

**MADHYA PRADESH ELECTRICITY REGULATORY
COMMISSION**

"Metro Plaza", Bittan Market, Bhopal - 462 016



Petition No. 71/2007

PRESENT:

Dr. J. L. Bose, Chairman

R. Natarajan, Member

K. K. Garg, Member

IN THE MATTER OF:

**Proposal of MP Power Generating Company Limited for
Approval of Continuation of Generation Tariff for FY 2008-09.**

MPPGCL (Petitioner) represented among others by –

- 1. Shri S. P. Soni (S. E.)**
- 2. Shri Manjeet Singh (Deputy Director, Tariff)**
- 3. Shri Salil Choudhary (Addl. E.E.)**
- 4. Smt. Manisha Lavania (Addl. E.E.)**
- 5. Shri A.N. Sarkar (A.E.)**

ORDER

Petition No. 71/2007

(Passed on this 18th Day of March, 2008)

- 1 The Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as “the Commission” or “MPERC”) having heard the applicant, interveners, consumers and representatives of various consumer groups on 05th February 2008 at Bhopal, having had formal interactions with the Officers of Madhya Pradesh Power Generating Company Ltd. (hereinafter referred to as “MPPGCL” or “Generating Company”) during the months of December 2007 and January 2008 and having met with the members of the State Advisory Committee on 28th December 2007 and having considered the documents available on record and orders issued by Government of Madhya Pradesh (Energy Department) on 31st May 2005 making the Transfer Scheme Rules effective from 1st June 2005, (order no. 3679/FRS/18/13/2002 dated 31.5.2005), on 3rd June 2006 making the Madhya Pradesh Electricity Reforms Transfer Scheme Rules, 2006, allocation of generating capacity to the three Distribution Companies on 17th October 2006 and again on 14th March 2007 reallocating the Generating Capacity available to the State among the three Distribution Companies of the State and hereby accepts the applications with modifications, conditions and directions as herewith attached.
- 2 The Commission has gone through the Petition filed by the Generating Company of the State. The Commission has noted that the State Government has not issued the final Balance Sheet till date thus the basis of projections made by the petitioner is still provisional. The Commission, in its Generation Tariff Order for the control period from FY2006-07 to FY2008-09 had stated that the generation tariffs determined by the Commission for the control period are subject to changes, if any, based on the notified opening Balance Sheet that may be made by Government of Madhya Pradesh (GoMP). The State Govt. later on through various notifications extended the date for notification of the final opening Balance Sheet up to 31st March 2008. Since the depreciation, interest and O&M expenses had been allowed on the basis of submissions made by the petitioner as per the provisional opening balance sheet, there may be a need to review the tariff determined based on the actual capitalization, loans actually availed and the actual physical progress. This was to be done at the time of

review of the generation tariff for true up for FY 2005-06 when the generation tariff for FY2007-08 was determined. The Generating Company was able to file the petition for true up for the FY 2005-06 in the year 2007-08 when its Audited Statement of Accounts for FY 2005-06 were available. The Commission by taking cognisance of the fact that the opening Balance Sheet was still provisional at that point of time and the petitioner had requested for true up of generation tariff for FY 2005-06 on the basis of the Audited Statements of Account for FY 2005-06, carried out the exercise of truing up of the generation tariff for FY 2005-06. The order was issued on 18/02/2008. Further, the present petition as filed by the Generating Company is for continuation of the generation tariff as determined by the Commission in its Generation Tariff Order for FY2006-07 to FY 2008-09 with additional cost on account of O&M, water charges, terminal benefits etc. and with revised performance benchmarks. With regard to the truing up of the norms and the Tariff as determined by the Commission vide its Generation Tariff Order for FY2006-07 to FY2008-09 dated 07/03/2006, the Commission has decided that the norms / benchmarks in the Regulations and adopted in the multi-year tariff order need not be changed during the control period but the claim for any uncontrollable factors will be considered after the audited Statements of Account and the performance benchmarks certified by the SLDC and as achieved by the Company for the years under tariff period are made available to the Commission.

- 3 The Petitioner must take immediate steps to implement the Order after giving seven (7) days public notice in accordance with clause 1.30 of MPERC (Details to be furnished and fee payable by Licensee or Generating Company for determination of tariff and manner of making application) Regulations, 2004 and must also provide information to the Commission in support of having complied with this order. The Commission shall consider the generation tariff allowed in this order for the Distribution Licensees in their Revenue Requirement for FY 2008-09 as per the allocation of power made by the State Government from time to time.
- 4 Ordered as above read with attached detailed reasons and grounds,

(K. K. Garg)
Member (Engineering)
Date: 18th March 2008
Place: Bhopal

(R. Natarajan)
Member (Economics)

(Dr. J. L. Bose)
Chairman

CONTENTS

	Page No.
CHAPTER 1 – BACKGROUND OF THE ORDER	6
INTRODUCTION.....	6
PROCEDURAL HISTORY	7
PUBLIC HEARING AND CONSULTATION WITH THE STATE ADVISORY COMMITTEE	9
CHAPTER 2 – STATUS OF THE GENERATING COMPANY	10
INSTALLED CAPACITY & EXPANSION PLAN:	11
CHAPTER 3 – ANNUAL REVENUE REQUIREMENT FOR FY 2008-09	13
CHAPTER 4 - OBJECTONS AND COMMENTS ON MPPGCL'S PETITION	21
M.P. ELECTRICITY CONSUMERS SOCIETY, INDORE.....	21

LIST OF TABLES

	Page No.
TABLE 1: MPPGCL'S REVISED PROPOSAL FOR FY 2008-09 WITH REGARD TO VARIABLE CHARGES	7
TABLE 2: MPPGCL'S REVISED PROPOSAL FY 2008-09 WITH REGARD TO FIXED COST	8
TABLE 3: MPPGCL'S REVISED PROPOSAL FY 2008-09 WITH REGARD TO PERFORMANCE BENCH MARKS.....	8
TABLE 4: MPPGCL'S REVISED PROPOSAL FY 2008-09 WITH REGARD TO TRANSIT & STACKING LOSSES.....	8
TABLE 5: PROVISIONAL OPENING BALANCE SHEET OF MPPGCL.....	10
TABLE 6: GENERATION CAPACITY.....	11
TABLE 7: GENERATION CAPACITY OPERATED BY MPPGCL (MW).....	12
TABLE 8: MPPGCL'S SHARE IN GENERATION CAPACITY INSTALLED IN OTHER STATES (MW).....	12
TABLE 9: STATION WISE FIXED CHARGES AND ENERGY CHARGES.....	13
TABLE 10: STATION WISE BENCHMARKS AS FIXED BY THE COMMISSION	13
TABLE 11: STATION WISE BENCHMARKS AS PROPOSED BY THE PETITIONER	14
TABLE 12: STATION WISE TRANSIT AND STACKING LOSSES AS PROPOSED BY THE PETITIONER	15
TABLE 13: STATION WISE REVISED VARIABLE CHARGES AS PROPOSED BY THE PETITIONER	15
TABLE 14: STATION WISE REVISED WATER CHARGES AS PROPOSED BY THE PETITIONER (RS. LAKH).....	16
TABLE 15: TERMINAL BENEFITS AS PROPOSED BY THE PETITIONER (RS. LAKH).....	16
TABLE 16: STATION WISE ADDITIONAL FIXED CHARGES AS PROPOSED BY THE PETITIONER (RS. LAKH).....	17
TABLE 17: STATION WISE REVISED VARIABLE CHARGES AS PROPOSED BY THE PETITIONER (RS. LAKH)	18
TABLE 18: STATION WISE REVISED FIXED CHARGES AS PROPOSED BY THE PETITIONER (RS. LAKH)	18
TABLE 19: STATION WISE FIXED AND VARIABLE CHARGES AS ALLOWED BY THE COMMISSION FOR FY 2008-09 (RS. LAKH)....	20

CHAPTER 1 – BACKGROUND OF THE ORDER

Introduction

- 1.1 This order relates to petition number 71 of 2007 filed by the Madhya Pradesh Power Generating Company Limited (hereinafter referred to as “MPPGCL” or “Generating Company”) for continuation of the Generation Tariff determined by the Commission for the FY 2008-09 vide its Generation Tariff Order of March 07, 2006 for FY2007-08 to FY2008-09 under Multi Year Tariff regime with new proposals.
- 1.2 The MPPGCL is the owner of the Generating Plants previously owned by Madhya Pradesh State Electricity Board (hereinafter referred to as “MPSEB” or “Board”). MPPGCL has started functioning independently from 1st June 2005. While passing the order for determination of Generation Tariff for FY2005-06 and also for FY2006-07 to FY2008-09, the Commission examined in detail the operational and the financial data of the generation function of the period when the functions were part of MPSEB. The order passed by the Commission for FY2005-06 was based on the past records, submission of MPPGCL and views expressed by the stakeholders. The order passed by the Commission for FY2006-07 to FY2008-09 was based on the Multi Year Principles i.e. on the performance benchmarks set by the Commission for multi year regime vide its notification of December 05/12/2005 namely “Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Generation Tariff) Regulations 2005. In the Generation Tariff Order of the Commission passed on 07/03/2006 for FY2006-07 to FY2008-09, the Commission directed that the generation tariffs for different generating stations, under the control of MPPGCL, determined by the Commission for FY2006-07 are subject to changes, if any, in the notified opening Balance Sheet that may be made by GoMP. Since the depreciation, interest and O&M expenses had been allowed on the basis of submissions made by the Generating Company based on the opening balance sheet, there was a need to review the tariff determined based on the capitalization, loans availed and the physical progress achieved if the opening balance sheet was changed.
- 1.3 The Commission had reasons to believe that at the time of review of the Petition for FY 2008-09, the Audited Balance Sheet of the Generating Company would be available for truing up for FY 2006-07 and for determining the tariff for FY 2008-09,. The GoMP has now extended the final date for notification of the Final Opening Balance Sheet up to 31st March 2008. The petitioner had filed the petition for truing up of the Generation Tariff for FY 2005-06 only and the Commission had issued its order on this petition with regard to the true up of the Generation Tariff for FY 2005-06. The audited Balance Sheet for FY 2006-07 along with the petition for true up of the generation tariff for FY 2006-07 are yet to be submitted by the Generating Company.
- 1.4 The Generating Company has been required to file its proposal for truing up of the Generation Tariff during the control period on the basis of the regulations issued by the Commission in this regard.

Procedural history

- 1.5 The Commission, vide its Generation Tariff Order of March 2006 had approved the generation tariff on the multi-year principles for FY2006-07 to FY2008-09 which would be effective from 1st April 2006 and would continue to be operative till 31st March 2009 under the multi year tariff principles subject to yearly approval of the Commission along with any changes necessitated on account of uncontrollable factors.
- 1.6 The Generating Company was required to file its petition for the FY 2008-09 by the due date viz. 15th October 2007 in terms of Clause 1.26 of the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2005. MPPGCL vide its letter number 07-12/CP-MPPGCL/MPERC 476 Dated 15/10/2007 requested the Commission to grant time extension for filing the petition till end of November 2007 as the provisional balance sheet of the Company for FY 2006-07 was not available at that time and therefore, it was not possible for the petitioner to finalise the data / information for filing of the petition for true up of FY 2006-07. The Commission did not agree with the argument of the petitioner and directed it to file the tariff petition for FY 2008-09 immediately but not later than 15/11/2007. The Commission further directed that the true up petition for FY 2006-07 could be filed at a later date when the audited figures are available.
- 1.7 The MPPGCL filed the petition on 19/11/2007 to the Commission..
- 1.8 The current petition filed by MPPGCL is for continuation of the generation tariff for FY2008-09 with new proposals as elaborated in the following paragraphs:

Variable Cost:

- 1.8.1 On the basis of current performance parameters and changes in fuel quality /rates and additional water charges, the revised variable cost of generation for various stations works out as under:-

Table 1: MPPGCL's revised proposal for FY 2008-09 with regard to Variable Charges

S. No.	Particulars	FY 09 (Proposed now)			Rate as approved in order for FY 09 Paise/kWh
		Energy	Cost	Rate	
		MU	Rs. Lakh	Paise/kWh	
1	ATPS Chachai	840	10902	130	117
2	STPS Sarni	6133	84332	137	131
3	SGTPS Birsinghpur	4701	54105	115	100

Fixed Charges:-

- 1.8.2 The revised fixed charges for share of MPPGCL works out as below:-

Table 2: MPPGCL's revised proposal FY 2008-09 with regard to Fixed Cost

Particulars		Approved Rs. Lakh	Now Proposed Rs. Lakh	Difference Rs. Lakh	
Thermal	1	ATPS Chachai	5122	5790	668
	2	STPS Sarni	19394	21738	2344
	3	SGTPS Birsinghpur	30052	31987	1935
	4	Total Thermal	54568	59515	4947
Hydro	5	Gandhi Sagar	839	933	94
	6	Pench	928	1089	161
	7	Rajghat	737	774	36
	8	Bargi	993	1769	776
	9	Bansagar	9221	11183	1962
	10	Birsinghpur	386	424	38
	11	Total Hydro	13105	16172	3068
12	Total Thermal +Hydro	67672	75687	8015	

Performance Parameters:-

1.8.3 The MPPGCL has proposed review of performance parameters as elaborated below:-

Table 3: MPPGCL's revised proposal FY 2008-09 with regard to Performance Bench marks

Particulars	PLF (%)		Aux. (%)		Sp. Oil Con. (ml/kWh)		Heat Rate (k Cal/kWh)	
	Apprd.	Prop.	Apprd.	Prop.	Apprd.	Prop.	Apprd.	Prop.
ATPS Chachai	52.24%	37.94%	11.57%	12.84%	7.08	7.09	3573	3747
STPS Sarni	78.41%	75.75%	8.69%	9.16%	2.66	2.44	2873	3043
SGTPS Birsinghpur	77.00%	71.04%	9.22%	10.08%	2.00	2.00	2757	3003

1.8.4 The MPPGCL has further proposed a change in transit and stacking losses of coal as elaborated below:-

Table 4: MPPGCL's revised proposal FY 2008-09 with regard to Transit & Stacking Losses

Particulars	Approved	Now Proposed
ATPS Chachai	0.30%	0.87%
STPS Sarni	0.80%	3.02%
SGTPS Birsinghpur	1.20%	3.40%

Public Hearing and Consultation with the State Advisory Committee

1.9 The Commission vide its order dated 05th December 2007 admitted the petition and approved the draft of the public notice submitted by the petitioner. The Commission had directed the petitioner to arrange the publication of the public notice in the news papers and obtain the comments from the stakeholders.

1.10 The Public notice was published by the petitioner in following newspapers on 12/12/2007:

Nav Bharat (Hindi)	-	Bhopal
Dainik Jagaran	-	Rewa
Nai Duniya (Hindi)	-	Gwalior
Dainik Bhaskar (Hindi)	-	Indore
Dainik Bhaskar (Hindi)	-	Jabalpur
Hindustan Times (English)	-	MP

The last date for obtaining the Comments / suggestions / objections was 02/01/2008.

1.11 A meeting of State Advisory Committee of the Commission had been convened on 28/12/2007. The members made their observations on the petition and gave valuable suggestions, which have been considered while finalising this order.

1.12 The Commission held a public hearing on the subject tariff petition of MPPGCL at Bhopal on 05th February 2008 in the Court Room of the Commission's office.

CHAPTER 2 – STATUS OF THE GENERATING COMPANY

2.1 The MPPGCL is a company incorporated under the Companies Act, 1956 in 2002 and was functioning under an O & M Agreement with the MPSEB ever since. The Government of Madhya Pradesh (GoMP) notified the transfer scheme vide its notification No. 3679/FRS/18/13/2002 dated 31st May 2005 by which the MPPGCL was assigned assets and liabilities, on a provisional basis, as given below:

Table 5: Provisional Opening Balance Sheet of MPPGCL

(Rs. In Crore)

Liabilities		Amount		Assets		Amount			
Equity From GoMP		1278		Fixed Assets	Gross Assets	4453			
Project Specific Capital Liabilities (Including payments overdue)	PFC	1120	1945		Less Accumulated depreciation	1576			
	LIC	488			1945	Total		2878	
	CSS	3				1945			
	REC	334						1945	
Total	1945								
Loan from MPSEB		259		Capital Works in Progress			1040		
Current Liabilities	Fuel Liabilities	191	727	Current Assets	Stock	244	292		
	Staff Related	29			Cash and Balances	11			
	Towards Suppliers	143			Loan Advances	3			
	Intt. Accrued but not due	21			Sundry Receivable	34			
	Others	342			Others				
	Total	727			727	Total		292	
Borrowings for working capital	Overdraft	0	0						
	Working capital demand loan + cash credit	0							
Accumulated Surplus/ (Deficit)		0							
Reserves and Reserve Funds		0							
Total Liabilities		4210		Total Assets		4210			

Notes: -

- The values of the fixed Assets are as per the book values
- The Contingent Liabilities to the extent they are associated with or related to Generation activities or to the Undertakings or Assets of MPGENCO shall vest in MPGENCO. (Estimated to be Rs. 275.86 Cr.)
- The above balance sheet is provisional till finalisation of actual balance sheet as on date of transfer date.

As per the notification, the above balance sheet is provisional for a period of 12 months. During the provisional period, the GoMP may change the values stated in the opening balance sheet.

Installed Capacity & Expansion Plan:

2.2 Total installed capacity of the MPPGCL, as on 31.03.2007 is 3044.7 MW (with its share in bilateral interstate projects), consisting of 2147.5 MW thermal and 897.2 MW Hydro power. The plant wise details are as under:-

Table 6: Generation Capacity

Power Station			Installed Capacity (MW)					
			Total		MPPGCL Share			
Thermal Power Stations	1	Amarkantak Thermal Power Station (Chachai)	PH 1	30 + 20 =	50.0	100.0%	50.0	
			PH 2	2 x 120 =	240.0	100.0%	240.0	
			Complex		290.0	100.0%	290.0	
	2	Satpura Thermal Power Station (Sarni)	PH 1	5 x 62.5 =	312.5	60.0%	187.5	
			PH 2	200 + 210 =	410.0	100.0%	410.0	
			PH 3	2 x 210 =	420.0	100.0%	420.0	
			Complex		1142.5	89.1%	1017.5	
	3	Sanjay Gandhi Thermal Power Station Birsinghpur	PH 1	2 x 210 =	420.0	100.0%	420.0	
			PH 2	2 x 210 =	420.0	100.0%	420.0	
			Complex		840.0	100.0%	840.0	
	4	Total Thermal Generation Capacity			2272.5	94.5%	2147.5	
	Hydro Power Stations	1	Chambal HPS	Gandhi Sagar	5 x 23 =	115.0	50.0%	57.5
				R.P. Sagar	4 x 43 =	172.0	50.0%	86.0
Jawahar Sagar				3 x 33 =	99.0	50.0%	49.5	
Complex					386.0	50.0%	193.0	
2		Pench Totladoh HPS		2 x 80 =	160.0	66.7%	106.7	
3		Bansagar Tons HPS	Tons	3 x 105 =	315.0	100.0%	315.0	
			Silpara	2 x 15 =	30.0	100.0%	30.0	
			Devlond	3 x 20 =	60.0	100.0%	60.0	
			Jhinna (NEW)	2 x 10 =	20.0	100.0%	20.0	
			Complex		425.0	100.0%	425.0	
4		Birsinghpur HPS		1 x 20 =	20.0	100.0%	20.0	
5		Bargi HPS		2 x 45 =	90.0	100.0%	90.0	
6		Rajghat HPS		3 x 15 =	45.0	50.0%	22.5	
7	Madhikheda (NEW)		2 x 20 =	40.0	100.0%	40.0		
8	Total Hydro Generation Capacity			1166.0	76.9%	897.2		
Total Generation Capacity				3438.5	88.5%	3044.7		

Note: The two units each at Jhinna Bansagar & Madhikheda are commissioned in Aug-Sept 06.

2.3 As on 31.03.2007 MPPGCL is operating 3167.5 MW, consisting of 2272.5 MW thermal and 895 MW Hydro power. Out of this 258.3 MW capacity belong to other States. The plant wise details are as under:-

Table 7: Generation Capacity Operated by MPPGCL (MW)

Station	Installed Capacity	MP Share	Other State's Share		
			MW	%	State's Name
ATPS Chachai	290.0	290.0	0.0		
STPS Sarni PH 1	312.5	187.5	125.0	40.0%	Rajasthan
STPS Sarni PH 2&3	830.0	830.0	0.0		
SGTPS Birsinghpur	840.0	840.0	0.0		
Total Thermal	2272.5	2147.5	125.0	5.5%	
Gandhi Sagar	115.0	57.5	57.5	50.0%	Rajasthan
Pench	160.0	106.7	53.3	33.3%	Maharashtra
Bansagar Complex	425.0	425.0	0.0		
Birsinghpur	20.0	20.0	0.0		
Bargi	90.0	90.0	0.0		
Rajghat	45.0	22.5	22.5	50.0%	Uttar Pradesh
Madhikheda	40.0	40.0	0.0		
Total Hydro	895.0	761.7	133.3	14.9%	
Total Capacity	3167.5	2909.2	258.3	8.15%	

2.4 Similarly, the MPPGCL also has a share of 135.5 MW in hydro generation capacity installed in the State of Rajasthan, as under:-

Table 8: MPPGCL's Share in Generation Capacity installed in Other States (MW)

Station	Installed Capacity	MPPGCL Share		Other State's Name
		MW	%	
R.P. Sagar	172.0	86.0	50.0%	Rajasthan
Jawahar Sagar	99.0	49.5	50.0%	Rajasthan
Total	271.0	135.5		

2.5 The MPPGCL assumed independent functioning from 1st June 2005 consequent to the notification of its Balance Sheet by the State Government on 31st May 2005. On the Petitions filed by the Generating Company for determination of Generation Tariff for FY2005-06, and for FY2006-07 to FY2008-09 (under multi year tariff (MYT) principles), the Commission passed the Tariff Orders on 25/01/2006 and 07/03/2006 respectively.

2.6 These Generation Tariff Orders of the Commission were based on the provisional Balance Sheet notified by the GoMP. As the Government of MP is yet to notify the Final Balance Sheet, the Commission is of the opinion that the allocation made in the Generation Tariff Orders of 25/01/2006 and 07/03/2006 will be applicable for the present petition also.

CHAPTER 3 – ANNUAL REVENUE REQUIREMENT FOR FY 2008-09

3.1 The Commission had issued its order on Generation Tariff for FY 2006-07 to FY 2008-09 on March 07, 2006. The Commission had approved separate ARR for these three years and accordingly determined separate tariff for each year. The Generating Company filed the present petition for revision in the ARR and the Generation Tariff for FY 2008-09. The Commission in its Generation Tariff Order of March 07, 2006, had approved the station wise generation tariff. The fixed costs as well as the variable costs as approved by the Commission for FY 2008-09 are given in the table below:

Table 9: Station Wise Fixed Charges and Energy Charges

Sl. No.	Generating Station	FY09	
		Fixed	Energy
		(Rs. Lakh)	(Paise / kWh)
Thermal			
1	ATPS	5121	117
2	STPS	21422	131
3	SGTPS	30052	100
Hydel			
1	Gandhi Sagar	1137	--
2	Pench	1205	--
3	Rajghat	862	--
4	Bargi	993	--
5	Bansagar Complex	9222	--
6	Birsinghpur	386	--

3.2 The Commission had approved certain performance parameters for operation for the thermal generating stations of the MPPGCL. These are given below:

Table 10: Station Wise Benchmarks as fixed by the Commission

Particulars		PLF	Aux. Cons.	Sp. Oil Cons.	Heat Rate	Transit & Stacking Loss
		%	%	ml/kWh	kCal/kWh	%
ATPS Chachai	FY 07	51.36%	11.85%	7.10	3573	0.3
	FY 08	51.72%	11.73%	7.09	3573	0.3
	FY 09	52.24%	11.57%	7.08	3573	0.3
STPS Sarni	FY 07	77.56%	8.84%	2.66	2960	0.8
	FY 08	77.98%	8.77%	2.66	2926	0.8
	FY 09	78.41%	8.69%	2.66	2873	0.8
SGTPS Birsinghpur	FY 07	75.50%	9.62%	2.00	2825	1.80
	FY 08	76.00%	9.39%	2.00	2800	1.50
	FY 09	77.00%	9.22%	2.00	2757	1.20

- 3.3 In the present petition, the petitioner had submitted that at the time of finalization of benchmarks of operation for the thermal power stations of MPPGCL, the MPPGCL submitted the optimistic targets considering deployment of reasonable amount of capital expenditure in near future. The petitioner had further informed that due to delay in availability of the final opening balance sheet and also finalization of its Capital Expenditure Plan, the envisaged Capital Expenditure Plan could not be materialized. This had resulted in the non-achievement of the targets as fixed by the Commission. In view of this the petitioner had requested the Commission to revise the performance parameters as given below:

Table 11: Station Wise Benchmarks as Proposed by the Petitioner

Particulars		PLF	Auxiliary Cons.	Sp. Oil Cons.	Heat Rate
		%	%	ml/u	k Cal/u
ATPS Chachai	FY 07	49.29%	12.12%	3.55	3856
	FY 08	45.69%	12.55%	7.10	3796
	FY 09	37.94%	12.84%	7.09	3747
STPS Sarni	FY 07	74.12%	9.09%	2.36	3168
	FY 08	75.75%	9.16%	2.44	3043
	FY 09	75.75%	9.16%	2.44	3043
SGTPS Birsinghpur	FY 07	73.80%	10.25%	1.17	2997
	FY 08	71.04%	10.08%	2.00	3003
	FY 09	71.04%	10.08%	2.00	3003

- 3.4 The petitioner had further submitted that the Commission, in the generation tariff order for FY 2006-07 to FY 2008-09 considered base rates for coal, secondary oil, water charges etc. as per the best estimates available at the time of issue of tariff order. The petitioner had submitted that on the basis of the provisional figures available for Fy 2006-07, the estimates for FY 2008-09 may be revised.
- 3.5 The petitioner had further requested the Commission to reconsider the targets for transit and stacking losses, as the working condition of the MPPGCL stations are entirely different from those prevailing in the Central Generating Stations. The MPPGCL had further submitted that the historical trends of transit and stacking losses as submitted by it in past were based on estimation, as no appropriate weighing mechanism was available at that time for receipt of coal in the power stations. On the insistence of the Commission, the weighing mechanism has now been installed at all the thermal power stations and more reliable figures are now available in this respect. The MPPGCL requested the Commission to reconsider these targets. In the present petition, the MPPGCL requested the Commission to consider the transit and stacking losses for FY 2008-09 as elaborated in the table below:-

Table 12: Station Wise Transit and Stacking Losses as Proposed by the Petitioner

Particulars	Approved	Now Proposed	Difference
ATPS Chachai	0.30%	0.87%	0.57%
STPS Sarni	0.80%	3.02%	2.22%
SGTPS Birsinghpur	1.20%	3.40%	2.20%

3.6 With the proposals as elaborated in the paragraphs 3.3, 3.4 and 3.5 above the petitioner had requested to revise the variable charges as per given in the table below:

Table 13: Station Wise Revised Variable Charges as Proposed by the Petitioner

Particulars	FY 09 (Proposed Now)			Rate As Approved in Order for FY 09 p/u
	Energy	Charges	Rate	
	MU	Lakh Rs	p/u	
1 ATPS Chachai	840	10902	130	117
2 STPS Sarni	6133	84332	137	131
3 SGTPS Birsinghpur	4701	54105	115	100

3.7 With regard to the proposed revision in the fixed charges as determined by the Commission in its Generation Tariff Order of 07th March 2006, the Company had made the submission as given the following paragraphs.

3.8 The Commission had considered the benchmarks for O&M expenditure considering the historical trend of actual expenditure. The MPPGCL submitted that the historical trend reflects the inadequacies of financial liquidity and the amounts are after curtailing number of necessary expenditures for Repair & Maintenance of the plant. The MPPGCL appreciated that the Commission had mentioned in the past that in case the MPPGCL had spent more than permitted amount towards Repair & Maintenance, the same would be considered in the True up by the Commission. The petitioner had further mentioned that the Commission had already considered this in case of the true up of the generation tariff for FY 2005-06 which did not include the impact of wage revision. Further the impact of 15% wage revision and 50% merger of D.A. have now become payable. The MPPGCL requested to permit an interim increase of 10% in O&M charges, over and above approved rates, enabling company to meet the unavoidable expenses of wage revision and urgent maintenance work of the plants for FY 2008-09 and the remaining differences would be claimed during true up.

3.9 With regard to the water charges, the MPPGCL submitted that when the generation tariff order was issued payment of water charges was under discussion with the appropriate authority at State Government level and due to non availability of any finalized rates, the water charges for thermal stations were not included in the tariff petition and hence not considered by the Commission in the order. For Hydro Stations water charges were considered at much lower rate. The petitioner had submitted that at the time of the filing of the present petition the discussions had almost come to a final shape and it would be likely that the water charges would be payable @ 14.50 paisa per unit in FY 2007-08 and @ 15 paisa per unit in FY 2008-09. However, for

Birsinghpur Hydro Power Station, being own source of water it is payable @ 2 paisa per unit basis. For Pench hydro power station, it is being dealt separately by MSEB and hence not considered at this stage. The revised amount for determination of rate of hydro power had also been considered. Accordingly, an additional amount of Rs. 20.81 Crore had been proposed. The approved and proposed water charges are tabulated below:

Table 14: Station Wise Revised Water Charges as Proposed by the Petitioner (Rs. Lakh)

Particulars		Approved	Now Proposed	Difference	
Thermal	1	ATPS Chachai	0	10	10
	2	STPS Sarni	0	47	47
	3	SGTPS Birsinghpur	0	9	9
	4	Total Thermal	0	67	67
Hydro	5	Gandhi Sagar	252	260	8
	6	Pench	0	1	1
	7	Rajghat	65	68	3
	8	Bargi	99	740	641
	9	Bansagar	209	1563	1354
	10	Birsinghpur	1	8	8
11	Total Hydro	626	2640	2014	
12	Total Thermal +Hydro	626	2707	2081	

- 3.10 With regard to the payment of the terminal benefits, the petitioner had submitted that as per the Generation Tariff Order dated 7th Mar 2006, that the terminal benefits were to be paid by MP Power Transmission Company Limited and hence no amount for payment of terminal benefits was either considered for deriving bench marks for O&M expenditure nor was the same permitted additionally. The MPPGCL had claimed that it had paid the terminal benefits of Rs. 41.21 Crore in FY 2006-07. Accordingly the petitioner had requested for additional amount on account of the terminal benefits it is required to pay. The table below elaborates the actual amount of terminal benefits paid/provided by MPPGCL during FY 2006-07 and provisions for FY 2007-08 and FY 2008-09.

Table 15: Terminal Benefits as Proposed by the Petitioner (Rs. Lakh)

Particulars	FY 07	FY 08	FY 09
	Actual	Estimated	Projected
Provision for Pension / Gratuity	2933	1600	1600
Leave Encashment on Retirement	1188	533	560
Total	4121	2133	2160

- 3.11 The petitioner had further submitted that in the Generation Tariff Order for FY 2006-07 to FY 2008-09, the Commission had not considered the request of the MPPGCL to permit the expenses of the MPSEB for common facilities. The MPSEB, who is

maintaining the cash flow mechanism presently, has debited an amount of Rs. 13.81 Crore for FY 2005-06 and FY 2006-07 on this account. Accordingly the petitioner had requested the Commission for approval of an amount of Rs. 7.00 Crore per year for FY 2007-08 and FY 2008-09.

- 3.12 In view of the submission made by the petitioner and as elaborated in the paragraphs 3.8, 3.9, 3.10 and 3.11 above, the MPPGCL requested the commission to allow the additional fixed charges of Rs. 80.15 Crore as per the details given in the table below:

Table 16: Station Wise Additional Fixed Charges as Proposed by the Petitioner (Rs. Lakh)

Particulars		Additional O&M Charges	Additional water Charges	Terminal Benefits	MPSEB's Expenses	Total	
Thermal	1	ATPS Chachai	377	0	220	71	668
	2	STPS Sarni	1323	0	771	250	2344
	3	SGTPS Birsinghpur	1092	0	637	206	1935
	4	Total Thermal	2792	0	1628	528	4947
Hydro	5	Gandhi Sagar	29	8	44	14	94
	6	Pench	53	1	81	26	161
	7	Rajghat	11	3	17	6	36
	8	Bargi	45	641	68	22	776
	9	Bansagar	201	1354	307	100	1962
	10	Birsinghpur	10	8	15	5	38
	11	Total Hydro	349	2014	532	172	3068
12	Total Thermal +Hydro	3141	2014	2160	700	8015	

- 3.13 With regard to the Depreciation, Return on Equity, Interest liabilities on Loan and on Working Capital, the petitioner had not submitted any claim. The petitioner had requested to permit it to recover these expenses in the true up petition to be filed by it. The petitioner had also submitted that the opening balance sheet is still provisional and final opening balance sheet is yet to be notified by the State Government. The Interest on the loan and Working Capital, Opening Assets and Depreciation and the equity may also undergo a change with the notification of the final opening balance sheet.
- 3.14 The MPPGCL in this petition submitted to consider review on the performance parameters and permit additional amount of O&M expenditure for the reasons elaborated above, additional water charges based on rates being finalized by GoMP, Terminal liabilities and Expenses to meet common pool of employees posted in the MPSEB. Considering the proposed performance parameters and changes in fuel quality / rates and additional water charges, the revised variable cost of generation for various stations is given here under :

Table 17: Station Wise Revised Variable Charges as Proposed by the Petitioner (Rs. Lakh)

	Particulars	FY 09 (Proposed Now)			Rate As Approved in Order for FY 09 Paise/kWh
		Energy	Charges	Rate	
		MU	Lakh Rs	Paise/kWh	
1	ATPS Chachai	840	10902	130	117
2	STPS Sarni	6133	84332	137	131
3	SGTPS Birsinghpur	4701	54105	115	100

- 3.15 The revised fixed Charges as proposed by the petitioner for share of MPPGCL is given as below:

Table 18: Station Wise Revised Fixed Charges as Proposed by the Petitioner (Rs. Lakh)

Particulars		Approved	Now Proposed	Difference	
Thermal	1	ATPS Chachai	5122	5790	668
	2	STPS Sarni	19394	21738	2344
	3	SGTPS Birsinghpur	30052	31987	1935
	4	Total Thermal	54568	59515	4947
Hydro	5	Gandhi Sagar	839	933	94
	6	Pench	928	1089	161
	7	Rajghat	737	774	36
	8	Bargi	993	1769	776
	9	Bansagar	9221	11183	1962
	10	Birsinghpur	386	424	38
	11	Total Hydro	13105	16172	3068
12	Total Thermal +Hydro	67672	75687	8015	

- 3.16 The Commission had studied the petition filed by the Generating Company. The Commission had also gone through the performance of the petitioner as filed by it during the initial year of the control period. The Commission observed that the petitioner failed to achieve the performance bench marks as specified by the Commission. The Commission wanted to draw the attention of the petitioner towards the norms specified by the Commission through the regulations namely “MPERC (Terms and Conditions for Determination of the Generation Tariff) Regulations 2005. These norms were specified subsequent to the due consultation process adopted by the Commission. The Commission had fixed slightly better norms than the prevailing operating parameters so that the Company could be able to achieve them with little more thrust infused by it in the day to day working simultaneously with the view to safeguard the consumers of the State from the cost of inefficient working of the Company. The Commission opines that mid term revision in the norms is not warranted. Any relaxation in the operating norms may bring in the complacency in the operations of the Company. The petitioner is left with one complete year in the tariff period when this order is issued. The petitioner should pull itself to achieve the norms as specified in this year. The Commission had also indicated in its regulations and also in the Generation Tariff Orders in the past that the Commission would definitely consider to review the tariff as determined by it for uncontrollable factors. The Commission would like to reiterate the same here.

- 3.17 The Commission had noted from the petition that the petitioner had appreciated the fact that the true up of the Generation Tariff Order of 07/03/2006 for FY 2006-07 is possible with the availability of the Audited Statements of Accounts for FY 2006-07. The Audited Statements of Account for FY 2006-07 were not made available when this petition was filed to the Commission. On the basis of the provisional figures of the expenditure incurred by the petitioner in FY 2006-07, it had requested the revision in the Fixed and the Variable charges for FY 2008-09.
- 3.18 With regard to the petitioner's request to revise the expenses in the ARR of FY 2008-09 as indicated above, the Commission wants to draw the petitioner's attention towards the Commission's Generation Tariff Regulations wherein at clause 1.26 it is indicated that a review of the tariff shall be undertaken by the Commission to scrutinise and true up the data and to accommodate any uncontrollable variations. The Commission had, in accordance with its Generation Tariff Regulations approved the ARR of the Generating Company for the years 2006-07, 2007-08 and 2008-09 vide its Generation Tariff Order of March 07, 2006. As per the provisions of the regulations, the Commission shall undertake the exercise to scrutinise and true up of the data for FY 2006-07 when filed by the petitioner. For revision of the ARR for FY 2008-09, the Commission reiterates that the Commission had approved the ARRs for FY 2006-07, FY 2007-08 and FY 2008-09 in accordance with the provisions of the Commission's regulations on Generation Tariff for a tariff block of 3 years. The mid term revision in the norms defeats the purposes of MYT frame work.
- 3.19 In view of the reason given in paragraphs 3.18, the Commission decides to continue with Generation Tariff for FY 2008-09 as approved by the Commission in its Generation Tariff Order of March 07, 2006. However, the MPPGCL can bring the fresh true up petitions for FY 2006-07, FY 2007-08 and FY 2008-09 when its Audited Statement of Accounts and actual performance are available for the respective years.
- 3.20 The Commission thus allows the petitioner to recover the variable charges and fixed charges during FY 2008-09 as determined by the Commission in its generation Tariff Order of 07/03/2006. The Commission had also determined the provisional annual fixed charges for Bansagar –IV Jhinna and Madhikheda Hydro Power Stations through separate tariff orders. The recovery of charges for these projects is also allowed. The fixed and the variable charges as allowed by the Commission and to be recovered by the petitioner during FY 2008-09 are tabulated below:

Table 19: Station Wise Fixed and Variable Charges as Allowed by the Commission for FY 2008-09 (Rs. Lakh)

Sl. No.	Generating Station	FY 2008-09	
		Fixed	Energy
		(Rs. Lakh)	(Paise / kWh)
Thermal			
1	ATPS	5121	117
2	STPS	21422	131
3	SGTPS	30052	100
Hydel			
1	Gandhi Sagar	1137	--
2	Pench	1205	--
3	Rajghat	862	--
4	Bargi	993	--
5	Bansagar Complex	9222	--
6	Birsinghpur	386	--
7	Madhikheda	2404	--
8	Bansagar - IV	1609	--

- 3.21 The normative capacity indices / availability factors for recovery of the full capacity charges for all the generating stations shall be as defined in the Commission's regulations namely (Terms and Conditions for determination of the Generation Tariff) Regulations, 2005. The recovery of the capacity charges, primary and secondary energy charges and incentive will be done in accordance with the relevant sections of the Commission's regulations. These charges shall be payable by the beneficiaries.
- 3.22 The electricity duty on the auxiliary power consumption and other taxes including cess etc., if any, shall be recoverable as per actuals.

CHAPTER 4 - OBJECTONS AND COMMENTS ON MPPGCL'S PETITION

- 4.1 The Commission had given wide publicity to the proposal received from MPPGCL and invited stakeholders to offer comments/objections. In response to the public notice of 12th December 2007, M.P. Electricity Consumers Society, Indore submitted their comments/objections.
- 4.2 A public hearing was arranged on 05th February 2008 in the Court Room of the Office of the Commission at Metro Plaza, Bittan Market, Bhopal. The gist of the objections, MPPGCL's response and Commissions view is given below:-

M.P. Electricity Consumers Society, Indore

Observation No. 1

If true up costs are allowed the tariffs becomes cost plus tariff and defeats the very purpose of the 'Regulatory Commission' and the efficiency based tariffs.

MPPGCL's Response

At the time of the issue of the Generation Tariff Orders for FY 2005-06 and for FY 2006-07 to FY 2008-09, the actual performance up to December 2005 was made available by the MPPGCL to the Commission. In the Tariff order, the Commission introduced a new clause for governing recovery of Fixed Cost based on availability of units for the first time. The MPPGCL submitted that the concept of linking fixed cost with availability was a new concept at that time for State Owned Utilities. On the expectations that such figures would be available with SLDC, the Commission had included such clause. Further, apprehending the chances of non availability of these, the Commission in the order itself has provided that in case the availability figures were not available then the actual PUF may be considered equivalent to availability. In view of MPPGCL there is difference in availability and PUF data of all other utilities, which clearly indicate that availability is normally higher than the PUF, obviously due to backing down of the units to maintain the grid discipline in the lean season / periods. The Company had issued bills after making necessary deductions in the fixed cost on account of the availability certified by the SLDC. The Company requested the true up on account of rates. The basic philosophy of regulated tariff provides to avoid forecasting of the uncertainties and reconciling the uncontrollable factors post facto under the banner of True up. The request of MPPGCL is categorically in line with the provisions made by the Commission and applicable for any state owned regulated generating utility.

Commission's View

The Truing-up of the Generation Tariff Order for FY 2005-06 was done by the Commission on the basis of the data made available to the Commission by SLDC. The Commission had not deviated from the norms specified in the order for FY 2005-06. The O&M was considered as per actuals as this was indicated in the order that at the time of truing-up, the actual O&M would be considered. The fixed and the variable charges had been calculated on the basis of the availability as reported by the SLDC and not as claimed by the petitioner.

With regard to the truing-up of the generation tariff for FY 2007-08, the petitioner has not filed any petition. The current petition is for consideration of the change in the norms as specified by the Commission in the Generation tariff order for FY 2006-07 to FY 2008-09. It has already been made clear by the Commission that the norms set for the control period i.e. for FY 2006-07 to FY 2008-09 shall be reviewed by the Commission after the completion of the control period and the changed norms shall be applicable for the subsequent tariff control period. Any deviation from the Commission's order shall be dealt in the true-up exercise on the basis of the uncontrollable factors only.

Observation No. 2

Normally the variable fuel cost and other costs are recoverable through variable cost formulae and the formulae were approved by the Commission in November 2004. The benefit of the formulae could not be taken by MPPGCL as most of the time increased costs arose because of bad performance. Thus, the true up is mostly due to bad performance.

MPPGCL's Response

In addition to clarification as indicated above the petitioner has clarified that except for considering the possible targets in the month of January, February and March 2006, MPPGCL had not requested any True up on account of inferior performance. In true up petition, MPPGCL had clearly brought out that the targets expected to be achieved in the months of January, February and March 2006 were well beyond the ability of MPPGCL / any similar utility and therefore requested for relaxation. Rest of the True ups (which form major part of the amount requested) are on account of the reasons beyond control of the company and were considered on the prevailing rates at the time of submission of petition to avoid burden on consumers, forecasted on assumptions.

Commission's View

The respondent and the petitioner have discussed on the truing up exercise. In the present petition the petitioner had not filed any request for truing up of the generation tariff. However, the Commission would like to point out that the petitioner had not filed even for once any petition for approval for change of variable cost in accordance with Commission's variable cost formula.

Observation No. 3

Our understanding of true up costs is that the same are more to be used for future projections only. In respect of past years only cash losses and defaults in payment could be allowed. The other increase in expenditure has to be out of return on equity, depreciation, etc. Depreciation, our submission is internal revenue and can be deferred except the return loan.

MPPGCL's Response

The MPPGCL submitted that the understanding that True up figures are to be used as basis for future projections is appropriate. However, the understanding that these expenses are not to be considered for reimbursement in True up is not proper. Once bases on the due diligence of the facts made available by the company it is established that certain amount of expenses was legitimately spent by the company over and above the permitted expenses, the same need to be provided for. MPPGCL further submitted that the provision of True up avoids pessimistic forecasting by the utilities and avoid unnecessary burden based on forecasts made by the utilities. The practice is basically in favour of the consumer.

With regard to the philosophy to meeting out the additional legitimate expenses from Return on Equity or Depreciation is also not correct. The Depreciation is provided with specific purpose of compensating gradual deterioration of the assets during its useful life and ensuring repayments to the lenders. The Return on Equity is compensation to the utility for undertaking the business venture and absorbing associated risks. These two cost elements cannot be considered to make good the inadequacy of legitimate expenses considered in the original order.

Commission's View

The True up exercise is essential as the tariffs are determined on the basis of the estimates. The basis of the true-up exercise should be used for determination of the norms for future after the completion of the control period. It is true that the depreciation is provided with specific purpose of compensating gradual deterioration of the assets during its useful life and ensuring repayments to the lenders. The return on equity is compensation to the utility for undertaking the business venture and absorbing associated risks. These are also as per the requirement of the Company Act and the guidelines as set by CERC in accordance with the Electricity Act 2003.

Observation No. 4

It is necessary that the Hon'ble Commission frames true up regulations.

MPPGCL's Response

The Commission has already framed adequate regulations and are also available on the website of the Commission. The petitions filed by MPPGCL are prepared in accordance with these regulations only and as such there appears no need of framing of any further regulation in the matter.

Commission's View

The True up exercise is being carried out in accordance with the Commission's regulations in respect of the determination of tariff. The basic regulation itself provides for determination of the revenue requirement, hence there is no need to frame the regulation for truing up of the tariff.

Observation No. 5

It is a time when the Commission shall put a stop to the provisional balance sheet. The asset transfer as on 31.05.2005 be considered as final. The State Govt. could be informed of the decision. If there is any charge, the same could be prospectively and interest, etc. be provided prospectively.

MPPGCL's Response

The request is with the Commission. However, MPPGCL submitted that it cannot act beyond the boundaries made available by the State Govt. who is also 100 % owner of the utility and the framework of the regulations provided by the Commission. Accordingly, the discretion of finalizing the Opening Balance Sheet within the time period as deemed fit by the State Govt. or extended from time to time, rests with the State Govt. and both the company and Consumer are supposed to be compensated for the respective gains by any such decision of the State Govt.

Commission's View

The reorganization of the electricity sector in the State is prerogative of the State Government as per the Electricity Act 2003 and it is the State Govt. who has to finalize the opening balance sheets of the successor entities of MPSEB and not the Commission. The State Govt. has now extended the date for finalization of the opening balance sheets up to 31/03/2008.

Objection No. 6

The Commission may recommend appointment of Director (Project) and Director (Finance) and also induction of one eminent Director from Private Sector, known for his knowledge in Electricity Sector.

MPPGCL's Response

The above suggestion is further request to the Commission and the requested directions are to be agreed by the State Government.

Commission's View

The Commission in its Generation Tariff Orders for FY 2005-06 and for FY 2006-07 to FY 2008-09 had already recommended the appointment of full time directors in the Board of the Company. However, it is to be decided by the State Govt. who is the owner of the Company.

Observation No. 7

For projects performing below acceptable standards, R & M should be undertaken as per well defined plan featuring necessary cost benefit analysis. If economic operation does not appear feasible through R & M, then there may be no alternative but to closure of such plants as last resort. In case of plants with poor O&M record and persisting operational problems, alternative strategies including change of management may need to be considered so as to improve the efficiency to acceptable levels of these power stations. The Amarkantak PH-1 50 MW may not only be stopped but allotted to private party for running at existing or any other place.

MPPGCL's Response

The MPPGCL was part of the MPSEB, the integrated utility. Running of inferior plant with inferior performance was affecting the level of achievements by the Generating Wing, but was in favour of the integrated utility because the generation cost of the plant was still lower than the marginal rate of available power for purchase. It is further to point out that till the provisions of Intra State ABT are not applicable; running of plant even with inferior performance at the time of peak hours / lower frequency was in benefit to the sector and the ultimate consumers. The inferior performance of any plant is to be absorbed by the company and provisions of Intra State ABT are also likely to be made effective shortly. Therefore, MPPGCL would like to apprise that it has already taken a decision to retire PH-1 of ATPS Chachai and have brought the resolution approved in the 32nd Meeting of the BoD held on 30th Nov. 07. Necessary actions in the matter as per policy of the Company and the directives of its Board of Directors are being initiated appropriately. The plant will be retired no sooner the requisite permissions are granted by competent authorities.

Commission's View

The Generation Company has to bear the brunt of the poor performance of the plant. The decision to run or stop the poor performing units is to be taken by the Company itself subject to the Commission's approval. However, the cost of inefficiency shall not be allowed to pass through on the consumers of the State. For the present the decision of the Company to shut down the inefficient units of PH 1 of ATPS Chachai is noted.

Observation No. 8

In order to provide more resources to MPPGCL it has been submit that Hydel Power Stations at Jhunaria, and Birsinghpur be sold to Private entrepreneurs. A tariff for small Hydel Power is already under preparation with MPERC.

MPPGCL's Response

The Hydro Stations of SGTPS, Birsinghpur is one of the best performing hydro stations despite the fact that the very purpose of its construction was not for the regular power generation but was to be utilized for Black Start and use of natural resources spilling at the time of Mansoon. The suggestion is not acceptable to the utility as the plant has its strategic utility. Further, MPPGCL has no plant in Jhunaria.

Commission's View

The decision to run or sell or stop a generating unit is to be taken on the merit of each case.

Observation No. 9

In the interest of the State and to accelerate the Power Development, instead of State (MPPGCL) taking up future projects, these may be considered for Private Sector. A unique opportunity is available in the country to participate with BHEL for developing 800 MW Super Pressure & Temperature Plant.

MPPGCL's Response

The Electricity Act 2003 has been conceived and implemented with the purpose of providing equal opportunity to all the players and promote competition in the power sector. The Act explicitly provides equal opportunity to any / all the players in the market and have no intent / suggestion / provision to limit any of the players including the State utilities to participate in the competition. As such for availing the opportunities prevailing in the market by any of the private player it does not warrant limiting the MPPGCL to expand in future.

Commission's View

The MP Power Trading Company Limited, a State Government owned Company is bringing in the private parties to the State in the field of electricity generation through competitive bidding process under section 63 of the Electricity Act 2003. This is for the information only. In order to setting up a generation station in the State by a private party, the provisions in the Electricity Act are explicit and clear.

Observation No. 10

The Water Charges are a matter which needs to be recommended for reconsideration by the State Govt. The following considerations are necessary.

- (i) The rates have to be less than those charges to new industries
- (ii) The revenue be ploughed back to agriculture subsidy by the State Govt.

MPPGCL's Response

The Water charges are statutory levies but for the option of honoring the statutory requirement, MPPGCL has no say in the matter of finalization of the water charges. Further as per regulations, these charges are also pass-through. In case the Government decides to levy lower charges, MPPGCL would be pleased to pass through the reduced burden in accordance with the decision of the State Government.

Commission's View

The Water charges are statutory levies and decided by the State Government. It will be allowed on the basis of audited balance sheet while the true-up petitions are filed.
