

HARYANA ELECTRICITY REGULATORY COMMISSION

BAYS NO. 33 - 36, SECTOR – 4, PANCHKULA

Date of Hearing: 30/08/2007

Date of Order: 26 -09 - 2007

In the matter of

Petition filed by the Haryana Power Generation Company Limited (HPGCL) vide its Memo No. HPGC/FIN/Reg-227/640 dated 6/06/2007 seeking review and / or modification of the order dated 8th May 2007 passed by the Commission in respect of Determination of HPGCL's generation tariff for FY 2007-08.

PRESENT:	Shri. Bhaskar Chatterjee, Chairman
	Er. T.R. Dhaka, Member
	Shri. T.S. Tewatia, Member
On behalf of HPGCL	Smt. Jyoti Arora, Managing Director
	Shri. J.C. Kinra, Director/ Generation
	Shri. D.C. Arora, FA & CAO / HQ

ORDER

Through the petition filed under section 10(i) (h) of Haryana Electricity Reforms Act, 1997, read with Regulation 78.1 of the Haryana Electricity Regulatory Commission (Conduct of Business) Regulations, 2004, HPGCL has sought review and / or clarification of the Commission's order dated May 8, 2007.

The Commission vide Notice No. 1551 dated 28/08/2007 issued notice to HPGCL (the petitioner) communicating to them that a hearing on their review petition has been scheduled for

30/08/2007 at 10.30 A.M. in the conference hall of the HERC. The hearing on the issues raised by HPGCL vide its review petition was held as per schedule. The Commission heard the petitioner's contention on each point at length and reserved its order. The said petition is now being disposed of vide the instant order.

HPGCL, a Power Generating company as defined in the Electricity Act 2003, had filed on 20/11/2006, an application for determination of Generation tariff for FY 2007-08. The Commission sought additional / supplementary information required for a meaningful analysis of the filing and held a public hearing on 21/02/2007. The Commission after carefully examining the petition filed by HPGCL and taking into consideration the submissions made during the public hearing passed its order on HPGCL's generation tariff for FY 2007-08 dated 8th May 2007.

Pursuant to the above, HPGCL filed the instant petition seeking "review, reconsideration, modification, and/or clarification of the specific findings and observations made in the above mentioned order".

The issues on which HPGCL has sought review along with the grounds of review, in brief, and the Commission's order on the same are set out as under: -

1. Station Heat Rate (SHR K.Cal/kWh):

HPGCL has sought review for being allowed SHR of 3450, 2700 & 4200 Kcal / kWh for PTPS Units 1 to 4, PTPS Unit 5 and FTPS as against 3200, 2600 & 4000 Kcal/kWh respectively approved by the Commission. The review has been sought on the grounds that the Commission in its order under review compared the HPGCL's claimed SHR with the lowest SHR achieved by HPGCL in past 7 years and still approved much lower benchmarks. Further, HPGCL contended that the Tariff Policy also provides that norms should be efficient, relatable to past performance, capable of achievement and progressively reflecting increased efficiencies and may also take into consideration the latest technological advancements, fuel, vintage of equipment, nature of operations, and level of service to be provided to consumers. In cases where operations have been much below the norms for many previous years, the SERC may fix relaxed norms.

The Commission is of the view that the tariff policy needs to be seen in totality, as it also provides for 'increased efficiency' and 'continued and proven inefficiency must be controlled and penalized'. The normative SHR in respect of PTPS (1to4), after considering 10% deviation to

account for vintage, is 2742 Kcal/kWh. The Commission, for FY 2006-07, allowed 3460 Kcal/kWh with the direction to ensure continuous improvement in SHR of PTPS (1 – 4 & 5) so that the cushion allowed during the transition phase beginning FY 2004-05 can be rolled back. It is observed from the recent data that HPGCL has achieved some improvement in SHR for these units (PTPS 1 to 4) i.e. 3341 Kcal/kWh. During FY 2007-08 HPGCL has proposed comprehensive refurbishment of PTPS unit – 1 with performance guarantee of 2018 Kcal/kWh of turbine heat rate & 86% boiler efficiency for which an expenditure of Rs. 120 Crore has been allowed by the Commission.

In view of the above, the Commission feels that the SHR of 3200 Kcal/kWh in respect of PTPS Unit (1 to 4) allowed by the Commission is achievable and hence rejects the review plea on this issue.

In respect of PTPS (Units 5 & 6) the national norm of SHR is 2500/Kcal/kWh. The Central Electricity Authority (CEA) conducted energy audit test of these units and recommended a gross heat rate of 2460 Kcal/kWh at 80% PLF. The Commission, with a view that it would take some time to implement the remedial measures suggested by CEA, allowed SHR of 2600 Kcal/kWh. The Commission directed HPGCL to undertake detailed analysis including energy audit of these units and submit a report to the Commission within 3 months from the date of its order on HPGCL's Generation Tariff for FY 2007-08 i.e. 8/05/2007. However, no report has been submitted to the Commission so far.

In view of the above, the Commission feels that a relaxed SHR norm of 2600 Kcal/kWh in respect of PTPS (Units 5 & 6) allowed for FY 2007-08 is achievable and hence rejects the review plea.

In respect of FTPS (Units 1 to 3) the design value of SHR is 2787 Kcal/kWh. Allowing 11% deviation for vintage and 2.5 Kcal / kWh for every 1% decrease in PLF below 80%, the achievable SHR works out to 3185 Kcal / kWh. The Commission, keeping in view the fact as submitted by HPGCL, that FTPS shall be phased out by FY 2011 - 2012 and therefore no major O&M shall be carried out, allowed SHR of 4000 Kcal / kWh. The Commission is of the considered view that such huge margin of inefficiency in SHR leading to much higher and wasteful (per kWh of generation) coal consumption is intolerable and hence rejects the review plea.

2. Transit Loss of Coal

The Commission, in its order under review, allowed normative transit loss of 2% for PTPS and YTPS and 2.5% for FTPS. HPGCL has also requested for being allowed a moisture loss of 3% in addition to the actual transit loss of coal @ 3.02% for PTPS & YTPS and 3.54% for FTPS. The Commission has vide its order on HPGCL's Generation Tariff FY 2006-07 has already set a coal transit loss reduction trajectory i.e. national norm of 0.8% (non – pithead) to be achieved in 3 years. The reference made to IPGCL and DERC with respect to moisture loss is irrelevant as the national norm of 0.8% applicable to NTPC thermal plants is inclusive of moisture loss, the Commission is of the view that some moisture is added to coal during rainy season, but during dry season coal transported on open wagons loses moisture. Thus, the Commission finds no merit in HPGCL's plea for review and rejects the same. HPGCL should work towards achieving the coal transit loss trajectory set by the Commission as this is an avoidable burden on the electricity consumers.

3. Interest Rate on Working Capital

In its review petition, HPGCL has submitted that interest on loans are hardening day – by – day, Further, as per CERC Tariff Regulations rate of interest on working capital shall be on a normative basis and shall be equal to the short – term Prime Lending Rate of the State Bank of India. Presently, the SBI – PLR is 12.75% and the same should be allowed instead of 10%.

The interest rate @ 10% was allowed by the Commission based on actual interest rate applicable at the time of passing the order which was 2% below the then prevailing SBI Prime Lending Rate. In compliance to the Commission's direction at the time of the hearing on the instant review petition held on 30/07/2007, HPGCL submitted a few documents in support of its claim for higher interest rate. It is observed from the documents that the rate of interest varies from 8.5% to 10.75%. The Commission is of the considered view that interest cost is not an area where HPGCL should be seeking cushion. Hence it ought to be as close to the actual as possible. Consequently, the

Commission finds no justification for seeking a review on this issue. The Commission commends HPGCL for its ability to raise short term resources at 250 basis points below the PLR of the nationalized banks. Thus, the Commission rejects the review sought by HPGCL for allowing SBI PLR for interest on working capital.

4. Interest on Term Loan:

HPGCL sought review of the interest rate allowed for term loan on the plea that due to hike in interest rate the rate for computation of allowable interest has gone up to 11.5% as compared to 10.5% filed in the ARR. Consequently, interest cost of Rs.2450.8 million should be allowed as against Rs.2315.88 million.

Interest cost on term loans allowed in the ARR is not computed based on a single rate on the entire loan amount in FY 2007-08 as seems to be suggested by the review petition. Interest cost on term loan filed and approved by the Commission is based on the individual loans including bonds and their respective rate of interest at which it was contracted and taking into consideration the drawls and repayments during the year. It is possible that a few loans based on floating rate may have undergone marginal change; however this may not affect the overall loan repayment liability. Thus, the Commission finds no merit in the review sought on this issue and rejects the same.

5. Hydel Generation (WYC & Kakroi)

HPGCL has requested that gross generation of WYC & Kakroi for FY 2007-08 may be reviewed and allowed at 275 MUs as projected by HPGCL, and accepted by the CEA too, as against 302 MUs determined by the Commission.

It was submitted by HPGCL that in the last two years the station has achieved a generation of around 255.72 – 258.33 MUs. The generation depends on the discharge of water in the hydel channel during the year. Though in FY 2007-08 the average

discharge is slightly better than FY 2006-07 the quantity of trash in the channel is much more leading to choking of silt ejector. Resultantly the generation of power is affected.

The Commission finds some merit in the submission of HPGCL and hence revises the generation target to 275 MUs for FY 2007-08 in line with the generation target determined by CEA. Consequently, the approved tariff (total charges Rs/kWh) in respect of WYC & Kakroi is now determined at Rs. 1.12 / kWh.

This order is signed, dated and issued by the Haryana Electricity Regulatory Commission on 26th September 2007.

Date: 26/09/2007

Place: Panchkula

T. S. Tewatia
(Member)

T. R. Dhaka
(Member)

Bhaskar Chatterjee
(Chairman)