



COMMISSION'S ORDER

ON

**ANNUAL REVENUE REPORT FOR BULK SUPPLY BUSINESS
FOR FY 2007- 08, TRADING MARGIN & BULK SUPPLY
TARIFF**

May 8, 2007

HARYANA ELECTRICITY REGULATORY COMMISSION
Bay No. 33-36, SECTOR - 4, PANCHKULA - 134 109, HARYANA
www.herc.nic.in

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HERC/PRO - 9 OF 2006

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PANCHKULA

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1 PROCEDURAL ASPECTS OF THE FILING

1.1 Procedural Aspects

Haryana Power Generation Corporation Ltd. (HPGCL), a deemed trading licensee under 5th proviso of section 14 of the Electricity Act, 2003 (the Act), vide memo no. HPGC / FIN / Reg-227 / 2393 dated 30/11/2006 submitted their application in respect of determination of trading margin for supply of power to the distribution licensees during FY 2007-08.

HPGCL, in compliance to the statutory requirement of Section 64(2) of the Act i.e. “every applicant shall publish the application, in such abridged form and manner as may be specified by the appropriate Commission”, published a public notice on 7/12/2006 containing the salient features of its determination of trading margin application in ‘The Indian Express’ and ‘Dainik Bhaskar’ inviting written comments and objections from interested persons / organisations by 5/1/2006.

1.2 Salient Features of the ARR & Tariff

HPGCL has projected total power purchase from different sources of 27,239.82 million units at a cost of Rs.68,094.1 million. The net units available for sale after deducting 5% transmission losses, is projected at 25,877.83 million units, translating into bulk supply cost of Rs. 2.6314 per unit. The total expenditure during FY 2007-08 (other than power purchase cost) i.e. salary & wages, general and administrative expenses and interest on working capital loan is projected at Rs.614.64 million (Rs.610.72 million as per table on page no. 24 of the filing). To recover this expenditure HPGCL has proposed trading margin of 2.36 paisa / kWh. Resultantly, the net sale rate to the discoms works out to Rs.2.655 / kWh.

The initial scrutiny of the filing submitted by HPGCL revealed a few data gaps, lack of detailed information and additional data requirements. HPGCL provided the additional information / data sought by the Commission except the details of 3000 MUs projected under UI / bi-lateral sub – head and supporting details with respect to projected salary and wages and A&G expenses.

In spite of insufficient data, as mentioned above, furnished by HPGCL the Commission deemed it fit in public interest to carry forward the process and decided to issue public notice inviting objections / comments from the public on the filing submitted by HPGCL for its consideration and approval.

The Commission issued public notice on 9/02/2007 in two newspapers with wide circulation in the state of Haryana i.e. Times of India (English-Chandigarh & Delhi editions), and Dainik Bhaskar (Hindi). The public was informed through the aforesaid notice about the salient features of the filing, availability of the filing and related documents. The last date for filing of objections / comments by the public was 19/02/2007 and the public hearing was scheduled for 21/02/2007 at 3 P.M. in the conference hall of the Commission. The public hearing in respect of determination of bulk supply rate and trading margin was held as per schedule in the conference hall of the Commission.

1.3 Intervenors / Objectors

In response to the public notice issued by HPGCL and subsequently by the Commission, no objections / comments were received from public, Institutions, organisations, and individuals. The distribution and retail supply licensees i.e. DHBVNL and UHBVNL, on whose behalf HPGCL procures power, also did not file any objection, suggestion or comments.

2 ANALYSIS OF THE ARR AND COMMISSION'S ORDER

In this chapter various elements of HPGCL's filing namely power purchase volume, power purchase cost, other expenditures like salary and wages, administrative and general expenses, interest on working capital loan and transmission losses are analysed and Commission's order on each item is presented. HPGCLs proposal refers to the filing dated 30/11/2006 supplementary /additional information provided refers to the oral submissions made by HPGCL during the public hearing and clarifications / additional information provided from time to time.

2.1 EXPENDITURE

2.1.1 Power purchase cost

Power purchase cost is determined by two elements viz. volume of energy and the rate per unit of energy inclusive of capacity and other charges, wherever applicable. Each of these elements is discussed separately in the following paragraphs: -

2.1.1.1 Volume of power purchase

Haryana is an energy deficit state and will continue to be so during FY 2007-08. Thus, HPGCL's power procurement program is not demand - driven but based on estimates of power availability from various generating sources, traders and bilateral arrangements.

In a supply driven market, the Commission believes, that the generators are the most competent authority to project power availability from their respective powerhouses. The issue of forecasting power availability becomes complex in the cases where Haryana shares power from a generating station with other states. Availability of power in such instances does not solely

depend on Haryana's own share but also on over or under drawl of power compared to its share, i.e. 1) the distribution of unallocated power to member states; 2) utilisation of other member's unused share and 3) non-utilisation of its own share.

The entitled volume of power according to allocation of allocated and unallocated power from CPSUs for FY 2007-08 can be projected on the basis of overall generation schedule drawn up by the Central Electricity Authority (CEA) in consultation with the generators. The generation targets are arrived at by the CEA after discussions with the respective state, the generation programme given by them and considering the performance of the generating stations, planned maintenance requirement and average forced outages during the last few years.

The Commission reiterates its concern about the overdrawal of energy by the licensee during low grid frequency. This not only violates grid discipline but also in the light of the revised UI charges has become prohibitively expensive.

The Commission's approval of the volume of power purchase during FY 2007-08 are based on the following:

1. For stations such as NTPC, NHPC, NPC the Commission accepts CEA's gross generation targets for the financial year 2007-08. The Commission has reduced the CEA's gross generation targets by normative auxiliary power consumption and reduced the total availability from NHPC stations to the extent of free power commitment to the respective home state. Haryana's allocated and unallocated shares in the Central projects have been pegged at the allocations of allocated and un-allocated power by the Northern Region Power Committee. The volume of energy has been estimated from the net generation so arrived.

-
2. In the case of availability from shared utilities i.e. BBMB & IPGCL and sources such as Ch. Devi Lal Sugar Mill, PTC (Malana), Tehri, Koteshwar and Kahalgaon (including Tala displacement) the Commission has adopted the licensee's proposal. In respect to the short – term purchases/bilateral purchases the Commission, in the absence of details, has restricted the volume to 2000 MUs based on past trend.

 3. As the Commission has determined HPGCLs Generation Tariff (including to be Commissioned DCR TPP 2 X 300 MW thermal power project at Yamuna Nagar) for FY 2007-08 including ex-bus generation target(s), the same has been adopted as the volume of power available from HPGCL (generation) sources.

The volume of power purchase from each source approved by the Commission for FY 2007-08 is discussed in the next few paragraphs.

A. Availability of power from HPGCL

The Commission has considered power availability at the bus bar from HPGCL sources as per its order dated May 8, 2007 in Case No. HERC/PRO-5 of 2006 in the matter of HPGCL's Petition on determination of HPGCL's Generation Tariffs for FY 2007-08. The details are presented in table 2.1.

Table 2.1 - Power purchase volume from HPGCL (MUs)

Particulars	Power Purchase in FY 2006-07 (Anticipated)	HPGCL Proposal for FY 2007-08	HERC Approval for FY 2007-08
HPGCL (thermal)		9608	9758
HPGCL (hydel)		275	300
Total	9676.37	9883.82	10058

B. Availability from NTPC Faridabad CCGT (FGPP)

The 430 MW Faridabad gas based power station of NTPC (F'bad CCGT) is a dedicated station to Haryana.

The volume from this source has been considered based on the generation target determined by the CEA for FY 2007-08 less auxiliary consumption to the extent of 3.0%. The Commission's approved volume is as per table 2.2.

Table 2.2 - Power purchase volume from FGPP (MUs)

Particulars	Power purchase in FY 2006-07 (Anticipated)	HPGCL proposal for FY 2007 - 08	HERC Approval for FY 2007-08
Faridabad Gas	2813	3000	2910

C. Availability of power from shared utility (BBMB & IPGCL)

HPGCL (to the extent of shares owned by HVPNL in the shared projects) has share in capacity entitlement to the extent of 39.5% in Bhakra, 32% in Dehar, 16.6% in Pong (all BBMB stations) and 33.33% in IPGCL (units 2,3&4).

The Commission approves the volume of power purchase from BBMB as proposed by HPGCL and as per share entitlement in the case of IPGCL. The details of the volume approved are presented in table 2.3.

Table 2.3 - Power purchase volume from Shared Utilities (MUs)

Particulars	Power purchase in FY 2006-07 (Anticipated)	HPGCL proposal for FY 2007-08	HERC Approval for FY 2007-08
BBMB	3000	3200	3200
IPGCL	220	180	228
Total	3220	3380	3428

Consequently, the total volume of power projected to be available to HPGCL from the shared utilities during FY 2007-08 is 3428 million units.

D. Availability of power from NTPC power stations

HPGCL continues to draw more than its entitlement (including share out of the unallocated power) of power from NTPC stations. The overdrawals are largely because of the under mentioned reasons:

- **NTPC stations generating over and above the CEA Schedule as established by the past trend.**
- **Increase in share out of 15% unallocated central quota due to the needs of the State.**
- **Drawing unrequisioned shares of other constituents.**

The Commission has based its approval on the CEA's generation targets for FY 2007-08. Availability has been adjusted for Haryana's share based on the allocation of allocated and unallocated power from Central Sector Power Stations as per Northern Regional Power Committee.

The details of power availability during FY 2006-07, HPGCL proposal for FY 2007-08 and HERC approval of power purchase volume from NTPC sources are presented in Table 2.4.

Table 2.4 - Power purchase volume from NTPC (MUs)

Particulars	Power purchase in FY 2006-07 (Anticipated)	HPGCL proposal for FY 2007-08	HERC Approval for FY 2007-08.
Singrauli	1774.76	1800	1849
Rihand I	605.31	780	699
Rihand II	658.66	700	664
Unchahar I	113.94	200	173
Unchahar II & III	316.64	295	375
Anta Gas	238.87	220	264
Auraiya Gas	336.39	320	376
Dadri Gas	333.53	340	342
Total	4378.1	4655	4742

E. Availability of power from NHPC sources.

HPGCL, in the filing under consideration, has stated that in the case of hydel stations such as NHPC, SJVNL and BBMB, this year the inflow is likely to be better due to normal monsoon and hence power availability would be on the higher side. All the six units of 250 MW each Nathpa Jhakri Power Corporation (SJVNL) has been commissioned, availability from the new projects such as Parbati II, Sewa II, Koteshwar, Dulhasti, Tehri, Tala Hydel (displacement) has also been considered. Thus, the availability of power from hydel sources during FY 2007-08 is expected to be on the higher side as compared to the previous years.

Considering the fact that the CEA's generation targets for hydel stations take into account the weather factor too, the Commission's approval of availability from NHPC sources for FY 2007-08 is based on the CEA's generation targets for FY 2007-08. As there is no central unallocated quota in NHPC stations except Chamera II, SJVNL and Dhauliganga, no additional availability has been considered from NHPC sources. The Commission's approval of volume of power purchase volume from NHPC is presented in table 2.5.

Table 2.5- Power purchase volume from NHPC sources (MUs)

Particulars	Actual Power Purchase in FY 2006-07 (Anticipated)	HPGCL proposal for FY 2007-08	HERC Approval for FY 2007-08
Bairasiul	223	220	235
Salal	505	540	540
Tanakpur	25	28	23
Chamera I	380	330	347
Chamera II	157	130	180
Uri	135	136	123
Total	1425	1384	1448

F. Availability from NPC sources

The Commission's approvals of power purchase volume from Nuclear Power Corporation (NPC) i.e. NAPP and RAPP sources are again based on Haryana's share of the generation target (net of auxiliary consumption) determined by CEA for FY 2007-08. The Commission is, however, of the view that HPGCL should minimise procurement from such expensive sources i.e. NPC to the extent possible. Power from such sources may be available because one or more states may have surrendered their share or under-drawn due to availability of cheaper alternative. The Commission's approval of power purchase volume from NPC source is presented in table 2.6.

Table 2.6 - Power purchase volume from NPC (MUs)

Particulars	Power purchase in FY 2006-07(Anticipated)	HPGCL proposal for FY 2007-08	HERC approval for FY 2007-08
NAPP	306	250	103
RAPP (III & IV)	883	340	367
Total	1189	590	470

G. Availability of power from Magnum (liquid fuel based IPP).

HPGCL has not proposed any drawl from Magnum Power Generation Corporation (Magnum) in FY 2007-08. The Commission, while disallowing power purchase from this source in the past observed that Magnum with which HPGCL has a long-term power purchase agreement, is the most

expensive power. HPGCL, subsequent to its instant ARR application has now filed a review petition against HERC's order dated 10th May, 2005 in case no. HERC/PRO-19 of 2004 on the ARR of Transmission and Bulk Supply business for FY 2005-06 vide which it was disallowed power purchase from Magnum, on the plea that Magnum has refused to re-negotiate PPA and gone into arbitration claiming deemed generation charges. Further, HPGCL has submitted that in the changed short-term power market scenario Magnum power is comparatively cheaper. **The Commission is examining the above-mentioned review petition and shall pass a separate order on the issue of scheduling power from Magnum during FY 2007-08.**

H. Power purchase through PTC & Short term bilateral arrangements.

HPGCL has proposed to purchase power from Power Trading Corporation (PTC) and short-term bilateral sources to the tune of 3100 MUs. The copies of the MOU for short-term power purchase for FY 2007-08 provided by HPGCL vide memo no. Ch-18/HPGC/PP-79 dated 12/03/2007 adds up to 240 MW during restricted time periods except 50 MW JSWPTC (Karnataka) round the clock power for five months. The Commission has considered the fact that there exists substantial demand-supply gap and the prevalent market condition of short term power wherein no surplus state/generator or trader is willing to offer / commit short term power for more than a quarter in advance. Thus, based on the past trend the Commission allows 2100 million units to be procured on a short-term basis, this includes 100 MUs of PTC (Malana) as proposed by HPGCL.

The Commission, in principle, does not discourage purchase of surplus power from time to time at a rate not exceeding the average approved power purchase cost. However, the Commission is of the view that it may not be available on a sustainable basis. Thus, it would be appropriate to contract

power purchase on a long-term basis as per the projected demand-supply gap to the extent possible.

The approved power purchase volume from PTC and other sources are presented in table 2.7.

Table 2.7 - Power purchase volume from PTC (Malana) & Short-term bilateral arrangements (MUs)

Particulars	Power purchase in FY 2006-07 Anticipated	HPGCL proposal for FY 2007-08	HERC Approval for FY 2007-08
PTC (Malana)	270	100	100
Short Term Bi-lateral	1350	3000	2000
Total	1620	3100	2100

I. Power Purchase from New Sources

Power Procurement from new sources proposed by HPGCL includes SJVNL (Nathpa Jhakri 1-6), Dulhasti HEP, Dhauliganga HEP, Prabati II, Sewa II, Kahalgaon I & II, and Tehri HEP. The Commission allows availability from these sources, except SJVNL and Dhauliganga, which is based on CEA's generation schedule for FY 2007-08, as proposed by HPGCL

The Commission is committed to encourage cogeneration and non-conventional fuel based generation in the State. Hence, it allows the proposed volume i.e. 2 MUs from Ch. Devi Lal Sugar Mill. The approved power purchase volume from these sources are presented in the table 2.8:

Table 2.8 - Power Purchase from New Sources (MUs)

Particulars	Power purchase in FY 2006-07 (Anticipated)	HPGCL proposal for FY 2007 - 08	HERC Approval for FY 2007 - 08
SJVNL HEP	400	350	307
Dhaulti Ganga HEP	105	75	88
Dhulhasti HEP	25	175	175
Parbati II HEP	-	30	30
Sewa II HEP	-	20	20
Koteshwar HEP	-	15	15
Kahalgaon I TPP	65	25	25
Kahangaon II TPP	50	250	250
Ch.Devi Lal Sugar Mill (Cogen)	2	2	2
Tala HEP (displacement)	10	45	45
Tehri (THDC)	5	260	260
Total	662	1247	1217

J. Total approved power purchase volume.

Based on the source wise approvals as presented above, the Commission determines gross power availability of 26,372 million units during FY 2007-08 as against 27,239.82 million units proposed by HPGCL. Table 2.9 provides the comparison of HPGCL's projected volume & Commission's approval thereto (figures are rounded off)

Table 2.9 - Power Purchase volume for FY 2007 – 08 (MUs)

Source of Power	HPGCL Proposal	HERC Approval
NTPC		
Singrauli STPS	1800	1849
Rihand I	780	699
Rihand II	700	664
Unchhahar I	200	173
Unchhahar II	200	280
Unchhahar III	95	95
Anta CCGT	220	264
Auraiya CCGT	320	376
Dadri CCGT	340	342
Faridabad CCGT #	3000	2910

NHPC		
Salal	540	540
Bairasiul	220	235
Tanakpur	28	23
Chamera I	330	347
Chamera II	130	180
Dhauliganga	75	88
Dhulhasti	175	175
Uri	136	123
Parbati II	30	30
Sewa II	20	20
New Sources		
SJVNL	350	307
Tehri (THDC)	260	260
Koteshwar HEP	15	15
Kahalgaon I	25	25
Kahalgaon II	250	250
Tala (displacement)	45	45
NPC		
NAPP	250	103
RAPP (3-4)	340	367
HPGCL #	9883.82	10058
Shared Projects		
BBMB	3200	3200
IPGCL	180	228
Others		
Malana (PTC)	100	100
Ch.Devilal Sugar Mill #	2	2
Short Term & Bilateral	3000	2000
TOTAL	27,239	26,372

N.B. Sources of power marked (#) represents energy generated within the state & volume totals to 12970 MUs. The balance energy amounting to 13402 MUs (26,372 – 12,970) is from out of state sources.

2.1.1.2 Power purchase cost

The cost of purchase of power is largely a known parameter. The amount payable by HPGCL is based on power purchase agreements with various generators that clearly establish the price determination procedure. In case of central power sector units (CPSU's) or other generators supplying power to

more than one state, the Central Electricity Regulatory Commission (CERC) determines tariff. Most of the elements constituting the total charges i.e. capacity charges, base energy related charges, adjustment to base energy charges for cost of fuel and other factors, taxes, duties, incentive payments etc. are known or can be estimated with a reasonable degree of accuracy.

HPGCL has projected cost of power from NPC source by escalating the FY 2006-07 tariff by about 4%.

The tariff of power for 3000 MUs through short – term bi-lateral arrangements and purchase under UI exchange has been projected @ Rs. 4.40/kWh. The rate has been anticipated on the basis of the average rate of power purchased during FY 2006-07 under UI and short-term bi-lateral agreements.

HPGCL has projected cost of power purchase generally based on the rates prevailing during FY 2006-07 with about 3% increase in the Fixed Charges and variable charges of thermal and gas based stations. While in the case of NHPC powerhouses and SJVNL an enhancement of 2% has been projected for FY 2007-08 over FY 2006-07 anticipated rates. The cost of BBMB and IPGCL power i.e. Rs.0.23/kWh and Rs. 3.87 / kWh respectively has been projected by HPGCL on the basis of projected cost of generation from these sources

The cost of power from PTC (Malana) is projected by HPGCL on the basis of the power purchase agreement i.e. Rs. 2.875 / kWh.

The cost of HPGCL power for FY 2007-08 is projected as per generation tariff application for FY 2007-08 filed for approval of the Commission.

The tariff for power from short – term sources is based on the respective PPA / MOUs.

For projecting the cost of purchased power, the Commission has laid down the following approach in its previous orders: -

- **"Where a PPA / MOUs exists, costs should be determined accordingly".**
- **"In case of CPSU or other generators who are supplying power to more than one state, where payments are governed by CERC rulings or by Ministry of Power Notifications, tariffs should be forecast following the methodology adopted there".**
- **"Where neither PPA nor rulings and Notifications are available for any reason whatsoever, projections can be made based on the latest available rates from invoices".**
- **"Estimation should be made for various components separately and should use a reasonable level of escalation in costs for those elements that are expected to undergo change".**

The Commission observes that the licensee has largely complied with the general principles of projecting power purchase costs set in its previous orders on ARR.

A. Tariff for power from CPSUs

The tariff for power purchase from NTPC & NHPC stations are based on fixed cost, as determined by the CERC, payable by HPGCL in proportion to the share allocation. While the variable component of the tariff is based on the latest available invoices from the respective stations.

The tariff for NPC viz NAPS (1&2) and RAPS (2,3&4) has been considered by the Commission as per the latest available tariff notified for sale of power for various atomic power stations of NPC.

B. Price for HPGCL power

The Commission under sub - section 1(a) of section 86 and sub section 1(a) of Section 62 of the Electricity Act 2003 has determined HPGCLs generation tariffs for FY 2007-08 vide its order dated May 8, 2007 (Case No HERC/PRO – 5 of 2006). The approved station wise rates in the above-mentioned order of the Commission have been considered for determining the cost of power from HPGCL sources.

C. Price of Shared utility power.

HVPNL, as per the transfer scheme notified by the Government of Haryana, has ownership interest to the extent of equity shares in IPGCL and BBMB projects, while the corresponding share in capacities have been allocated to HPGCL. HVPNL has to bear its share of net O&M cost in respect of BBMB projects, i.e. net of O&M charges billed less credit for HVPNL share of revenue for sale of power to common pool consumers.

While calculating the cost of BBMB power, the Commission has relied on the expenditure expected to be incurred by BBMB on O&M for FY 2007-08 as

per annexure B Page No.33 of HPGCL's filing and reduced the same by expected credit from common pool sales. The Commission, in view of no response from the State Government to the clarification sought by it vide memo no. 1436/HERC/2006 dated 19th October 2006 and reminder vide memo no. 2580/HERC/2007 dated 12th March 2007, on the issue of (BBMB) depreciation has disallowed the depreciation amount, further the interest cost is allowed to the extent reflected in the accounts of HVPNL for generation works. Resultantly, the Commission allows a tariff of Rs. 0.12/kWh for BBMB power.

The cost of power from IPGCL in respect of Unit No. 2,3 & 4 is allowed as FY 2006-07 rates.

D. Price of Power Purchased from New Sources.

The Commission, in the absence of CERC determined tariff, allows Rs. 3.23 / kWh for SJVNL power based on the invoiced rate during FY 2006-07. In all other cases, the Commission approves the tariff proposed by HPGCL for computation of power purchase cost.

E. Price of Short term Power purchase/bilateral arrangements.

HPGCL has provided copy of agreements for short-term power purchase signed upto 12/03/2007 with RETL, JSWTPC, and KCT. The tariff as per the PPA / MOU ranges from 3.04/kWh to Rs.6.52/kWh.

HPGCL, for estimating cost of the above mentioned short-term power has assumed average cost of supply of Rs. 4.40 / kWh as per the instant filing. The Commission has examined the short term purchase rate including unscheduled interchanges (UI) from FY 2004-05 to FY 2006-07 (upto January 2007) and keeping in mind the much higher short-term offered rates

in the recent months provisionally approves a rate of Rs. 3.77/kWh which is about 4% higher than the average rate of Rs.3.62/kWh upto January 2007.

The Commission approves PTC (Malana) tariff based on the Power Purchase Agreement – 2 @ Rs 2.88 / kWh for FY 2007-08.

The rates approved by the Commission are exclusive of wheeling charges and Open Access charges that have been separately provided for.

The approved rates and cost for purchase of power from various sources are presented in table 2.10.

Table 2.10 – Approved Power Purchase Rates & Cost (FY 2007 – 08)

Source of Power	HPGCL Proposal			HERC Approval		
	Volume (MU)	Rate (Rs/kWh)	Cost (Rs. Mln)	Volume (MU)	Rate (Rs/kWh)	Cost (Rs.Mln)
NTPC						
Singrauli STPS	1800	1.26	2268	1849	1.18	2189
Rihand I	780	1.70	1326	699	1.64	1147
Rihand II	700	1.64	1148	664	1.59	1056
Unchhahar I	200	1.97	394	173	1.80	312
Unchhahar II	200	2.00	400	280	1.93	539
Unchhahar III	95	2.26	215	95	2.20	209
Anta CCGT	220	2.16	475	264	2.09	551
Auraiya CCGT	320	2.56	819	376	2.40	903
Dadri CCGT	340	2.81	955	342	2.76	944
Faridabad CCGT	3000	2.49	7470	2910	2.24	6518
NHPC						
Salal	540	0.72	388.8	540	0.69	373
Bairasiul	220	0.97	213.4	235	0.95	224
Tanakpur	28	1.34	37.52	23	1.33	31
Chamera I	330	1.26	415.8	347	1.21	420
Chamera II	130	2.75	357.5	180	2.34	422
Dhauliganga	75	2.09	156.75	88	2.05	179
Dhulhasti	175	3.06	535.5	175	3.00	525
Uri	136	2.46	334.56	123	2.40	295
Parbati II	30	3.85	115.5	30	3.85	116
Sewa II	20	3.00	60.00	20	3.00	60
New Sources						
SJVNL	350	3.3	1155	307	3.23	992
Tehri (THDC)	260	3.06	795.6	260	3.43	892
Koteshwar HEP	15	2.5	37.5	15	2.50	38
Kahalgaon I	25	2.5	62.5	25	2.50	63
Kahalgaon II	250	3.0	750	250	3.00	750

Tala (displacement)	45	1.88	84.6	45	1.88	85
NPC						
NAPP	250	2.55	637.5	103	2.45	252
RAPP (3-4)	340	3.06	1040.4	367	2.95	1082
HPGCL	9884	2.91	28762	10058	2.798966	28152
Shared Projects						
BBMB	3200	0.23	736	3200	0.1120	358
IPGCL	180	3.87	696.6	228	3.12	711
Others						
Malana (PTC)	100	2.88	288	100	2.88	288
Ch.Devilal Sugar Mill	2	2.5	5	2	2.5	5
Short Term Bilateral/UI	3000	4.4	13200	2000	3.77	7540
Wheeling & Other Charges						
Wheeling PGCIL			1184			1184
Wheeling HPSEB			5			5
Wheeling PSEB			10			10
Wheeling UPSEB			5			5
Wheeling BBMB			1			1
LC Charges			8			8
ULDC Charges			56			56
Open Access			488			488
TOTAL	27240		68095	26372		59977

2.1.1.3 Wheeling charges

HPGCL pays wheeling charges to the Power Grid Corporation of India (PGCIL) for wheeling power from the generating stations of NTPC, NHPC, NPC & other sources to its boundary. In addition to this, additional wheeling charges are paid to the State Grids through which power from sources like Salal, Bairasiul and ER power is wheeled. With the grant of 'Open Access' and 'Trading License' by the CERC and the fact that HPGCL is buying short-term power from the licensed traders, open access charges have become a reality. These are legitimate cost of bulk supply business and are therefore allowed by the Commission as per table 2.10 above.

2.1.2 Transmission losses

The Commission vide its order on Annual Revenue Report for Transmission Business & SLDC for FY 2007-08 & Transmission Tariff and SLDC charges (Case No. HERC / PRO – 6 of 2006) dated 8th May 2007 has pegged the

inter-state transmission losses at 4% and intra-state transmission losses of 2.6% in FY 2007-08. Resultantly, the net units available for sale to the Discoms work out to 25,164 million units. The details are presented in table 2.11.

Table 2.11 – Energy available for sale to distribution business (FY 2007-08)

Description		HERC Approval
Gross Energy Procured from out of state sources (MU)	1	13402
Inter state transmission loss %	2	4%
Inter state transmission loss (MU)	3= 1*2	536
Net Energy available from out of state sources (MU)	4 = 1-3	12866
Add energy generated within the State (MU)	5	12,970
Net Energy available for use in Haryana	6=4+5	25836
Intra - state transmission loss (%)	7	2.60%
Intra - state transmission loss (MU)	8=6*7	672
Energy available for sale to distribution licensee	9= 6-8	25164

2.1.3 Bulk supply tariff (BST)

The bulk supply tariff for sale of power to the Discoms is determined at Rs 2.3834 / kWh (rounded off to Rs.2.38/kWh) as against Rs.2.6314/kWh proposed by HPGCL. The computational details are provided in table 2.12

Table 2.12 – Bulk Supply Tariff (Rs./kWh)

Sn	Description	HERC approval FY 2007-08
1	Power Purchase Cost (Rs. million)	59977
2	Net Energy Available for Sale to Discoms	25,164
3	Bulk Supply Tariff (Rs / kWh) (1/2)	2.38

2.1.4 Salary & wages

HPGCL, for its trading business has estimated expenditure on salary and wages amounting to Rs. 12.29 million based on employees' presently working for the trading function. In the absence of any supporting details the

Commission allows Rs.10.85 million i.e. after considering an escalation of 6% over Rs.10.24 million allowed in FY 2006-07.

The Commission reiterates its view that HPGCL, for its bulk supply / trading function should provide the details of employees' cost in terms of Basic pay, DP, DA, Allowances, Terminal Benefits (computed on cash basis) etc. of the employees working for trading / bulk supply function and the anticipated increase in any of the components of salary and wages during the year. **It is further observed that the Commission's direction on preparation of a comprehensive, function wise, human resource plan has not complied with. The same should be filed without any further loss of time.**

2.1.5 Administrative & general expenses (A&G expenses)

HPGCL has projected Rs. 5.5 millions as A&G Expenses for the purpose of administration, stationary, telephone etc. The Commission, in the absence of any details allows Rs.5.3 million i.e. after considering an escalation of 6% over Rs.5 million allowed by it in FY 2007-08.

2.1.6 Working capital & interest thereto

HPGCL has projected working capital requirement of Rs. 586.85 million. The commission, based on one month ARR as working capital requirement, allows Rs.511.5 million as interest on working capital related borrowings during FY 2007-08 at an interest rate of 10% i.e 200 basis points below PLR of the nationalised banks.

2.1.7 Income tax

HPGCL has not projected any income Tax as no income / profit is to be derived from the trading business.

2.1.8 Other expenditure

The total expenditure, other than power purchase cost approved by the Commission with respect to the bulk supply business for the financial year 2006-07 is Rs.537.65 million as against Rs. 614.64 million proposed by HPGCL. Table 2.13 provide the details of the other expenditure approved for FY 2007 - 08.

Table 2.13 – Other expenditure for FY 2007-08 (Rs. million)

Description	HPGCL Proposal	HERC Approval
Expenditure		
Salary & Wages	12.29	10.85
A&G Expenses	5.5	5.3
Interest on Working Capital	586.85	511.5
Trading License fee	10	10
Total Expenditure	614.64	537.65

2.1.9 Trading margin

HPGCL has proposed a trading margin of 2.36 paisa per unit. The Commission, based on the allowed costs (other than power purchase), approves a trading margin of 2.1366 paisa (rounded off to 2 Paisa) per unit for FY 2007-08. The computational details are presented in table 2.14.

Table 2.14 –Trading Margin for FY 2007-08

Description	HPGCL Proposal	HERC Approval
Expenditure		
Salary & Wages	12.29	10.85
A&G Expenses	5.5	5.3
Interest on Working Capital	586.85	511.5
Trading License Fee	10	10
Total Expenditure (Rs. million)	614.64	537.65
Net Expenditure	614.64	537.65
Energy Available for sale to Discoms (MU)	25,877.83	25,164
Trading Margin (Paisa / kWh)	2.36	2.1366 (Rounded off to 2 Paisa)

As per the details provided in table 2.12 & 2.14 the Commission approves bulk supply cost of Rs. 2.38/kWh and trading margin of 2 Paisa / kWh. Consequently, the net rate for sale of power to the distribution licensees during FY 2007-08 shall be Rs.2.40 / kWh. **The trading margin of 2 Paisa / kWh shall be applicable to the electricity traders, in the territory of Haryana, holding a valid intra – state trading license issued by the Commission.**

HPGCL, in the filing under consideration, has proposed rebates for timely payment of energy bills by the distribution licensees and late payment surcharge. The Commission would like to examine the proposal in the light of the existing bulk supply agreement between HPGCL and the Discoms as well as the actual payment practices that has led to accumulation of large receivables at HPGCL's end. Consequently, the Commission for the purpose of this order rejects the aforesaid proposal of HPGCL.

3 CONCLUSION

The Commission, under Section 62 read with Section 64 (3) (a) & Section 64 (6) and 86 (j) of the Electricity Act 2003, issues this tariff order with modification of the calculation of expected revenue, bulk supply tariff and trading margin proposal of HPGCL and hereby determines the same for FY 2007-08 as under:

1. Gross Purchase of 26,372 million units of energy.
2. Inter–State Transmission losses pegged at 4% & intra-state transmission losses pegged at 2.6%.
3. Sale of 25,164 million units of energy to the Discoms.
4. Power Purchase Cost is determined at Rs. 59977 million.
5. Other Expenditures is determined at Rs.537.65 million.
6. Intra –State trading margin in FY 2007-08 is pegged at 2 Paisa / kWh.
7. Net Sale rate is determined at Rs.2.40/kWh.

The Commission directs that the bulk supply tariff & trading margin approved by it for FY 2007-08 be implemented from 1th April 2007.

This order is signed, dated and issued by HERC on 8th May 2007.

Date: May 8, 2007:

Place: Panchkula

**T.S. Tewatia
(Member)**

**T.R. Dhaka
(Member)**

**Bhaskar Chatterjee
(Chairman)**