

MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION, BHOPAL

Sub : In the matter of miscellaneous petition under Regulations 46, 47 and 49 of MPERC (Conduct of Business) Regulations, 2004 for suitable modifications in and / or relaxation of powers in relation to Part A, Regulation 4 of MPERC (Cogeneration and Generation of Electricity from Renewable Sources of Energy) Regulations, 2010 (Revision-I) {RG-33(1) of 2010}.

Petition No. 01 of 2011

ORDER

(Date of hearing 15th March, 2011)

(Date of order 29th March, 2011)

MP Power Trading Company Ltd.
Jabalpur. - Petitioner

MP Poorv Kshetra Vidyut Vitaran Co. Ltd.
Jabalpur. }

MP Madhya Kshetra Vidyut Vitaran Co. Ltd.
Bhopal. - Co-Petitioners

MP Paschim Kshetra Vidyut Vitaran Co. Ltd.
Indore. }

Shri A.B.Bajpai, CGM and Shri S.V.Dubey, Advisor appeared on behalf of MP Power Trading Co. Ltd.

Shri Avinash Gadhre, Legal Executive appeared on behalf of MP Poorv Kshetra Vidyut Vitaran Co. Ltd.

Shri Gajra Mehta, CE (Comml.) and Shri P.K.Jain, Addl. SE appeared on behalf of MP Paschim Kshetra Vidyut Vitaran Co. Ltd.

2. The MP Power Trading Co. Ltd., MP Poorv Kshetra Vidyut Vitaran Co. Ltd., MP Madhya Kshetra Vidyut Vitaran Co. Ltd. and MP Paschim Kshetra Vidyut Vitaran Co. Ltd. have jointly filed the present petition under Regulations 46, 47 and 49 of MPERC (Conduct of Business) seeking suitable modifications in and/or relaxation of powers in relation to Part A, Regulation 4 of MPERC (Cogeneration and generation of electricity from renewable sources of energy) (Revision-I) Regulations, 2010.

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3. The Petitioner and the Co-Petitioners have requested to relax and review the Clause 4.1 and 4.5 of aforesaid Regulations.

4. The Clause 4.1 of the said Regulations prescribes minimum solar power expressed as percentage of total energy to be procured by the Petitioners/Co-petitioners –

Financial Year	Cogeneration and other Renewable Sources of Energy		
	Solar (%)	Non Solar (%)	Total (%)
2010-11	-	0.80	0.80
2011-12	0.40	2.10	2.50
2012-13	0.60	3.40	4.00
2013-14	0.80	4.70	5.50
2014-15	1.00	6.00	7.00

5. It is mentioned in the petition that the development of solar power in the State is at a nascent stage and it cannot be said with certainty that the obligated quantum of solar power for each financial years, as specified in the Regulations will be met from the sources identified. In such a situation, Petitioner/ Co-petitioners will be forced to procure obligated minimum solar power either from sources located outside the State or will have to purchase RE certificates from the power exchange. This will cause additional financial burden on the Petitioner/Co-petitioners. Presently, only 13 MOUs have been signed by the Petitioner/ Co-petitioners with prospective Solar PV Power Generators who will commission their Solar Power Plant at Gopalpur in Rajgarh District (MP) out of which PPAs with only 5 of them have been executed for 13 MW. It is also mentioned in the petition that Clause 4.2 of the said Regulations will be detrimental to the financial health of the Petitioner/ Co-petitioners, in case solar energy generators including co-generators from renewable sources approaches the Commission for approval of additional procurement of power, especially when Petitioner/ Co-petitioners have fulfilled the minimum purchase requirement from non-conventional and renewable sources.

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6. Clause 4.5 of the said Regulations provides for procurement of obligated minimum solar power at the tariff determined by the Commission from time to time in its tariff orders. The solar power tariff fixed by the Commission is higher than the tariff for energy from conventional sources, which is approximately Rs. 2.30 per unit for FY 2012 and Rs. 2.53 for FY 2013. The likely financial implication during FY 2012 and 2013 and impact on retail tariff due to meeting the obligation of procurement of above said percentage of solar power at the rates approved by the Commission has been estimated as follows :

FY	Estimated total energy requirement (MU)	Solar power obligation in (MU)	Tariff (Rs./unit)		Cost of energy (Rs. in Cr.)		Cost of total energy		Additional burden (Paise per unit)
			Conventional	Solar	Conventional	Solar	With solar	Without solar	
2011-12	41300	165	2.30	15.35	9461	253	9714	9499	5.21
2012-13	48500	291	2.53	15.35	12197	447	12644	12271	7.69

7. The procurement of 165 (MUs) (0.4%) solar energy in FY 2011-12 and 291 MUs (0.6%) in FY 2012-13 will increase the power purchase cost by 5.21 paise and 7.69 paise per unit respectively which corresponds to 2.27% and 3.04% increase over and above the average tariff for conventional energy which is significant. As per Regulation 4.5 of the said Regulations, the Petitioner/Co-petitioners have to compulsorily procure solar power at a tariff fixed by the Commission which are exorbitant in present scenario and does not leave any scope for the Petitioner/Co-petitioners to procure such solar power through competitive bidding process under Section 63 of the Electricity Act, 2003. The non-inclusion of enabling provision of Section 63 of the Electricity Act in the said Regulations will deprive the Petitioner/Co-petitioners to procure power through competitive bidding process.

8. The Petitioner/Co-petitioners have therefore prayed to the Commission –

- (i) To fix minimum RPO of solar power and non-solar power as indicated below –

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Financial Year	Cogeneration and other Renewable Sources of Energy		
	Solar (%)	Non Solar (%)	Total (%)
2010-11	-	0.5	0.5
2011-12	0.1	1.4	1.5
2012-13	0.25	2.25	2.5
2013-14	0.35	3.15	3.50
2014-15	0.5	4.00	4.5

- (ii) Do away with provisions under Regulation 4.2 and 4.5 of the said Regulations;
- (iii) To allow procurement of co-generation and renewable energy under RPO, as far as possible, through competitive bidding process.

9. The case was listed for motion hearing on 02.02.2011.

10. During the motion hearing, the representative of the Petitioner submitted that bidding may be allowed in terms of the provisions of the tariff policy. He has further submitted that despite best efforts, developers are not coming forward to install solar power projects, therefore, the Petitioner/Co-petitioners are finding difficulty in achieving the RPO fixed by the Commission. He has further requested to consider the submissions made in the petition and to revise the RPO for solar power and non-solar power accordingly.

11. During the hearing, the Commission observed that there is a provision for bidding of power procurement in tariff order for Procurement of power from solar energy based power projects. The Commission in the above tariff has already mentioned that the tariff determined is the maximum and the State Nodal Agency MP Urja Vikas Nigam Ltd. or MP Power Trading Co. Ltd. on behalf of the Distribution License shall be free to invite bids from developers and the developer bidding the lowest tariff will be allowed to install the power plant and sell the generated power to the State Utilities. The Commission also observed that adequate efforts are not being made to facilitate setting up of renewable energy sources despite its fixing minimum purchase obligation from such sources.

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12. To gauge the ground reality vis-à-vis issues raised by the Petitioner and Commission's concerns on efforts being made to attract power generation from renewable sources, the Commission directed the Commission Secretary to form a working group consisting of Officers of the Commission, MP Urja Vikas Nigam Ltd. and MP Power Trading Co. Ltd. to review the efforts being made by Urja Vikas Nigam and MP Power Trading Company and to monitor the progress of installation of generating units of various renewable sources and bring out bottlenecks, if any, vis-à-vis achieving the minimum RPO fixed by the Commission. The Commission has further directed that working group shall submit a report in first week of March, 2011. The case was listed for hearing on 15.03.2011.

13. The working group has submitted the report on 14.03.2011. It is noted from the report that MP Power Trading Co. Ltd. have expressed difficulties in achieving the Renewable Purchase Obligation (RPO) as per Regulations, whereas MP Urja Vikas Nigam Ltd., the nodal agency maintains that the RPO targets are achievable. The main bottleneck expressed by them is delay in execution of PPAs by MP Power Trading Co. with developers.

14. During the hearing, the representative of the Petitioner submitted that despite best efforts in expediting the execution of PPAs, the RPO for solar and non-solar plants will not be achieved. They have further requested to revise the RPO as mentioned in the petition. They have also mentioned that they are in loss of Rs. 3600 Crores as on 31.03.2010 and due to acute cash deficit in State Discoms, the MP Power Trading Co. Ltd. will not be able to purchase energy over and above the quantum as mentioned in MP Power Trading Co.'s review petition.

15. On hearing the Petitioner, the Commission is of the view that the financial constraint as mentioned by the Petitioner are misplaced as all the expenditures are passed

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through in ARR of the Distribution Licensee. There is a national mandate to promote generation from non-conventional sources of energy and to achieve this, the MP Power Trading Co. Ltd. and the Distribution Licensees are required to take suitable measures so that generation from non-conventional sources of energy increases.

16. It is noted that the report of working group only notes the rival contentions of MP Power Trading Co. and Urja Vikas Nigam and does not bring out ground realities as was asked for by the Commission. The working group is advised to collect information of energy purchased from non-conventional sources in the current fiscal, the PPAs executed and applied for, the status of various capacities stated to be on anvil by MP Urja Vikas Nigam. Based on these details, reasonable expectation of energy being available from these sources be worked out. The Commission based on above information intends to decide whether a review of existing renewal purchase obligation (RPO) is required or not.

17. With the above directions, the Petition No. 01 of 2011 stands disposed of.

Ordered accordingly,

(C.S.Sharma)
Member (Eco.)

(K.K.Garg)
Member (Engg.)

(Rakesh Sahni)
Chairman