

BEFORE HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION

Petition No.32/2017

In the matter of:

Determination of the Average Pooled Power Purchase Cost (APPC) for the financial year 2017-18 under REC mechanism.

**CORAM:
S.K.B.S. Negi
Chairman**

ORDER

1. This order pertains to determination of Average Pooled Power Purchase Cost (APPC) for the financial year 2017-18.
2. The distribution licensee (hereinafter referred as “HPSEB Ltd.”) has filed petition No. 32/2017 for approval of Average Pooled Power Purchase Cost (APPC) as under:-

Power Purchase Cost for FY 2017-18		
Details	MUs	Rs. Crore
HPSEBL Stations	1160.90	172.79
BBMB Stations	625.27	25.32
NTPC Stations	1945.42	679.65
NHPC Stations	251.06	57.20
From other Stations	4114.76	1011.47
Free Power and Equity Power of GoHP	611.65	178.60
From Private Micros	306.20	76.55
Banking	64.90	0.00
Bilateral Purchase	00.00	00.00
PXI/IEX Purchase	172.57	48.63
Total Power Purchase Cost	9252.71	2250.21

The APPC rate proposed by the HPSEB Ltd. is 243.19 paise per unit of energy.

3. The HPSEBL’s calculations of the APPC rates for FY 2017-18 are based on the following:-
 - (i) The provisional purchase (quantum and costs) for FY 2016-17 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 (paid in FY 2016-17) have been excluded as these are not recurring in nature;
 - (iii) Unscheduled Interchange(UI) Purchase has also not been included in line with the philosophy approved by the Commission in APPC Order of 2012-13;

- (iv) The PGCIL/Transmission Charges/ULDC/Other Charges in line with the philosophy approved by the Commission in APPC Order of 2012-13;
 - (v) The rates of own generating stations have been taken from MYT order for 3rd control period dated 10th June, 2014;
 - (vi) The Forward (inward) Banking at zero cost has been considered as approved by the Commission in the previous order.
4. The Commission issued a public notice on dated 08.06.2017 in the newspapers, namely “The Tribune” and “Amar Ujala”, inviting objections/suggestions on the aforesaid petition from the stakeholders. The complete text of the petition filed for approval of the APPC by the HPSEB Ltd was also made available to the stakeholders on the website of the Commission as well as on the HPSEB Ltd’s website.
5. The Commission vide letter dated 12.06.2017, requested the major stakeholders, including the Small Hydro Power Associations of the State, State Government, Directorate of Energy, HIMURJA to send their objections/suggestions as per the aforesaid public notice.
6. 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:
- “it 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.”

7. The issue of APPC has 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:-

- (a) 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;
- (b) 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;
- (c) 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 local Discom at APPC;
- (d) 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 APPC;

- (e) 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;
- (f) The arrears pertaining to past periods will be excluded as these are not recurring in nature;
- (g) The PGCIL/Transmission charges/ULDC/other charges will not be included;
- (h) Purchases under REC framework on APPC will be included.

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

- 8. The principles and methodologies applied in calculating 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 APCC under this order.
- 9. The HPSEB Ltd. vide letter No. HPSEBL/CE-(Comm.)/SERC-70/2017-5188 dated 20.07.2017, submitted that no objections/suggestions have been received on petition No. 32/2017, as per the public notice issued by the Commission on dated 08.06.2017.

10. Accordingly, the Commission, after duly considering the submissions made by the HPSEB Ltd and relevant power purchase expenses of the FY 2016-17, eligible for calculation of weighted average pooled price for FY 2017-18, submitted in the Petition No. 32/2017, determines the rate of the APPC for FY-2017-18 as under:-

Eligible Power Purchase Expenses of FY 2016-17 for determination of the APPC for FY 2017-18		
Details	MUs	Rs. Crore
HPSEBL Stations	1160.90	172.79
BBMB Stations	625.27	25.32
NTPC Stations	1945.42	679.65
NHPC Stations	251.06	57.20
From other Stations	4114.76	1011.47
Free Power and Equity Power	611.65	178.60
From Private Micros	306.20	76.55
Banking	64.90	0.00
PXI/IEX	172.57	48.63
Total Power Purchase Cost	9252.71	2250.21

The computed APPC rate is 243 paise per unit of energy.

Based on the above, the APPC for FY 2017-18 works out to 243 paise per unit of energy and is so approved by the Commission. These rates are firm and final and will not be tried up.

11. This Order shall be applicable for the FY 2017-18 and shall continue for further period with such variation or modification as may be ordered by the Commission for the next financial year.

The Commission orders accordingly.

Place: Shimla
Dated: 4th August, 2017

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