

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 February, 08 and March, 08

Ref : MSEDCL Letter No. MSEDCL/CAS/FAC/32 dated June 13, 2008

Sir,

Upon vetting the FAC computations for the month of February, 08 and March, 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 May 18, 2007.
3. The Commission has approved FAC amount of Rs. 39.39 Crore for February, 08 and Rs (11.66) Crore for March, 08 as per details given below:

Sr No	Particulars	Unit	February, 08		March, 08	
			MSEDCL	Approved	MSEDC L	Approved
1.	FAC net of excess T&D Loss	Rs. Crore	39.39	39.39	(11.66)	(11.66)
2.	FAC per unit	Paise/unit	9	9	(3)	(3)
3.	FAC rate (unmetered)					
	-LT-Ag (>1318 hours per year)	Rs/hp/month	9.30	9.30	(2.90)	(2.90)
	-LT-Ag (<1318 hours per year)	Rs/hp/month	5.30	5.30	(1.70)	(1.70)

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

With regards,

Yours faithfully,

(P.B. Patil)
Secretary, MERC

Encl: Detailed Vetting Report

Cc to:

Prayas Energy Group,
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The President,
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Detailed Vetting Report

MSEDCL - FAC Charges for the period February, 08 and March, 08

1. The Commission issued MYT Order dated May 18, 2007 approving principles of ARR for the first Control Period and Tariff for FY 2007-08. The relevant parameters approved in the MYT Order for computation of FAC are enclosed at Appendix-1. The Commission has approved FAC charges for the month of **February, 08 and March, 08** based on the MYT 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) in FAC computations for **February, 08 and March, 08**.
3. MSEDCL vide its letter dated June 13, 2008 has forwarded FAC submissions as per formats for the month of **February, 08 and March, 08** with a charge of @ 9 Paise/unit and (3) Paise/ unit respectively for metered sales.
4. **Analysis of FAC proposal submitted by MSEDCL and computation of FAC charges for February, 08 and March, 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 approved 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 based variable charge per unit considered for FAC is as under:

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-Extension	1.38

The actual fuel cost and net generation in **February, 08 and March, 08** for 9 existing generating stations is considered at Rs. 532.83 Crore, Rs. 579.75 Crore and 3673 MU and 3971 MU respectively. Thus, actual average variable cost of generation works out Rs 1.45 per kWh and Rs 1.46 per kWh for **February, 08 and March, 08** respectively as against approved average variable cost of generation of Rs.1.21/kWh. Normative fuel cost for **February, 08 and March, 08** works out to Rs. 532.03 Crore and Rs 578.98 Crore and thus the weighted average normative variable cost of generation work out to Rs 1.45/kWh for February, 08 and Rs 1.46 /kwh for March, 08.

Thus, change in variable cost of generation is considered at Rs 84.11 Crore (3673MU x (1.45 -1.22)/10 for February, 08 and Rs 94.72 Crore (3971MUs x (1.46-1.22)/10 in March, 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) ii. Variable cost of power purchase –

The Commission has considered the increase in power purchase cost for the month of February, 08 and March, 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 2179 MU and 2430 MU in February, 08 and March, 08 with a variable cost of Rs. 396.44 Crore and Rs 413.33 Crore at average rate of Rs. 1.82 /unit and Rs 1.70. /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 67.28 Crore and Rs 50.41 Crore as submitted by MSEDCL for **February, 08 and March, 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 27.89 Crore and Rs 62.08 Crore in **February, 08 and March, 08** respectively. MSEDCL, in its earlier submissions, has not considered approved cost of RGPPL from August, 07 to January, 08, resulting in higher FAC Claim. Details of the same has been attached as Annexure I. Adjustment of this amount has been considered in the computation of FAC for the months of February, 08 and March, 08 by considering over recovery of Rs 50.34 Crore (in respect of August 07) and Rs.48.64 Crore (in respect of September 07) respectively.

v) **T & D Loss:** The actual distribution losses during February 08 and March 08 are 17.77% and 27.01 % which are lower than the approved norm of 31.70%. Thus, there is no excess distribution loss in February 08 and March 08.

vi) **Energy Sales for within License area:** The energy sales within license area are considered at 4558 MU and 4293 MU in February 08 and March 08 respectively.

The Commission hereby allows FAC amount of Rs 39.39. Crore for February, 08 and Rs (11.66) Crore for March, 08 respectively as per details given below:

Sr. No.	Parameter	Unit	February 08	March, 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	6728	5041
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	(2789)	(6208)
1.7	FAC (A) = C + I + B	Rs Lakh	3939	(1166)
2.0	Calculation of FAC_{kWh}			
2.1	Sale within License Area	MU	4558	4293
2.2	Excess T&D Loss	MU	--	-
2.3	FAC Charge (FAC _{kWh}) without considering cap on monthly FAC Charge	Paise/kWh	8.64	(2.72)
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	0.09	(0.03)
3.0	FAC (A)			
3.1	FAC (A) considering cap on Monthly FAC Charge	Rs Lakh	3939	(1166)
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 February, 08 and March, 08 respectively is as under:

	FAC rate (unmetered)	Rs/hp/month	February, 08	March, 08
	-LT-Ag (>1318 hours per year)	Rs/hp/month	9.30	(2.90)
	-LT-Ag (<1318 hours per year)	Rs/hp/month	5.30	(1.70)

APPENDIX-1

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

MSEDCL - Vetting of FAC charges claimed by MSEDCL for February 08 and March 08

1. CAP on monthly FAC charge:

CAP on monthly FAC charge for FY2007-08 works out to 27.20 paise per unit (10% of energy charge) considering energy charge of Rs.13752 Crore and energy sales of 50544 MUs (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 noncostly 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 February 08 and March 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	