



**MAHARASHTRA STATE POWER
GENERATION COMPANY LIMITED
(MSPGCL OR PETITIONER)**

**PETITION FOR CAPITAL COST AND TARIFF
DETERMINATION OF KHAPERKHEDA UNIT
#5 FOR FY 2012-13.
(CASE NO. 44 OF 2013)**

EXECUTIVE SUMMARY

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Overview of the Project

MSPGCL in its endeavors to meet the demand supply gap within the state has commissioned Khaperkheda Unit-5 on April 16, 2012, with an installed capacity of 500 MW. Power generated from this unit shall be supplied to MSEDCL.

MSPGCL has filed this Petition before MERC to seek approval of the Capital cost of the unit and for determination of Tariff for FY 2012-13 under the enabling provisions of Section 61, 62 and 86(1) (a)(b) of Electricity Act, 2003 and Part E of the MERC (Terms and Conditions of Tariff) Regulations, 2005.

Capital Cost of the Project

To ensure objectivity and least cost principle, MSPGCL had adopted the conventional route of inviting tenders through Competitive Bidding process for placement of orders for the Main Plant packages of this project along with the associated auxiliaries and sub-systems. The contract for supply and installation of Main Plant & Equipment was awarded to M/s BHEL through an International Competitive Bidding. The contract for Balance of Plant (BoP) and civil and structural works of the main plant was awarded to M/s BGR Energy Systems through Domestic Competitive Bidding. Remaining small non-critical Civil Contracts were awarded to other Contractors for construction of railway siding, staff quarters etc.

As per the Tariff Regulations, actual expenditure incurred up to the Commercial Operation date (COD) of the unit subject to prudence check by the Hon'ble Commission shall form the basis of the capital cost of the project. The actual project cost capitalized as on COD of the unit is Rs. 3376.90 crore which comprises of hard cost of Rs. 2709.55 Crore and Interest during construction (IDC) of Rs. 667.35 Crores as summarized below:

Name	Cost (Rs. Cr.)
Land and Site Development	29.00
BTG	1427.14
BOP	641.80
Civil Works	483.96
Construction & Pre-Commissioning Activities	40.11
Overheads	87.53
IDC	667.35
Total	3376.90

MSPGCL had tied up long term debt of Rs. 2576.00 Crores from Power Finance Corporation (PFC). Out of the total sanctioned loan of Rs. 2576.00 Crores, loan amount of Rs. 2283.30 Crores was drawn till CoD.

There was an undischarged liability of Rs. 415.63 Crores (including the retention amount) as on CoD in the books of Accounts. The Government of Maharashtra (GoM) provided an equity contribution of Rs. 599.37 crore. The balance funding of Rs. 78.60 Crores has been met through internal accruals. The details of the financing arrangement are provided in the table below:

Parameter	Amount (Rs Cr.)	%
Debt	2283.30	77.11%
Equity from GoM	599.37	22.89%
Internal Accruals	78.60	
Undischarged Liabilities*	415.63	
Total	3376.90	100.00%

** No funding shown against this Un discharged Liabilities. No Interest or ROE claimed against the same.*

So far as the timeline of the project completion is concerned, MSPGCL had envisaged an aggressive timeline of 42 months despite realizing the fact that on an average the timeline had been in the range of 55-60 months as submitted in detail in the petition. Despite the aggressive timelines, the project was commissioned in a time period of around 63 months, on account of the supply side constraints of BHEL, BGR and other contractors. The detailed submissions and efforts made by MSPGCL have been explained in the petition.

However, in order to protect the interest of the consumers, MSPGCL diligently exercised the contractual remedies and withheld the payment to the contractors to the extent of around Rs. 230.75 crore.

Aggregate Revenue Requirement for FY 2012-13

At the time of CoD, MSPGCL had a MoU of 2.312 MMT with M/s MCL for procurement of domestic coal which was supposed to supply coal of around 1.6184MMT considering 70% realization. However, the supply was barely 50% of the MoU quantity. Due to this the overall generation in the year 2012-13 suffered a loss. However, after initial issues in meeting operational parameters, the unit has shown considerable improvement and consistent performance with the start of usage of imported coal since November 2012.

The performance parameter for the Unit for FY 2012-13 as submitted in the Petition (Unaudited Actuals for the stabilization period and the post stabilization period) in the given circumstance is as follows:

Particulars	Units	2012-13		
		Stabilization (16/4/2012- 12/10/2012)	Post Stabilization (13/10/2012- 31/3/2013)	Total (16/4/2012 - 31/3/2013)
		Unaudited Actuals	Unaudited Actuals	Unaudited Actuals
Availability	%	32.85%	73.67%	51.68%
PLF	%	32.85%	73.64%	51.68%

Particulars	Units	2012-13		
		Stabilization (16/4/2012- 12/10/2012)	Post Stabilization (13/10/2012- 31/3/2013)	Total (16/4/2012 - 31/3/2013)
Gross Generation	MU	737.08	1433.62	2170.70
Auxiliary Cons	%	11.45%	6.58%	8.24%
Station Heat Rate	kCal/kWh	2814	2519.19	2619.27
Specific Oil Consumption	ml/kWh	15.32	2.39	6.78

MSPGCL has executed FSA with MCL on 31st January, 2013 for supply of 2.312 MMT of coal. As per the Presidential directives to the coal companies, MCL has to adhere to atleast 80% of LoA Quantity. MSPGCL is also looking forward to optimal blending of coal for aligning its performance to the normative limits in the future. With the availability of adequate quality and quantity of coal, the performance of the unit is expected to improve in the due course of time. However, in the current circumstances, the issues of inadequate quantity of coal are likely to persist in the near future.

The summary of expenses projected for FY 2012-13 is provided in the table below:

Particulars	Unit	2012-13
Depreciation	Rs Cr.	116.56
Advance Against Depreciation	Rs Cr.	3.78
Operations & Maintenance Expenses	Rs Cr.	78.01
Interest on Long Term Loan	Rs Cr.	263.32
Interest on Working Capital	Rs Cr.	37.98
Return on Equity Capital	Rs Cr.	80.46
Income Tax	Rs Cr.	16.10
Total Fixed Charges	Rs Cr.	596.21
Total Variable Charges	Rs Cr.	589.89
Total charges	Rs Cr.	1186.09
Net Generation	MU	1991.93.
Variable Cost	Rs/kWh	2.96

. With the improvement in availability of adequate quality and quantity of coal in future, the performance of unit will improve, leading to decrease in per unit cost .

It is submitted that the aforesaid rate is not the actual rate charged to MSEDCL. It is clarified that only the rate approved by the Hon'ble Commission is charged to the Discom. The above submission is only a reflection of the cost estimates for FY 2012-13 which is subject to prudence check by the Hon'ble Commission.

MSPGCL requests the Hon'ble Commission to kindly consider the above submissions and approve the cost as per the rationale submitted in the Petition.

Prayers

The Petitioner humbly prays to the Hon'ble Commission to:

- a. Approve the Capital cost and tariff of the unit for FY 2012-13 as computed.
- b. Allow any additional submission of MSPGCL for approval of Tariff for Khaperkheda Unit 5 for FY 2012-13.
- c. Provide the Petitioner with the workable excel model used to determine the final tariff for the unit.
- d. Condone any shortcomings in the petition and allow the Petitioner to submit additional information as may be required by the Commission at a later stage.
- e. Allow MSPGCL to recover fixed cost and energy charges as per the tariff to be approved from MSEDCL through Energy Bills from the date of order.
- f. Issue appropriate directives to MSEDCL for payment of the dues to MSPGCL within respective financial year of the date of order.
- g. Allow MSPGCL to recover the difference in current tariff/ provisional tariff vis-à-vis the final tariff to be approved in this petition from the date of issue of order.
- h. Issue any such further orders as the Commission may deem fit.