

No: MERC/FAC/20102011

Date : November 23,2010

The Director
Reliance Infrastructure Limited,
Reliance Energy Centre,
Santacruz (East), Mumbai 400 0055

Subject: Approval of Reliance Infrastructure Ltd Fuel Adjustment Charges (FAC) for the period April 2010 to June 2010. (Q1-FY11)

Ref erence : Reliance Infrastructure's submission dated October 18, 2010

Sir,

With reference to your submission referred to above, in pursuance of directions in the Tariff Order dated 15th June 2009, I am directed to forward herewith the decision of the Commission (refer Annexure) for further necessary action.

The Commission has post facto approved FAC amount of Rs. (25.7709) Crores, Rs. 1.2935 Crores, Rs. (30.4935) Crores for the months of April 2010, May 2010 and June 2010 resp. As the FAC amount at the end of June 2010 is refund of Rs 30.4935 Crores to the Consumers, the carried forward amount for recovery at future date is Nil..

The details are tabulated in the enclosed Annexure.

Yours faithfully

(K.N.Khawarey)
Secretary, MERC

Encl : Detailed Vetting Report for Q1 FY11

Names and Addresses of Consumer Representatives authorized as per Section 94 (3) of the Electricity Act 2003

Prayas Energy Group, Amrita Clinic, Athawale Corner, Lakdipool-Karve Road Junction, Deccan Gymkhana, Karve Road, Pune 411 004.	The President, Mumbai Grahak Panchayat, Grahak Bhavan, Sant Dynyaneshwar Marg, Behind Cooper Hospital, Vile Parle (West), Mumbai 400 056.
The General Secretary, Thane Belapur Industries Association, Plot No.P-14, MIDC, Rabale Village, PO Ghansoli, Navi Mumbai 400 7001	The President, Vidarbha Industries Association, 1 st floor, Udyog Bhawan, Civil Lines, Nagpur 440 001.

Ref No. Reliance Infrastructure's submission dated October 18, 2010

- 1 RInfra-D, vide its submission dated October 18, 2010, has computed the FAC for the month of April, May, June 2010 in accordance with the APR Order of 15 June 2009 (Case 121 of 2008)

The relevant parameters approved in the said APR Order for computation of FAC are enclosed at Appendix-1

- 2 In terms of the aforesaid Regulation a Distribution Licensee is required to obtain post facto approval of the Commission on a quarterly basis for the FAC charges. Accordingly, RInfra-D has submitted details of FAC chargeable from all consumers for April, May, June 2010
- 3 In addition to the procurement from R Infra –G, RInfra-D meets its power requirement through procurement from the following sources
- a) Purchase from TPC-G
 - b) RPS Power
 - c) Bilateral Purchases
 - d) UI purchases

RInfra-D has submitted affidavit verifying the application. RInfra-D has also submitted the power purchase bills of TPC and the IBSM statements issued by SLDC for the months April, May, June 2010.

Supporting documents from R Infra-G such as certified copies of Fuel calorific value measurement and regarding “Coal related expense” have also been enclosed.

4 **Validation of Fuel Adjustment Cost for April, May, June 2010**

The Commission has assessed FAC charge of RInfra-D for the said period based on the FAC formula approved in the Tariff Regulations. The methodology adopted for vetting the FAC computations is as follows:

5 **Change in Variable Cost of own generation and power purchase (C):**

Due to increase in variable (fuel) cost of generation and power purchase, the actual weighted average variable (fuel) cost of generation and power purchase has increased by Rs. (0.304), 0.014, (0.179) per kWh in April, May, June 2010, respectively. Considering the normative variable (fuel) cost of generation for DTGS and actual power purchase from other sources, the rate of variable charge for power is Rs. 3.5, 3.817, 3.625 per kWh for months April, May, June 2010 respectively, as against Approved rate of Rs.3.804 per kWh

Change in variable (fuel) cost of own generation and power purchase, has been arrived at by multiplying the total quantum of gross generation and power purchase with the change in weighted average cost of generation and power purchase.

6 Assessment of Variable (Fuel) Cost of own generation (RInfra-G)

The Commission has assessed the variable cost of own generation (RInfra -G) taking into consideration change in fuel mix, actual fuel price and normative heat rate and which are Rs. 2.093 , 2.044, 2.108 per kWh for months April, May, June 2010 respectively as against Rs.2.082 per kWh considered in the APR Order of FY 2009-10,

It is to be noted here that the “Normative actual” cost of generation is higher than the “actual” cost of generation due to efficient generation parameters of Dahanu thermal units. This is approved.

The total normative variable cost of own generation amounts to Rs. 7191.05 Lakhs for 343.60 MU net generation in April 2010, Rs 7216.26 Lakhs for 352.99 MU net generation in May 2010 and Rs 6905.47 Lakhs for net generation of 327.64 MU in June 2010.

7 Change in Fuel Mix

RInfra-G has used blending ratio of Raw coal: Washed coal: Imported coal as follows:

	Raw Coal	Washed Coal	Imported Coal
Order Values	7%	73%	20%
Month			
Apr-10	12%	67%	21%
May-10	40%	35%	25%
Jun-10	20%	50%	30%

The Commission has accepted the change in fuel mix effected by RInfra-G for April, May, June 2010

8 Actual Fuel Price

The Commission has assessed fuel price in terms of heat content (Rs./Mkcal) by considering actual fuel price based on the audited statement of fuel cost submitted by RInfra-G. The Commission has considered calorific value of the coal basket as fired coal at DTPS based on the certificate issued by independent verification agency.

RInfra-G has incurred Coal related expenses of Rs. 30.40 Lakhs, 30.88 Lakhs, 52.40 Lakhs for the months April, May, June 2010 respectively. The expenses pertain to handling of Washed coal and Imported coal.

The Commission has allowed these expenses as fuel cost expenses in the respective months.

9 Heat Rate

R-Infra has considered the approved heat rate viz. 2500 kcal/kWH, as per the APR Order for FY 2009-10 for computing variable (fuel) cost of generation for assessment of FAC, which is allowed.

10 Disallowance of FAC corresponding to excess auxiliary consumption

The FAC of Rs. Nil have been disallowed on account of excess auxiliary consumption as actual auxiliary consumption for the months of April, May, June 2010 is below the normative level as per tariff order.

11 Disallowance of FAC corresponding to excess Transit Loss

Excess Transit Loss is computed based on the normative transit loss approved in the APR Order. Fuel adjustment cost corresponding to excess Transit Loss has been disallowed and is computed by multiplying the excess transit loss with the washed coal consumption rate per metric ton (MT). The FAC disallowed corresponding to excess Transit Loss has been worked out as Rs 89.89 Lakhs, Rs 34.07 Lakhs and Rs 86.33 Lakhs for the months April, May, June 2010 respectively

12 Change in variable cost of power purchase:

Total variable cost of power purchase from all sources for April, May & June 2010 is summarized as under:

Month	Procurement of Energy		Normative Actual Cost		Total Rate of Power Purchase		Average Rate Rs/kWH
	From R Infra- G MU	From others MU	From R Infra- G Rs Lakhs	From others Rs Lakhs	From R Infra- G Rs./kWH	From others Rs/kWH	
April 2010	343.6	493.35	7191.05	22192.99	2.093	4.498	3.5
May 2010	352.99	521.37	7216.26	26196.48	2.044	5.025	3.817
June 2010	327.64	440.976	6905.47	21045.37	2.108	4.772	3.625

RInfra-D has submitted the data for the power purchase cost certified by cost accountant along with the power purchase bills from TPC-G.

The FAC charged by TPC-G to R Infra D is @ Rs (0.433), (0.554), (0.369) per kWH for the months April, May, June 2010 respectively.

13 Working Capital Interest (I)**Rs lakhs**

Month	Variable Cost as per Order	Actual variable cost (Norm)	Variance between Actual Variable cost and "Order" variable cost	Rate of IWC	IWC
April 2010	32294.83	29294.15	(3000.69)	13%	(32.51)
May 2010	32294.83	33378.67	1083.84	13%	11.74
June 2010	32294.83	27864.51	(4430.33)	13%	(48.00)

The Interest Rate 13% is as per approval of the Commission in the APR Order of 15 June 2009 (Case 121 of 2008)

Interest on working capital has been granted at the approved Interest rate for the eligible amount viz the difference between the Normative Actual variable cost of Power procurement and the Order cost of power procurement, for the respective month

14 Adjustment for Over Recovery/Under Recovery (B)

Being the first quarter of the year, all the carried forward amount at the end of the last financial year is Trued-off. Hence, after adjustment for over-recovery/under-recovery ('B')

For the month of April 2010 Rs NIL-

For the month of May 2010 Rs NIL

For the month of June 2010 Rs (1628.05) Lakhs

has come out as the Adjustment factor for over-recovery/under-recovery (1.3+2.0)

15 FAC (Total Fuel Adjustment Cost) and

Total fuel cost and power purchase adjustment (FAC) has been computed by summing up the change in costs (C), Working Capital Interest (I), and adjustment for over recovery / under recovery (B). The Commission has considered energy sales based on audited submissions of RInfra-D.

16 Excess Distribution Loss

The Commission had considered allowable Distribution loss at 10.5% for April, May, June 2010

Actual Distribution Loss is as follows :

Actual April 2010 8.362%

Actual May 2010 11.061%

Actual June 2010 6.522 %

FAC amount has been reduced correspondingly for the months April, May, June 2010 by 0, Rs.0.82 Lakhs, 0 respectively.

17 FAC per unit

FAC per unit has been computed by considering Total Fuel Adjustment Cost, Energy Sales submitted by RInfra-D and excess distribution loss assessed by the Commission.

18 Cap on Monthly FAC Charge

The ceiling based on 10% of the variable component of Tariff works out to Rs 64.2 paise/kWH as per APR order for FY 2008-09

19 Recovery of FAC:

The Commission has assessed FAC to be recovered in the month of April, May, June 2010 as Rs.Lakhs (2577.09) Lakhs, Rs 129.35 Lakhs, Rs (3049.35) Lakhs respectively,

20 Summary of Results :

The summary of the Total Fuel Cost and Power Purchase Cost Adjustment (FAC), FAC Charge per unit (FAC/kwh) and FAC to be recovered considering the cap on monthly FAC charge for April, May, June 2010 is given in the table below:

Sr. No.	Parameter	Unit	R-Infra-D	Commission	R-Infra	Commission	R-Infra	Commission
			Subm		Subm		Subm	
			April 2010		May 2010		June 2010	
1	Calculation of FAC (A)							
1.1	Disallowance of change in variable cost of generation corresponding to excess auxiliary consumption	Rs Lakh	0.00	0.00	0.00	0.00	0.00	0.00
1.2	Change in weighted average variable cost of generation and power purchase after accounting for disallowance of change in variable cost corresponding to excess auxiliary consumption	Rs Lakh	(2544.58)	(2544.58)	118.43	118.43	(1373.31)	(1373.31)
1.3	Apportionment of change in variable cost of generation and power purchase to License Area (C)	Rs Lakh	(2544.58)	(2544.58)	118.43	118.43	(1373.31)	(1373.31)
1.4	Working Capital Interest (I)	Rs Lakh	(32.51)	11.74	11.74	11.74	(48.00)	(48.00)
1.5	Adjustment for Over Recovery/Under Recovery (B)	Rs Lakh	0	0	0	0	(1628.05)	(1628.05)
1.6	FAC (A) = C + I + B (2577.09)	Rs Lakh	130.17	(2577.09)	130.17	130.17	(3049.35)	(3049.35)
2	Calculation of FAC _{kwh}							
2.1	Sale within License Area	733.185	733.185	745.516	745.516	745.516	689.773	689.773
2.2	Excess Distribution Loss	0.00	0.00	4.703	4.703	4.703	0	0
2.3	FAC Charge (FAC _{kwh}) without considering cap on monthly FAC Charge	Paise/kwh	(35.15)	(35.15)	1.74	1.74	(44.21)	(44.21)
2.4	Cap on monthly FAC Charge	64.20	64.20	64.20	64.20	64.20	64.20	64.20
2.5	FAC Charge (FAC _{kwh}) considering cap on monthly FAC Charge	Paise/kwh	(35.15)	(35.15)	1.74	1.74	(44.21)	(44.21)
3	FAC (A)							
3.1	FAC (A) considering cap on Monthly FAC Charge	Rs Lakh	(2577.09)	(2577.09)	129.35	129.35	(3049.35)	(3049.35)
3.2	FAC (A) disallowed corresponding to excess Distribution loss	Rs Lakh	0.00	0.00	0.82	0.82	0	0
3.3	Carried forward FAC (A) for recovery during future period	Rs Lakh	0	0	0.00	0.00	0.00	0.00

APPENDIX-1

Reliance Infrastructure Ltd
Approval of Fuel Adjustment Charges (FAC) for April 2010,
May 2010, June 2010

Form No.	Particulars	Unit	Norms
			(FY 09-10)
1	Intra State Transmission Loss	%	4.85%
2	Distribution Loss	%	10.50%
3	Auxiliary Consumption	%	8.50%
4	Transit Loss (for Coal)	%	0.80%
5	Heat Rate	kCal/kWH	2,500
6	Secondary Oil Consumption	ml/kWH	2