

Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
World Trade Centre, Centre No.1, 13th Floor, Cuffe Parade, Mumbai 400005.
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Case No. 3 of 2011

In the matter of
Petition filed by M/s. DLI Power (India) Pvt. Ltd., seeking clarification from Suo-Motu Order dated July 14, 2010 in Case No. 20 of 2010 regarding Determination of Generic Tariff under Regulation 8 of the MERC (Terms and Conditions for Determination of Renewable Energy Tariff) Regulations, 2010.

Shri V.P. Raja, Chairman

Shri Vijay L. Sonavane, Member

M/s. DLI Power (India) Pvt. Ltd. --- Petitioner
6, Shiv-Wastu, Tejpal Scheme, Road No. 5,
Vile Parle (East), Mumbai.

Vs

Maharashtra State Electricity Distribution Company Ltd. --- Respondent
Prakashgad, Bandra (East), Mumbai.

ORDER

May 25, 2011

M/s. DLI Power (India) Pvt. Ltd., (herein after referred to as “the Petitioner”) filed a Petition under affidavit before the Commission on December 27, 2010 seeking

clarification from Order (Suo-Motu) dated July 14, 2010 in Case No. 20 of 2010 regarding Determination of Generic Tariff under Regulation 8 of the MERC (Terms and Conditions for determination of RE Tariff) Regulations 2010 .

2. The main prayers of the Petitioner are as follows:-

“

- a) *Admit the present Application for clarification.*
- b) *The Hon. Commission may kindly be pleased to clarify whether the levellised Tariff of Rs. 4.26 per kWh is applicable for all 35 years for SHP having capacity more than 1 MW & up to and including 5 MW or the front loaded tariff as given in the table of Annexure-2A of the MERC order dated July 14, 2010 is applicable.*
- c) *Pass such further order as the Hon'ble Commission may deem just and proper in the circumstances of this application.*

”

3. The Petitioner in its Petition, submitted as follows;

3.1 The Petitioner is a Generating Company, registered under the Companies Act, 1956 and engaged in development of Hydro Power Projects in India. Presently, the Petitioner is developing 2 x 2.45 MW Hydro Power Project at Darna, Taluka Igatpuri, District Nasik, i.e. in the distribution area of the Maharashtra State Electricity Distribution Company Ltd. (herein after referred to as “the Respondent”). The Petitioner has signed a Power Purchase Agreement (PPA) with the Respondent for Sale/Purchase of entire power from Darna Small hydro Project; based on the provisions of MERC Order (Suo-Motu) dated July 14, 2010 in the matter of Determination of Generic Tariff for Renewable Energy Generating Stations. In the said Order, the Commission has determined the Tariff for new Small hydro Projects, along with tariff for other Renewable Energy Sources in State of Maharashtra.

3.2 The Commission has determined the Generic Tariff for new Small hydro projects commissioned in F.Y 2010-11 by considering applicable Tariff Period, Capital Cost, Debt Equity Ratio, Return on Equity, Interest on Loan, Depreciation, Interest on Working Capital, O&M expenses, Capacity Utilization Factor and Auxiliary Consumption as detailed out in Clause No. 4 of the said Order.

3.3 The yearly Tariff so calculated is given in Annexure-2A, Form 1.2, for SHP projects above 1 MW & up to and including 5 MW. The Tariff is for 35 years. Also the levellised tariff for the new Small hydro Projects Commissioned in F.Y 2010-11

is calculated as 4.26 per kWh by considering discount factor as 16.13% as stated in clause 4.12 of the said Order. Based on the said MERC Tariff Order, the Respondent issued the Commercial Circular No. 122 dated October 12, 2010.

3.4 As stated in the circular, the Respondent has interpreted that the levelled tariff of 4.26 per kWh is applicable for all 35 years for Small hydro Projects having capacity above 1 MW & up to and including 5MW. The Commission in the said Order, has also given the table Form 1.2 in Annexure -2A, which gives the yearly Tariff stream which is a front loaded Tariff.

3.5 The Petitioner is not clear about the applicability of Tariff for its Small hydro Project i.e. whether the levelled Tariff of Rs 4.26 per kWh is fixed for the period of 35 years, or the front loaded tariff stream as given in the table in Annexure – 2A, will be applicably on yearly basis.

3.6 The Petitioner is of the view that the front loaded tariff is essential for repayment of loan and interest thereof, since the calculated Tariff is based on the Capital Cost of the Project. In case, tariff of Rs 4.26 per kWh is given for all the years, instead of front loaded tariff as per the table in Annexure – 2A, for initial period of 6 years, there will be less Return on Equity than the mandated 19% (pre-tax).

4. Based on the above submission, the Commission admitted the Petition filed by the Petitioner and scheduled the hearing in the above matter on February 11, 2011 at 15.00 hrs in the office of the Commission.

5. During the hearing held on February 11, 2011 in the office of the Commission, the Petitioner pleaded that the front loaded tariff for Small hydro Projects having capacity above 1 MW & up to and including 5MW as per the table in Annexure - 2A of the MERC Order (Suo-Motu) dated July 14, 2010 shall also be applicable to the Petitioner's 2 x 2.45 MW Small hydro project, instead of levelled Tariff of Rs. 4.26 per kWh applicable for all 35 years for Small hydro Projects having capacity more than 1 MW & up to and including 5 MW.

6. Based on the Petitioner's submission, the Commission clarified that the Commission has assumed life of the plant as 35 years. For the new Small hydro Projects having capacity above 1 MW & up to and including 5 MW Commissioned in F.Y 2010-11, by assuming the life of the plant as 35 years, the way of the levelled tariff calculation is based on discounting method. At 16.13% discount rate, by considering the corresponding discount factor over the period of 35 years and related per unit cost of generation pertaining to the fixed cost component over the period of 35 years, the Commission has calculated the levelled tariff of Rs. 4.26 per kWh valid for the period of

35 years from the Commercial Operation Date (COD). That in terms of transparency, the same has shown in Form 1.2 form Template of Annexure- 2A of the MERC Order (Suo-Motu) dated July 14, 2010.

Further, during the hearing, the Commission clarified that based on the MERC (Terms and Conditions for the Determination of RE Tariff) Regulations, 2010 dated June 7, 2010, the Commission has issued an Order (Suo-Motu) dated July 14, 2010, in Case No. 20 of 2010, for the determination of generic tariff under Regulation 8 of the MERC (Terms and Conditions for Determination of Renewable Energy Tariff) Regulations, 2010, for the various Renewable Energy projects including Small hydro Projects. The levellised tariff applicable for the new Small hydro Projects commissioned in F.Y 2010 - 11, having capacity above 1 MW & up to and including 5 MW is Rs. 4.26 per kWh and the tariff shall be valid for the period of 35 years from the Commercial Operation Date (COD), whereas the front loaded tariff calculation as mentioned in Form 1.2 Form template of the Annexure – 2A of the said Order, shall not be considered as the tariff for new Small hydro Projects commissioned in F.Y 2010-11. Similarly, the levellised tariff for the new Small hydro Projects, Mini and Micro hydro Projects to be commissioned in F.Y 2011-12 has also been determined by the Commission vide its Order (Suo-Motu) dated April 29, 2011, in Case No. 39 of 2011.

Furthermore, in order to encourage the Mini/Micro hydro Projects development in the Maharashtra State, the Commission has included in the Regulation 7 (7.1) of MERC (Renewable Purchase Obligation, its compliance and Implementation of REC framework) Regulations 2010, that the Distribution Licensee(s) shall meet 0.1% per year of its Non-solar (other RE) RPO for the period from F.Y 2010-11 to F.Y 2012-13 and up to 0.2% per year of its Non-solar RPO for the period from F.Y 2013-14 to F.Y 2015-16, by way of purchase from Mini hydro or Micro hydro power Projects.

With the above clarification the present Case No. 3 of 2011 stand disposed of.

Sd/-
(Vijay L. Sonavane)
Member

Sd/-
(V. P. Raja)
Chairman