

EXECUTIVE SUMMARY

Background

Vidarbha Industries Power Limited (VIPL) has developed 600 MW (2X300 MW) power station at Butibori, in Nagpur district of Maharashtra. The power from the generating stations is being supplied to RInfra-D from April 1, 2014 as per the PPA approved by the Hon'ble Commission.

Prior to declaration of COD, VIPL had filed a petition for determination of provisional tariff of the station in Case No 91 of 2013. The Hon'ble Commission vide its Order dated January 17, 2014 approved the provisional tariff of VIPL for FY 2014-15 and FY 2015-16. VIPL has filed this petition for approval of capital cost and determination of final tariff for the generating station at Butibori for the MYT control period 2014-15 and 2015-16. VIPL is filing this Petition under the provisions of Section 61, 62, 86 (1) (a), 86 (1) (b) of the Electricity Act, 2003 and as per Part A, B, C, E, F & K of MERC MYT Regulations, 2011.

Capital Cost of the Project

Butibori power station comprises of two units of 300 MW each. The overall capital cost of the generating station (2 x 300 MW) as on COD (March 28, 2014) is Rs 4005.15 crore. The detailed break-up of the aforesaid capital cost as on COD is provided below:

Table 1: Capital cost as on COD (Rs Crore)

| No | Particular | Actual Cost as on COD |
|-----------|---|-----------------------|
| 1 | Land | 85.36 |
| 2 | BTG | 790.12 |
| 2.1 | <i>BTG (in USD Million)</i> | <i>170.48</i> |
| 3 | BOP | 1,695.87 |
| 4 | Initial spares | 22.34 |
| 5 | Taxes and duties | 179.00 |
| 6 | Overheads | 281.83 |
| 7 | OSBL | 36.03 |
| 8 | IDC & FC | 563.85 |
| 9 | Total capital cost | 3,654.40 |
| 10 | Impact of FERV | 350.75 |
| 11 | Total Project cost¹ as on COD | 4,005.15 |

The overall equity infusion as on COD of the project is Rs. 1165.58 crore which is around 29.10% of the overall project cost of Rs. 4005.15 crore.

VIPL has considered the depreciated cost of the project as on March 31, 2014 for the purpose of determination of tariff for FY 2014-15 and FY 2015-16 as the PPA for supply of power

¹ Excluding the Project cost of Transmission Assets

commences from April 1, 2014. The overall value of assets of the Power Station considered by Petitioner for the purpose of tariff determination is therefore Rs. 3923.98 Crore. VIPL-G has considered the D/E ratio of 70.9:29.1 for the purpose of tariff calculation. Accordingly the overall normative loan and equity components as on April 1, 2014 based on the WDV value of the capital cost of station is provided below:

Table 2: Normative funding details for Depreciated Capital cost as on April 1, 2014 (Rs Crore)

| Source | Funds Considered as per norms | % Contribution |
|-------------------|-------------------------------|----------------|
| Debt | 2,782.02 | 70.90% |
| Equity | 1,141.96 | 29.10% |
| Total Cost | 3,923.98 | |

Aggregate Revenue Requirement

VIPL-G has considered the depreciated capital cost as on April 1, 2014 for the purpose of determination of tariff. The various heads of fixed cost viz. O & M expenses, Interest, ROE, depreciation and income tax have been worked out based on the MYT Regulations 2011. Besides the above, the Petitioner has requested the Hon'ble Commission to remove difficulty in respect of treatment of cost for hedging foreign currency loans and/or treatment of foreign exchange rate variation on foreign currency loans since the current tariff regulations do not specify the manner in which such costs will be considered after the COD of the project.

For the purpose of estimation of energy charges, the Petitioner envisages use of domestic coal as the primary fuel. Quantum of coal required for achieving normative PLF (85%) for 600 MW generating station is around 2.29 MTPA. VIPL-G has secured Letters of Assurance (LoA) from Western Coalfields Limited (WCL) for supply of 2.345 MTPA of coal with GCV band of G 9 for Butibori station for both Unit 1 and unit 2.

Since, the LOAs issued by WCL had assured the supply of coal at notified price, VIPL had requested to WCL to execute the FSA assuring supply of coal at notified price. But, WCL refused to offer coal at notified price citing no additional production of coal in notified coal sources and offered to sign FSA along with a Side Agreement offering coal from cost plus mines of WCL. Therefore, VIPL-G was left with no option but to sign the FSA for Unit 2 for 1.11 MTPA on 10th March 2014 with WCL along with a Side Agreement. The supply of coal in case of Unit 2 from cost plus sources of WCL has commenced.

Coal from Cost Plus sources is available at higher price vis-à-vis notified price, leading to severe resistance from buyers, particularly power generators. It is learnt that a proposal for reduction in price of coal from cost plus mines of WCL is in very advanced stage and under active

consideration of MOC and once the proposal gets approved, the landed cost of coal from WCL to VIPL for unit 2 will come down significantly.

As far as Unit 1 is concerned, all milestones enabling signing of FSA have been fulfilled. Further, the transfer of linkage of this Unit from WCL to SECL assuring supply of coal at notified price has been approved by CIL in principle. Once the FSA with SECL for supply of coal for Unit 1 is executed and coal supply commenced, the overall landed cost of coal to VIPL will further come down significantly.

These efforts are being put in with the purpose of securing the uninterrupted supply of coal at the cheapest possible cost for the benefit of end consumers of electricity in the city of Mumbai.

For determination of aggregate revenue requirement for FY 2014-15 and FY 2015-16, following operational parameters have been considered:

Table 3: Operational parameters

| Particulars | Units | FY 2015 | FY 2016 | Remarks |
|--------------------------|----------|---------|---------|--|
| No. of days | | 365 | 366 | |
| Installed Capacity | MW | 600 | 600 | |
| Availability | % | 85% | 85% | Normative based on MERC MYT Regulation, 2011 |
| PLF | % | 85% | 85% | Normative based on MERC MYT Regulation, 2011 |
| Gross Generation | MU | 4,468 | 4,480 | |
| Auxiliary Cons | % | 9.00% | 9.00% | Normative based on MERC MYT Regulation, 2011 |
| Net Generation | MU | 4,066 | 4,077 | |
| Station Heat Rate | kCal/kWh | 2,401 | 2,401 | Normative based on MERC MYT Regulation, 2011 |
| Specific Oil Consumption | ml/kWh | 1.00 | 1.00 | Normative based on MERC MYT Regulation, 2011 |

The summary of expenses projected for FY 2014-15 and FY 2015-16 are provided in the table below:

Table 4: Aggregate Revenue Requirement & Tariff

| Particulars | Unit | 2014-15 | 2015-16 |
|-----------------------------------|--------|---------|---------|
| Depreciation | Rs Cr. | 208.90 | 218.28 |
| Operations & Maintenance Expenses | Rs Cr. | 105.00 | 111.00 |
| Interest on Long Term Loan | Rs Cr. | 273.44 | 322.36 |
| Interest on Working Capital | Rs Cr. | 57.10 | 60.59 |
| Return on Equity Capital | Rs Cr. | 182.71 | 212.85 |

| Particulars | Unit | 2014-15 | 2015-16 |
|-------------------------------|---------------|----------------|----------------|
| Income Tax | Rs Cr. | 48.45 | 56.44 |
| Total Fixed Charges | Rs Cr. | 875.61 | 981.52 |
| Total Variable Charges | Rs Cr. | 777.02 | 778.59 |
| Total charges | Rs Cr. | 1652.63 | 1760.11 |
| Net Generation | MU | 4,066 | 4,077 |
| Fixed Cost | Rs/kWh | 2.15 | 2.41 |
| Variable Cost | Rs/kWh | 1.91 | 1.91 |
| Total Tariff | Rs/kWh | 4.06 | 4.32 |

VIPL requests the Hon'ble Commission to kindly consider the above submissions and approve the capital cost and final tariff as prayed in this petition.