

MSPGCL's Petition for True up of FY 2014-15,  
Provisional True up for FY 2015-16 and MYT Tariff  
Petition for the Period from FY 2016-17 to 2019-20

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**Maharashtra State Power Generation  
Company Limited**

**Executive Summary**

**Case No. 46 of 2016**

## **Executive Summary**

The Maharashtra State Power Generation Company Limited (hereinafter referred to as MAHAGENCO or MSPGCL or Petitioner) is a Company formed under the Government of Maharashtra General Resolution No. ELA- 003/P.K.8588/Bhag-2/Urja-5 dated January 24, 2005 with effect from 6<sup>th</sup> June, 2005. The company is operating under the provisions envisaged in the Electricity Act 2003.

The Petitioner submits that the provisional Transfer Scheme notified under Section 131 (5) (g) of the Electricity Act 2003 on June 6, 2005 is yet to be finalized. Pending the finalization of the same, the transferred value of assets, based on their revenue potential in accordance with Section 131 (2) first proviso of the Electricity Act 2003, may get changed. In such an event, the Petitioner would again approach the Hon'ble Commission seeking approval of the incidental impact of the same.

MSPGCL had submitted its MYT Petition for the 2<sup>nd</sup> Control Period from FY 2013-14 to FY 2015-16 on 16<sup>th</sup> April 2013 as per the MERC (MYT) Regulations, 2011. The Commission approved the ARR for the MYT 2<sup>nd</sup> Control Period from FY 2013-14 to FY 2015-16 vide its MYT Order in Case No. 54 of 2013 dated 3<sup>rd</sup> March, 2014 and corrigendum Order dated 19<sup>th</sup> March, 2014.

In accordance with the provisions of the MERC (MYT) Regulations, 2011, the Hon'ble Commission in its MYT Order for MSPGCL had directed MSPGCL to submit its Petition for Mid-Term Review of its performance during the third quarter of FY 2014-15.

MSPGCL vide its letter dated 2<sup>nd</sup> December, 2014 requested for an extension in filing Mid-Term Petition for the 2<sup>nd</sup> Control Period till 31<sup>st</sup> January, 2015. However, the Commission vide its letter MERC/tariff/2014-15/01307/ dated 12<sup>th</sup> December, 2014 directed MSPGCL to file the Mid-Term Petition for the 2<sup>nd</sup> Control Period on or before 31<sup>st</sup> December 2014.

In compliance with the aforesaid directives of the Commission, MSPGCL submitted the Petition for Mid-Term Performance Review for the MYT 2<sup>nd</sup> Control Period on 9<sup>th</sup> January, 2015. The Commission issued the Order in Case No. 15 of 2015 dated 26<sup>th</sup> June 2015 for approval of Mid-Term Performance Review for the MYT 2<sup>nd</sup> Control Period.

As per clause 5.1 (a) of the MERC (MYT) Regulations, 2015 the Hon'ble Commission directed the Generating companies and licensees in the state of Maharashtra to submit the Multi Year Tariff Petition for the 3<sup>rd</sup> Control period by 15<sup>th</sup> January, 2016. MSPGCL had requested for extension of time limit for filing the petition. Hon'ble Commission granted the time limit extension up to 31<sup>st</sup> January, 2016 vide Order dated 15<sup>th</sup> January, 2016. The present Petition by MSPGCL is submitted to the Commission for Truing up of ARR for FY 2014-15, performance review for FY 2015-16 and determination of Multi Year Tariff for the period FY 2016-17 to FY 2019-20.

**Specific issues for consideration:**

**1. Decommissioning of existing old units:**

Central Electricity Authority (CEA) has communicated to the states that replacement of old units by new super critical units is being encouraged by the Central Government and the necessary guidelines have been issued for automatic transfer of coal linkage from old and inefficient units to new supercritical units. In this context MSPGCL has taken a decision to decommission following units:

<b>Station &amp; Unit No.</b>	<b>Age in years as on 29/02/2016</b>	<b>Proposed date of decommissioning</b>
Koradi Unit # 5	38	After completion of Koradi Unit 6 EE R&M Work
Parli Unit # 3	35	1/04/2016
Bhusawal Unit # 2	37	1/04/2016

As can be seen from the above table the units proposed to be decommissioned are quite old, instead of going for Renovation and Modernization of these units, which may not be cost effective considering the remaining useful life of these units MSPGCL has decided to replace these units with supercritical units at Koradi/ Chandrapur. In case of Koradi Unit 5 it is decided that the unit will be decommissioned after completion of EE R&M work of Unit 6.

Accordingly, MSPGCL shall undertake process for separation of Capital cost related data (like Assets, Accumulated depreciation, Long term loans etc.) for these units so as to

compute reduction in Annual Fixed charges. The actual separation of capital cost related data and its impact on AFC for the respective year in which the unit/s gets decommissioned will be submitted at the time of final true up of the respective year. In the meanwhile, MSPGCL is submitting the AFC projections for MYT 3<sup>rd</sup> Control period from FY 2016-17 to FY 2019-20 based on residual life based pro-rata allocation of total Fixed Cost. The ARR projections for the MYT period for the Koradi, Parli and Bhusawal stations have been made based on the proposed decommissioning of the units at these stations.

## **2. Closure of units at Chandrapur (Unit # 1 & 2 - 210 MW each) due to environmental and vintage issues:**

Chandrapur TPS unit 1 was under economic shutdown since 28<sup>th</sup> August, 2014 till 31<sup>st</sup> March, 2014 as per Hon'ble Commission's Order in Case No. 78 of 2014. In the Petition for Mid-Term Review of the 2<sup>nd</sup> Control Period, MSPGCL had proposed for the economic shutdown of 5 units including unit 1 at Chandrapur TPS in FY 2015-16. The Hon'ble Commission in its Order dated 19<sup>th</sup> Jan 2016 (Case No. 108 of 2015) approved MSPGCL's proposal for economic shutdown of the 5 units till 30<sup>th</sup> June 2015.

Meanwhile MSPGCL had applied to Maharashtra Pollution Control Board (MPCB) for renewal of the consent to operate Chandrapur TPS units No. 1 to 7 for the period from 1<sup>st</sup> September, 2015 to 31<sup>st</sup> August, 2016. MPCB has approved the consent application till 31<sup>st</sup> August, 2016 in their Consent Appraisal Committee (CAC) meeting held on 9<sup>th</sup> October, 2015 with the condition "not to operate Unit No. 1 & 2" vide Order No. Format 1.0/BO/CAC-Cell/EIC No:-CH-1760-15/CAC-414 dated 8<sup>th</sup> January, 2016.

As there is no consent to operate, MSPGCL has not taken the Chandrapur Unit # 1 (210 MW) on bar. Accordingly, from 1<sup>st</sup> September, 2015 onwards, MSPGCL has declared capacity considering only 6 remaining units i.e. considering station capacity as only 2130 MW. Further since 12<sup>th</sup> January 2015, MSPGCL has withdrawn Chandrapur Unit # 2 also and since then installed capacity considered for day ahead scheduling declaration is 1920 MW ( 2 X 210 MW + 3 X 500 MW). MSPGCL is herewith requesting Hon'ble Commission to consider the reduction in installed capacity of Chandrapur TPS for the purpose of computation of Plant Availability Factor from September 2015 onwards for unit 1 & 12<sup>th</sup> January, 2016 onwards for unit 2. MSPGCL understands that the Fixed Charges for these units for such outage period cannot be claimed when units are not running due to lack of environmental clearance.

Subsequently in line with CEA guidelines MSPGCL has taken a cautious decision to decommission these two units.

Accordingly, MSPGCL has undertaken process for separation of Capital cost related data (like Assets, Accumulated depreciation, Long term loans etc.) for these two units so as to compute reduction in Annual Fixed charges. MSPGCL is submitting the AFC projections for the FY 2015-16 as well as for 3<sup>rd</sup> MYT Control period from FY 2016-17 to FY 2019-20 based on residual life based pro-rata allocation of total Fixed Cost. The actual separation of capital cost related data and its impact on AFC of FY 2015-16 will be submitted at the final true up of FY 2015-16.

### **3. Idle Capacity Charges for units under Economic Shutdown:**

The Hon'ble Commission vide Order dated 19<sup>th</sup> August, 2014 (Case No. 78 of 2014) and subsequent Clarificatory Order dated 4<sup>th</sup> September, 2014 had approved economic shutdown of five of MSPGCL's units to optimize resources and to achieve economy in coal based plant operations.

In accordance with the said order, MSPGCL had withdrawn the following units under economic shutdown:

- Koradi Unit 5 – withdrawn since 19<sup>th</sup> August 2014
- Chandrapur Unit 1 – withdrawn since 28<sup>th</sup> August 2014
- Bhusawal Unit 2 – withdrawn since 13<sup>th</sup> September, 2014
- Parli Unit 3 – withdrawn since 5<sup>th</sup> February, 2015
- Koradi Unit 6 – withdrawn since 20<sup>th</sup> March 2015

In the Order in Case No. 78 of 2014 dated 19<sup>th</sup> August 2014 the Hon'ble Commission granted in principle approval for recovery of the idle capacity charges (comprising the depreciation, interest on loans and employee costs) for the units under economic shutdown. In the subsequent Order in Case No. 15 of 2015 dated 26<sup>th</sup> June, 2015 the Hon'ble Commission allowed the recovery of idle capacity charges for FY 2014-15 for the units under economic shutdown, considering the period of economic shutdown and also expressed that it shall carry out the truing up of the idle capacity charges for FY 2014-15 during the final truing up. For the units under economic shutdown, during FY 14-15 MSPGCL has recovered only the "Idle Capacity" charges computed on the basis of

approved AFC as per MYT Tariff order. Based on the actual audited data MSPGCL is submitting herewith the details of actual expenses incurred on the units under economic shutdown during FY 2014-15 and requests the Hon'ble Commission to carry out the truing up of these idle capacity charges for FY 2014-15.

The Petition consists of true up of all units running under normal conditions and true up of "Idle Capacity Charges" for the abovementioned units during the period of economic shutdown.

MSPGCL submits that in its petition for Mid Term Review under MYT 2<sup>nd</sup> Control period (Case No. 15 of 2015) MSPGCL had requested for extension of the economic shutdown of the units in FY 2015-16. The Hon'ble Commission in its Order in Case No. 15 of 2015 dated 26<sup>th</sup> June, 2015 had not approved the extension of economic shutdown of units. In the petition for Review of this order (Case No. 108 of 2015) MSPGCL had requested Hon'ble Commission to review the decision and allow the extension, at least, up to issuance of the Order in Case No. 15 of 2015 i.e. up to 26<sup>th</sup> June, 2015. Vide Order dated 19<sup>th</sup> January, 2016 in Case No. 108 of 2015, Hon'ble Commission allowed the extension of the economic shutdown of these 5 units up to 30<sup>th</sup> June, 2015. While MSPGCL had continued the economical shutdown for Chandrapur # 1, Koradi # 6, Bhusawal # 2, Parli # 3 during this period, Koradi # 5 was taken into service due to availability of coal at Koradi TPS.

Accordingly, MSPGCL requests Hon'ble Commission to approve the Idle Capacity charges for the period 1<sup>st</sup> April, 2015 to 30<sup>th</sup> June, 2015 for the four units under economic shutdown and MSPGCL will claim only these from MSEDCL.

For the truing up purpose of the Idle Capacity charges, MSPGCL will submit the details of the actual expenses as per Audited accounts, incurred during FY 2015-16 as Idle Capacity Charge for these 4 units at the time of truing up petition for FY 2015-16.

#### **4. Closure of units at Parli TPS due to Water shortage (Force majeure situation) :**

MSPGCL submits that the drought situation in the Marathwada region has continued since 2012-13 till date. As a result Parli Unit 3 was under continuous shutdown since February 2013 while, the remaining units were taken in service intermittently as per water availability. By the end of July 2014 water shortage severity increased at the regular sources (i.e. Khadka barrage, Majalgaon dam and Jayakwadi dam) leading to instructions from

Government of Maharashtra regarding reservation of water stocks for drinking purpose only. Therefore MSPGCL was forced to withdraw all the units of Parli Station from 1<sup>st</sup> August 2014 onwards. Till 2<sup>nd</sup> September, 2014 all the five units were under shutdown. Subsequently, for the remaining period of FY 2014-15 all units excluding Unit 3 were taken into service depending on time to time water availability. MSPGCL communicated the severe water shortage situation at Parli Thermal Power station to the Hon'ble Commission vide its letter reference no. RCD14/4/L425/8391 dated 6<sup>th</sup> August, 2014.

In FY 2015-16 MSPGCL was forced to withdraw all the units from 7<sup>th</sup> July 2015 onwards due to poor rainfall and scarcity of water. MSPGCL communicated the severe water shortage situation at Parli Thermal Power station to the Hon'ble Commission vide its letter reference no. RCD15/4/LT0523/11014 dated 7<sup>th</sup> September 2015.

MSPGCL requests Hon'ble Commission to consider the situation of water shortage at Parli Thermal Power Station as Force Majeure and,

- a. To allow full fixed cost recovery for Parli TPS considering the target availability equal to the actual availability achieved by the TPS for the period.
- b. To consider actual performance parameters as normative parameters for normative fuel cost calculations for the period.

It is further submitted that adequate water availability can be assumed only after June 2016, and also considering prolonged drought situation in Marathwada region MSPGCL is skeptical about continuous availability of adequate water to run all the units at Parli station. Even though MSPGCL has decided to decommission Parli Unit #3 from 1 April, 2016 onwards the upcoming unit at Parli (Parli unit#8) is expected to achieve COD in FY 2106-17. After COD of Parli unit #8 and decommissioning of unit #3 the available capacity at Parli TPS would be 1170 MW. In view of the possible concerns about availability of adequate water for all the existing units and also considering the current power surplus scenario in state of Maharashtra, MSPGCL is proposing following:

- a. Unit # 6 & 7 will be available from 1 July, 2016 onwards during the Control period,
- b. Unit # 4 & 5 will be continuously kept under Reserve shutdown (RSD) during the Control period,

- c. Unit 4 & 5 will be kept under proper preservation and may be taken into service only after request by MSEDCL in case there is adequate demand,

In order to minimize Fixed Cost burden for these units under RSD MSPGCL is planning to minimized the preservation expenses. There will be no R&M works, no capital expenditure and only 10% of employees will be deployed for preservation purpose. Accordingly MSPGCL is claiming only (10% of employee cost + Interest on long term loans + Depreciation) as idle capacity charge for these units.

Currently Parli TPS has allocation of 29.50MM<sup>3</sup> water from Majalgaon dam, Jayakwadi dam and Khadaka barrage. MSPGCL is in the process of finalization of scheme for sourcing water from reuse of sewage water from Nanded city, which is in addition to existing water source.

**5. Lower Availability at Uran GTPS due to gas supply shortages( Uncontrollable event):**

MSPGCL submits that in FY 2014-15 it received 65.19% of the contracted gas supply at Uran GTPS. With the given quantum of gas available at the station, the possible generation for Uran GTPS for FY 2014-15 was around 3528.60 MU whereas the actual generation for Uran GTPS for FY 2014-15 was at 3477.64 which is around 99% of the possible generation. MSPGCL submits that gas availability is beyond the control of MSPGCL. Hence, MSPGCL requests the Commission to approve the actual availability of Uran GTPS for FY 2014-15 as normative for Uran GTPS considering the gas shortage as an uncontrollable factor.

During FY 2015-16 the gas availability has further reduced and as no alternative gas supply was available, the actual availability for Uran GTPS up to September 2015 was 42%. MSPGCL is trying to procure gas from open market to the extent possible. MSPGCL requests the Hon'ble Commission to kindly consider the actual availability up to September 2015 as normative availability of FY 2015-16. MSPGL shall submit the details of actual gas receipt and actual availability of Uran GTPS for FY 2015-16, at the time of final true-up for FY 2015-16.

Further during the MYT Control Period of FY 2016-17 to FY 2019-20, MSPGCL has assumed only 46.8% gas supply availability for Uran GTPS and accordingly projected generation at lower Availability of 46.8%. As per the current gas supply arrangement, there



is take or pay condition for the gas supplied at Uran GTPS. Therefore, Hon'ble Commission is requested to consider Uran GTPS as a 'must run' station for scheduling process.

#### **6. Planned outage for Koradi Unit # 6 for undertaking EE R & M LE works:**

In principle approval to EE R&M Scheme for Koradi Unit 6 was granted by the Hon'ble Commission vide reference no. MERC/ CAPEX/ 20102011/ 00364 dated 24<sup>th</sup> May, 2010. The unit is now withdrawn since 25<sup>th</sup> August 2015 for execution of the scheme. As per revised schedule submitted by M/s BHEL, the unit is expected to be synchronized on 30<sup>th</sup> May, 2016.

#### **Current Coal Scenario & Efforts taken by MSPGCL for improvements:**

##### **1. Implementation of directives by CCI:**

Since past few years MSPGCL was facing sever coal shortage and issues regarding low quality of coal than as per FSA. In this context MSPGCL approached Hon'ble Competition Commission of India (CCI) against monopolistic practices of CIL and its subsidiaries. CCI had upheld contentions of MSPGCL and had given following directives to CIL:

- a. CIL has been directed to incorporate suitable modifications in the fuel supply agreement to provide for fair and joint sampling and testing procedure,
- b. CIL may consider and examine the feasibility of sampling at the unloading end in consultation with power producer besides adopting international best practices,
- c. CIL may also hasten the process of installing Augur sampling machines & washeries to help improve the coal supplied.

CIL has challenged the CCI Order, the matter is sub-judice before COMPAT and the next date of hearing is on 18 April, 2016. In this context post CCI Order there are few positive developments regarding the coal supply issues raised by MSPGCL these include:

- i. Third Party sampling of coal,
- ii. Alternate Dispute Resolution Mechanism, and
- iii. Sampling of coal by Central Institute of Mining & Fuel Research (CIMFR)

##### **2. Third Party Sampling of Coal:**

As per the guidelines received from CEA, MoP, MoC and CIL, from time to time MSPGCL has engaged Third Party Agencies, empaneled as per the list prepared by CEA and

concluded by CIL through tenderization process. The Third Party Agencies appointed by MSPGCL for third party sampling of coal at the loading end are:

- a. M/s Geo-chem. Pvt. Ltd: Working at WCL Sidings Loading end and Mahagenco Unloading End. This agency started the work from 10 May 2015.
- b. M/s Elegant Surveyors: Working at SECL and MCL Sidings/ Loading and MSPGCL's TPS end/ Unloading End. This agency started the work from 12 June 2015.

### **3. Alternative Dispute Resolution Mechanism:**

Hon. Secretary, Ministry of Coal, GoI, has informed that Ministry of Coal has started an Alternative Dispute Resolution Mechanism (ADRM). This forum is a non-statutory forum headed by Joint Secretary from Ministry of coal and Joint Secretary from Ministry of power, GOI.

The Ministry of power and Ministry of coal have jointly agreed to get the disputes resolved between their PSUs through this forum. MoC has requested to send the acceptance of the State Government/ Agencies to agree to the resolution of the dispute through this mechanism and also give an assurance that they would abide by the final verdict of this forum, they would not resort to further litigations thereafter and would not move to any other forum. MSPGCL has raised various disputes with CIL and its subsidiaries to be resolved through this mechanism i.e. ADRM.

### **4. Sampling of coal by CIMFR:**

In the meeting held under the Chairmanship of Hon. Minister of State (I/C) for Power, Coal, New & Renewable energy on 28 October 2015, it was decided that coal sample shall be collected and prepared by a single third party agency appointed by Power Utilities and coal companies. It was suggested that CIMFR -may undertake bidding process for appointment of third party sampling agencies on behalf of power utilities and coal companies. Necessary funding arrangement shall be done by the coal companies and power utilities on equal sharing basis.

### **5. Action taken by MSPGCL against CIL subsidiaries on Grade Slippage:**

Subsequent to appointment of Third Party Agencies by MSPGCL for third party sampling of coal at the loading end, grade slippage was observed in the sampling and analysis results at loading end and accordingly credit notes of Rs. 663.73 crore for the period from May 2015 to January 2016 were raised by the MSPGCL against grade slippages. It has been the experience of MSPGCL that claims lodged with coal companies are neither settled by them fully nor on timely basis and the same are disputed. Inline with the provisions of Accounting Standard (AS-9) MSPCL will recognize claims lodged with coal companies in the books of accounts only after crystallisation of such claims & thereupon the coal consumption cost will be reduced to the extent of the crystallized claims.

**6. MoEF notification on supply of coal with ash content less than 34%:**

MoEF vide its letter no. L-11011/21/2014-IA-I(T) dated 13 April 2015 has issued advisory regarding implementation of Notification No. G.S.R. 02(E) dated 2 January 2014 for supply and use of coal with ash content not exceeding 34 % for the coal based TPS.

Accordingly coal companies have agreed principally to supply coal with ash content not exceeding 34 % in the form of washed coal and MSPGCL has agreed to accept washed coal from coal companies to comply with the above MoEF notification. MCL and SECL have accorded their consent to set up washeries and MSPGCL is pursuing the matter with WCL.

**7. Coal swapping arrangements as per recommendations of Inter Ministerial Task Force (IMTF):**

As per the recommendation of IMTF to optimize the transportation cost, the coal linkages from Mahanadi Coal Limited (MCL) have been swapped with coal linkages from SECL/WCL for Bhusawal, Khaperkheda and Parli Stations of MSPGCL. Post swapping the linkages are as follows:

TPS	WCL	MCL	SECL	SCCL	FSA Quantity
Chandrapur	10.365	1.525	0.91	0	12.8
Koradi	0.615	1.58	3.105	0	5.3
Khaperkheda	1.432	3.879	2.001	0	7.312
Nasik	3.689	0	1.011	0	4.7
Bhusawal	2.8	2.312	2.312	0	7.424
Parli	3.528	0	0	2.26	5.788
Paras	1.8	1.204	0	0	3.004
Total	24.229	10.5	9.339	2.26	<b>46.33</b>

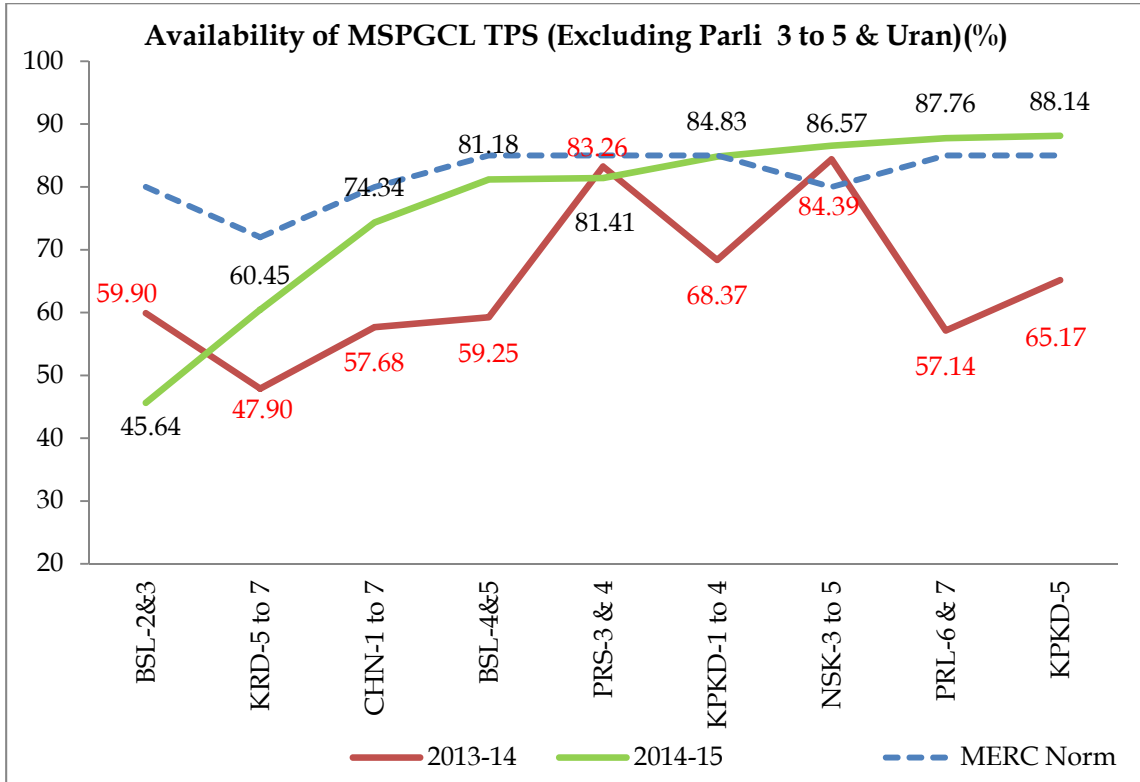
The transportation cost for coal sourced from MCL mines is high as the distance between the MCL mines and MSPGCL stations is more than 1000 km. Also, the coal realization from MCL mines was poor. With swapping of MCL coal with WCL/ SECL coal the overall coal realisation has improved.

Based on above-mentioned developments and initiatives taken by MSPGCL, the coal shortage situation has been mitigated. Further, MSPGCL expects improvements in coal GCV by at least 10% during the MYT period.

## A. True Up for FY 2014-15

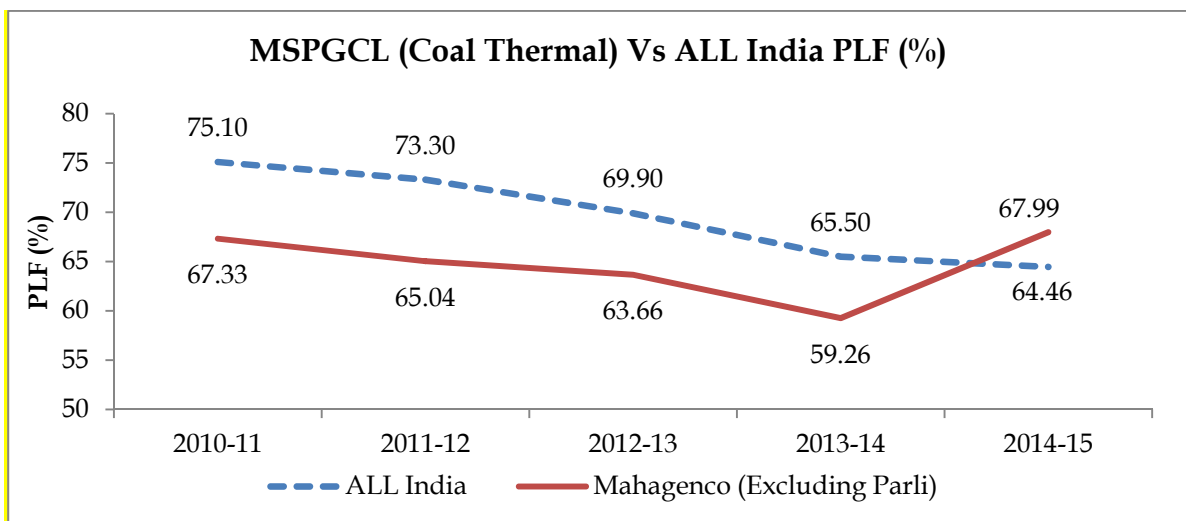
### Performance Parameters

- 1) **Availability factor:** Most of the stations have shown an improvement in the availability factor in FY 2014-15 over FY 2013-14.

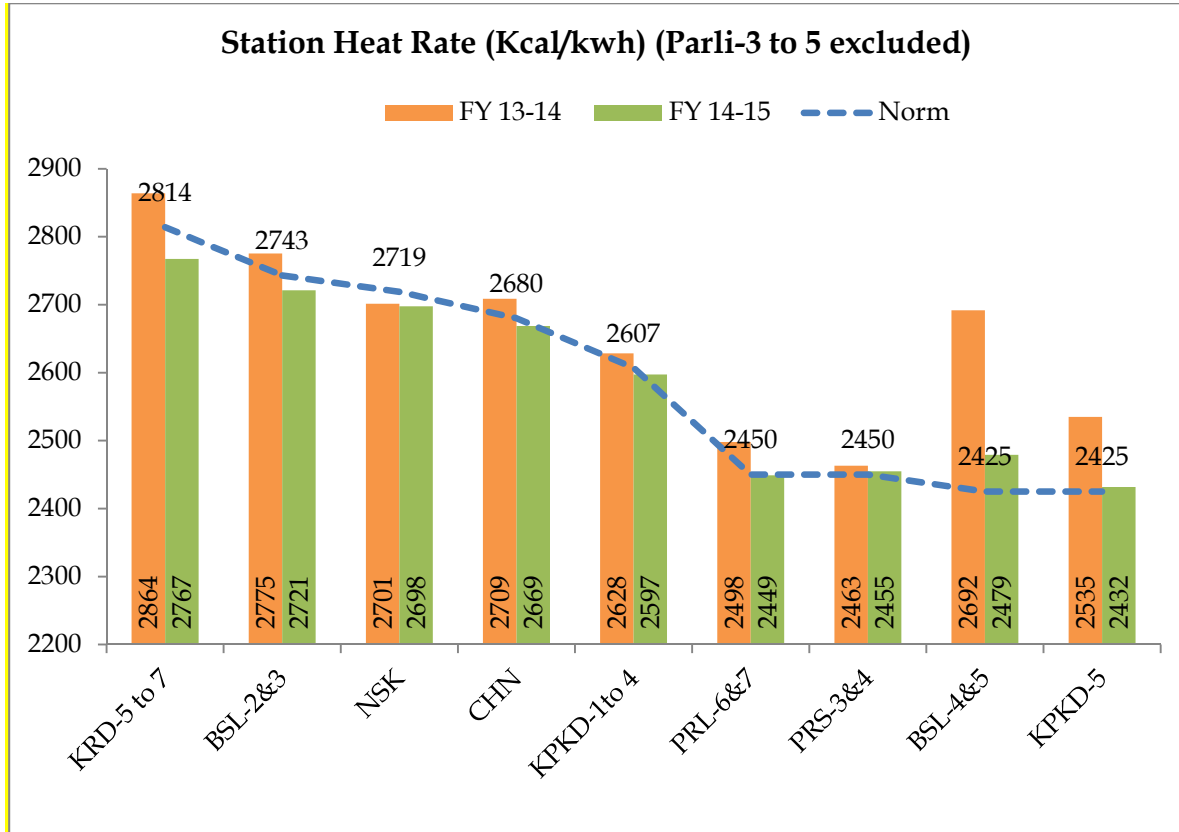


The consistent improvement in performance is a result of the various measures undertaken by MSPGCL.

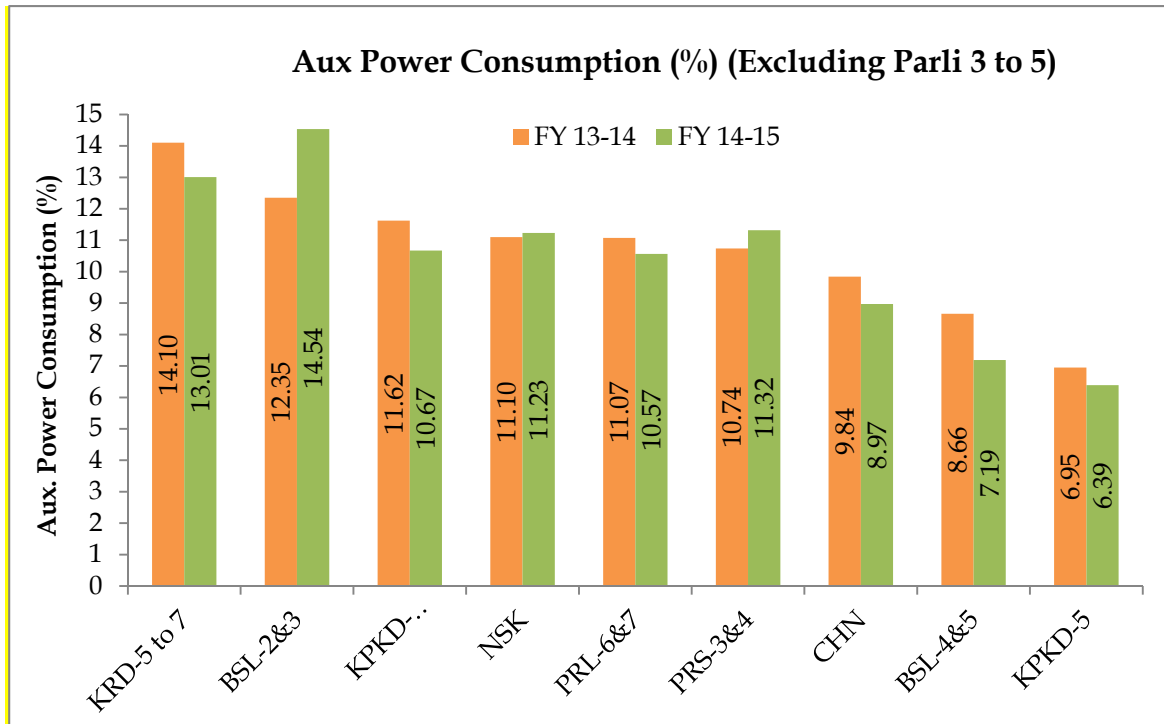
- PLF :** As a result of the various measures undertaken by MSPGCL for improvement of performance, the overall PLF of coal based thermal units for FY 2014-15 (Excluding Parli Units) has been best in last five years surpassing the All India PLF for Thermal stations.



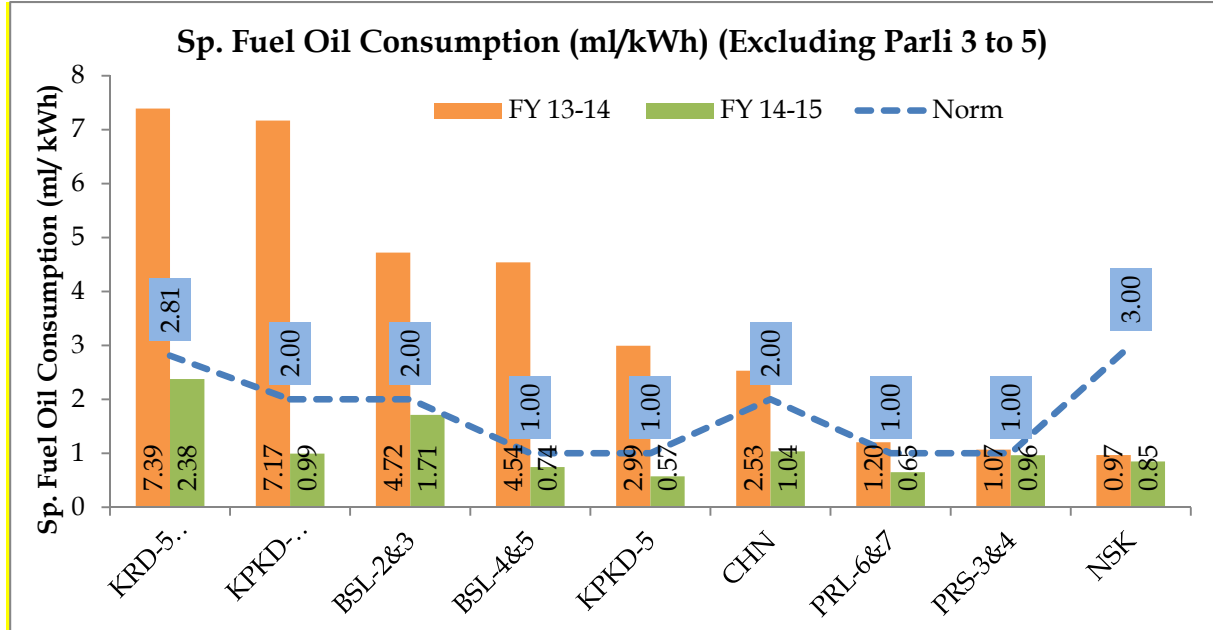
- SHR:** In FY 2014-15, all TPS have shown an improvement in the SHR as compared to that in FY 2013-14.



4. **Auxiliary Power Consumption:** In FY 2014-15 all the stations of MSPGCL except Bhusawal, Nashik and Paras have shown an improvement in Auxiliary power Consumption over the previous year.



5. **Specific Fuel Oil Consumption:** In FY 2014-15, all the stations of MSPGCL have performed better in terms of the SFOC as compared to that in FY 2013-14. There is remarkable reduction in Specific Fuel Oil Consumption as compared to that in FY 2013-14, and SFOC are well within the MERC norms.



The installed capacity, Gross generation and Net Generation for MSPGCL stations is as follows:

Particulars	Installed capacity (MW)	Gross Generation (MU)	Net Generation (MU)
Bhusawal	420	1,100	940
Chandrapur	2,340	12,508	11,386
Parli	630	1,517	1,325
Khaperkheda	840	5,126	4,579
Koradi	620	2,331	2,028
Nashik	630	4,202	3,730
Uran	672	3,478	3,376
Hydro	2,585	4,348	4,315
Paras 3-4	500	2,930	2,599
Parli 6-7	500	3,065	2,742
Khaperkheda 5	500	3,134	2,934
Bhusawal 4-5	1,000	5,296	4,915

### **Expense side True up for FY 2014-15**

In the Petition, MSPGCL has submitted the actual expenses as per audited accounts/norms as applicable for various heads of expenditure for the ARR. MSPGCL has carried out the true up considering the actual expenses for various heads, sharing of gains and losses based on norms and further considering the availability based pro-rata recovery of

fixed charges. Considering the above, the true-up summary of MSPGCL for existing and new stations (Paras Unit 3- 4, Parli Unit 6-7, Khaperkheda Unit 5 and Bhusawal Unit 4-5) for FY 2014-15 is provided in the table below:

**Table 1: Expense side True up for FY 2014-15**

Particulars	Amount (Rs. Crore)
Cost of Generation including Lease Rentals	12,755.57
O & M Expenses	1,924.50
Depreciation	885.48
Interest & Finance Charges on Long Term Loans	1,156.76
Interest on working capital	641.08
Income tax	182.78
Return on Equity	938.78
Other Debits	-
Prior period expenses	(8.02)
Total Expense	18,476.94
Less NTI (MSPGCL)	1,164.44
<b>ARR (Actual/ Normative)</b>	<b>17,312.50</b>

The final entitlement of MSPGCL after sharing of gains and losses is as follows:



**Table 2: Final entitlement of MSPGCL after sharing of gains and losses for FY 2014-15**

Particulars	Amount (Rs. Crore)
Fuel Cost	12,335.94
Lease Rentals	548.48
O & M Expenses	1,896.92
Provision for pay revision	218.06
Depreciation including AAD	881.12
Interest & Finance Charges on Long Term Loans	1,149.97
Interest on working capital	605.43
Income tax	182.78
Return on Equity	921.59
Other Expenses	-
Prior period expenses	(8.02)
Idle capacity charges	62.44
Total Expense	18,794.71
Less NTI (MSPGCL)	1,164.44
<b>ARR (Actual/ Normative)</b>	<b>17,630.26</b>
Reduction in AFC due to low availability	267.20
<b>Net ARR</b>	<b>17,363.07</b>

The revenue side summary for MSPGCL for FY 2014-15 is as follows:

**Table 3: Revenue side summary for FY 2014-15**

Particulars	Amount (Rs. Crore)
<b>Audited Revenue from SoP as per Accounts</b>	<b>17,290.23</b>
Less: Other Adjustments due to other Orders and provisioning	-
<b>Revenue for trueing up</b>	<b>17,290.23</b>

The net true up amount, considering the Expense side summary and Revenue side summary is as provided in the table below:

**Table 4: Net True up for FY 2014-15**

Particulars	Amount (Rs. Crore)
Expense Side Summary (A)	17,363.07
Revenue Side Summary (B)	17,290.23
<b>Net True up amount (A-B)</b>	<b>72.84</b>
Add: Impact of Actuarial Valuation	225.46
<b>Total true up claim for FY2014-15</b>	<b>298.30</b>

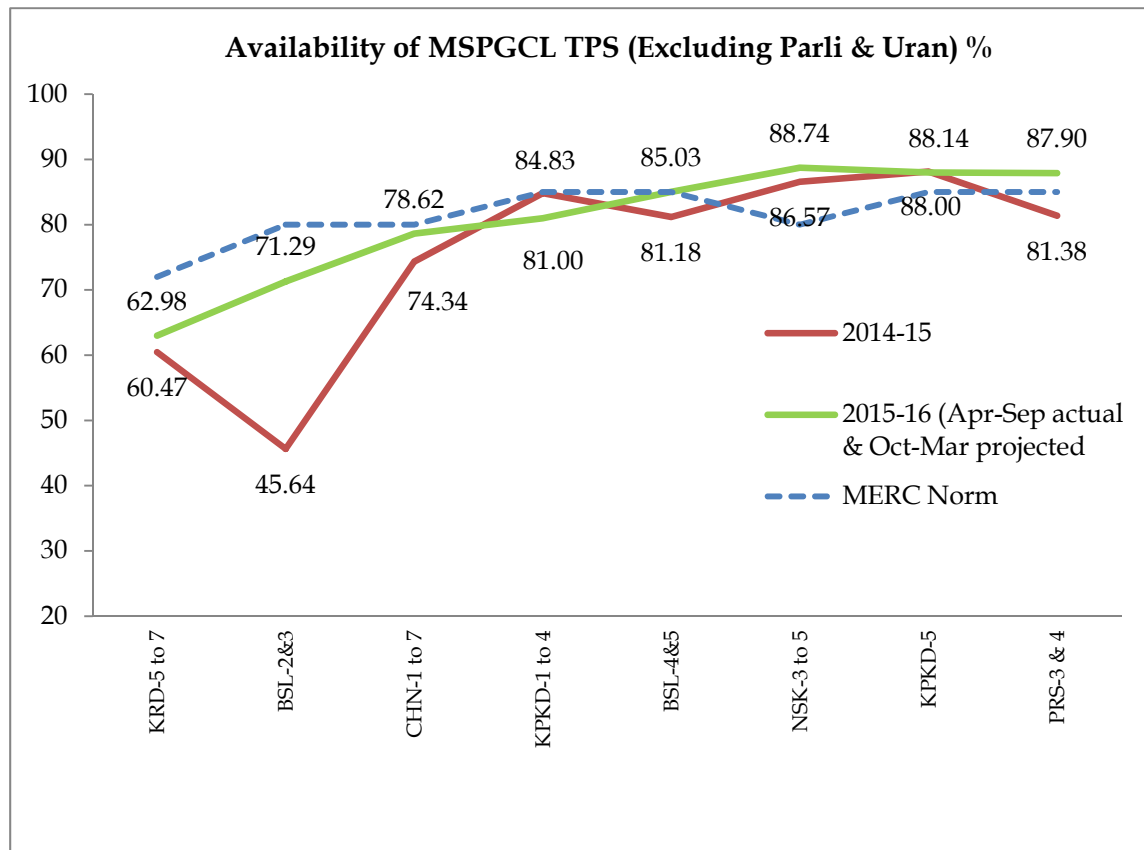
MSPGCL requests the Hon'ble Commission to allow the total true up amount of Rs.72.84 crores and further consider the prayers in respect of specific issues based on the merits and constraints as prayed and elaborated in this Petition.

## B. Provisional True up for FY 2015-16

### Performance Parameters

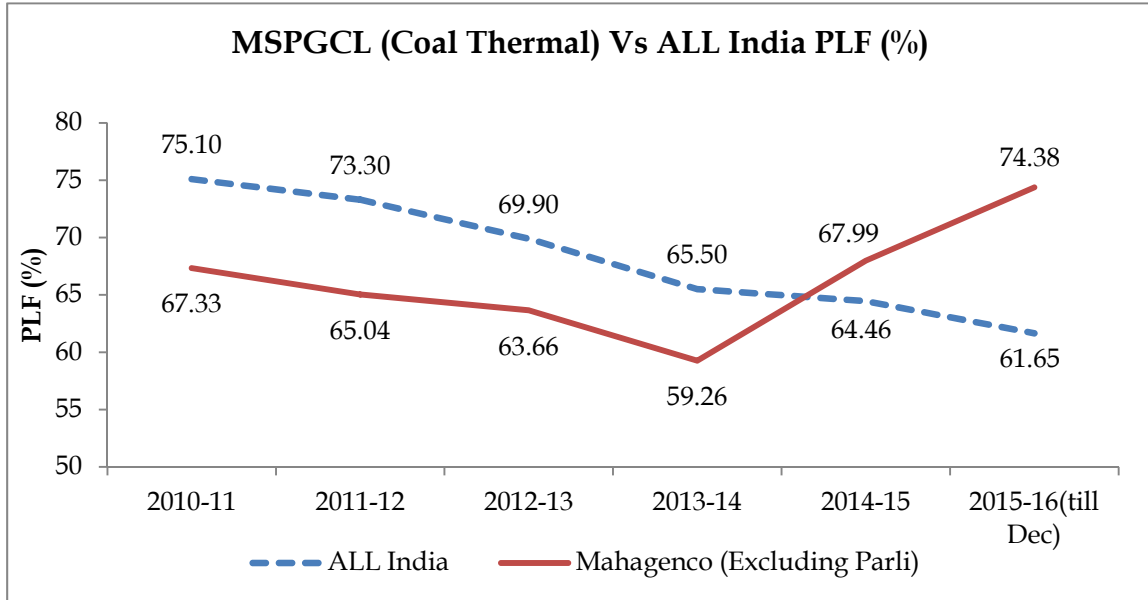
The performance parameters of MSPGCL for FY 2014-15 are projected based on the actual performance for the period from Apr 2015 to Sep 2015 and best achievable performance for the period from Oct-2015 to Mar-2016. Due to continual efforts of MSPGCL, it is expected to yield still better performance in the FY 2015-16 as seen below in the trajectories of various parameters as compared to FY 2014-15

#### 1. Availability factor:

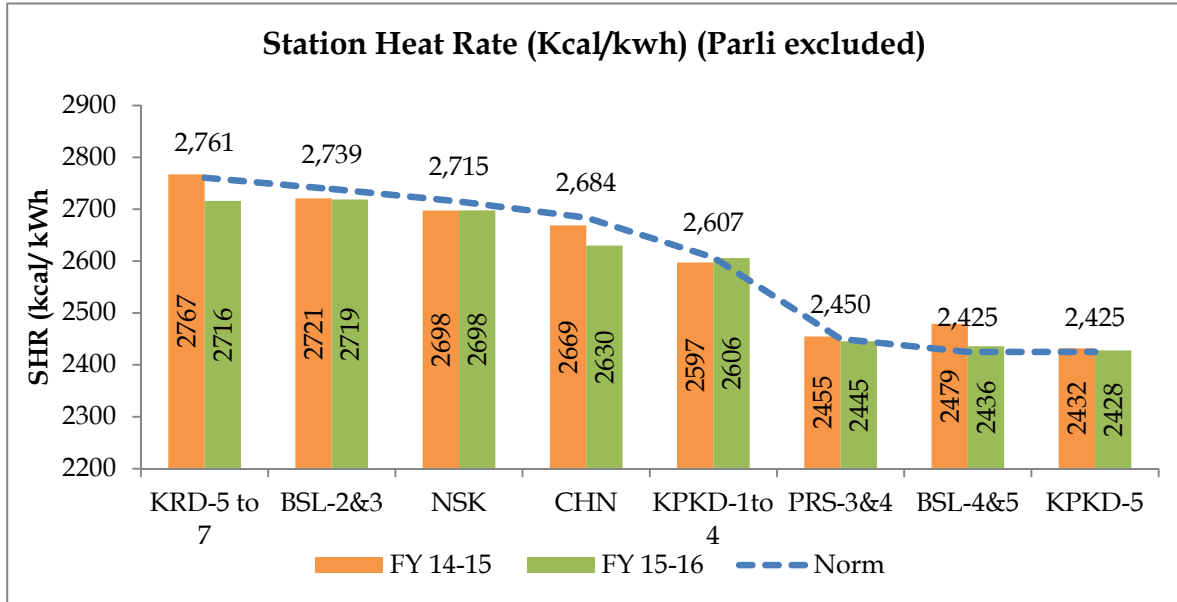


#### 2. PLF :

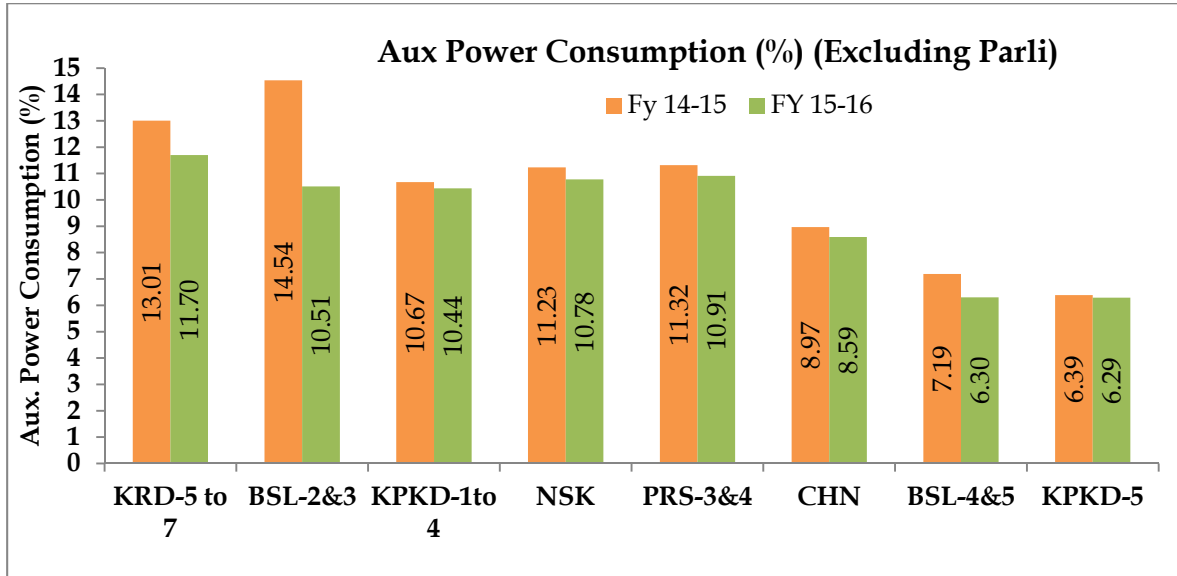
Actual Overall PLF of coal based thermal units for FY 2015-16 till Dec-2015 (Excluding Parli Units) has shown still further improvement over FY 2014-15 and also and it is appreciably higher than the ALL India Thermal PLF.



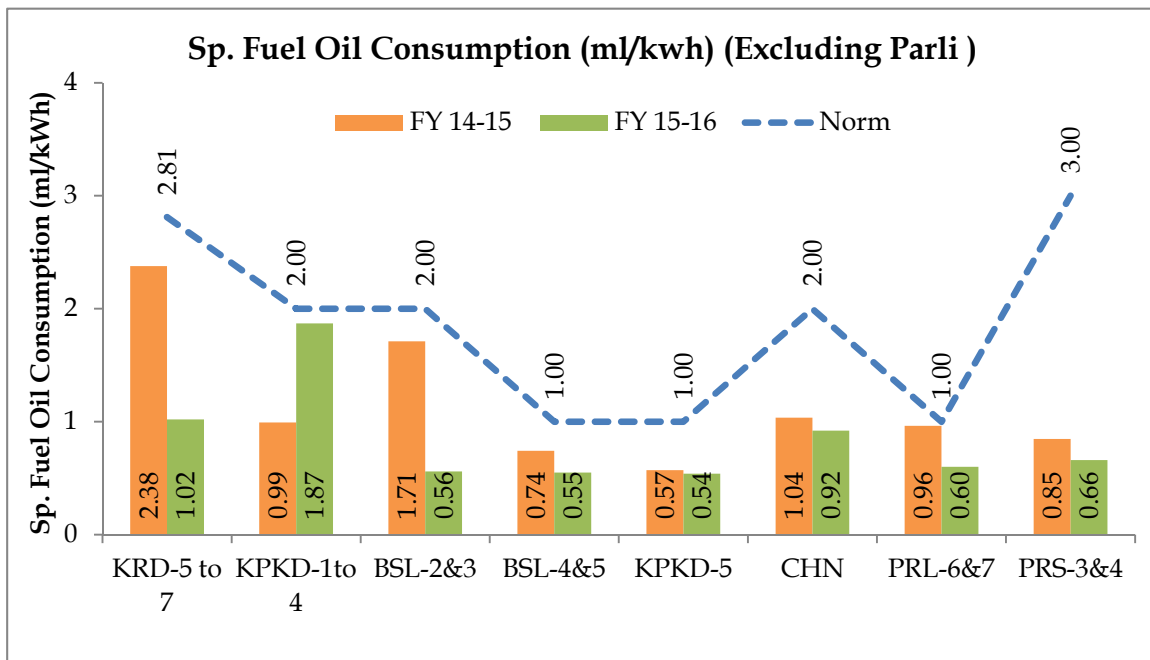
**3. SHR :**



**4. Auxiliary power consumption**



**5. Specific Fuel Oil Consumption :**



**Revised Estimates for FY 2015-16:**

In this regard, it is submitted that as per the MERC (MYT) Regulations, 2011 the annual fixed charges are adjusted at the end of the year on pro-rata basis based on actual availability vis-à-vis target availability.

Therefore the net revenue that MSPGCL expects to recover from consumers considering the pro-rata recovery of fixed charges is depicted in the table below:

**Table 5: Revised Estimates for FY 2015-16**

Particulars	Estimate for FY 2015-16 (Rs. crore)
<b>Variable Charges</b>	
Fuel Cost including Lease Rentals	12,595.17
<b>Capacity Charges</b>	
O&M Expenses	2,443.25
Interest on Long Term Loans	1,057.50
IoWC	663.94
Other Debits	-
Depreciation	917.33
Return on Equity	952.67
Income Tax	182.78
Prior period expenses	(8.02)
Less:- N T I	778.35
<b>Aggregate Revenue Requirement</b>	<b>18,026.28</b>
Less : Expected disallowance in AFC	755.20
<b>Net ARR</b>	<b>17,271.08</b>

**Table 6: Provisional True up for FY 2015-16 (Rs. crore)**

Particulars	Amount (Rs. crore)
Expense Side Summary (A)	17,271.08
Revenue Side Summary (B)	17,718.49
<b>Net True up amount (A-B)</b>	<b>(447.40)</b>

### C. Multi Year Tariff for 3<sup>rd</sup> Control Period (FY 2016-17 to FY 2019-20)

MSPGCL has projected the ARR for 3<sup>rd</sup> Control Period based on the Performance norms as per the MERC (MYT) Regulations, 2015. The fuel prices are considered as per actual for July 2015 to September 2015.

In pursuance of the policy of reducing the overall power tariff in the State of Maharashtra as an immediate short term measure, MSEB Holding Company, being 100% equity holder of MSPGCL, has directed MSPGCL to claim RoE at reduced rate of 7.5% instead of normative rate of 15.5%.

In this respect MSPGL proposes following methodology for claiming RoE:

For the first two years i.e. FY 2016-17 & FY 2017-18 , MSPGCL will claim RoE at a rate of 7.5% on approved equity instead of RoE at the rate of 15.5% as per MERC (MYT) Regulations, 2015 and defer the remaining part of RoE i.e. 8% on approved equity ("Balance RoE").

MSPGCL further requests that in order to obviate the loss position in financial results and ensure the financial viability and to maintain the credit rating of the Company, MSPGCL should be allowed to review the claim during finalization of Accounts for the period and part of the deferred "Balance RoE" will be claimed and billed to MSEDCL for an amount that will give profit after tax (PAT) of Rs. 25 crores in the Annual Accounts. However, in case PAT without claiming "Balance RoE" is more than Rs.25 crores, MSPGCL will forgo the "Balance RoE".

MSPGCL requests Hon'ble Commission to approve the above mentioned methodology for claiming RoE during the 3<sup>rd</sup> MYT Control Period.

The consolidated ARR projections for existing and new units (Bhusawal unit 4 & 5, Parli unit 6 & 7, Paras unit 3 & 4 and Khaperkheda unit 5) for the MYT period are provided in table below:

**Table 7: Consolidated ARR of MSPGCL for 3rd MYT Control Period (Rs. crore)**

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
<b>Projected Net Generation MUs</b>	<b>48,386.07</b>	<b>49,244.33</b>	<b>49,246.55</b>	<b>49,397.82</b>
<b>Variable charges</b>				
Fuel Cost including other variable costs	11,266.16	11,622.41	11,700.34	11,881.82
<b>Total Variable costs</b>	<b>11,266.16</b>	<b>11,622.41</b>	<b>11,700.34</b>	<b>11,881.82</b>
<b>Capacity charges</b>				
O&M expenses	2,354.68	2,347.62	2,378.17	2,356.63
Interest on long term loans and other finance charges	959.47	898.85	838.10	756.43
Interest on working capital	397.58	402.73	414.11	421.03
Depreciation including AAD	1,002.10	1,066.07	1,156.41	1,321.05
Return on equity @ 7.5% for FY 2016-17,2017-18 &15.5% for FY 2018-19,2019-20	471.73	477.44	1,029.01	1,049.50
Lease Rentals	526.02	514.50	503.20	492.13
Income tax	182.78	182.78	182.78	182.78
Other expenses	-	-	-	-
Prior period expenses	-	-	-	-
Less NTI	113.40	113.40	113.40	113.40

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Total capacity charge	5,780.96	5,776.60	6,388.38	6,466.16
Aggregate revenue requirement	17,047.12	17,399.02	18,088.72	18,347.98

\*RoE is deferred for FY 2016-17 and FY 2017-18 subject to MSPGCL's minimum PAT of Rs. 25 crore for the concerned period.

**Table 8: Projected Station wise Net Generation (MUs)**

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Bhusawal	1,310.38	1,310.38	1,310.38	1,313.97
Chandrapur	12,288.78	12,288.78	12,288.78	12,322.45
Khaperkheda	5,315.71	5,315.71	5,315.71	5,330.27
Koradi	2,306.41	2,362.66	2,362.66	2,369.14
Nashik	3,929.39	3,929.39	3,929.39	3,940.15
Parli	-	-	-	-
Uran	2,672.34	2,672.34	2,672.34	2,679.66
Paras Unit 3 & Unit 4	3,327.25	3,327.25	3,327.25	3,336.36
Parli Unit 6 & Unit 7	2,497.39	3,327.25	3,327.25	3,336.36
Khaperkheda 5	3,499.62	3,499.62	3,499.62	3,509.21
Bhusawal Unit 4 & Unit 5	6,999.24	6,999.24	6,999.24	7,018.42
Hydro	4,239.57	4,211.72	4,213.94	4,241.84
<b>Total</b>	<b>48,386.07</b>	<b>49,244.33</b>	<b>49,246.55</b>	<b>49,397.82</b>

**Table 9: Projected Station wise Variable Charges per unit (Rs. / KWh)**

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Bhusawal	2.59	2.61	2.62	2.64
Chandrapur	2.56	2.59	2.62	2.66
Khaperkheda	2.50	2.52	2.53	2.55
Koradi	2.97	2.98	2.99	3.01
Nashik	3.39	3.41	3.43	3.45
Parli Unit 4 & Unit 5	Units under Reserve Shutdown			
Uran	2.71	2.97	2.99	3.27
Paras Unit 3 & Unit 4	2.16	2.17	2.18	2.19
Parli Unit 6 & Unit 7	2.50	2.48	2.48	2.49
Khaperkheda 5	2.41	2.41	2.42	2.42
Bhusawal Unit 4 & Unit 5	2.18	2.19	2.20	2.20

**Table 10: Projected Station wise Annual Fixed Charges with RoE claimed at a rate of 7.5% for FY 2016-17 and FY 2017-18 (Rs crores)**

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Bhusawal	138.11	145.48	158.70	158.86
Chandrapur	784.60	819.33	949.09	1,025.60
Khaperkheda	436.03	457.77	558.70	567.97
Koradi	351.81	315.45	353.09	354.30

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Nashik	333.37	345.60	379.56	390.94
Parli	26.32	33.01	45.57	55.79
Uran	130.52	142.05	183.72	210.47
Paras Unit 3 & Unit 4	512.00	500.47	553.10	542.00
Parli Unit 6 & Unit 7	521.26	515.21	581.42	574.20
Khaperkheda 5	604.83	589.80	628.40	617.13
Bhusawal Unit 4 & Unit 5	1,244.23	1,224.99	1,304.53	1,282.32
<b>Hydro (including Lease Rent)</b>	<b>697.91</b>	<b>687.44</b>	<b>692.50</b>	<b>686.57</b>
<b>MSPGCL Existing units</b>	<b>5780.99</b>	<b>5776.60</b>	<b>6388.38</b>	<b>6466.15</b>

#### D. Revised Provisional Tariff for MSPGCL's upcoming units:

MSPGCL had submitted its MYT Petition for the 2<sup>nd</sup> Control Period from FY 2013-14 to FY 2015-16 (Case No. 54 of 2013) in which MSPGCL had also requested for provisional tariff for its upcoming units including Koradi # 8,9,10 ; Chandrapur # 8,9 and Parli # 8.

Vide Order in Case No. 54 of 2013, dated 3<sup>rd</sup> March, 2014 the Hon'ble Commission had approved provisional tariff for the upcoming units based on the data submitted by MSPGCL.

MSPGCL has projected the revised provisional tariff for the upcoming units based on the latest project cost approved by the MSPGCL board as well as proposed coal arrangement. During MYT 2<sup>nd</sup> Control period, while approving the provisional tariff for these upcoming units, Hon'ble Commission had adopted the principle of approving 80% of the proposed Fixed Charge. MSPGCL requests the Hon'ble Commission to approve the revised provisional tariff with the same philosophy. The projected revised provisional tariff for the upcoming units is as given below:

**Table 11: Provisional Energy Charges for upcoming units (Rs./ unit)**

Unit#	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Chandrapur # 8	2.38	2.38	2.38	2.38
Chandrapur # 9	2.38	2.38	2.38	2.38
Koradi # 8	2.36	2.36	2.36	2.36
Koradi # 9	2.36	2.36	2.36	2.36
Koradi # 10	2.36	2.36	2.36	2.36
Parli # 8	2.47	2.47	2.47	2.47



**Table 12: 80% of Provisional AFC for upcoming units (Rs. crore)**

Unit#	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Chandrapur # 8	592.17	580.72	621.88	609.56
Chandrapur # 9	590.88	580.72	621.88	609.56
Koradi # 8	725.22	704.65	756.10	735.96
Koradi # 9	723.52	704.71	756.17	736.03
Koradi # 10	557.20	702.83	753.88	733.32
Parli # 8	351.28	345.78	369.56	361.55

MSPGCL requests the Hon'ble Commission to approve the provisional tariff for the upcoming units.

## Prayers

The Petitioner respectfully prays the Hon'ble Commission to:

- i. Admit this Petition.
- ii. Grant an expeditious hearing of this Petition.
- iii. Consider the submissions made in context of following issues in FY 2014-15 and FY 2015-16 and approve the ARR:
  - a. Water shortages in Parli.
  - b. Gas shortages in Uran.
  - c. Performance parameters of Koradi TPS
- iv. Consider the submission made in context of uncontrollable Actuarial cost for FY 2014-15.
- v. Consider the submission made in context of late payment surcharge for FY 2014-15 & FY 2015-16 and exclude the same from non-tariff income for the respective years.
- vi. Consider the submission made in context of decommissioning of units and reserve shutdown of unit #4 & #5 of Parli TPS.
- vii. Consider the submission made in context of Chandrapur unit 1 & 2 and approve the ARR for Chandrapur station considering the same for FY 2015-16 as well as during the 3<sup>rd</sup> MYT Control Period.
- viii. Consider the submission made in context of relaxation of performance parameters for 3<sup>rd</sup> MYT period from FY 2016-17 to FY 2019-20
  - a) Target availability for Khaperkheda TPS

- b) Relaxation for Auxiliaries power consumption norms in Paras TPS Unit 3&4 and Parli TPS Unit 6&7.
- c) Relaxation for Specific fuel oil consumption norm for new stations.
- ix. Consider the submission made in respect of Nashik TPS for revising SHR norms for the control period.
- x. Consider the submission made in respect of Uran GTPS for 'must run' status.
- xi. Consider the submission made in respect of the escalation factor to be considered for O & M costs for the 3<sup>rd</sup> MYT Control period.
- xii. Consider the submission in respect of the water charges for the 3<sup>rd</sup> MYT Control period for old as well as new thermal stations.
- xiii. Consider the submission made in respect of conditional deferment of Return on equity of 8% for the first two years i.e. FY 2016-17 and FY 2017-18 of 3<sup>rd</sup> control period.
- xiv. Approve the final true-up for FY 2014-15 along with the carrying cost as applicable along with provisional true up for FY 2015-16 and Tariff for 3<sup>rd</sup> MYT Control Period for FY 2016-17 to FY 2019-20 in accordance with the submissions and rationale provided in this petition.
- xv. Allow MSPGCL to recover the true up amount of FY 2014-15 & provisional true up for FY 2015-16 through monthly billing during FY 2016-17 along with carrying cost and issue appropriate directives to MSEDCL for the payment of the same.
- xvi. Approve the provisional tariff for upcoming units as proposed in the Petition.
- xvii. Approve the true up amount towards FY 2013-14 as per directives by Hon'ble Commission vide order dated 19<sup>th</sup> January, 2016 in MERC Case No. 108 of 2015.
- xviii. Condone any shortcomings/ deficiencies in the petition and allow MSPGCL to submit additional information/ data at a later stage as may be required.
- xix. Provide the workable excel model used by the Hon'ble Commission for approval of True up amount of the Petitioner.