Madhya Pradesh Electricity Regulatory Commission

Tariff Order for procurement of power from Bagasse based cogeneration Plants in Madhya Pradesh

(SMP-59/08)

SEPTEMBER 2008

A1: LEGISLATIVE PROVISIONS

Electricity Act, 2003

1.1 Sections 86(1) and 61(h) of the Electricity Act, 2003, provide the legal framework for the involvement of the Commission in renewable energy:

Section 86 (1) (e) "The State Commission shall discharge the following functions, namely: - promote Cogeneration 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, and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution licence;"

Section 61 (h) "The Appropriate Commission shall, subject to the provisions of this Act, specify the terms and conditions for the determination of tariff, and in doing so, shall be guided by the following, namely:- the promotion of co-generation and generation of electricity from renewable sources of energy;"

National Electricity Policy and Tariff Policy

- 1.2 The National Electricity Policy (NEP), 2005 reasserts the Government's intent to promote renewable energy. Select extracts from the NEP are presented hereunder:
 - 5.2.20 "Feasible potential of non-conventional energy resources, mainly small hydro, wind and bio-mass would also need to be exploited fully to create additional power generation capacity. With a view to increase the overall share of non-conventional energy sources in the electricity mix, efforts will be made to encourage private sector participation through suitable promotional measures."
 - 5.12.1 "Non-conventional sources of energy being the most environment friendly, there is an urgent need to promote generation of electricity based on such sources of energy. For this purpose, efforts need to be made to reduce the capital cost of projects based on non-conventional and renewable sources of energy. Cost of energy can also be reduced by promoting competition within such projects. At the same time, adequate promotional measures would also have to be taken for development of technologies and a sustained growth of these sources."
 - 5.12.2 "... Percentage for purchase of power from non-conventional sources should be made applicable for the tariffs to be determined by the SERCs at the earliest. Progressively the share of electricity from non-conventional sources would need to be increased as prescribed by State Electricity Regulatory Commissions. Such purchase by distribution companies shall be through competitive bidding process. Considering the fact that it will take some time before non-conventional technologies compete, in terms of cost, with conventional sources, the Commission may determine an appropriate differential in prices to promote these technologies."

- 1.3 The Tariff Policy (2006) also reinstates the importance of the renewable energy generation and its subsequent benefits for the country. Some key extracts are presented below:
 - 5.3 (i) "Tariff fixation for all electricity projects (generation, transmission, and distribution) that results in lower Green House Gas emissions than the relevant base line should take into account the benefits obtained from the Clean Development Mechanism into consideration, in a manner so as to provide adequate incentive to the project developers."
 - 6.4 (1) "..... The Appropriate Commission shall fix a minimum percentage for purchase of energy from such sources taking into account availability of such resources in the region and its impact on retail tariffs...."
 - 6.4 (2) "Such procurement by Distribution Licensees for future requirement shall be done as far as possible through competitive bidding process under section 63 of the Act within the suppliers offering energy from same type of non conventional sources."

Madhya Pradesh incentive policy for encouraging renewable based generation

- 1.4 The State Government has issued an incentive Policy on 17.10.2006 for encouraging generation of power in Madhya Pradesh through Non-conventional Energy sources (solar, wind, bio energy, etc.) which provides incentives to non-conventional form of generation such as reduction in contract demand, banking facility etc.
- 1.5 Hence, in exercise of the powers conferred under section 181 read with sections 61(h), 62(a) and 86(1)(e) of the Electricity Act, 2003 (Act 36 of 2003) and all other powers enabling it in this behalf, the Madhya Pradesh Electricity Regulatory Commission (the Commission), through this order, determines the tariff, procurement process and related dispensation for procurement of power by Distribution Licensees in Madhya Pradesh from bagasse based Cogeneration projects.

A2: REGULATORY PROCESS

- 2.1 The Commission had issued a discussion paper on 2.2.08 titled "Determination of tariff for procurement of power from Bagasse based cogeneration in Madhya Pradesh" inviting comments/suggestions from all stakeholders by 25.2.08, which was further extended up to 7.3.08. In response to the above, comments from following stakeholders were received:
 - (i) M.P. Electricity Consumers Society, Indore

- (ii) M/s Simbhaoli Sugars Limited, New Delhi
- A public hearing was held on 16.4.08. The representatives from M/s Simbhaoli Sugars Limited, New Delhi had attended the hearing and offered their comments on the norms specified in the discussion paper. The matter was also discussed in the State Advisory Committee (SAC) meeting on 6.5.08. It was suggested by the Members of SAC that some plants in M.P./outside M.P. may be visited by the Commission before finalisation of the tariff. Accordingly, the Commission/Commission staff visited the following plants during May'08:
 - (i) M/s Narmada Sugar Mills, Gadarwara
 - (ii) M/s Simbhaoli Integrated Refinery Limited, Simbhaoli
 - (iii) M/s Dalmia Chini Mills, Jawaharpur
- 2.3 The Commission has kept in view the tariff orders issued by other State Electricity Regulatory Commissions, comments/objections from different stakeholders, data/facts on bagasse based cogeneration collected from various sources and guidelines for determination of tariff for procurement of power from renewable energy sources. Accordingly, the Commission issues the following order to meet the requirements of the Electricity Act, 2003.

A3: APPLICABILITY OF THE ORDER

- 3.1 The tariff determined in this order will be applicable to all bagasse based cogeneration projects in the State of Madhya Pradesh for sale of electricity to the Distribution Licensees within Madhya Pradesh.
- 3.2 It is made mandatory for the Licensees to post the details of purchase of power from bagasse based cogeneration plants on their websites on a regular basis.

A4: TARIFF REVIEW PERIOD/CONTROL PERIOD

4.1 The first control period will start from the date of issue of this order and will close at the end of FY 2012-13 i.e. 31.3.2013. The tariff decided in a particular control period shall apply to all projects which come up within that control period and the tariff determined for a project shall remain in effect for the whole project life of 20 years from the date of grid connectivity.

A5: MECHANISM FOR TARIFF DETERMINATION

5.1 The Commission has adopted the cost-plus approach to determine tariff for procurement of power from bagasse based cogeneration.

5.2 Consequent to this, the Commission adopts benchmarking of costs and operating parameters. A benchmark tariff determination based on performance standards in terms of specific fuel consumption, auxiliary consumption, plant load factor, price of fuel etc. has been made by the Commission and the cost of generation on benchmark performance norms has been arrived at by the Commission.

Single Part Vs. Two Part Tariff

- 5.3 Normally, two part tariff is applied in order to recover fixed and variable costs through the fixed and variable components of tariff separately. Two part tariff is also used where the proportion of variable components in tariff is quite large.
- 5.4 Taking into consideration the contribution of the Bagasse based cogeneration to the total generation handled by the State Grid, single part tariff appears appropriate as the implementation of two part tariff may involve a large administrative machinery for monitoring & settlement. Moreover, single part tariff provides better incentive to the generator for achieving better performance.

Project Specific or Generalised Tariff

5.5 A generalised tariff mechanism would provide an incentive to the investors who use most efficient technology/equipment to maximise returns. The process of project specific tariff fixation is cumbersome and time consuming. It is, therefore, considered proper to use a generalised benchmark tariff for all the bagasse based cogeneration power plants.

A6: TARIFF DESIGN (FOR PROJECTS COMMISSIONED ON OR AFTER THE DATE OF ISSUE OF THIS ORDER)

Norms & Assumptions for Tariff Determination

- Bagasse based Cogeneration project involves employment of extra high-pressure boiler configurations of 67 kg/cm2 or 87 kg/cm2 or 105 kg/cm2 (against the conventional 32 kg/cm2 or 42 kg/cm2 pressure boilers used in the sugar mills). Sugar mills conventionally cogenerate their own requirements of steam and power during the seasonal operation of 150-200 days in a year by using bagasse as fuel.
- 6.2 Tariff determination using a cost-plus approach requires assumptions on the following key parameters:
 - Capital Cost
 - O&M expenditure
 - Debt-Equity Ratio
 - Normative PLF for recovery of fixed charges

- Interest Cost on Long term debt
- Depreciation
- Return on Equity

DISCUSSION NOTE ON TARIFF FOR BAGASSE BASED COGENERATION

 Working Capital and Interest on Working capital

- Fuel Cost
- Auxiliary Power Consumption
- 6.3 <u>Capital Cost</u>: The following are the capital cost values allowed by some States in determining tariffs for purchase of power from bagasse based cogeneration plant:

| Gujarat | Uttar Pradesh | Andhra Pradesh | Tamil Nadu | Karnataka |
|--|---------------|----------------|------------|-----------|
| 4 Cr./MW (including evacuation infrastructure) | 3.5 Cr./MW | 3.25 Cr./MW | 4 Cr./MW | 3 Cr./MW |

- As per the Government of M.P order dated 17/October/2006, power evacuation infrastructure for Cogen needs to be developed by the developer.
- 6.5 Various stakeholders have submitted following views:
 - (a) M.P. Electricity Consumers Society, Indore states that the capital cost of Rs. 4 Crores per MW be considered as old boilers will be required to be replaced. Also, the existing 33 kV supply lines could be used for power evacuation also with import/export meter and therefore, no extra cost for power evacuation may be necessary.
 - (b) M/s Simbhaoli Sugars Limited, New Delhi suggested the capital cost of Rs. 4.75 Crores per MW with the provision to revise it in specific cases where evacuation cost exceeds Rs. 25 lakhs per MW.

Commission's views

- 6.6 The Commission agrees with the comments that the 33 kV supply linesof the distribution network for availing grid supply by sugar mills can be used for power evacuation also with import/export meter and therefore no extra cost for power evacuation will be incurred. The Commission further observes that cost to be incurred for generating steam and electricity would also cater to in-house use of electricity and steam. The sole cost fully attributable to power generation is that of (i) incremental cost on procurement of extra high pressure boilers and (ii) cost of turbine-generator and related auxiliaries. The Commission, therefore, considers Rs. 2.75 Crores per MW as a reasonable incremental project cost attributable to power cycle for computation of tariff.
- 6.7 Normative Plant Load Factor (PLF): The following are the normative plant load factor allowed by some States in determining tariffs for purchase of power from bagasse based cogeneration plant:

| Gujarat | Uttar Pradesh | Andhra Pradesh | Tamil Nadu | Karnataka |
|---------|---------------|----------------|------------|-----------|
| 80% | 60% | 55% | 55% | 60% |

- 6.8 Various stakeholders have submitted following views:
 - (a) M.P. Electricity Consumers Society, Indore states that the plant load factor may be considered as 55% or actual, whichever is lower.
 - (b) M/s Simbhaoli Sugars Limited, New Delhi suggested the plant load factor may be considered as 50% taking into account 90 % availability of plant.

Commission's views

- 6.9 The Commission observes that the sugarcane production in Madhya Pradesh is lower as compared to that in Gujarat, Uttar Pradesh, Andhra Pradesh, Tamil Nadu and Karnataka. Therefore, a normative plant load factor of 55% is considered appropriate by the Commission.
- 6.10 **O&M expenditure:** The following are the normative O&M expenditure allowed by some States in determining tariffs for purchase of power from bagasse based cogeneration plant:

| | Gujarat | Uttar Pradesh | Andhra Pradesh | Tamil Nadu | Karnataka |
|-----------------------------------|---------|---------------|----------------|------------|-----------|
| O&M costs as a % of capital costs | 2.5% | 2.5% | 3% | 4.5% | 3% |
| Annual escalation | 5% | 4% | 4% | 5% | 5% |

Commission's views

- 6.11 Taking into consideration the various norms adopted by other State Electricity Regulatory Commissions, the O&M expenses including insurance at 3% of the capital cost with an escalation of 5% on O&M expenses per annum is being considered by the Commission for the purpose of tariff determination.
- 6.12 <u>Auxiliary Consumption</u>: The following are the normative auxiliary consumption allowed by some States in determining tariffs for purchase of power from bagasse based cogeneration plant:

| Gujarat | Uttar Pradesh | Andhra Pradesh | Tamil Nadu | Karnataka |
|---------|---------------|----------------|------------|-----------|
| 8% | 8.5% | 9% | 9% | 8% |

6.13 Various stakeholders have submitted following views:

- (a) M.P. Electricity Consumers Society, Indore states that the auxiliary consumption may be considered more where cost of water pumping is more.
- (b) M/s Simbhaoli Sugars Limited, New Delhi suggested that the auxiliary consumption may be considered as 10% instead of 9% similar to biomass plant.

Commission's views

- 6.14 The Commission observes that the major part of the auxiliary consumption is related to the consumptions of auxiliaries required for process steam generation for sugar mills. Only a part of the total auxiliary consumption is attributable to the power cycle.
- 6.15 The Commission therefore considers that an auxiliary consumption of 8 % is appropriate for cogeneration plants.
- 6.16 <u>Depreciation</u>: The following are the normative depreciation allowed by some States in determining tariffs for purchase of power from bagasse based cogeneration plant:

| Gujarat | Uttar Pradesh | Andhra Pradesh | Tamil Nadu | Karnataka |
|---------|---------------|----------------|------------|-----------|
| 4.5% | 7% | 7.84% | 7.84% | 7% |

6.17 M/s Simbhaoli Sugars Limited, New Delhi suggested that the depreciation @ 7.84 % per year may be considered instead of 7% per year for first 10 years and 1% per year for next 10 years.

Commission's views

- 6.18 The Commission observes that depreciation at the rate of 7% per year will be sufficient for the developer to repay the loan forming a part of the capital cost in 10 years. Therefore, a normative depreciation of 7% per year for the first 10 years and balance in rest of the project life i.e. next 10 years @ 2% per year is considered appropriate by the Commission.
- 6.19 <u>Fuel Price:</u> The following table highlights the fuel price as determined by different SERCs.

| | Gujarat | Andhra Pradesh | Tamil Nadu | Karnataka |
|------------------------------------|---------|----------------|------------|-----------|
| Station Heat Rate (kCal/KWh) | 3700 | 3700 | 3700 | 3700 |
| Gross Calorific Value (kcal/Kg) | 2250 | 2250 | 2300 | 2300 |
| Fuel Price (Rs./Tonne) | 775 | 575 | 575 | 800 |

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- 6.20 Various stakeholders have submitted following views:
 - (a) M.P. Electricity Consumers Society, Indore states that for few sugar mills, higher bagasse price may be considered due to higher transportation cost.
 - (b) M/s Simbhaoli Sugars Limited, New Delhi suggested the bagasse price may be considered as Rs. 1000-1200 per tonne.

Commission's views

- 6.21 Bagasse is the only fuel which is being generally used by the cogenerators and the same is available within the premise of a sugar mill and thus there is no transportation cost incurred on the procurement of bagasse. Further, a part of the heat is used by the process steam which results in higher Station Heat Rate The Commission therefore considers price of bagasse at Rs. 775 per tonne with escalation in price @ 4% per annum. The specific fuel consumption has been considered as 1.61 Kg./kWh (considering Gross Calorific Value of Bagasse as 2300 Kcal/Kg. and Station Heat Rate as 3700 Kcal./kWh).
- 6.22 Other parameters: The following are the other normative parameters allowed by some States in determining tariffs for purchase of power from bagasse based cogeneration plant:

| | Gujarat | Uttar Pradesh | Andhra Pradesh | Tamil Nadu | Karnataka |
|------------------|--------------|---------------|----------------|------------|-----------|
| Interest on loan | 10.25% | 10.25% | 10% | 9% | 11% |
| IWC | 10.25% | - | 12% | 11% | 12.5% |
| RoE | 14% post tax | - | 16% pre-tax | 16% | 16% |
| D-E ratio | 70:30 | 70:30 | 70:30 | 70:30 | 70:30 |

Commission's views

- 6.23 Looking to the normative parameters allowed by other States, the Commission considers the following parameters for determination of tariff for bagasse based cogeneration.
 - (i) Interest on loan = 11 % per annum.
 - (ii) Return on Equity = 16 % pre-tax.
 - (iii) Debt-Equity Ratio = 70:30
- 6.24 The norms for working capital are considered as follows:-

- (a) 1 month's O&M expenses
- (b) 2 months billing as receivables
- 6.25 The Commission has considered the interest rate on working capital at State Bank of India Prime Lending Rate + 1%. For computation of present tariff, interest on working capital is taken at 13.75 %. It will be reviewed if Prime Lending Rate varies by more than +/- 2% in any financial year.
- 6.26 <u>Project life:</u> The project life of Bagasse based cogeneration plant is considered for 20 years from the date of its commissioning.

A7: COMMISSION'S ORDER: TARIFF RATE AND STRUCTURE

7.1 Tariff rate for projects commissioned on or after the date of issue of this order: Considering the above parameters, the Commission sets the tariff for bagasse based cogeneration projects to be commissioned on or after the issue of this order for its project life of 20 years in the manner shown below:

(Tariff in Rs. per Unit)

| (Tarm in Ks. per Unit) | | | | | |
|------------------------|--------|------|--------|--|--|
| Year | Tariff | Year | Tariff | | |
| 1 | 2.80 | 11 | 2.80 | | |
| 2 | 2.82 | 12 | 2.90 | | |
| 3 | 2.83 | 13 | 3.00 | | |
| 4 | 2.86 | 14 | 3.10 | | |
| 5 | 2.88 | 15 | 3.21 | | |
| 6 | 2.91 | 16 | 3.33 | | |
| 7 | 2.94 | 17 | 3.45 | | |
| 8 | 2.97 | 18 | 3.57 | | |
| 9 | 3.01 | 19 | 3.71 | | |
| 10 | 3.05 | 20 | 3.84 | | |

- 7.2 <u>Tariff for existing co-generation Projects:</u> Existing projects are those, which have their date of commissioning before the date of issue of this order. These projects were set up under the guidelines existing at the time of such investments.
- 7.3 The price payable to this group of projects for sale to the licensees shall be Rs. 2.25 per unit. This tariff would remain constant for the remaining period of operation of the project considering the life of project as 20 years. However, wheeling charges as per provisions made in the incentive policy of the Government of Madhya Pradesh will be applicable to such sale.

A8: OTHER ISSUES (APPLICABLE TO NEW/EXISTING CO-GENERATORS)

- 8.1 The tariff rates are inclusive of all charges on account of taxes/duties/cess/octroi etc. except Electricity Duty/Cess on sale of power.
- 8.2 The Electricity Duty/Cess, if payable by the generators on sold energy to the Licensee, shall be payable by the Licensee in addition to the above tariff rates.
- 8.3 The tariff rates and structure shall be firm and will not vary with fluctuation in exchange rate variations or on account of changes in law or in taxes.
- 8.4 Power Purchase Agreement: 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 revested there in the M.P. Power Trading Company Ltd. Therefore, the Commission directs that the energy generated by the co-generating units will be procured centrally by the M.P. Power Trading Co. Ltd. at the rates specified in this order. The energy so procured will be allocated by M.P. Power Trading Co. Ltd. to the three distribution licensees on the basis of actual energy input in previous financial year. Accordingly, the Power Purchase Agreements will be signed between the developer and the M.P.Power Trading Co. Ltd., Jabalpur. The M.P. Power Trading Company Limited, Jabalpur in turn will have back to back power supply agreement with the Discoms. The agreements will be for exclusive sale of electricity for a period of 20 years from the date of commissioning of plant or for a shorter period in case the developer opts to supply to the licensees after consuming the electricity for self use/ third party sale for some years. The M.P. Power Trading Company Limited, Jabalpur is directed to submit to the Commission a model agreement within two months from the date of the order.
- 8.5 The developers are required to get all the required statutory consents before entering into agreement with M.P. Power Trading Company Limited, Jabalpur.

Transmission & Wheeling

- 8.6 The transmission charges to be levied for power from Cogeneration projects will be decided by the Commission from time to time. This is in line with Government of M.P order dated 17/October/2006.
- 8.7 Wheeling charges and applicable surcharges on wheeling charges shall be levied as determined by the Commission from time to time for third party sale/captive consumption. Wheeling charges shall be payable to the Discom where the energy is consumed irrespective of the point of injection. No wheeling charges are payable for sale to M.P. Power Trading Co. Ltd. on behalf of Discoms.

Till such time the wheeling charges are determined by the Commission for third party sale/ captive consumption, the Distribution Company in whose area the energy is consumed (irrespective of the point of injection) shall deduct 2% of the energy injected towards provisional wheeling charges in terms of units. The M.P. Power Trading 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 for the user in terms of provisions made in the Government of M.P. incentive policy for encouraging generation of power in M.P. through Non-conventional Energy Sources notified on 17.10.06. This amount of subsidy shall then be passed on to the Discom/ Discoms in whose area the energy is consumed on the basis of allocation indicated by the co-generator in the agreement executed.

Banking

- 8.9 Banking in respect of captive generator and third party suppliers shall be allowed in terms of provisions made in the Government of M.P. incentive policy for encouraging generation of power in M.P. through non-conventional energy sources notified on 17.10.06.
- 8.10 The Commission, therefore, directs the Distribution Licensees to submit to the Commission, a mechanism of Banking within two months of issue of this tariff order.

Scheduling

8.11 The Cogeneration plants have been kept out of the purview of 'scheduling' and 'merit order dispatch principles' to promote generation of electricity from renewable sources of energy.

Reduction in Contract Demand

8.12 Reduction in contract demand by consumers of the distribution licensees shall be allowed in terms of provisions made in the Government of M.P. incentive policy for encouraging generation of power in M.P. through Non-conventional Energy Sources notified on 17.10.06.

Minimum Purchase Requirement

8.13 Section 86(1)(e) of the Electricity Act,2003 states that the State Commission shall specify a percentage of the total consumption of electricity in the area of a distribution licensee for purchase of electricity from renewable sources

- 8.14 The Commission, therefore, has fixed a target of 10% of total annual consumption (including third party sale and own use) in the area of supply for all licensees, subject to availability, as the minimum purchase requirement from all Non-conventional Sources of Energy including Bio-mass, wind, small hydro, cogeneration etc. for the distribution licensees. The inter-se allocation between the various non-conventional sources of energy will be specified by the Commission based on the installed capacity of each source in the course of annual retail tariff determination.
- 8.15 If the Distribution Licensee fulfils the minimum purchase requirements and still has offers from the aforesaid co-generators, then either the Distribution Licensee or the developers can approach the Commission for approval of such procurement offers. The Commission is presently not inclined to prescribe the maximum limit, as it does not foresee that in the immediate future, there would be offers from investors in renewable sources exceeding the prescribed minimum limit.
- 8.16 The condition of minimum purchase requirement for the Distribution Licensee would not be applicable under Force Majure Conditions such as war, strike, lockout, riots, act of God or natural calamity etc. so as to enable the Distribution Licensee to maintain the supply to its consumers and public services under emergency conditions.

Reactive Power Supply:

- 8.17 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.
- 8.18 Reactive energy charges would be paid by the developer to the Distribution Licensees in whose territorial area the Co-generator Unit is located.

Metering & Billing

- 8.19 The metering arrangement is to be done at site as per the provisions of the Government of M.P. incentive policy for encouraging generation of power in M.P. through Non-conventional Energy Sources notified on 17.10.06.
- 8.20 Billing of the metered energy will be carried out on a monthly basis.
- 8.21 The meter reading will be carried out by the respective Discom where the energy is injected into the system.

Payment Mechanism

- 8.22 The Commission prescribes 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.
- 8.23 The bills 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 Trading Company Limited, Jabalpur for making payment to the developer. The M.P. Power Trading Company Limited in turn, would raise the bills on the distribution licensees on the basis of allocation.
- 8.24 In case of delay beyond the 30 days payment period, the M.P. Trading Co. Ltd. will pay penal interest on outstanding amount at the rate of 2 % p.a. over and above the short term lending rate of the State Bank of India (known as Prime Lending Rate) prevailing on the first day of the month when payment becomes due. In case the M.P. Trading Co. Ltd. makes the payment within 15 days from the date of submission of bill by developer, a rebate of 1 % billed amount shall be allowed by the developer. The penal interest/rebate will also be passed on to the Discoms by the M.P.Power Trading Co. Ltd.

Default Provisions – Third Party Sale or sale to utility

- 8.25 In case of default in payment for more than three months continuously by the M.P. Power Trading Company Limited, the developer can sell power to the third party.
- 8.26 Where the developer has an existing arrangement for third party supply or for captive consumption and in case the developer desires to terminate the agreement with third party and to supply to the utility, the utility with the prior permission of the Commission, will purchase the power at the rate as determined by the Commission in which case the developers are required to execute the Power Purchase Agreement with the licensee for the remaining period of project life of 20 years.

Drawing of Power during Shutdown

8.27 In case permanent electric connection is not availed by the plant, 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 energy consumed would be billed at the temporary rate applicable to HT Industrial category.

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Other applicable conditions

- 8.28 All statutory clearances and necessary approvals, if any, 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.
- 8.29 The developer would ensure that the proposed location of the plant is in accordance with the policy guidelines of the Union/ State Government.

Power to amend

8.30 The Commission reserves the right to alter, modify or amend any provisions of this order at any time. The Commission feels that this provision is necessary so that any fact which has been over-looked can be incorporated subsequently or any new situation emerges due to experience gained during the operation of the order can be suitably addressed in the interest of the stakeholders.

Ordered accordingly.

(C.S.Sharma)(K.K.Garg)(Dr. J.L.Bose)Member(Econ.)Member(Engg.)Chairman

Place: Bhopal

Date: 3rd September, 2008

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