company Ltd. Therefore, the Commission directs that the energy generated by the biogas based power generating units will be procured centrally by the M.P. Power Management Co. Ltd. on behalf of the distribution licensees at the rates specified in this order. The energy so procured will be allocated by M.P. Power Management Co. Ltd. to the three distribution licensees in the ratio of their actual energy input in each financial year. Accordingly, the Power Purchase Agreements will be signed between the developer and the M.P. Power Management Co. Ltd., Jabalpur. The M.P. Power Management Company Limited, Jabalpur in turn will have back to back power supply agreement with the Discoms. The agreements will be for exclusive sale/purchase of electricity for a period of 20 years from the date of commissioning of plant.

9.5 It shall be the responsibility of the developers to get all the required statutory consents and power purchase before entering into agreement with M.P. Power Management Company Limited, Jabalpur shall come in force only after such statutory consents are in place.

Transmission & Wheeling

9.6 The Distribution Company in whose area the energy is consumed (irrespective of the point of injection) shall deduct 2% of the energy injected towards wheeling charges in terms of units. The M.P. Power Management Company Limited shall also claim subsidy from the State Government towards wheeling charges @ 4% of the energy injected at the rate of prevailing energy charges. This amount of subsidy shall then be passed on to the Distribution Licensees in whose area the energy is consumed on the basis of allocation indicated in the agreement.

9.7 Wheeling charges are not applicable where generation and consumption of energy are at the same premises without involving the licensees' system network and for sale to the Licensees.

Scheduling:

9.8 Biogas based power generation plants have been presently kept out of the purview of 'scheduling' and 'merit order dispatch principles'. However, they may be subjected to scheduling, as and when a decision is taken by the Commission in this regard.

Reactive power supply:

9.9 The Commission determines the charges for KVARh consumption from the grid as 27 paise/unit i.e. the rate which is already prevalent in the State and which may be revised as and when necessary.

9.10 Reactive energy charges would be paid by the developer to the Distribution Licensee in whose territorial area the generator unit is located.

Metering and billing:

9.11 The metering arrangement is to be done at site.

9.12 Billing of the metered energy will be carried out on a monthly basis.

9.13 The meter reading will be carried out by the respective Discom where the energy is injected into the system.

Payment mechanism:

9.14 The Commission directed that a settlement period of 30 days from the date of submission of the bill to the concerned Discom where the power is injected should be followed in order to ensure that the developer has an assurance of cash inflow for the energy, which he delivers to the grid.

9.15 The bills favouring M.P. Power Management Company Limited, Jabalpur shall be submitted to the concerned distribution licensee in whose area the power is injected. The distribution licensee shall then verify the bills and send the same within 7 days of receipt of bills to the M.P. Power Management Company Limited, Jabalpur for making payment to the developer. The M.P. Power Management Company Limited in turn, would raise the bills on the distribution licensees on the basis of allocation. In case any dispute arises on the bills for payment then the M.P. Power Management Co. Ltd. is required to make the payment of such bill in full within the stipulated time and then refer the dispute to the Commission.

9.16 In case of delay beyond the 30 days payment period, the M.P. Management Co. Ltd. shall be liable to pay delayed payment surcharge on outstanding amount at the rate of **1.25% per month** or part thereof.

9.17 In case the M.P. Management Co. Ltd. makes the full payment within 15 days from the date of submission of bill by developer, an **incentive of 1% of billed amount** shall be allowed by the developer towards prompt payment. Alternatively, if the payment is made by the M.P. Power Management Co. Ltd. to the developer through the irrevocable letter of credit on presentation of bill, **an incentive of 2% of billed amount** shall be allowed by the developer.

9.18 The delayed payment surcharge/incentive will also be passed on to the Distribution Licensees by the M.P. Power Management Co. Limited.

Default provisions for Third party sale:

9.19 In case payment is not made within 60 days of presentation of bill (i.e. thirty days more than the prescribed limit of thirty days for normal payment), the developer may issue fifteen clear day's notice to the M.P. Power Management Company Limited to make the payment. This, however, will not absolve M.P. Power Management Company Limited from payment of delayed payment surcharge as provided in clause 8.16 of this order. In case, M.P. Power Management Company Limited still does not make the payment, the developer shall have the liberty to approach the Commission for allowing selling of power to a third party or other relief.

9.20 The project developer is required to obtain Short/ Long/Medium Term Open Access permission in case of third party sale. The open access charges, as applicable, shall be levied. In case of sale of power to the Distribution Licensee, such permission is not applicable and is not required to be obtained.

Drawing of power during shutdown:

9.21 The plant would be entitled to draw power from the Distribution Licensee's network during shutdown period of its plant or during other emergencies. The billing shall be done at the temporary rate applicable to HT Industrial category.

Other applicable conditions:

9.22 All statutory clearances and necessary approvals shall be obtained by the developer, for setting up of the project. The developer is also responsible for their compliance and their renewals as may be required from time to time.

9.23 The developer would ensure that the proposed location of the plant is in accordance with the policy guidelines of the Government.

9.24 Other conditions in respect of minimum purchase requirement, banking and reduction in contract demand shall be applicable as per MPERC (Cogeneration and Generation of Electricity from Renewable Sources of Energy) (Revision-I) Regulations, 2010 as amended from time to time.

9.25 The distribution licensee is required to pass the amount Clean Development Mechanism benefits on to the consumers through the Annual Revenue Requirement. The developer is also required to inform to the distribution licensee by 15th April of each financial year regarding benefit received through Clean Development Mechanism during the previous financial year.

9.26 In case the point of injection and drawl for sale of power to third party fall within the jurisdiction of any of the Distribution Licensees involving the transmission network, permission for bulk power transmission shall be obtained from M.P. Power Transmission Co. by the developer before executing the agreement with M.P. Power Management Co. and the developer shall not be required to execute a separate agreement with M.P. Power Transmission Company Limited.

9.27 Where the developer of an existing project has an arrangement for third party supply or for captive consumption and in case such developer desires to change the agreement and desires to sale power to distribution licensee, the licensee with the prior permission of the Commission, will purchase the power at the rate as decided by the Commission on case to case basis. The developer will have to execute the Power Purchase Agreement with the M.P. Power Management Co. Ltd. for the remaining period of project life. This will also be applicable to existing Biogas Power Projects supplying power to the grid.

9.28 The Commission may on its own motion (Suo Moto) or on the application in the form of petition of any person or parties concerned may review its order after recording reasons warranting such review and pass such appropriate orders as the Commission thinks fit.

Ordered accordingly.

(Alok Gupta) **Member**	**(A.B. Bajpai)** **Member**

Place : Bhopal

Date : 5th February, 2015

Annexure-I

List of stakeholders who have submitted their comments in writing

S.No.	Particulars
1	M/s RDM Care(India) Pvt. Ltd., New Delhi
2	Electricity Consumer Society, Indore
3	M.P. Poorv Kshetra Vidyut Vitaran Co. Ltd., Jabalpur
4	M.P. Urja Vikas Nigam Ltd., Bhopal
5	M.P. Power Management Co. Ltd., Jabalpur
6	M/s Value Recyclers and Reclaimers Pvt. Ltd., Bhopal

Annexure-II

List of stakeholders who have participated in the public hearing

S.No.	Particulars
1	Shri Malinder Singh, M/s RDM Care(India) Pvt. Ltd., New Delhi
2	Shri D.K.Gandotra, Consultant, Jabalpur
3	Shri Shailendra Jain, Director, M/s SEPL, Jabalpur