



# ASSAM ELECTRICITY REGULATORY COMMISSION

FILE NO. AERC.354/2010

PETITION NO.: 16/2015

## ORDER SHEET

18.12.2015 IOCL (AOD), Digboi submitted a petition (No. 16/2015) to the Commission on 31.08.2015 for revision of tariff for supply of surplus power (5 MW to 8 MW) from its' Captive Power Plant (CPP) to APDCL along with necessary application fees. They vide the tariff petition prayed for revision of tariff of Rs. 3.49/kWh as approved by the Commission vide order dated 18.02.2013 as under:

Year	Proposed revised tariff (Rs./kWh)
FY 2012-13	5.63
FY 2013-14	6.24
FY 2014-15	6.86

They further submitted that revised tariff for FY 2015-16 shall be put-up by September, 2016 before AERC. Besides submitting the copies of the PPA and the AERC order of 18.02.2013, the petitioner enclosed the following documents along with the tariff petition.

1. Year wise average natural gas price data w.e.f 2008-2009 up to June 2015 based on actual bills of OIL.
2. WPI data of Ministry of Commerce and Industry, GOI with 2008-09 as base year.
3. MOM dtd. 15-09-2014 with APDCL regarding approval of provisional increase in fuel cost by Rs. 0.38/KWH by APDCL w.e.f October, 2014.

The background of the petition is briefly stated below:

- 1) A PPA was signed by APDCL with IOCL (AOD) on 13.02.2011 for supply of surplus power of 5 MW (max<sup>m</sup>) from the CPP of IOCL (AOD) to APDCL @ Rs. 3.49/kWh for a period of three years.
- 2) The supply of surplus power started w.e.f 15.07.2011 through the APDCL 11 KV network on isolated mode with some renovation works of the existing Distribution Networks. A formal petition was filed on 27.03.2012 (No. 8/2012) before AERC in this regard.
- 3) In absence of detail technical and financial data and in view of considering availability of 5 MW of power under the critical power shortage situation prevailing at that time, the Commission approved the tariff of Rs. 3.49/kWh as mutually agreed by both APDCL and IOCL (AOD) with a provision that in case of any revision of gas price, the Commission may be approached for revision of rate of power purchase cost.
- 4) IOCL (AOD) vide letter dated 02.06.2014 intimated the Commission regarding around 35% increase in gas price (from Rs. 7.42/NM<sup>3</sup> in February, 2011 to Rs. 10.05/NM<sup>3</sup> in February, 2014) mainly due to foreign exchange rate variation from Rs. 45.39 per USD in February, 2011 to Rs. 62.08 per USD in February, 2014. Accordingly, they suggested a variable factor for adjustment of the present tariff in

proportion to the % variation in the landed cost of natural gas w.e.f. July, 2012.

- 5) IOCL (AOD) vide letter dated 06.11.2014 subsequently prayed before the Commission to revise the present tariff to Rs. 4.51/kWh w.e.f. October, 2014 due to increase in input cost of natural gas (33% i.e. from Rs. 10,845 per 1000 CUM to Rs. 14,201 per 1000 CUM) and other operational cost (17%).

Details of proposed revised tariff are as under:

	<u>Present tariff</u>	<u>Proposed tariff</u>
1. Fuel cost	= Rs. 1.15/kWh	Rs. 1.53/kWh
2. Other cost (utility + fixed)	= Rs. 2.54/kWh	Rs. 2.98/kWh
Total	= Rs. 3.49/ kWh	Rs. 4.51/kWh

They further informed that APDCL agreed to compensate the incremental fuel cost of RS. 0.38/kWh w.e.f. October, 2014 (MoM dated 15.09.2014 enclosed as Annexure-4) till revision of tariff by AERC. The Power Generation Cost data indicating power cost rate of Rs. 4.51/kWh submitted as Annexure-I along with the IOCL (AOD) letter dated 12.09.2014 to APDCL was also enclosed.

- 6) APDCL vide letter dated 19.12.2014 submitted that the PPA with IOCL (AOD) had been extended upto 31.01.2015 and requested AERC to approve provisional enhance rate of fuel cost @ Rs. 0.38/kWh w.e.f. October, 2014 even though IOCL (AOD) demanded for full cost recovery of power supplied to APDCL.
- 7) AERC vide letter dated 02.01.2015 directed IOCL (AOD) for submission of formal tariff petition followed by reminders on 02.04.2015.
- 8) APDCL vide letter dated 26.06.2015 informed that supplementary PPA was signed to extend the PPA further upto 31.08.2015 and requested AERC to approve provisional increase of tariff by Rs. 0.38/kWh w.e.f. October, 2014. They also forwarded communications with IOCL (AOD) regarding claim of IOCL (AOD) for further revision of fuel cost by Rs. 0.98/kWh in view of hike in fuel cost to Rs. 20,095/kWh w.e.f. 1<sup>st</sup> November, 2014 vide their letter dated 10.02.2015 (Annexure-2 of the APDCL letter)

Meanwhile, the tariff petition was forwarded to APDCL on 29.10.2015 for comments, if any. However, APDCL made some prima facie observation on the tariff petition on the date of hearing.

The Commission examined the tariff petition of IOCL (AOD) carefully.

A preliminary hearing prior to admission of the said petition was held on 12.11.2015 after due notices to the parties concerned.

Shri L.N. Phukan, GM (Power & utilities and Maintenance) and his team of officers appeared for the petition in the hearing.

Shri M.K. Adhikary, GM (TRC), Shri J.P Choudhury AGM (TRC), Shri N. Deb, AO attended on behalf of APDCL.

The Chairperson, i/c, Shri D. Chakravarty, AERC initiated the hearing with a brief background of the petition. He then asked both the parties to provide additional views on the issue, if any.

The representatives from IOCL (AOD) made a brief presentation on the tariff petition explaining the reasons and justifications for the proposed revision of tariff as under:

- i) IOCL (AOD) stated that the supply of 5 MW of surplus power from their CPP started and maintained continuously since July, 2011 at the negotiated tariff of Rs. 3.49/kWh approved by the Commission against the audited cost of generation of Rs. 4.26/kWh for FY 2010-11. Subsequently, the MW export was enhanced from 5 MW to 8 MW at 33 KV level w.e.f. June, 2014.
- ii) They further stated that the tariff shall be reviewed in the month of October on yearly basis whenever there is change in natural gas price as per the relevant clause of the PPA.
- iii) Even though APDCL provisionally agreed to enhance power tariff by Rs. 0.38/kWh w.e.f. October, 2014, an amount of Rs. 106 lakh (approx) has remained as outstanding as on October, 2015, the petitioner submitted.
- iv) They further submitted that yearly average billed price of natural gas has shot-up from Rs. 5117/MT (2008-09) to Rs. 19227/MT (2015-16) which had a great impact on the power tariff. They worked out the impact on tariff due to increase in cost components in terms of gas price, utility cost and fixed cost as Rs. 1.17/kWh, Rs. 0.91/kWh and Rs. 1.09/kWh respectively during the period from 2009-10 to 2014-15.

The respondent APDCL made some prima facie observations as under:

- APDCL mentioned that the agreement was made with the IOCL (AOD) for sale of power at Rs. 3.49/kWh for a period upto 12.02.2014. As such a retrospective revision of tariff may not be prudent.
- APDCL clarified that the initial offer of IOCL (AOD) was Rs. 3.00/kWh for base year 2008-09 which was revised to Rs. 3.49/kWh incorporating the adequate input price for FY 2010-11 and approved by the Commission. So, the claim of IOCL (AOD) for base year as FY 2008-09 is factually not correct.
- APDCL submitted that they provisionally agreed to pass through the incremental fuel cost @ Rs. 0.38/kWh as standard practice on the basis of fuel price hike from that of FY 2010-11 as per submission of the petitioner subject to approval by the Commission.
- Finally APDCL requested the Commission to pass any order as may deem fit after prudence check of the cost data submitted by the petitioner and without allowing any retrospective revision of tariff.

The Commission heard both the parties.

As desired by the Chairperson i/c, regarding present status of the PPA, IOCL (AOD) apprised the Commission that the present PPA was upto 31<sup>st</sup> August, 2015 and presently they are processing for further extension of the same.

The Chairperson mentioned that the rate for supply of captive power to APDCL was provisionally considered at Rs. 3.87/kWh vide Commission's order of 24.07.2015 w.e.f. 01.08.2015 based on submission of APDCL.

The Commission has noted that in line with the provisions such as 5.2.2.6 of NEP, 2005, section 6.3 of NTP, 2006, section 9 of the Electricity Act, 2003, the tariff shall be determined for supply of electricity from CPP by the

Commission including variable cost at actual levels and fixed cost at reasonable level as per the same regulations applicable to the generation companies. In the instant case, the tariff shall be determined as per the AERC (Terms and Conditions for determination of Tariff) Regulations, 2006 and its amendments as the case may be.

The Chairperson i/c, AERC observed that the tariff petition dated 31.08.2015 filed by IOCL (AOD) as captive generator was not in order as per the relevant Regulations of the Commission, hence, it can't be admitted.

However, as per the Supplementary PPA dated 01.02.2015 both IOCL (AOD) and APDCL has agreed that, APDCL will be paying a rate of Rs 3.49/kWh as approved by the Commission vide Order dated 18.02.2013 with additional amount of Rs. 0.38/kWh on provisional basis in terms of increase in fuel cost till finalization of Tariff by the Commission, from 01.10.2014 to 31.08.2015 for surplus power of 5 MW & above supplied by IOCL (AOD) from the CPP.

The Commission has noted that the Petitioner could not submit the detailed tariff calculation on account of increase in natural gas price provided by the petitioner in line with the provision of the AERC order dated 18.02.2013.

The Commission is also aware that the surplus power presently being supplied by IOCL (AOD) to APDCL has mitigated the power demand in and around Digboi to a large extent.

In view of the above and in absence of proper data & documents for determination of the revised Tariff as per the provisions of the AERC Tariff Regulations, the Commission deems it appropriate to adopt a revised rate of Rs. 3.87/kWh for supply of surplus power (5MW & above) by IOCL (AOD) from its' CPP to APDCL for the period of 01.10.2014 to 31.08.2015.

Regarding the tariff for the period w.e.f 13.02.2014 to 30.09.2014, the Commission has decided to extend the tariff of Rs. 3.49/kWh approved vide Order dated 18.02.2013 and thereby Rs. 3.49/kWh is adopted as rate of power for the period of 13.02.2014 to 30.09.2014.

Accordingly the tariffs applicable for the power to be supplied from CPP of IOCL (AOD) to APDCL are summarized in the table below:

Period	Tariff/rate (Rs/kWh)	Relevant Order
13/02/11 to 12/02/14	3.49	Approved vide the Commission's Order dated 18.02.13
13/02/11 to 30/09/14	3.49	In continuation of the Tariff approved vide the Commission's Order dated 18.02.13
01/10/14 to 31/08/15	3.87	Adopted vide this Order of the Commission

Furthermore, for determination of Tariff beyond 31.08.2015, the Commission directs IOCL (AOD) to submit a revised Tariff Petition in accordance with the provisions of the relevant Regulations of the Commission. However, no retrospective revision of Tariff/rate will be permitted by the Commission.

**With the above observations and decisions, the petition (Petition No. 16/2015) filed by IOCL (AOD) stands disposed off at the admission stage.**

Sd/-  
(Dipak Chakravarty)  
Chairperson i/c & Member, AERC