

The Director (Finance),
 Maharashtra State Electricity Distribution Company Ltd.,
 5th Floor, Prakashgad, Plot No. G-9,
 Bandra (East),
 Mumbai 400 051.

Sub : Post Facto Approval of FAC levied by MSEDCL for April, 08 and May, 08

Ref : MSEDCL Letter No. MSEDCL/CAS/FAC/45 dated August 12, 2008

Sir,

Upon vetting the FAC computations for the month of April, 08 and May, 08 submitted vide letter under above reference; the Commission has accorded post facto approval for FAC levied for these months.

2. The Commission has considered the increase in power purchase cost for these months in case of approved power purchase sources as per the Tariff Order dated May18, 2007.

3. The Commission has approved FAC amount of Rs (82.41) Crore for April, 08 and Rs 88.14 Crore for May, 08 as per details given below:

Sr No	Particulars	Unit	April, 08		May, 08	
			MSEDCL	Approved	MSEDCL	Approved
1.	FAC net of excess T&D Loss	Rs. Crore	(82.41)	(82.41)	127.25	88.14
2.	FAC rate to be billed	Paise/unit	(18)	(18)	27	19
3.	FAC rate (unmetered)					
	-LT-Ag (>1318 hours per year)	Rs/hp/month	(19.40)	(19.40)	29.30	20.30
	-LT-Ag (<1318 hours per year)	Rs/hp/month	(11)	(11)	16.60	11.50

MSEDCL, in its submissions for May, 08 had not considered past over recovery of November, 07 and this has been considered by the Commission. MSEDCL is directed to consider this aspect for future FAC computations.

I am directed to forward herewith the detailed vetting and post facto approval of the Commission on FAC charges for the months of April, 08 and May, 08.

With regards,

Yours faithfully,

(P.B. Patil)
Secretary, MERC

Encl: Detailed Vetting Report

Cc To:

Prayas Energy Group,
Amrita Clinic, Athawale Corner,
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The President,
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The General Secretary,
Thane Belapur Industries Association,
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The President,
Vidarbha Industries Association,
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A.D.Mahajan, Head-Advisory
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Detailed Vetting Report

MSEDCL - FAC Charges for the period April, 08 and May, 08.

1. The Commission has issued MYT Order dated May 18, 2007 for the period FY 2007-08 to FY 2009-10 for MSEDCL and has also mentioned about the parameters and mechanism for computation of FAC. These are summarised in the Appendix to this letter. The Commission has approved FAC charges for the month of **April, 08 and May, 08** based on the Tariff Order dated May 18, 2007 and MERC (Terms and Conditions of Tariff) Regulations, 2005.
2. The Commission has considered only those power purchase sources where purchase rate is upto Rs.4.00 per unit (Non-costly) and considered in FAC computation for **April, 08 and May, 08**.
3. MSEDCL vide its letter dated August 12, 2008 has forwarded FAC submissions as per formats for the month of **April, 08 and May, 08** with a charge of @ (18.02) Paise/unit and 27.21 Paise/ unit respectively for metered sales.
4. **Analysis of FAC proposal submitted by MSEDCL and computation of FAC charges for April, 08 and May, 08 is as below:**

i) **Variable Cost of Generation:**

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

b. Variable Fuel Cost :

MSEDCL has considered the base variable fuel cost for each station as given by the Commission in the MYT order of MSPGCL dated April 25, 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 for these months.

Station-wise variable charge per unit considered for FAC is shown in the Table below:

Station	Energy Charge considered for FAC (Rs/kWh)
Khaparkheda	1.00
Paras	1.43
Bhusawal	1.59
Nasik	1.58
Parli	1.58
Koradi	1.05
Chandrapur	1.14

Uran	0.80
Parli-II	1.38
Paras-II	1.29

The actual fuel cost and net generation in **April, 08 and May, 08** for 10 existing generating stations is considered at Rs 546.74 Crore, Rs 593.07 Crore and 3951 MU and 3907 MU respectively. Thus, actual average variable cost of generation works out Rs 1.38 per kWh and Rs 1.52 per kWh for **April, 08 and May, 08** respectively as against the approved average variable cost of generation of Rs.1.22/kWh. Normative fuel cost for **April, 08 and May, 08** works out to Rs. 531.77 Crore and Rs 554.16 Crore and thus the weighted average normative variable cost of generation work out to Rs 1.35/kWh for April, 08 and Rs 1.42 /kwh for May, 08.

Thus, change in variable cost of generation is considered at Rs 49.19 Crore (3951 MU x (1.35 -1.22)/10 for April, 08 and Rs 76.90 Crore (3907 MU x (1.42-1.22)/10 in May, 08.

c. Auxiliary consumption:

Auxiliary consumption at each unit is considered by MSEDCL at normative levels for calculation of variable cost of generation and the same is allowed.

d. Heat Rate:

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

e. Transit Loss:

MSEDCL has worked out the variable cost of generation considering normative transit loss and the same is allowed.

ii) **Variable cost of power purchase –**

The Commission has considered the increase in power purchase cost for the month of April, 08 and May, 08 in case of approved power purchase sources as per the Tariff Order dated May 18, 2007.

Power purchase from Kawas Gas is not considered as it is costly source (Total cost more than Rs 4/unit) and the same should be covered under ASC. Power purchase from Pench is considered in FAC computation as the total cost is less than Rs.4.00 per unit (Non-costly power). These two sources were not considered in the MYT Order.

a. MSEDCL has purchased net 2052 MU and 2719 MU in April, 08 and May, 08 with a variable cost of Rs 291.76 Crore and Rs 555.75 Crore at average rate of Rs 1.42 /unit and Rs 2.04/unit as against approved average variable cost of Rs.1.6998/unit from existing power purchase sources.

b. The cost of power purchase from Co-generation, wind and Captive Power Plants is considered as part of FAC calculations.

c. Purchase through UI has been allowed.

The Commission has approved change in Variable (Fuel) Cost of Generation and Power Purchase Cost (C) of Rs. (57.96) Crore and Rs 136.81 Crore as submitted by MSEDCL for **April, 08 and May, 08.**

iii) **Interest on working capital** – MSEDCL has not considered interest on incremental working capital requirement on account of change in fuel and power purchase costs and accordingly the same is not considered in the FAC.

iv) **Adjustment factor for over recovery / under recovery (B) –**

The adjustment factor for over recover/under recovery is approved at (Rs 24.45 Crore) and Rs 48.67 Crore in **April, 08 and May, 08.** MSEDCL, in its earlier submissions, has not considered approved cost of RGPPL from August, 07 to January, 08, resulting in higher FAC Claim. The details are attached at Annexure-I. Adjustment of this amount has been considered in the computation of April, 08 and May, 08 by considering over recovery of Rs 56.03 Crore (in respect of October, 07) and Rs 57.87 Crore (in respect of Nov.07) respectively. MSEDCL, in its submissions for May, 08 had not considered past over recovery of November, 07 and this has been rectified by the Commission. MSEDCL is directed to look into this for future submissions.

T & D Loss: The actual distribution losses during April, 08 and May, 08 are 19.54 % and 24.51 % which are lower than the approved norm of 31.70%. Thus, there is no excess distribution loss in April, 08 and May, 08.

v) **Energy Sales for within License area:** The energy sale within license area is considered at 4573 MU and 4677 MU in April, 08 and May, 08 respectively.

The Commission hereby allows FAC amount Rs (82.41) Crore for April, 08 and Rs 88.14 Crore for May, 08 respectively as per details given below:

Sr. No.	Parameter	Unit	April08	May, 08
(A)	(B)	(C)	(D)	
1.0	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	(5796)	13681
1.4	Working Capital Interest (I)	Rs Lakh	-	--
1.5	T & D Loss Adjustment for the year		-	--
1.6	Adjustment for Over Recovery/Under Recovery (B)	Rs Lakh	(2445)	(4867)
1.7	FAC (A) = C + I + B	Rs Lakh	(8241)	8814

2.0	Calculation of FAC_{kWh}			
2.1	Sale within License Area	MU	4573	4677
2.2	Excess T&D Loss	MU	--	--
2.3	FAC Charge (FAC _{kWh}) without considering cap on monthly FAC Charge	Paise/kWh	(18.02)	18.85
2.4	Cap on monthly FAC Charge	Rs/kWh	27.21	27.21
2.5	FAC Charge (FAC_{kWh}) considering cap on monthly FAC Charge	Rs/kWh	(0.18)	0.19
3.0	FAC (A)			
3.1	FAC (A) considering cap on Monthly FAC Charge	Rs Lakh	(8241)	8814
3.2	FAC (A) disallowed corresponding to excess T&D loss	Rs Lakh	-	-
3.3	Carried forward FAC (A) for recovery during future period	Rs Lakh	Nil	Nil

Approved FAC rate for unmetered consumers for April, 08 and May, 08 respectively is as under:

	FAC rate (unmetered)	Rs/hp/month	April, 08	May, 08
	-LT-Ag (>1318 hours per year)	Rs/hp/month	(19.40)	20.30
	-LT-Ag (<1318 hours per year)	Rs/hp/month	(11)	11.50

APPENDIX

MSEDCL - Changes in FAC working as compared to previous tariff Order.

MSEDCL - Vetting of FAC charges claimed by MSEDCL for April, 08 and May, 08

1. CAP on monthly FAC charge:

CAP on monthly FAC charge for FY 2007-08 works out to 27.20 Paise per unit (10% of energy charge) considering energy charge of Rs.13752 Crore and energy sales of 50544 MU (MYT Order page No 204-Appendix No. 3).

2. Summary of New Norms:

Station	Net Gen as per Order (MU)	Energy Charge as per Order (Rs/kWh)	Energy Charge considered for FAC (Rs/kWh)	Heat rate (kcal/kwh)	Auxiliary Consumption
Khaparkheda	5544	1.04	1.00	2556	8.50%
Paras	367	1.49	1.43	3105	9.70%
Bhusawal	3023	1.64	1.59	2649	9.75%
Nasik	5803	1.63	1.58	2648	9.00%
Parli	4400	1.64	1.58	2652	9.00%
Koradi	6827	1.08	1.05	2786	9.80%
Chandrapur	15120	1.17	1.14	2545	7.80%
Uran	3844	0.83	0.80	1980	2.40%

3. T and D loss- Approved Intra State Transmission Loss is 4.85% and Distribution Loss is 31.70%. Thus, T & D loss as percentage net energy input works out at 38.12%.

4. Transit Loss: 0.80% for all stations

5. Approved non-costly power purchase sources are MSPGCL, CGS, Sardar Sarovar, RGPPL (w.e.f. Nov 07), Others (Wind, Dodson, Cogen) and UI charges. Approved CGS stations are KSTP, VSTP (I,II and III), Gandhar, FSTPP, KhTPS, TSTPS, Sipat Stage II, KAPP and TAPP(1 to 4

ANNEXURE - I

MSEDCL – Summary of FAC adjustments to be done due to RGPPL

MSEDCL - Vetting of FAC charges claimed by MSEDCL for April, 08 and May, 08

Month	FAC as submitted		FAC - Revised		Difference (Rs. Lakhs)	Month of adjustment
	FAC (Rs.Lakhs)	FAC (paise/ unit)	FAC (Rs.Lakhs)	FAC (paise/ unit)		
Aug-07	9,878.82	24.00	4,844.65	12.00	5,034.16	Feb-08
Sep-07	6,727.61	19.00	1,863.36	5.00	4,864.25	Mar-08
Oct-07	7,036.00	17.00	1,433.00	4.00	5,603.00	Apr-08
Nov-07	8,576.42	21.00	2,789.49	7.00	5,786.93	May-08
Dec-07	10,930.00	21.00	4,914.83	9.00	6,015.17	Jun-08
Jan-08	10,561.85	23.00	4,734.08	10.00	5,827.76	Jul-08
Total	53,710.70		20,579.42		33,131.28	