

MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION, BHOPAL

Sub : Filing of petition for review of generalized tariff fixed by MPERC for procurement of power from biomass based power plants.

Petition No. 32/2012

ORDER

(Date of hearing 28th May, 2012)

(Date of order 1st June, 2012)

M.P.Biomass Energy Developers Association,
H.No. 6/4, Saket Nagar, Bhopal – 462024.

- Petitioner

Shri Amul Urdhwareshe, Director & Shri Aseem Singhal, Director, M/s Harvest Energy and Shri Ranjan Kumar, General Manager, M/s Orient Green Power Co. Ltd. appeared on behalf of the petitioner.

2. The petitioner has filed this petition for seeking review of tariff order dated 02.03.2012 vide which the Commission had fixed the tariff for procurement of power for biomass based power projects. The tariff has been fixed by the Commission adopting the cost plus approach considering assumptions on various factors influencing the cost of generation of power like investments costs, operating costs, financing costs and their impact based on the operating parameters of a typical 1 MW plant.

3. The petitioner also submitted that some of the issues have not received due and adequate consideration of the Commission given the current developments, latest CERC guidelines, factual situation and practical consideration of operating such plants viably. The petitioner, therefore, sought an immediate review of some of the issues decided by the Commission in the said order.

4. The following are the main prayers of the petitioners:

- (i) The fuel price Rs. 2700/MT be considered as the prevailing biomass price.
- (ii) The average capital cost per MW of the project be considered at Rs. 525 lakhs.

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Sub : Filing of petition for review of generalized tariff fixed by MPERC for procurement of power from biomass based power plants.

- (iii) The station heat rate for calculation of tariff may be considered as 4000 k.cal/kwh.
- (iv) The average calorific value of biomass may be considered to be 3300 k.cal/kg.
- (v) The variable cost of generation be considered same and not varied with plant load factor.
- (vi) Revise the tariff in line with the aforesaid charges.
- (vii) Incidental issues as detailed in the petition necessary for connectivity, scheduling, third party sale and construction power may be considered favorably.

5. The case was listed for motion hearing on 28.05.2012.

6. During the motion hearing, the representatives of the petitioner submitted that there is an error in working out the variable charges and that these charges should remain the same irrespective of the plant load factor. It was also mentioned that since fuel cost has been determined for one year only, uncertainty about future fuel cost is a major concern of the lenders. Owing to this uncertainty, obtaining finance of these projects is difficult. They have also suggested that the Commission reconsider the assumptions made on account of other norms such as capital cost, O&M cost, Station Heat Rate, Gross Calorific value, etc.

7. On hearing the petitioner and considering the written submissions, the Commission is of the view that suggestions/comments from various stakeholders on assumption of various parameters have already been considered recently while determining tariff. As such, review of these parameters is neither maintainable nor warranted. However, calculation error has crept in variable charges mentioned in the order. This needs to be corrected. Similarly, difficulty in obtaining finance for these projects also needs to be addressed. Accordingly, the Commission decides that the clauses 6.26, 7(ii) and 9.1(ii) be substituted as under w.e.f. the date of issue of order i.e. 02.03.2012 :-

“6.26 The Commission
..... to 31st March, 2013. The

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Sub : Filing of petition for review of generalized tariff fixed by MPERC for procurement of power from biomass based power plants.

developer shall have the option to either accept annual escalation @ 5% on fuel cost determined in this order or the fuel cost as may be determined on year to year basis by the Commission in the month of March preceding the financial year. The option exercised as above by the developer shall be appropriately incorporated in the Power Purchase Agreement to be executed as per clause 8.6."

“7(ii) Variable tariff for the period from the date of issue of this tariff order to 31st March, 2013
= Rs. 2.45 per kWh #

The Variable tariff for subsequent period shall be declared in each year in the month of March preceding that year.

* A refers to the period of stabilization.

** B refers to the remaining period of first year of operation after stabilization.”

“9.1(ii) Variable tariff for the period from the date of issue of this tariff order to 31st March, 2013
= Rs. 2.45 per kWh.

Note: In all the above cases, the developer is required to execute supplementary agreement with MP Power Management Co. Ltd. for sale of power to the Distribution Licensee at the variable rate for the period up to 31st March, 2013 as aforesaid and variable rate as may be determined by the Commission for subsequent financial years.”

8. With the above directions, the Petition No. 32/2012 stands disposed of.

Ordered accordingly,

sd/-
(C.S.Sharma)
Member

sd/-
(Rakesh Sahni)
Chairman