

MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

Metro Plaza, Bittan Market, BHOPAL – 462 016

Sub: In the matter of Tariff Petition filed by MPPGCL for approval of Generation tariff of Extn. Unit of 1x500 MW at Sanjay Gandhi Thermal Power Station, Birsinghpur Thermal Power Project

ORDER

(Passed on this day 18th January 2008)

M.P. Power Generating Co. Ltd., Jabalpur	-	Petitioner
Vs.		
M.P. Power Trading Co.Ltd., Jabalpur	-	Respondent-1
M.P. Poorv K.V.V.C.L., Jabalpur	-	Respondent-2
M.P. Madhya K.V.V.C.L. Bhopal	-	Respondent-3
M.P. Paschim K.V.V.C.L. Indore	-	Respondent-4
M.P. Power Transmission Co.Ltd., Jabalpur	-	Respondent-5
M.P. State Electricity Board, Jabalpur	-	Respondent-6

The M.P. Power Generating Co. Ltd., (MPPGCL) had filed the subject petition on September 20, 2007 for determination of generation tariff for its newly commissioned 1x500 MW unit at Sanjay Gandhi Thermal Power Station (SGTPS) Birsinghpur. The petitioner requested the Commission to allow them to recover the fixed cost and the variable cost as the plant had already been commissioned on June 18, 2007. The petitioner had further submitted that it would start commercial operation from November 2007. In view of this, on the basis of performance norms elaborated in the Commission's regulation on generation tariff namely MPERC (Terms and Conditions for Determination of the Generation Tariff) Regulation, 2005, for the remaining control period i.e. up to 31st March 2009 the petitioner had proposed the following ARR for the project for FY 2007-08 and FY 2008-09 separately in the petition:

Particulars		FY 08	FY 09
Net Generation	MU	1341	3257
Depreciation	Cr.Rs	36.63	88.55
Interest on Loan	Cr.Rs	72.64	164.24
Return on Equity	Cr.Rs	36.20	87.50
Advance Against Depreciation	Cr.Rs	0.00	42.32
Interest on Working Capital	Cr.Rs	9.90	23.68
MPERC Fee	Cr.Rs.	0.10	0.25
O&M Expenses	Cr.Rs	22.19	56.85
Total Fixed Cost	Cr.Rs.	177.67	463.38
Variable Charges	Cr.Rs	142.86	315.92
	p/u	107	97
Total	Cr.Rs	320.53	779.30
Indicative Average Rate	p/u	239	239
Amount Charged as MAT	Cr.Rs	4.63	11.18
Total + Taxes	Cr.Rs	325.15	790.48
Indicative Average Rate	p/u	242	243

2. The Commission held the first hearing on October 30, 2007. During the course of the hearing, the petitioner requested the Commission to accept the petition and allow it to recover the fixed cost and variable cost as filed in the petition. The representative of the respondent MP Power Trading Company Limited requested the Commission to allow the petitioner to recover the cost for in-firm power on the basis of the cost of the fuel consumed for generation of the power as the subject unit had not achieved the Commercial Operation Date (COD). The respondent further submitted that CERC in case of Thermal Power Stations of NTPC allows the recovery of the cost of infirm power only if the COD has not been achieved. The Commission enquired from the representatives of the petitioner about the status of completion of the project. The representatives of the petitioner informed that the coal handling plant was under construction and would be completed during November 2007.

3. The Commission heard the arguments of the petitioner and the respondents. The Commission had rejected the request of the petitioner for approval of provisional tariff comprising the fixed and variable costs as projected by the petitioner. The Commission had opined that till the 500 MW unit (under consideration) starts generating the

electricity commercially, the Commission may consider to allow the cost of the in-firm energy injected into the grid on the basis of fuel and employee related expenses. The Commission directed the petitioner to file the cost of fuel i.e. cost of coal and oil used exclusively for generation of electricity from the subject unit along with the expenditure made by the company on the employees working in the unit, starting from the date of synchronization till latest possible date, to the Commission.

4. The petitioner MPPGCL in its submission dated 27/11/2007 submitted the actual fuel cost and other costs for the 500 MW unit under consideration. It had been indicated in the submission that in the month of October 2007 the cost of generation was Rs. 4.15 per kWh and for the first 15 days of November it was Rs. 2.40 per kWh. The rate for the total period of one and a half month had been worked out to Rs. 3.38 per kWh. The MPPGCL had further submitted that the above-proposed rate had been much lower than what is provided for in the recent philosophy of CERC (i.e. infirm power to be billed at prevailing UI rate) and the rate of marginal power, presently being procured by MP Power Trading Company Limited. The petitioner further submitted that on the basis of prevailing UI rates for different slots, if applied to the infirm power of the subject project, the average rate would be Rs. 4.73 per kWh. The petitioner had requested to permit the recovery of actual cash expenses incurred by MPPGCL to generate infirm power from the project.

5. Meanwhile, the Commission's attention was drawn towards the existing provisions in the regulation in vogue. The MPERC (Terms and Condition for Determination of Generation Tariff) Regulation 2005 is silent on the costing methodology for in-firm power generated by the thermal power station between the date of synchronization of the unit with the grid and date of starting of commercial operation. However, clause 37 of the aforementioned regulation provides what treatment is to be given to the revenue earned by the generating company from the sale of in-firm power. It stipulates that

“Any revenue other than the recovery of fuel cost earned by the generating company from sale of infirm power shall be taken as reduction in capital cost and shall not be treated as revenue”.

6. Similarly, no criterion has been specified for the rate at which in-firm power is to be sold in case of thermal station by CERC Generation Tariff Regulations also, though the revenue earned by the generating station from sale of infirm power has to be considered for reduction in capital cost. The clause (XV) of Regulation 14 and clause (XV) of Regulation 31 of the CERC's Regulations on Terms and Conditions of the Tariff issued in 2004 define 'Infirm power' as the electricity generated prior to commercial operation of generating unit, for thermal and hydro power generating stations respectively. It therefore, includes energy supplied to the grid by a generating unit during its trial operation period between first synchronization and declaration of commercial operation. Regulation 19 (applicable to thermal generating stations only) of the CERC's Regulations of 2004 with regard to the sale of in-firm power is reproduced below.

“Sale of Infirm Power: Any revenues (other than recovery of fuel cost) earned by the generating company from sale of infirm power, shall be taken as reduction in capital cost and shall not be treated as revenue.”

7. The petitioner in its submission of 27/11/2007 and in the hearing of 05/12/2007 submitted that in the explanatory memorandum published in the website of CERC on 21/11/2007, the CERC had indicated that there were no standard guidelines available for deciding the rate of in-firm power. The CERC further indicated that it had been approving the rate of infirm power on the basis of normative parameters whereas a better methodology would have been approving the rates of in-firm power on UI basis. Accordingly the CERC had proposed to add the following phrase in the Regulation 19:

“Infirm power shall be accounted as Unscheduled Interchange (UI) and paid for from the regional / State UI pool account at the applicable frequency-linked UI rates.”

8. The CERC, in its order dated July 20 July 2007, in the matter for infirm power supply prior to the date of commercial operation from unit-1 (500 MW) of Vindhyachal Thermal Power Station, Stage III, allowed recovery of infirm power charges on the basis of fuel cost. The CERC calculated the fuel cost based on norms notified by CERC for 500 MW sets, price and GCV of the coal was taken based on the actual.

8. As there was no regulation in vogue to govern the rate of in-firm power, the Commission, had taken cognizance of the CERC's decision on Vindhyachal Thermal Power Station Stage –III. The proposed amendment of CERC of 21/11/2007 was only in the draft stage at that time. Hence, the Commission, in its order sheet in the subject petition hearing held on December 05, 2007 directed the MPPGCL to submit the fuel cost certified by Chartered Accountant and Generation data certified by SLDC for the period after the commissioning / synchronization of the subject 500 MW unit.

9. In reply to this, MPPGCL through letter no 07-12/CP-MPPGCL/MPERC/19 submitted the following data:

1	Fuel cost as Certified by CA	Cr Rs	58.08
2	Net Generation as certified by SLDC	MU	262.09
3	Rate of fuel cost element in infirm power	p/u	222

10. Subsequent to this on December 28, 2007, the CERC issued an order for the sale of infirm power from thermal power stations. As per this order the CERC has amended Regulation 19 of the tariff regulation. This amendment has been made effective from 00.00 hours of 7th January 2008. Revised regulation with regard to the sale of infirm power is as follows:

“19. Sale of Infirm Power: Infirm Power shall be accounted as Unscheduled Interchange and paid from the regional/ State UI pool account at the applicable frequency linked UI rate. Any revenues earned by the generating company from the sale of infirm power shall be applied for reduction in capital cost and shall not be treated as revenue.”

11. The CERC, vide its clarification issued on 14th January 2008 on the amendment(s) made effective from January 07, 2008, has further clarified that the UI rate for sale of infirm power from coal, lignite and gas fired generating stations has been capped at Paise 406 per kWh.

12. In view of the facts and circumstance explained above, The Commission decides to follow the CERC's latest Regulations in this regard. This is in accordance with the

section 61 of the Electricity Act, 2003, wherein it has been stipulated that the appropriate Commission, for the purpose of the determination of tariff shall specify the terms and conditions which shall be guided by the principles and methodologies specified by the Central Commission. Hence, the Commission orders that the recovery of infirm power charges is to be made as per the latest Regulations/amendments/clarifications issued by the CERC as on date.

12. With the direction that the petitioner should immediately file the petition for determination of the provisional tariff for the subject 500 MW unit at SGTPS, Birsingpur, as soon as the date of commercial operation is achieved, the Commission closes the subject petition.

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(R.Natarajan)
Member (Econ.)

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(D.Roy Bardhan)
Member (Engg.)

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(Dr. J.L. Bose)
Chairman