

HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION, SHIMLA

Petition No. 72/2019

CORAM
Sh. S.K.B.S. Negi
Chairman
Sh. Bhanu Pratap Singh
Member

Date of Order: 05.02.2020

IN THE MATTER OF:-

Determination of Average Pooled Power Purchase Cost (APPC) for the financial year 2019-20 under REC mechanism.

ORDER

1. This order pertains to determination of Average Pooled Power Purchase Cost (APPC) for the financial year 2019-20 under REC mechanism.
2. The distribution licensee (hereinafter referred as “HPSEB Ltd.”) has filed Petition No. 72/2019 for approval of Average Power Purchase Cost (APPC) as under:-

Power Purchase Cost for FY 2019-20		
Details	MUs	Rs. (in Crore)
HPSEBL Stations	1619.71	205.89
BBMB Stations	553.01	31.29
NTPC Stations	2485.21	964.53
NHPC Stations	273.27	61.72
From other Stations	3898.58	909.25
Free Power and Equity Power of GoHP	612.54	151.91
From Private Micros	210.02	47.25
Forward Banking	214.35	0.00
Bilateral Purchase	(0.02)	(0.01)
PXI/IEX Purchase	497.64	206.68
Total	10364.31	2578.53

The APPC rate proposed by the HPSEB Ltd. is 248.79 paise per unit of energy.

3. The HPSEBL’s calculations of the APPC rates for FY 2019-20 are based on the following:-
 - (i) The provisional purchase (Quantum and costs) for FY 2018-19 has been considered as details of bills from some of the ISTS sources are yet to be received;
 - (ii) The arrears pertaining to past periods, which were paid in FY 2018-19, have been excluded as these are not recurring in nature;

- (iii) Unscheduled Interchange (UI) has also not been included in line with the philosophy approved by the Commission in APPC Order for the FY 2012-13;
 - (iv) The PGCIL/Transmission Charges/ULDC/Other Charges have also been excluded in line with the philosophy approved by the Commission in APPC Order for the FY 2012-13;
 - (v) The approved rates of Own generating stations have been taken from Multi Year Tariff Order for 3rd Control Period from dated 10.06.2014 for Generation Business of HPSEBL;
 - (vi) The Forward (inward) Banking at zero cost has been considered as approved by the Commission in previous order;
 - (vii) The power from Shanan (1.00 MW) Hydro Project has been considered at zero cost as the bills have not been accepted by the HPSEBL due to purchase rate dispute;
 - (viii) Methodology laid down in the Commission's Orders dated 16.07.2012.
4. The Commission issued a public notice on 31.10.2019 in the Newspapers, namely "The Tribune" and "Amar Ujala", inviting suggestions/objections on the aforesaid proposal from the stakeholders. The complete text of the Petition filed for the approval of the APPC by HPSEB Ltd was also made available on the Commission's website www.hperc.org, as well as on HPSEB Ltd's website www.hpseb.in.
5. The Commission vide letter dated 02.11.2019, requested the major stakeholders, including the Small Hydro Power Associations of the State, State Government, Directorate of Energy and HIMURJA to send their suggestions/objections as per the aforesaid public notice.
6. The Directorate of Energy, Shanti Bhawan, Phase-III, Sector-6, New Shimla-09(HP) vide letter dated 06.01.2020 has submitted that they have no objection on the petition No. 72/2019 filed by the HPSEBL for determination of APPC for FY 2019-20. M/s Ginni Global Pvt. Ltd., 2nd Floor, Shanti Chamber, 11/6B Pusa Road, New Delhi-110005 has filed their written suggestions/objections on the said petition and the same are discussed in the succeeding paragraph.

7. M/s Ginni Global Pvt. Ltd. has submitted general comments that the Association of Small Hydro Projects of Himachal Pradesh Developers has already filed an Appeal in Hon'ble Appellate Tribunal for Electricity, New Delhi, (APTEL) bearing Appeal No 120 of 2019 with title of "The Bonafide Himachali Hydro Power Developers Association Versus Himachal Pradesh State Electricity Regulatory Commission & Others" challenging the Order of the HPERC in Petition No. 34 of 2018, whereby the HPERC had determined the Average Pooled Power Purchase Cost (APPC) for the year 2018-19. Since HPSEBL has filed the subject Petition for determination of APPC for 2019-20 on the same methodology which are under challenge vide Appeal No 120 of 2019 before the Hon'ble APTEL and the decision on the same shall be applicable in the subject petition also.
8. Apart from para wise comments on the petition, M/s Ginni Global Pvt. Ltd. has also submitted the computation of APPC i.e. Rs. 2.90 per unit for FY 2019-20 worked out by them by considering the parameters elaborated at Sr. No. 10 of table given in para 9 of this Order.
9. The para wise objections/suggestions on the petition received from the stakeholder i.e. M/s Ginni Global Pvt. Ltd. and replies by the HPSEBL thereon are given as under:-

Sr. No.	Comments/Suggestions	Reply of HPSEBL
1	<p>M/s Ginni Global Pvt. Ltd.</p> <p>HPSEB has stated in Para 2 that APPC is to be determined as per Explanation below Regulation 5 (1) (c) of the CERC (Terms and Conditions for recognition and issuance of Renewable Energy Certificates for renewable energy generation) Regulations, 2010 which provides as under:-</p> <p><i>Explanation.- for the purpose of these regulations 'Pooled Cost of Purchase' means the weighted average pooled price at which the distribution licensee has purchased the electricity including cost of self generation, if any, in the previous year from all the energy suppliers long-term and short-term, but excluding those based on renewable energy sources, as the case may be.</i></p> <p>Thus APPC means</p> <p>a) The weighted average pooled price b) Of power actually purchased by distribution licensee from all source, Long and Short term c) Including cost of self-generation d) But excluding those based on renewable energy sources e) In the previous year</p>	<p>HPSEBL submits that power from IPPs is being procured at ex-bus or at the interconnection point and the same has been considered for the determination of APPC as per methodology approved by the Commission.</p>

	Since it is the purchase price, it has to be at the boundary of the Distribution Licensee. However, the Petitioner has calculated the APPC on the boundary of the Generator which is not agreeable as the power is not available for usage in the state unless transmitted to the state boundary.	
2.	The Petitioner also states the Pooled Cost of Purchase in Para 2 on of the Petition as Pooled Cost of Purchase i.e. the weighted average pooled price at which the distribution licensee has purchased the electricity in the previous year from long-term and short-term suppliers including own generation but excluding renewable energy sources. However we submit that it should be at the State Boundary.	The reply of HPSEBL as above at Sr. No. 1 is reiterated.
3.	<p>It is also observed from Para 2 of the Petition that the data given by HPSEBL is provisional for the year 2018 – 19.</p> <p>HPSEBL has submitted the Petition on 15.10.2019 and must have included all the expenditure incurred up to say, 30.9.2019 as the month of Petition has been indicated as September 2019 (as appearing on cover page). The Petition has been uploaded on HPERC web site on 2.11.2019. The Public Notice inviting comments of stake holders appeared in “The Tribune” newspaper on 31.10.2019 but the Public Notice is not available on HPERC web site.</p> <p>HPSEBL being a Limited Company has to prepare its accounts as per Company law and finalize the accounts each quarter. However the Petitioner states that accounts are provisional (even after six months of the close of Financial year). Further, HPSEBL is required to submit true up of the year 2018-19 by 30.11.2019 as per Electricity Act 2003 and Regulations framed by the Commission. Therefore it is not understandable as to why the power purchase price is still provisional.</p> <p>HPSEBL has stated that the power purchase quantum and costs are provisional as details of some bills are yet to be received. Thus bills have been received but have been objected for the amounts claimed but it is not clear whether the due amount has been included or not. HPSEBL need to submit the details of amount claimed by the supplier and accepted by HPSEBL and must include at least the accepted amount.</p> <p>Earlier, HPSEBL submitted the <u>Petition No 28 of 2019 for “Approval of Business Plan and Multi-Year Aggregate Revenue Requirement (ARR) for fourth Control Period (FY2019-20 to FY2023-24) and determination of Wheeling and Retail Supply Tariff for FY 20”</u>, on dated 30.11.18. The APR was processed by the HPERC and its order titled “<u>Multi Year Tariff Order For Himachal Pradesh State Electricity Board Limited (HPSEBL) For the fourth Control Period (FY 2019-20 to FY 2023-24) and True-up of FY17”</u> (APR/TO 2019-20) was issued on 29/6/19. In the order, the HPERC has reiterated the submissions of HPSEBL regarding power purchase quantum, power purchase cost and transmission charges in Chapter 4 (Para 4.3 to 4.6.9) along with assumptions.</p> <p>Petition is required to be based on actuals of 1.4.2018 to 31.3.2019. Though the period of April to Sept 2019 has already passed but Petition for APPC still says that</p>	HPSEBL submits that the audited balance sheet for FY 2018-19 has not been finalized yet and for the same reason, it has been mentioned in the Petition that the data is provisional and nothing is concealed in the Petition.

	<p>data is provisional as purchase quantum of some ISTS stations are yet to be received. As per our knowledge, the quantum of ISTS stations is prepared by NRPC in Regional Energy Account which is issued monthly. All ISTS issue their monthly bills soon after issue of REA. As such the excuse of HPSEBL regarding pending details of bills is not understandable and it seems to be only to lower the APPC.</p> <p>The actuals for the remaining period of 2018-19 must have been available with HPSEBL at the time of filing the Petition and therefore the APPC should have been worked out on the basis of actuals for 2018 – 19 instead of provisional data.</p> <p>The HPERC is requested to direct HPSEBL to submit actual data along with reply to these comments (to be submitted by HPSEBL by 2nd December as per Public Notice) and consider the actuals of 2018-19 for determining the APPC.</p>	
4	<p>Para 1 of the Petition states as under:-</p> <p><i>“The arrears pertaining to past periods, which were paid in FY 2018-19, have been excluded as these are not recurring in nature.”</i></p> <p>Thus HPSEBL has neither considered these costs of power purchase in the year to which it belonged nor in the year 2018-19 and has just ignored these costs. It is evident that if considered, it would have increased the APPC either of the relevant year or of 2018-19. This is totally unjustified, illegal and unwarranted as the CERC regulations clearly provide that the power purchase cost of previous year has to be considered. Therefore the Commission is requested to consider these costs either in the relevant year and pay arrears or consider in 2018-19.</p>	<p>HPSEBL submits that the arrears have not been considered in petition for APPC rate determination for FY 2019-20 based on the methodology approved by the Commission.</p>
5.	<p>Similarly Para 2 of the Petition states as under:-</p> <p><i>(2) Unscheduled Interchange (UI) has also not been included in line with the philosophy approved by the Commission in APPC order for FY 2012-13.</i></p> <p>This is also not as per the definition of APPC which clearly provides that all the power purchased including short term power is to be accounted for. If it is not being taken since 2012-13 does not mean that the wrong practice can be continued on the same pretext. Therefore UI essentially being the power purchased by the Licensee needs to be accounted for as per Table 62 of the MYT order for 4th control period which indicates Power Purchase under UI as 248.73 MUs costing Rs 66.47 Cr for 2019-20.</p>	<p>HPSEBL submits to the Commission that Unscheduled Interchange (UI) has been excluded from the determination of APPC because the Commission in its order on APPC rate for FY 2017-18 dated August 4th 2017 had stated that:</p> <p><i>“The Unscheduled Interchanges (UI) are not included in the power purchase cost for determination of APPC rate since UI as a system mechanism is not a platform for power purchase or sale but is transaction/system of over-drawl or under-drawl against the power scheduled from the source. The under-drawl is a situation where the purchaser has paid price of power scheduled to him to the suppliers but he has not drawn from the system and if someone-else over-draws, charges will be reimbursed as per the pricing mechanism under UI Similarly, the over-drawl is from the system and is beyond the power purchased from the supplier and so scheduled and therefore, it does not amount to</i></p>

		<i>purchase of power on long term or short term basis from energy supplier....”</i>
6.	<p>The CERC Regulations further clearly lay down that while calculating the APPC, power purchase cost of Distribution Licensee is to be considered. This clearly implies that the power purchase cost from all sources except renewable resources is to be considered at the boundary of the distribution licensee.</p> <p>It is therefore required that various charges paid and Transmission losses deducted for bringing the power from the generating plant up to the boundary of the HPSEBL also need to be included in the power purchase cost on proportional basis.</p> <p>However Para 3 of the Petition states as under:- <i>(3) The PGCIL/Transmission Charges/ULDC/Other Charges have also been excluded in line with the philosophy approved by the the Commission in APPC order of 2012-13.</i></p> <p>This exclusion is contrary to the CERC Regulations extracted in para 1 and Definition given by HPSEBL extracted in Para 2 above. It is clear from the Petition that the cost taken is at the dispatch end i.e. generation end and does not reflect the cost of procurement at HPSEBL periphery.</p> <p>Thus proportionate Transmission and other Charges including SLDC charges as per para 4.6.9 of the MYT APR order for 4th Control Order dated 29.6.19 also need to be included in the power purchase cost. Further Transmission losses of CTU (Power Grid) for interstate/inter regional power and of STU (HPPTCL) be also deducted from the power purchase quantum to arrive at the quantum of power received by HPSEBL at its periphery. These charges as per Table 64 and 62 of APR for 4th Control period are Rs 271 Cr for 13160 MUs of Energy for 2018-19.</p> <p>Similarly Table 60 of MYT order of APR for Fourth Control Period indicates the Interstate Transmission Losses as 3.18% and intra state losses at 10.50% for 2018-19. Mid Term Review of Transmission Licensee issued on 6.10.2017 indicate that transmission losses for HPPTCL are not being worked out separately therefore assuming intrastate transmission losses as only 3%, the Total losses work out to 6.18%. This also needs to be accounted for appropriately to arrive at the cost of power at the boundary of HPSEBL.</p> <p>The argument that this methodology is being followed since 2012 does not hold as the action is void ab initio and remains so and cannot be continued on the plea that this was not challenged/commented up on in 2012 and has attained finality. HPERC is requested to set right the procedure now and give justice to the generators selling power under REC mode.</p>	<p>HPSEBL submits that the Commission had already clarified regarding inclusion of various charges paid and transmission losses deducted for bringing the power from source up to the boundary of HPSEB Ltd. in its earlier order dated 16th July, 2012 for the APPC rate for FY 2012-13. The same methodology has been adopted while petitioning for APPC.</p>
7.	<p>It is also observed from Para 4 of the Petition that rates for own generating stations have been taken for 2018-19 as per APR order for 3rd control period dated 10th June 2014. These rates had been worked out on the basis of Annual Fixed Charges for HPSEBL's own generating stations with normative yearly escalation and Design Energy. These normative rates do not reflect the actual cost of the preceding year i.e. 2018-</p>	<p>It is submitted that the rates for own generating stations for FY 2018-19 have been considered as per APR order dated 10th June 2014 since the Hon'ble Commission had approved the same for the Control Period FY 2015-19 based on design energy and normative yearly escalation.</p>

	<p>19. For example these rates do not take into account the Employee Cost with additional burden of 7th pay commission for which provisional allocation is being made in the yearly tariff order. This is clear violation of the CERC order which clearly provides that the actual cost of power purchase of the preceding year approved by HPERC is to be taken. This is a deliberate attempt on the part of HPSEBL to bring down the APPC to the detriment of the Generators selling power to HPSEBL under REC mechanism. We request the Hon'ble HPERC to take the costs as per latest APR order.</p> <p>We have to submit that HPSEB's stand that the methodology is continuing for the last many years cannot be justified since the discrepancy has to be corrected as and when it comes into notice. An action which is not as per the regulations cannot be justified being in practice for last many years.</p>	<p>Since the True Up of 3rd Control Period (FY 15-19) in respect of generation business of HPSEBL has not yet been done and accordingly the costs approved by Hon'ble Commission in the APR order have been considered.</p>																
8	<p>As per Para 5, The Petition takes into account 214.35 MUs towards Forward/inward/advance banking at Zero cost. For receiving any power under banking we have to give power under banking either in advance or afterwards. The short fall or excess in banking at the end of year is carried forward. The transaction of banking is depicted as under:</p> <table border="1" data-bbox="336 898 987 1122"> <thead> <tr> <th>Nature of transaction</th> <th>Quantum MW</th> <th>Rate (Say Rs 3/- per unit)</th> <th>Amount (million Rs.)</th> </tr> </thead> <tbody> <tr> <td>Purchase in Summer</td> <td>(+)214.35+ (A)</td> <td>3/</td> <td>643.05+ 3 A</td> </tr> <tr> <td>Banking (outward) in winter</td> <td>(-) A</td> <td>3/</td> <td>(-) 3A</td> </tr> <tr> <td>Net Result</td> <td>(+) 214.35</td> <td>3/</td> <td>643.05</td> </tr> </tbody> </table> <p>Thus as is evident, the power has been treated as purchase has to be considered at the cost at which it was purchased when banked and its cost cannot be zero.</p> <p>It is therefore requested that this inclusion of inward quantum of banking (214.35 MUs) should not be considered in the calculations or else with the appropriate cost.</p>	Nature of transaction	Quantum MW	Rate (Say Rs 3/- per unit)	Amount (million Rs.)	Purchase in Summer	(+)214.35+ (A)	3/	643.05+ 3 A	Banking (outward) in winter	(-) A	3/	(-) 3A	Net Result	(+) 214.35	3/	643.05	<p>The Banking Power has been considered at Zero cost as per the methodology adopted by the Hon'ble Commission in the past years.</p>
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9	<p>Para 6 of the Petition states that the power purchase from Shanan Power house of 1.00 MW is considered at Zero Cost due to billing dispute. It may be submitted that the same argument was given by HPSEBL in the last year Petition for APPC and ultimately, HPSEBL considered the cost during reply of the comments. By HPSEBL argument, It has not considered the cost of purchase though bills have been received categorizing them as disputed and it will also not consider the same in the year of actual payment subsequently as then it will be categorized as arrears of past periods. On this analogy, HPSEBL can manipulate the APPC to suit its best interests by disputing any bill and releasing payments after the APPC is announced. This is purely arbitrary action and we request that cost of power be considered on deemed/presumptive basis as no power can be considered as free power unless contractually free.</p> <p>It is also seen that MYT order for Fourth control Period indicates rate of 81.82 paisa per unit for FY 2018-19 as determined by Punjab State Electricity Regulatory Commission. We feel that for APPC for 2019-20, the rate as determined by PSERC for 2018-19 should be</p>	<p>HPSEBL submits to the Commission that due to dispute on the power purchase rate from Shanan (1.00MW) project, HPSEBL is not accepting the power purchase bills for the same. Hence HPSEBL did not consider any cost for purchase of power from Shanan(1.00MW).</p>																

	taken for Shanan (1.00MW) power. It is also not clear as to why cost of 1.00 MW is being considered whereas power from projects less than 25 MW is not to be considered being Renewable energy.																																																									
10	<p>In view of the above, we have worked out the APPC based on the figures of staff paper of APPC and figures of UI, Losses and transmission charges as per the figures and costs taken in the MYT order for 4th Control Period (APR/TO 2019-20) for the year 2018-19 as below:-</p> <table border="1"> <thead> <tr> <th colspan="4">Calculations as per our comments</th> </tr> <tr> <th>Description</th> <th>MUs</th> <th>P/U cost</th> <th>Rs.(in crore)</th> </tr> </thead> <tbody> <tr> <td>Taking into power purchase unit considered in the petition but Reducing forwarding banking</td> <td>10149.96</td> <td></td> <td>2578.53</td> </tr> <tr> <td>Energy handled & CTU, STU, SLDC Charges etc as per Table 62, 64</td> <td>13160</td> <td></td> <td>271</td> </tr> <tr> <td>Proportionate Transmission Charges</td> <td>10149.96</td> <td></td> <td>209.015</td> </tr> <tr> <td>Grand total charges</td> <td>10149.96</td> <td></td> <td>2787.545</td> </tr> <tr> <td>CGS Power</td> <td>7210.07</td> <td></td> <td></td> </tr> <tr> <td>Inter state Losses @ 3.12% on CGS</td> <td>224.95</td> <td></td> <td></td> </tr> <tr> <td>Quantum at HPPTCL periphery</td> <td>9925.01</td> <td></td> <td></td> </tr> <tr> <td>STU Losses @ 3%</td> <td>297.75</td> <td></td> <td></td> </tr> <tr> <td>Net quantum for Discom & Charges</td> <td>9627.26</td> <td></td> <td>2787.545</td> </tr> <tr> <td>Proposed APPC as per our comments</td> <td></td> <td>289.55</td> <td></td> </tr> <tr> <td>APPC to be increased by</td> <td></td> <td>40.757</td> <td></td> </tr> <tr> <td>Say</td> <td></td> <td>41</td> <td>Ps per unit</td> </tr> </tbody> </table> <p>As is also evident from Table 60 of APR and as per APPC staff paper, the quantum of Central Generating stations etc is gross and Inter State /Intra state losses are to be deducted for working out the quantum at the boundary of HPSEBL. These have been applied as 3.12% for interstate power and additional 3% for quantum of power received by HPPTCL for delivery to HPSEBL as per the MYT.</p> <p>The above calculations indicate that the APPC works out to Paisa 290/unit against the 249 paisa worked out in the Petition. Thus the APPC has been worked out on a lower side by at least 41 paisa per unit which may further increase if other points raised in the above comments are also taken into consideration.</p>	Calculations as per our comments				Description	MUs	P/U cost	Rs.(in crore)	Taking into power purchase unit considered in the petition but Reducing forwarding banking	10149.96		2578.53	Energy handled & CTU, STU, SLDC Charges etc as per Table 62, 64	13160		271	Proportionate Transmission Charges	10149.96		209.015	Grand total charges	10149.96		2787.545	CGS Power	7210.07			Inter state Losses @ 3.12% on CGS	224.95			Quantum at HPPTCL periphery	9925.01			STU Losses @ 3%	297.75			Net quantum for Discom & Charges	9627.26		2787.545	Proposed APPC as per our comments		289.55		APPC to be increased by		40.757		Say		41	Ps per unit	No observation
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11	<p>The arrears pertaining to 2018-19 for which bills have been paid or received and being processed for payment till 2nd of December (i.e. the date by which HPSEBL is to respond to comments of stakeholders) need to be included in the power purchase cost to arrive at the realistic APPC. Since the data is not available, this cannot be quantified by us at this stage. However, This will further increase the APPC as worked out by us.</p>	No observation																																																								

10. A public hearing in the matter was held on 7th January, 2020. The following stakeholders were present in the public hearing:-

- (i) The Directorate of Energy, Shanti Bhawan, Phase-III, Sector-6, New Shimla-09(HP).
- (ii) The HPSEBL, Vidyut Bhawan, Shimla-04(HP).
- (iii) The Consumer Representative, Himanshu Cottage, Cemetery Road, Sanjauli, Shimla-06(HP).
- (iv) The Bonafide Himachalies Hydro Power Development Association, Sai Bhawan, Sector-IV, Phase-II, New Shimla-170009(HP).

11. Except representative of the Bonafide Himachalies Hydro Power Development Association, no other stakeholder(s)/representative(s) has expressed their view point in the public hearing. Shri Rajesh Kumar Sharma, representative of said Association stated that the APPC rate and methodology adopted by the Commission for determination of APPC, in petition No. 34/2018 for FY 2018-19, has already been challenged by the Bonafide Himachalies Hydro Power Development Association before the Hon'ble Appellate Tribunal for Electricity (Appeal No. 120 of 2019). The decision of the Hon'ble APTEL in the said petition shall also have a bearing on the determination of APPC for FY 2019-20.

12. In order to promote generation from renewable sources, the Central Electricity Regulatory Commission framed regulations and issued orders for giving effect to the Renewable Energy Certificates (REC) framework. The Himachal Pradesh Electricity Regulatory Commission (hereinafter referred as the Commission) has also framed the Himachal Pradesh Electricity Regulatory Commission (Renewable Power Purchase Obligations and its Compliance) Regulations, 2010 in line with the Central Electricity Regulatory Commission (Terms and Conditions for Recognition and Issuance of Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2010, which specify that generation from renewal sources will be eligible for REC if it, inter-alia:

“sells the electricity generated either (i) to the distribution licensee of the area in which the eligible entity is located, at the pooled cost of power purchase of such distribution licensee as determined by the Appropriate

Commission (ii) to any other licensee or to an open access consumer at a mutually agreed price, or through power exchange at market determined price.

Explanation:- “For the purpose of these regulations, ‘Pooled Cost of Purchase’ means the weighted average pooled price at which the distribution licensee has purchased the electricity including cost of self generation, if any, in the previous year from all the energy suppliers, long-term and short-term, but excluding those based on renewable energy sources, as the case may be.”

13. The issue of APPC has already been discussed elaborately by the Commission in its previous Orders while determining APPC i.e. in the Order dated 16.07.2012 for the year 2012-13 in petition No. 137/2011 and Order dated 22.06.2013 for the year 2013-14 in the petition No. 63/2013. In these Orders, the Commission adopted the following principles:-

- (i) The average pooled cost of purchase of power has three components relevant to the present context i.e. it has to be weighted average pooled price of power purchased; it has to be of the previous year and further that it has to be from the energy suppliers, both long term and short term;
- (ii) The quantum and rate of power, purchased from the State Govt., out of its free power share shall be taken into account for pooled cost of purchase;
- (iii) The unscheduled interchanges (U.I.) are not included in the power purchase cost. U.I. as a system mechanism is not a platform for power purchase or sale but is transaction/system of over-drawl or under-drawl against the power scheduled from the source. The under-drawl is a situation where the purchaser has paid price of power scheduled to him to the suppliers but he has not drawn from the system and if someone-else over-draws, charges will be reimbursed as per the pricing mechanism under U.I. Similarly, the over-drawl is from the system and is beyond the power purchased from the supplier and so scheduled and therefore, it does not amount to purchase of power on long term or short term basis from energy supplier. It can be argued that quantum of under-drawl should be reduced from the total power purchase which can further lead to issues of pricing of under-drawls as to whether such price should be on the principles of costly power at the margin in the merit order purchase. Therefore, U.I. over-drawls cannot be treated as power purchase for the purpose of pooled cost of purchase. Similarly PGCIL/Transmission/ULDC charges etc. are not applicable when power is being supplied to the local Discom at the APPC;

- (iv) Total power purchased is disposed off/utilized by way of sale, within and outside State and by way of banking. Power purchase only is relevant for APPC and disposal/utilization of power is not relevant to the context of determination of the APPC;
- (v) Where the outward banking (banking sale) is from out of power purchased during the year from energy suppliers (long term and short term), its cost is already paid. Therefore, if the same quantum, or part of such quantum, is received as inward banking (contra banking purchase), such quantum and price should not be included over and above the quantum or price already taken into account, out of which such power has been banked. The Commission had taken cost of banking power, whether purchase or sale, as zero, because, in the absence of firm cost of such power, any notional cost leads to distorted results in profit/loss in the balance sheet. Banking arrangement, as a practice in the State, is rolling arrangement involving contra, forward and return banking with various Discoms in the region. There is no criteria for determination of rate and as a prudent practice, the Commission had taken such banking sale and purchase at zero cost. Therefore, any quantum of energy received during the year in excess of purchased energy banked in the same year, under banking arrangement, shall be treated as additional quantum of power purchase, but at zero cost. Hence, only the quantum of inward/forward banking (banking purchase) in excess of quantum of contra-banking, in the previous year will be taken as additional power purchase at zero cost;
- (vi) The arrears pertaining to past periods will be excluded as these are not recurring in nature;
- (vii) The PGCIL/Transmission charges/ULDC/other charges will not be included;
- (viii) Purchases under REC framework on the APPC will be included.

The APPC rates have been worked out for the previous financial years as per the above principles.

14. The principles and methodologies applied in calculating the APPC for years 2012-13 and 2013-14 have attained finality, and therefore, the Commission finds it appropriate to apply the same for computation of the APPC under this Order. The Commission may however, duly consider the matter (i.e. methodology of computation of APPC) keeping in view the Hon'ble APTEL Order in Appeal No. 120/2019 as and when the same is issued.

15. The HPSEBL has made submission in the petition and also replied to the stakeholder that due to dispute on the power purchase rate of Shanan hydro project, the power purchase bills of energy received from this project have not been considered in the computation of APPC.

The Commission does not agree with the reply of the HPSEBL and decides to consider the procurement cost of 5.26 MUs energy at the cost approved for such procurement in tariff order for FY 20 i.e. Rs. 0.46 Crores. And this cost is included in the power purchase cost under the head “from other stations”. As far as apprehension shown by the stakeholder regarding incorrect inclusion of energy quantum of Shanan project is concerned, it is clarified that the Shanan Hydro Project (60 MW) does not fall in the ambit of renewable energy for computation of APPC. The HPSEBL is procuring the quantum of energy (MUs) equivalent to the generation of 1.00MW capacity.

16. Accordingly, the Commission, after duly considering the reply given by the HPSEBL on the objections/suggestions submitted by M/s Ginni Global Pvt. Ltd., discussion held during public hearing and relevant power purchase expenses of the licensee for FY 2018-19, eligible for calculation of weighted average pooled price for FY 2019-20, submitted in the Petition No. 72/2019, determines the rate of the APPC for FY-2019-20 as under:-

Power Purchase Cost for FY 2019-20		
Details	MUs	Rs. (in Crore)
HPSEBL Stations	1619.71	205.89
BBMB Stations	553.01	31.29
NTPC Stations	2485.21	964.53
NHPC Stations	273.27	61.72
From other Stations	3898.58	909.71
Free Power and Equity Power of GoHP	612.54	151.91
From Private Micros	210.02	47.25
Forward Banking	214.35	0.00
Bilateral Purchase	(0.02)	(0.01)
PXI/IEX Purchase	497.64	206.68
Total	10364.31	2578.99

The computed APPC rate is 248.83 paise per unit of energy.

Based on the above, the APPC for FY 2019-20 works out to Rs. 2.49 per unit of energy and is so approved by the Commission. These rates are firm and final and will not be trued up.

17. This Order shall be applicable for the FY 2019-20 and shall continue for further period with such variation or modification as may be ordered by the Commission for the next financial year.

This petition is disposed of in terms of the above.

Sd/-
(Bhanu Partap Singh)
Member

Sd/-
(S.K.B.S. Negi)
Chairman

Place: Shimla
Dated: 5th February, 2020.