

**HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION
SHIMLA-171002**

ORDER

Section 86(1)(e) of the Electricity Act,2003 entrusts the appropriate Commission the responsibility of promotion of co-generation and generation based on renewable energy sources. Para 5.12 of the National Electricity Policy of Govt.of India formulated under section 3 of the said Act, also stresses on the promotion of renewable energy sources.

2. In order to promote generation from renewable sources, the Central Electricity Regulatory Commission has framed regulations and issued orders for giving effect to the Renewable Energy Certificates framework and this Commission has also framed the Himachal Pradesh Electricity Regulatory Commission (Renewable Power Purchase Obligations and its Compliance) Regulations, 2010 by adopting the Central Electricity Regulatory Commission (Terms and Conditions for Recognition and Issuance of Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2010. In accordance with the clause (c) of sub-regulation (1) of regulation 5 of the said regulations of the Central Electricity Regulatory Commission, a generating company engaged in generation of electricity from renewable energy sources is eligible to apply for registration for issuance and dealing in certificates, if it fulfils the following conditions that :-
- (a) it has obtained accreditation from the State Agency.
 - (b) it does not have any power purchase agreement for the capacity related to such generation to sell electricity at a preferential tariff determined by the Appropriate Commission; and
 - (c) it sells the electricity generated either (i) to the Distribution Licensee of the area in which the eligible entity is located, at a price not exceeding the pooled cost of power purchase of such Distribution Licensee, or (ii) to any other licensee or to an open access consumer at a mutually agreed price, or through power exchange at market determined price

For this purchase '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.

3. With the background, as set out in the preceding paras, this Commission vide its order dated 24.1.2011 made in **Petition No.89/2010- the Himachal Pradesh Small Hydro Power Association Vs. HPSEBL and others** has observed that in Himachal Pradesh, the pooled power purchase cost is to be notified by the Himachal Pradesh State Electricity Board Ltd (hereinafter referred "as the Board") on annual basis after getting due approval from this Commission.
4. In pursuance to Commission's order dated 24.1.2011, the Board vide letter dated 19.5.2011 submitted, for the approval of this Commission, the proposal of pooled cost of power purchase @ Rs.2.36 per Unit , alongwith calculations, for the FY 2011-12. On examination some inconsistencies were found in the data of power purchase for the FY 2010-11, supplied alongwith calculations vis-a-vis the data supplied in the interactions with the Commission while processing the MYT petition of the Board for the FY 2011-12 to FY 2013-14. The Commission noticed that of the total power purchase, some quantum was utilised for banking and cost of such banked power was not included in the power purchase Pooled Cost. Accordingly the Board was asked to recast the power purchase and its cost, including banking, vide letter dated 30.5.2011.
5. The Board resubmitted the revised proposal vide letter dated 8.6.2011. In the revised proposal the Board has revised the Power Purchase Cost accordingly and the Pooled Cost of Power Purchase has been worked out as Rs.2.24 per Unit.
6. On further examination of the revised proposal it was found that the Board has considered cost of generation of four of its own projects i.e. Giri, Bhaba, Bassi and Larji. For the purpose of calculations the annual expenses of these projects taken by the Board are based on audited accounts for the FY 2009-10. The

audited costs have been further escalated by 10% to arrive at the costs for the year 2010-11. No justification of 10% escalation has been given and, therefore, the proposed escalation is not justified as the escalation should primarily be on the O&M costs and not on other costs like depreciation and interest on loans etc. The regulation 23(3) of HPERC(Terms and Conditions for Determination of Hydro Generation Tariff) Regulations,2007 provides for an escalation of 4% every year on the O&M cost of the base year to arrive at permissible O&M expenses for the relevant years. Therefore, it is prudent to consider the escalation of 4% over the O&M of each project on the audited cost of 2009-10 to arrive at the cost of FY 2010-11. Accordingly the project-wise cost for the FY 2010-11 is worked out as under,-

1. Giri 12.376 Cr.
2. Bhaba 20.9548 Cr.
3. Bassi 15.5848 Cr.
4. Larji 97.52 Cr.

7. Based on revised calculations and also the revised O&M cost, the total cost of generation from own sources works out to Rs.171.903 Cr. as against Rs.184.799 Cr. submitted by the Board. The total cost of power purchase in accordance with the explanatory provision of CERC to sub regulation (1) of Regulation 5 of CERC Regulations,2010 works out to Rs. 1878.94 Cr. in place of Rs.1891.839 Cr. The total quantum of power procured by the Board, including its own generation, but excluding generation from renewable sources is 8438.33 MUs. Thus, the pooled cost works out as Rs.2.23 per unit as against Rs.2.36 per Unit as proposed in original proposal and Rs.2.24 per unit calculated in the revised proposal by the Board. This Commission, therefore, approves, in relation to the Himachal Pradesh State Electricity Board Ltd., the Pooled Cost of Purchase of Power for the FY 2011-12, which may be notified and given wide publicity amongst the Stakeholders.

Dated: 14th June,2011

(Subhash Chander Negi)
Chairman