

Detailed Vetting Report MSEDCL- Post Facto approval of FAC Charges for July 2009 submitted by MSEDCL

Reference :

MSEDCL's letter No. MSEDCL/CAS/FAC/L7/45 of July 13,2009 for submission July-09

1. FAC submission by MSEDCL:

1.1 Upon vetting the FAC calculations for the months of July-09 , submitted vide letter under above Reference the Commission has accorded post facto approval for the FAC amount for the month July-09 as detailed below.

The Commission issued APR Order dated June 20, 2008 approving principles of Annual Revenue Requirement (ARR) and Tariff for FY 2008-09 for MSEDCL and has also mentioned about the parameters and mechanism for computation of FAC, which have been summarized in the Appendix to this letter. The Commission has approved FAC charges for the month of July-09 in accordance with the principles stipulated in the APR Order dated June 20, 2008 and the MERC (Terms and Conditions of Tariff) Regulations, 2005

1.2 The Commission has considered power purchase sources based on the APR Order dated June 20, 2008.

1.3 MSEDCL has forwarded FAC submissions as per formats with a charge for July-09 @ 31 paise / unit for metered sales

1.4 The Commission has considered the increase in power purchase cost in case of approved power purchase sources as per the APR Order dated June 20, 2008 (Case No. 72 of 2007)

2. Details of approval:

The Commission has accorded post facto approval for the FAC amount of (net of T & D loss), Rs. Crore 159.33 for month July-09 The summary of the FAC claim for July-09 as submitted by MSEDCL and as approved by the Commission is shown in the Table below:-

Jul-09

Sr No	Particulars	Unit	MSEDCL	Approved by Commission
1	FAC net of excess T&D Loss	Rs. Crore	161.57	159.33
2	FAC rate	Paise/kWh	31	31
3	FAC rate (unmetered)			
	-LT-Ag (> 300 hours per year)	Rs/hp/month	33.30	33.30
	-LT-Ag (< 300 hours per year)	Rs/hp/month	18.80	18.80

Further, the carried forward under-recovered FAC for the month July-09 as approved by the Commission works out to Rs.Crore 579.39

The Commission's Order in the matter of the Review petition of MSEDCL regarding (Case No 102 of 2008), stipulates that the Commission would approve the FAC to be recovered by MSEDCL in excess of existing ceiling (30.90 Paise/kWh) through FAC charge after detailed vetting of the actual FAC data on case to case basis for the period from November 2008 to February 2009. Accordingly, the approved value of unrecovered FAC at the end July-09 allowed to be carried forward for recovery at future date, amounted to Rs. Cro 579.39

3. Analysis of FAC proposal submitted by MSEDCL and computation of FAC charges is as below:

a) Variable Cost of Generation:

MSEDCL has submitted the break-up of purchase price of different fuels for all stations certified by Chartered Accountant.

i) Variable Fuel Cost :

MSEDCL has considered the base variable fuel cost for each station as approved by the Commission in the APR Order of MSPGCL dated May 31, 2008 (Case 71 of 2007). MSEDCL has not considered power stations, which are yet to be commissioned while computing weighted average cost of generation.

MSEDCL has submitted sample bills for the fuel purchased along with the FAC submissions. MSEDCL has also submitted fuel analysis report of representative monthly sample of fuels certified by an Independent Certification Agency along with FAC submissions.

Station-wise based variable charge per unit considered for FAC based on the approved cost by the Commission is as under:

Station	Net Gen (MU)	Energy Charge as per Order Rs/kWh	Other cost considered Rs. Cr	Component of Other Charges Rs/kWh	Energy Charge as considered for FAC Rs/kWh
Khaparkheda	5483	1.28	13.77	0.03	1.25
Paras	348	1.55	2.53	0.07	1.48
Bhusawal	3004	1.91	18.50	0.06	1.85
Nasik	5612	2.06	48.22	0.09	1.97
Parli	4273	1.96	40.99	0.10	1.86
Koradi	6574	1.23	29.52	0.04	1.19
Chandrapur	15120	1.19	13.57	0.02	1.17
Uran	3844	0.76	0.72	0.00	0.76
Paras II	1592	1.28	--	--	1.28
Parli II	1592	1.47	--	--	1.47

ii) Secondary fuel consumption :

The Commission's clarifications on the issues of secondary fuel oil consumptions for FAC computations are as under:

- In case secondary fuel oil consumption is more than 2 ml/kWh, the same should be limited to the approved level 2 ml/kWh
- In case usage of actual secondary fuel oil consumption is less than normative value of 2 ml/kWh (or no consumption), the same should be recomputed considering the normative levels.

Accordingly, the Commission has computed the cost of secondary fuel oil consumption, Such that, the normative fuel consumption allowed for FAC vetting for the month July-09 is upto a limit value of 2 ml/kWh in combination of Fuel Oil, LDO and LSHS

The summary of fuel related costs for the month of July-09 for existing generating stations of MSPGCL as approved by the Commission after detail vetting, is shown in the Table below:

Sr No	Detail	Unit	For July-09
1	Actual Fuel Cost	Rs Crore	658.2
2	Normative Actual Fuel cost	Rs Crore	529.7
3	Net Generation	MU	2987.7
4	Approved variable cost of generation	Rs./kWh	1.37
5	Actual average variable cost of generation	Rs./kWh	2.20
6	Average Normative variable cost of generation	Rs./kWh	1.77
7	Change in variable cost of generation = $\{(3) \times [(6)-(4)]\} / 10$	Rs. Crore	120.6

iii) Auxiliary consumption:

Auxiliary consumption for all generating stations has been considered by MSEDCL at normative levels for calculation of variable cost of generation and the same is allowed.

iv) Heat Rate:

MSEDCL has worked out the variable cost of generation considering normative heat rates of each station and the same is allowed.

v) Transit Loss:

MSEDCL has worked out the variable cost of generation considering normative transit loss as approved in the APR Order dated June 20, 2008 for FY 2008-09, and the same is allowed.

b) Variable cost of power purchase

The Commission has considered the increase in power purchase cost in case of approved power purchase sources as per the APR Order of MSEDCL dated June 20, 2008 for FY 2008-09. However, the Commission observed that MSEDCL has not considered certain sources, which the Commission has approved in the APR Order, whenever no power was purchased from these. This has been rectified

MSEDCL has submitted the data for the power purchase certified by Chartered Accountant.

The details of power purchase by MSEDCL for the month : July-09 is given below

S.No	Details	Unit	Jul-09
-1	Net Energy Purchase	MU	2,912.93
-2	Variable Cost of Energy purchased	Rs Crore	732.33
-3	Average Rate of energy purchased	Rs./kWh	2.51
-4	Approved Rate for Energy purchase	Rs./kWh	1.88

c) Unscheduled Interchange (UI) Charges:

In month July-09 MSEDCL has purchased -67 MU through UI at average rate of Rs. 4.15 per kWh
This is allowed

Scheduled Energy Received in grid through Imports from various regions and losses:

MSEDCL has claimed losses in power purchase through grid at (215.62) MU in July-09 as the difference between the Scheduled Energy (including UI) and Actual Drawal.

The Commission has considered the losses in the grid as submitted by MSEDCL.

For the month of July-09 the Commission has approved change in Variable (Fuel) Cost of Generation and Power Purchase Cost (C), of Rs 320.52 Crore as submitted by MSEDCL.

d) Interest on working capital –

In the FAC submissions for the month, MSEDCL, has not made any claim for interest on working capital under Section 82.5 of MERC (Terms and Conditions of Tariff) Regulations, 2005. It is to be noted that any claim towards Interest on working capital, made as per Regulation 82.5 and substantiated with due documentation will be eligible for consideration under FAC submission.

e) Adjustment factor for over recovery / under recovery (B) –

The truing up as above is based on the performance parameters as specified in the relevant APR orders of the Commission.

In case any change in the specified parameter is approved by the Commission at a later date, based on the CPRI studies pertaining to “Determination of Achievable performance parameters of the MSPGCL Thermal power stations”, these values will be trued up accordingly at that time.

The summary of the adjustment factor for over recovery/under recovery for the month of July-09 as submitted by MSEDCL and as approved by the Commission is shown in the Tables below:

For the month of July-09

Sr. No.	Parameter	Unit	MSEDCL	Commission
(A)	(B)	(C)	(D)	
1	Adjustment for over-recovery/under-recovery (B)			
1.1	Incremental cost allowed to be recovered in Month J-4(April 2009)	Rs Lakh	16157	16157.00
1.2	Incremental cost in Month j-4 actually recovered in j-2 July-09	Rs Lakh	17143	17142.86
1.3	Over-recovery/under-recovery (1.2-1.1)	Rs Lakh	-986	(985.86)
2	Carried forward adjustment for over-recovery/under-recovery	Rs Lakh	55464	42806.00

ANNEXURE -3

	attributable to application of ceiling limit			
3	Adjustment factor for over-recovery/under-recovery (1.3+2.0)	Rs Lakh	54478	41820.14

NOTE : The difference in the Row 2.0 of the above Tables is on account of the value considered by the Commission based on the carried forward under-recovered FAC as approved by the Commission

f) Distribution Loss:

Excess Distribution loss:

MSEDCL has incurred 20.72% cumulative Distribution loss upto the month. As this is less than the approved value of 22.2%, deduction of Rs. Crore 0 has been made from the computed FAC amounts of the month

g. Energy Sales for within License area:

The energy sales within licence area as submitted by MSEDCL for the month July-09 is 5156 MU and the same is approved by the Commission

4. Summary :

The summary of the FAC amount as approved by the Commission for July-09 is shown in the Tables below:-

Month :April 2009

Sr. No.	Parameter	Unit	MSEDCL	Approved
1	Calculation of FAC (A)			
1.1	Disallowance of change in variable cost of generation corresponding to excess auxiliary consumption	Rs Lakh	-	-
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	-	-
1.3	Apportionment of change in variable cost of generation and power purchase to License Area (C)	Rs Lakh	32470	32052
1.4	Working Capital Interest (I)	Rs Lakh		0
1.5	T & D Loss Adjustment for the year			0
1.6	Adjustment for Over Recovery/Under Recovery (B)	Rs Lakh	54478	41820
1.7	FAC (A) = C + I + B	Rs Lakh	86947	73872
2	Calculation of FACkWh			
2.1	Sale within License Area	MU	5156.35	5156
2.2	Excess T&D Loss	MU		0
2.3	FAC Charge (FACkWh) without considering cap on monthly FAC Charge	Paise/KWh	168.62	143
2.4	Excess T&D Loss	Paise/KWh	30.9	31
2.5	FAC Charge (FAC/kWh) considering cap on monthly FAC Charge	Rs/KWh	0.31	0.31
3	FAC (A)			
3.1	FAC (A) considering cap on Monthly FAC Charge	Rs Lakh	15933	15933
3.2	FAC (A) disallowed corresponding to excess T&D loss	Rs Lakh	0	0
3.3	Carried forward FAC (A) for recovery during future period	Rs Lakh	71014	57939

APPENDIX

MSEDCL – Assumptions/Norms as per ARR order for FY 2008-09 for MSPGCL dated May 31, 2008 and for MSEDCL June 20, 2008 respectively.

1. CAP on monthly FAC charge.

CAP on monthly FAC charge for FY 2008-09 works out to 30.90 paise per unit (10% of energy charge).

2 Summary of New Norms:

Station	Net Gen (MUs)	Energy Charge as per Order (Rs/kWh)	Energy Charge as considered for FAC \$ (Rs/kWh)	Heat rate (kcal/kwh)	Auxiliary Consumption
Khaparkhe	5483	1.28	1.25	2561	8.50%
Paras	348	1.55	1.48	3105	9.70%
Bhusawal	3004	1.91	1.85	2654	9.75%
Nasik	5612	2.06	1.97	2653	9.00%
Parli	4273	1.96	1.86	2657	9.00%
Koradi	6574	1.23	1.19	2792	9.80%
Chandrapur	15120	1.19	1.17	2551	7.80%
Uran	3844	0.76	0.76	1980	2.40%
Paras II	1592	1.28	1.28	2500	9%
Parli II	1592	1.47	1.47	2500	9%

\$ Energy charge for FAC is revised as energy charge as per MSPGCL with Tariff Order dated 31st May, 2008 include other charges like lubricants, chemicals, water, etc. which are excluded.

- 3 T and D loss-** Approved Intra State Transmission Loss is 4.85% and Distribution Loss as per APR Order is 22.20%
- 4 Transit Loss:** 0.80% for all stations