



Petition No 721 of 2011

**BEFORE
THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION
LUCKNOW**

Date of Order :19.08.2011

PRESENT:

1. Hon'ble Shri Rajesh Awasthi, Chairman
2. Hon'ble Shri Shree Ram, Member
3. Hon'ble Smt. Meenakshi Singh, Member

IN THE MATTER OF: Review on tariff for generation on biomass (except bagasse) under UPERC (Captive and Non-Conventional Energy Generating Plants) Regulations, 09 (CNCE Regulations,09).

AND

IN THE MATTER OF:

Petitioner:

M/s Sukhbir Agro Energy Ltd.,
Faridkot Road, Guru Har Sahai,
Distt.-Firozpur, Punjab.

Respondents:

UP Power Corporation Limited,
(through its CMD)
7th Floor, Shakti Bhawan,
14, Ashok Marg,
Lucknow

The following were present:

1. Sri S. K. Agarwal, Director (Finance), UPPCL
2. Sri R. K. Johar, CE, PPA, UPPCL.
3. Sri S. P. Pandey, E.E., PPA, UPPCL.
4. Sri S. K. Sinha, E.E. (PPA), UPPCL
5. Sri.M. L. Arora, G.M., Sukhbir Agro Energy Ltd.
6. Sri. P. K. Singh, E.E., Purvanchal Vidyut Vitran Nigam Ltd.

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7. Sri Dhruv Mathur, Advocate, Sukhbir Agro Energy Ltd.
 8. Sri M.P. Sharma, Consultant, Sukhbir Agro Energy Ltd.
 9. Sri B.M.L.Garg, A to Z Group, Gurgaon
 10. Sri Rohitash Kumar, U.P.Power Projects, Moradabad

ORDER

(Date of Public hearing 04.08.11)

1. The petition has been filed by M/s Sukhbir Agro Energy Ltd. having a Power Purchase Agreement (PPA) with UPPCL, who is procuring power on behalf of the State Discoms, for supply of 15 MW power generated on biomass from its plant situated at Distt. Gazipur, U.P. The tariff for such power purchase is governed under UPERC's CNCE Regulations 2009. The prayer has been made for review of present applicable tariff.
2. Since Petitioner is the only grid connected biomass based generator supplying to the State Licensees as on date, to address the concerns, the Commission decided to takeup an early review and accordingly the notice for Public Hearing was published on 8th July, 2011 in two daily newspapers namely The Times of India and Dainik Jagran. Simultaneously, vide letter dated 23.6.2011, UPNEDA, being the nodal agency for Non Conventional Energy development in the State, was directed to submit requisite data.
3. The Commission has not received any written submission from UPNEDA till the date of hearing. UPPCL has submitted written reply on 01.08.2011 in which it has been stated that they are content with the present applicable tariff as provided under CNCE Regulations 2009 and there is no need for review of tariff at this stage. It has also been informed that another generator M/s A 2 Z group has entered into PPA with them for supply of 13.5 MW non-conventional power from biomass based generation. M/s A 2 Z has further planned to setup small biomass based generating plants of upto 2 MW capacity. M/s A 2 Z group has also made a written submission on the subject.
4. In written submission, the Petitioner has requested to revise the normative operating parameters such as auxiliary consumption from 8.5% to 10%, PLF from 80% to 70%, escalation from 6% to 14%, control period from 5 years to 2 years, increase in O&M expenditure and increase in cost of fuel. The

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- Petitioner has supported its argument on the basis of certain parameters allowed by CERC for biomass based generators operating in the State of UP. The Petitioner has also quoted the tariff of Punjab State Electricity Regulatory Commission which is at present higher than the tariff in UP. M/s A 2 Z group too has prayed the normative parameters as allowed by CERC.
5. During the hearing, Sri Dhruv Mathur, Advocate, Sukhbir Agro Energy Ltd. submitted that in view of the volatility of the biomass fuel cost in the market, the basis of coal equivalent, as taken by the Commission for determination of tariff on biomass based generation, may not sustain as both these elements have different constituents and calorific value. He further stated that while determining the fuel cost under CNCE Regulations, 2009 the Commission had taken coal equivalent costs from State owned generating power stations who have long term fuel supply agreements and are not much affected by the market forces. Sri S. K. Agarwal, Director (Finance) UPPCL, responded stating that the volatility of the biomass fuel cost in the market itself is the reason why the Commission has taken the coal equivalent. The methodology is widely accepted for determination of fuel cost under preferential tariff where no definite mechanism for determination of fuel cost is available. Sri M. L. Arora, G.M., Sukhbir Agro Energy Ltd. submitted that the Commission may consider actual market price of coal prevailing at present. Sri S. K. Agarwal, Director (Finance) UPPCL stated that in the present circumstances the tariff allowed by the Hon'ble Commission to the generators of biomass based power is more than adequate and no further increase may be allowed otherwise it would be beyond their capacity to purchase the power and they would have no other option but to allow these generators to sell their power outside the State in the free market.
 6. The Commission elucidated that it has adopted the methodology of taking the coal equivalent for determination of cost of biomass fuel as in the regime of preferential tariff large volatility in various fuel costs could only be seized through the concept of equivalence. The equivalence has to be made with a substance which has a definite mechanism for determination of costs such as coal, hence, it has been considered. The costs incurred by the State generating stations were considered as they are scattered in varied
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geographical locations in the State and the biomass based generators, existing or future, would also be similarly scattered. As far as the contention of the petitioner that the coal costs have been arrived from long term fuel supply agreements is concerned, it is to further clarify that the biomass based generating stations should cater their requirement of biomass fuel mainly through their in-house production and only at times through spot purchases. Moreover, the Commission is of considered opinion that the biomass based generating power stations should primarily be conceptualized on their in-house production of biomass fuel. This is also required to cope up with the volatility of biomass fuel market and also to counter the effects of non existence of standard mechanism for determination of biomass fuel cost.

7. From the discussions, the fuel cost has surfaced as main issue. The Petitioner has requested for revision of fuel cost based on the market prices. The costs submitted by the Petitioner has been contested by UPPCL and seconded by UPNEDA on the ground that the average market prices of fuel are lower than what have been quoted by M/s Sukhbir Agro. Therefore, the Commission directs UPPCL and UPNEDA to submit the biomass fuel costs within a month from the date of this order. The final decision on the issue shall be taken by the Commission subsequently.

(Meenakshi Singh)
Member

(Shree Ram)
Member

(Rajesh Awasthi)
Chairman

Place : Lucknow
Dated: 19.08.11