

**Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
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Case No. 42 of 2017

Suo-moto hearing to review the status of Petition of upcoming Generation projects of MSPGCL as per the PPA signed with MSEDCL, and Cancellation of certain other upcoming Units and their consequent removal from PPA's.

Dated: 20 April, 2017

**CORAM: Shri Azeez M. Khan, Member
Shri. Deepak Lad, Member**

Appearance:

Representative of MSPGCL:Shri U.K DhamankarShri Vijay Rathod
Representative of MSEDCL:Shri. Paresh Bhagwat
Consumer RepresentativesMs Ashwini Chitnis (PEG)Dr. Ashok Pendse (TBIA)

Daily Order

Heard the Representatives of MSPGCL, MSEDCL and Authorised Consumer Representatives.

1. Representative of MSPGCL reiterated its submissions on the following issues through a presentation:
 - (i) Status of filing of Petition for approval of Capital Cost and Determination of Final Tariff for New Units.
 - (ii) Cancellation of certain upcoming Units for which PPAs have been executed and their consequent removal from approved PPA.
2. MSPGCL requested that it be allowed to file a consolidated Petition for determination of Station-wise Tariff, since ordering for Koradi Units 8, 9, 10 and Chandrapur Units 8, 9 was done for the Station as whole and segregation of costs between different Units is difficult. The common costs would get loaded on the initial Unit and

therefore the cost of such Units may get inflated. Moreover, delay in receipt of equipment at site may cause delay in execution of the Project, so it would be difficult to substantiate and apportion the delay Unit-wise. In order to give a comprehensive picture, it is proposing to submit a Station-wise consolidated Petition for determination of Station-wise tariff. MSPGCL also stated that it has filed a Petition for Koradi Unit 8 and Chandrapur Unit 8 on 17 April, 2017. For the other Units for which COD has recently been achieved, it is proposing to file a Petition within six months of the COD.

3. To a query on the status of the upcoming Units for which PPA has been approved, MSPGCL stated that the Commission has approved PPA for 11590 MW, of which it has already commissioned 5230 MW. MSPGCL has retired Bhusawal Unit 2, Parli Unit 3 and Chandrapur Units 1 and 2 and proposes to retire Koradi Unit 5 after completion of R&M of Unit 6. From the approved PPA, it proposed to relinquish 3 out of 5 X 660 MW, and the balance 2 X 660 MW of Dondiacha would be shifted to other location. MSPGCL stated that it does not intend to pursue proposed Latur and Dhopave generation projects. Thus, Dondiacha (3X660), Latur and Dhopave need to be removed from the PPA. The Ministry of Coal has a Policy in place for transfer of LOA/Coal linkage of old plants to new plants in case of scrapping of such Units and replacing them with new higher efficiency super critical units.
4. For the balance capacity of 6360 MW(11590-5230) listed below, MSPGCL is planning to commission it in a phased manner.

a. Uran Expansion Block I and Block II	1x406 and 1x814 MW
b. Bhusawal Unit 6	1x 660 MW
c. Dhondiacha	5x660 MW
d. Nashik Unit 6	1x660 MW
e. Paras Unit 5	1x250 MW
Total	6360 MW
5. MSPGCL is also planning to retire the remaining old Units, especially the 210MW Units, after analysing the demand supply situation and recent capacity addition of 2570 MW. Here MSPGCL is considering retirement of old Units after 40 years, but they may be retired earlier depending upon CoD of the upcoming Units.
6. MSEDCL stated that:
 - a. Vide its letter dated 18 April, 2017, it had requested 3 weeks time to study the matter and submit its reply, since it has received MSPGCL's Submission only on 17.04.2017.
 - b. The data for 19th Electric Power Survey (EPS) is under finalisation and, depending upon the load growth in certain areas, it will study the requirement of the proposed projects and present in its submission.

7. Ms Ashwini Chitinis, on behalf of Prayas (Energy Group), a Consumer representative, stated that:
 - a. It appreciates the Commission's initiative at this stage, when there is uncertainty about MSEDCL's demand. MSPGCL's plan to retire its old Units after 40 years of operation needs to be concurrent with MSEDCL's demand and also take into consideration efficiency and performance of such old Units. MSPGCL may also have to consider the environmental norms notified by MOEF and corresponding capital expenditure that may be required on its fully depreciated Units.
 - b. Capacity addition plan of MSPGCL may be looked in tandem with the MSEDCL's existing PPAs under Sections 62 and 63, MOU signed with the NTPC and status of contracted capacity under competitive bidding.
 - c. Since the submission made by MSPGCL is not yet received by Prayas, the Commission may allow a weeks time to send the additional data requirement to MSPGCL and to respond thereafter.
8. Dr Pendse, on behalf of Thane Belapur Industries Association (TBIA), a Consumer Representative, stated that:
 - a. MSPGCL has proposed to operate its Units upto 40 years and gradually replace its 210 MW Units with 660 MW super critical Units. Station Heat Rate, efficiency, etc may be considered while doing so. Unit 5 of TPC-G has completed 32 years and R Infra-G's Dahanu TPS has completed 24 years, Therefore, the Commission may have uniform guidelines for their operation and further steps.
 - b. MSPGCL has proposed 660MW at Nashik, whereas MSEDCL is already having a PPA with an IPP at Nashik under Section 63 it needs to be clarified as to whether MSPGCL is proposing to compete in terms of Tariff with such IPP. In addition, MSEDCL has tied up for 1000MW with Solar Energy Corporation at around Rs 4 per Unit. It will therefore be necessary to look in to the power requirement of MSEDCL as a whole in these circumstances.
 - c. The Commission in its MYT Order has approved the Provisional Energy Charges for upcoming units of MSPGCL. Based on such approved Provisional Energy Charge, the Unit gets scheduled in the MOD. However, at the time of True up, the Generating Company recovers the difference between the Provisional and actual Tariff, which burdens the consumers.
9. MSPGCL responded that:
 - a. The basis of 40 years is the time required for implementation of New Units. After COD of new Units, these old Units may even be phased out earlier.

- b. As regards the gap between Provisional and final Tariff, MSPGCL stated that the Commission has revised the Provisional Energy Charges in its MYT Order, and the rates reflected in the MOD are inclusive of FAC as per the directives of the Commission in its Daily Order in Case No. 125 of 2016. Hence, these are the actual rates, and there will no gap to be recovered at later stage. Truing up will affect only Annual Fixed Cost as the Commission has approved the provisional AFC at 80% of the Fixed Cost of the Project.
- c. With regard to the surplus scenario, MSPGCL stated that commissioning of new Units will take place over a period of 6 years and the demand position may vary substantially. The Ministry of Power, in August 2015, requested CEA to prepare a report on "Replacement of old and inefficient units by supercritical units" for optimum utilization of scarce natural resources like land, water and coal. Hence, in coming years some of the existing 210 MW Units will be replaced with the super critical Units.
10. The Commission noted that MSPGCL has filed its Petition for Capital Cost and Final Tariff Determination for Koradi Unit 8 and Chandrapur Unit 8 on 17 April, 2017, and that matter will be heard separately. It observed that Koradi Unit 9, 10, Chandrapur Unit 9 and Parli Unit 8 have achieved its COD between November, 2016 to January, 2017. The Commission in the past has determined Capital Cost and Final Tariff Unit-wise. Although some of the ordering may be done for the Station as whole, the segregation of costs of Boiler Turbine Generator (BTG) and Balance of Plant (BOP) may not be difficult. The main intention of the Regulations requiring submission of the Petition for Capital Cost approval within six months after COD was to ensure that final Tariff is determined in time without increasing the Carrying Cost and Interest During Construction which ultimately leads to increase in Tariff. Hence, the Commission directs MSPGCL to file its Petition for Capital Cost and Final Tariff for Koradi Units 9, 10, Chandrapur Unit 9 and Parli Unit 8 within a month.
11. As regards the issue of planned /upcoming Units, the Commission directs MSPGCL and MSEDCL to discuss the matter and submit their proposal within 30 days, considering the power requirement vis a vis which Units will be required to be retired or replaced bearing in mind the load centre, Transmission availability, etc. The proposal should be submitted considering the existing PPAs under Sections 62 and 63, MOUs signed with NTPC and the PPAs under consideration.

The Secretariat of the Commission will communicate the next date of hearing.

**Sd/-
(Deepak Lad)
Member**

**Sd/-
(Azeez M. Khan)
Member**