

BEFORE HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION

Petition No.86/2015

&

MA No. 100/2015

In the matter of:

Determination of the Average Pooled Power Purchase Cost (APPC) for the financial year 2015-16 under REC mechanism.

ORDER

1. This order pertains to determination of Average Pooled Power Purchase Cost (APPC) for the financial year 2015-16.
2. The distribution licensee (hereinafter referred as "HPSEBL") has filed petition No.86/2015 for approval of Average Pooled Purchase Cost (APPC) as under:-

Power Purchase Cost for FY 2014-15		
Details	MU	Rs. Crore
HPSEBL Stations	1604.19	215.29
BBMB Stations	592.38	38.78
NTPC Stations	1353.04	476.23
NHPC Stations	348.98	94.61
From other Stations	3643.97	992.29
Free Power and Equity Power	577.24	165.88
From Private Micros	285.89	65.06
Banking	151.12	0.00
Bilateral Purchase	00.00	00.00
PXI/IEX	80.00	29.29
Total Power Purchase Cost	8636.81	2077.43

APPC rates proposed by the HPSEB Ltd. is 240 paise per unit

3. The HPSEBL's calculations of the APPC rates for FY 2015-16 are based on the following:-

- (i) the provisional purchase (quantum and costs) for FY 2014-15 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 2014-15) have been excluded as these are not recurring in nature;
 - (iii) the Unscheduled Interchange(UI) Purchase has also not been included in line with the philosophy approved by the Commission in previous years;
 - (iv) the PGCIL/Transmission charges/ULDC/other charges have also not been included;
 - (v) the rates of own generating stations have been taken from annual performance review for FY 2015 under the 3rd MYT 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 orders.
- 4.** The Commission issued a public notice on dated 22.07.2015 in the newspapers namely “The Tribune” and “Himachal Dastak” inviting objections/suggestions on the aforesaid petition from the stakeholders. The complete text of the petition filed for approval of the APPC by the HPSEBL was also made available to the stakeholders on the website of the Commission as well as on the HPSEBL’s website. The last date for submission of objections/suggestions was 12th August, 2015.
- 5.** The Commission vide letter dated 22.07.2015, 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.** The HPSEBL vide MA No. 100/2015 in petition No. 86/2015 amended their petition with following submissions:-
- (a) In the APPC petition No. 86/2015 filed on 20.07.2015 before the Hon’ble Commission, the quantum of banking was taken equal to the difference between banking purchase and banking sale for FY 2014-15 instead of forward banking done in the year 2014-15.
 - (b) The banking purchase during FY 2014-15 including forwarding banking of 512.40 MUs was 1814.25 MUs and the banking sale including return banking of 365.31 MUs was 1663.13 MUs. The banking quantum taken in the petition was the difference of

banking sale and purchase i.e. 151.12 MUs (1814.25-1663.13) instead of forward banking quantum of 512.40 MUs.

7. The HPSEBL requested the Commission to consider the quantum of 512.12 MUs as forward banking instead of 151.12 MUs and zero cost for determining the APPC rate. The average pooled purchase cost, as per the revised data given in the table below, calculated by the HPSEBL as 231 paise per unit for FY 2015-16.

Power Purchase Cost for FY 2014-15		
Details	MU	Rs. Crore
HPSEBL Stations	1604.19	215.29
BBMB Stations	592.38	38.78
NTPC Stations	1353.04	476.23
NHPC Stations	348.98	94.61
From other Stations	3643.97	992.29
Free Power and Equity Power	577.24	165.88
From Private Micros	285.89	65.06
Banking	512.40	0.00
Bilateral Purchase	00.00	00.00
PXI/IEX	80.00	29.29
Total Power Purchase Cost	8998.07	2077.43

8. The Commission, after taking into consideration the MA No. 100/2015 issued the Public Notice on dated 01.09.2015 in the newspapers namely "The Hindustan Times" and "Dainik Bhaskar" inviting objections/suggestions on the aforesaid M.A. from the stakeholders. The complete text of the petition No. 86/2015 and MA No. 100/2015 filed by the HPSEBL for approval of the APPC was also made available to the stakeholders on the website of the Commission as well as on the HPSEBL's website. The last date for submission of objections/suggestions was 22.09.2015.
9. The Commission, vide letter dated 01.09.2015, 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.

10. The Himalaya Power Producers Association have requested the Commission on 22.09.2015 to extend the time limit for filing the objections/suggestions in the petition No. 86/2015 (M.A. 100/2015).
11. The Commission considered the request of the Himalaya Power Producers Association and accordingly extended the time for filing the objections/suggestions upto 17.10.2015.
12. The Commission again issued a public notice on dated 02.10. 2015 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 by HPSEBL for approval of the APPC was also made available to the stakeholders on the website of the Commission as well as on the HPSEBL’s website. The last date for submission of objections/suggestions was extended upto 17.10.2015.
13. The gist of objections/suggestions received from the Directorate of Energy (DoE), Government of Himachal Pradesh and the Himalaya Power Producers Association alongwith the itemwise replies given by the HPSEBL are given as under:-

A.	Comments/Suggestions of DoE, Himachal Pradesh	Reply of HPSEBL’s
1.	In accordance with the provision of the CERC Regulations on REC Mechanism, the APPC for the current financial year is based on 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 and excluding transmission charges, therefore revision of methodology for determination of APPC rate does not seem in accordance to CERC & HPERC regulations.	HPSEBL has clearly mentioned in Petition the definition and factors as per CERC, HPERC Regulations & APPC Order of 2012-13. Definition: 4.1 “ <i>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> ” Factors: 4.3(4) “ <i>The PGCIL/ Transmission Charges/ULDC/Other Charges in line with the philosophy approved by the Commission in APPC order of 2012-13.</i> ” Therefore, APPC proposed by HPSEBL is in accordance to CERC, HPERC Regulations & APPC Order of 2012-13.”
2.	The free Power Share and power utilized by HPSEBL during the financial year should be excluded from determination of APPC for the FY 2015-16	As per the Commission’s order for determination of APPC for previous years of 2012-13, 2013-14 & 2014-15:- In the APPC order of year 2012-13, it is mentioned that:- “ <i>The quantum and rate of power purchased from the State Govt. out of its free power share shall be taken into</i> ”

		<p><i>account for pooled cost of purchase”</i></p> <p>It is further mentioned in the APPC order of year 2014-15:-</p> <p><i>“The principles and methodologies applied in determination of APPC for the years 2012-13 and 2013-14 have attained finality, and therefore, shall be applied in future, as such”</i></p> <p>Therefore, it is very clear from the above mentioned points that the free power share shall be taken into account while calculating APPC.</p>
3.	<p>The account of HPSEBL for the year 2014-15 are not audited, therefore the APPC proposed by HPSEBL for FY 2015-16 based on weighted average pooled price for FY 2014-15 are provisional, hence the Commission must re-determine the APPC for FY 2015-16, at the time of true up of ARR for FY 2014-15 and any variation, if any, arising there from in the APPC for FY 2015-16 would be adjusted by HPSEBL based on the final APPC approved by the Commission for FY 2015-16, based on the proposal of HPSEBL in this regard later on.</p>	<p>The Commission has approved APPC for previous years 2012-13, 2013-14 and 2014-15 based on provisional accounts and has clearly mentioned in each order that <i>“prices are firm and final and will not be trued up.”</i></p> <p>Therefore, in view of the above, HPSEBL requests to the Commission to approve APPC of FY 2015-16, based on the provisional details.</p>
4.	<p>Further, some of the Petitions filed by CGS stations for determination of tariff for their generating stations for the period FY 2014-19 before CERC are yet to be finalized and their tariff bound to increase. HPSEBL has not considered the revised tariff of the Central Generating Stations (CGS) for calculation of APPC rate. Further, payment of arrears on account of increase of tariff of CGS and other such generating stations under the jurisdiction of CERC are factored by the licensee in their power purchase expenses on cash basis, i.e. in the year in which bills are raised by generating stations as the amount cannot be precisely ascertained until CERC approves the tariff and generating stations subsequently raises the electricity bills based on methodology of recovery of these tariffs as per CERC regulations. Hence, this impact is to be reflected in the APPC of FY 2015-16.</p>	<p>HPSEBL has considered the tariff of CGS as per the actual bill.</p>
5.	<p>It is not clear that HPSEBL has considered the value of gross energy purchased by it for calculation of APPC or Ex-bus at distribution periphery, as Central Commission in its Order dated 01.06.2010 has clarified that the pool cost of power purchase is the weighted average pool price at distribution licensee level and not at the State level, therefore HPSEBL may please clarify.</p>	<p>HPSEBL has considered the energy level as per the methodology used by the Commission in previous year orders for determination and approval of APPC.</p>
6.	<p>Clarity regarding consideration of Energy Sent out under Banking Arrangement (Outward Banking) & Energy Received under Banking (Inward Banking) is required as:</p>	<p>The Commission has already discussed banking in its previous years APPC order and APTEL judgment on Appeal No. 220 of 2013.</p>

	<p>(a) Energy sent out under Banking arrangement or outward Banking is not consumed within the State and therefore, it is not considered as part of the State Energy requirement for meeting the demand of the State. It is on this account that this quantum of energy is reduced from the overall quantum of power purchased by HPSEBL for the financial year. However, since this quantum of energy is scheduled by HPSEBL from out of its share in Central/other Generating Stations as bilateral share to be sent directly to other States/beneficiaries, parties to the Banking Agreement, cost of this energy is included in the overall power purchase cost of HPSEBL for the financial year. It may also be pertinent to mention that this overall outward Banking done by HPSEBL during summer & rainy season i.e. primarily from June to October (surplus months) has two components, first component comprises of the quantum of energy which HPSEBL is obliged, under the Banking arrangement, to return during current financial year, in response to energy received in advance from other States/beneficiaries during winter months sometimes upto March (deficit months) of preceding financial year. Other component includes, if any, energy banked by HPSEBL under the Agreement to other States/beneficiaries in advance during summer/rainy seasons to be returned by those States/beneficiaries in winter months.</p> <p>(b) Energy Received Under Banking arrangement (Inward Banking): Energy received by HPSEBL under banking arrangement or Inward Banking is received during deficit months of HPSEBL, primarily winter months, sometimes upto March. As this quantum of energy is required for meeting the demand of the State, this quantum of energy is included in the State Energy Requirement of HPSEBL for the State for the financial year. However, since this energy is scheduled by other States, parties to the Banking Agreement, from out of their share in the Central/other Generating Stations, as bilateral share, the cost of this energy is borne by those States and therefore it is not to be included in the overall power purchase cost of HPSEBL for the financial year. It may be pertinent to mention that overall inward banking energy received by HPSEBL has two</p>	<p>As per APPC order of year 2004-15: “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.”</p> <p>Therefore, HPSEBL has considered quantum of Inward forward banking (banking purchase) in excess of quantum of contra-banking, in the previous year.</p>
--	--	--

	<p>components, first component comprises of the energy received by HPSEBL from other States/beneficiaries during winter (deficit) months which in response to energy banked in advance or sent out by HPSEBL to these States/beneficiaries during summer/monsoon (surplus) months under the agreement. While the other component is the energy received from other States/beneficiaries during winter months (deficit months for the State) in Advance under the Agreement. It is amply clear that this second component received under Banking is without HPSEBL having done any Banking during its surplus months (summer & rainy season). However, since the energy sent by other to HPSEBL in Advance during a financial year, therefore, HPSEBL may be obliged to ensure return of this Advanced energy during the surplus months namely summer/rainy season of next financial year and the same is covered under outward Banking para discussed hereinabove.</p>	
7.	<p>There is no clarity regarding consideration of under/over drawl or net UI energy, as the quantum of energy under U.I. Over Drawl of energy Under UI is to be added and under drawl is to be deducted for calculation of APPC, as this quantum of energy is not received within the State for meeting the demand and therefore, it cannot be included in the overall Energy requirement of HPSEBL for the State for the financial year. Since, this energy is actually over drawn by other States from out of the share of HPSEBL in Central/other Generating Stations, therefore, the cost of this UI under drawl energy is borne by HPESBL and is accordingly to be included in the overall power purchase cost of HPSEBL for the financial year. Moreover, since the U.I. under draws have to be paid out by the States overdrawing under U.I. mechanism based on the frequency linked prices specified by CERC under the relevant Regulations, HPSEBL on account of such U.I. under draws earns revenue paid to it through Regional Energy Account maintained by NRLDC and the same was also paid to HPSEBL for the financial year 2014-15. Accordingly, this revenue is to be adjusted in the overall power purchase cost of HPSEBL for the said financial year.</p>	<p>HPSEBL has not considered Unscheduled Interchange (UI) as per the methodology used by the Commission in previous year(s) orders for determination and approval of APPC.</p>
8.	<p>The quantum of energy purchased by HPSEBL for meeting its requirement is to be added and quantum of power traded by HPSEBL shall also be deducted from total units purchased by it during the financial year for calculation of APPC, as this quantum of energy is also not received</p>	<p>In the APPC Order for the year 2012-13: <i>“13 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</i></p>

	within the State for meeting the demand and therefore, it cannot be included in the overall energy requirement of HPSEBL for the State for the financial year.	APPC” Therefore, HPSEBL has considered only quantum of power purchase while determining APPC.
9.	For arriving at the energy availability at distribution level, the Commission may consider average transmission losses of PGCIL and Distribution losses of HPSEBL.	HPSEBL has considered the energy level as per the methodology considered by the commission in previous year(s) orders for determination and approval of APPC.
10.	The impact of surplus power surrendered by HPSEBL during summer and rainy season to maintain grid discipline and to avoid penalties should also be considered while determining the APPC for the FY 2015-16.	HPSEBL has already considered the capacity charge paid for surrendered power while determining APPC for the FY 2015-16.
B	Himalaya Power Producers Association	Reply of HPSEBL
1	That Banking is neither sale nor purchase since it is only a deferred utilization or storage of the energy. Banking energy should not be considered as purchase of energy since no transaction of money takes place in the banking.	As per APPC order for the year 2014-15, 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 is taken as additional power purchase at zero cost. This power is over and above the power purchased by HPSEBL from various sources in previous year.
2	That banking is beneficial to HPSEBL since purchase of power in the winter otherwise would be at a higher rate than APPC.	Banking arrangement is in practice by HPSEBL because it assures the guarantee return of the banked power during the winter months when HPSEBL is in deficit. The power can be purchased from the market in winter months but the rate of power is not certain because it varies with factors like fuel price, demand etc.
3	That HPSEBL does not bear loss of any opportunity cost because rate of energy in winter is higher as compared to monsoon months when surplus energy is available with HPSEBL. This energy from HPSEBL's own power station has lower cost and no opportunity loss is caused to the HPSEBL through banking.	Same as in point 2.
4	HP Govt. as well as HPSEBL has been facing problem in getting an attractive rate for sale of surplus power in summer as per the recent trends in the last couple of years which consequently has seen a steep fall in the revenue of the Govt. from the sale of power. There is therefore no loss of any opportunity cost. The banking rather helps the HPSEBL as it has to purchase corresponding lower quantum of power in winter at higher rates and thus saving the overall power purchase cost.	The rate of power varies with factors like monsoon, fuel price, demand etc. Therefore, it is not necessary that in future also HPSEBL would not get attractive rates for the surplus power of summer months.
5	That actual purchase cost for 12 months should be considered as year consists of 12	HPSEBL has prepared the Petition by taking data of all months of FY 2014-15.

	months. Data for the month of March is now available with HPSEBL, therefore, Petitioner should file cost data for 12 months for determination of APPC.	
6	As per the CERC terms and conditions for requisition and issuance of Renewable Energy Certificates for Renewable Energy regulations, pooled cost of power purchase is to be calculated excluding the generation from the renewable energy sources. In terms of these provisions, the generation from Private Micros on page 13 of the petition and the power generation from Ghanvi, Gaj and Khauli as well as the generation of 285.89 MW from projects upto 25 MW (REC Tariff) is required to be excluded for the purpose of determination of APPC.	HPSEBL has already excluded power purchased from renewable energy sources. However, in compliance of Commission's order in Petition No. 122/2014, GoHP free power as well as power purchased from IPPs under REC mechanism has been considered.
7	That cost of Free Power and Equity power has been determined as Rs. 2.87 per unit and that the APPC should be at least equal to this cost. Otherwise, to purchase this power at a higher cost than the APPC is detrimental to the interests of the consumers.	The APPC rate and cost of free power and equity power cannot be compared with each other. the rate of free power is determined by HPERC as per the methodology adopted by the Commission in order dt. 31.03.2015 i.e. <i>"cost of free power of GoHP for the nth year shall be decided by considering the maximum of the average power purchase rate of HPSEBL as estimated by the Commission for the (n-1)th year and the ex-bus rate of the respective station as determined by CERC/ HPERC for (n-1)th year and multiplying the same with the quantum of free power received from the respective station during the (n-1)th year. The average cost of power thus derived shall be the rate of GoHP free power to be purchased by HPSEBL during nth year"</i> . Commission has decided that this approach allows best possible rate of power to the State Govt. and simultaneously ensures assured power on consistent, realistic and visible rates to HPSEBL. It is added that the rates for GoHP Equity Power from Nathpa Jhakri HEP & Rampur HEP are based on the Annual Fixed Charges & Design Energy approved by CERC. Hence Equity power rates cannot be compared with APPC rates.
8	In the Table of APPC rates, banking energy is shown as 512.40 MU at zero cost where as this energy is already included in the quantum of energy purchased from various sources in the aforesaid Table. Therefore quantum of this energy should be excluded from the total energy purchased from the other sources. It is prayed that 512.40 MU of energy be excluded from the Grand Total for the purpose of calculation of APPC as inclusion of this quantum would amount to accounting the same twice while working out the total energy purchased.	The quantum 512.40 MUs taken as forward banking is in addition of the power purchased by HPSEBL from various sources in FY 2014-15 and therefore, the same has been considered for determining APPC as per Commission's order in Petition No. 122/2014. This quantum of forward banking shall be returned in FY 2015-16 by purchasing power from various sources.

9	<p>The contention in the petition of accounting 512.40 MU of Banking at zero cost defines all logic as no power can be available free of cost and this quantum of power is available as part of the banking power out of quantum of power purchased at certain cost. This quantum has therefore been already accounted for and can't be added again in the total power purchase. This therefore is required to be deducted from the total power purchased. As such after deducting the quantum of 512.40 MU as banking from the total power purchase of 8998.07 MU as shown in the petition, the actual quantum of power purchased should be read as 8485.67 MU only and the APPC shall work out to Rs. 2.45 per unit.</p>	Same as in point No. 8
10	<p>It is submitted that the Commission has in the past approved the exclusion of following charges for determination of APPC.</p> <p>(i) UI Charges. (ii) Transmission Charges.</p> <p>The applicant/objector submits that the Commission to review these exclusions on following submissions:-</p> <p>(i) It is submitted that most of the Discoms have made UI Purchase as a mode of Purchase to meet their short term short falls and instead of buying power from power exchange, they draw energy form the Grid at UI rates. It is therefore submitted that to exclude the quantum and price of UI Purchase will not lead to correct determination of APPC. It is, therefore, humbly suggest to include UI Purchase while calculating APPC.</p> <p>(ii) The cost of power for HPSEB Limited is the cost at its periphery. When HPSEB Limited pays UI charges (or gets UI Benefit), or transmission charges when power is purchased from outside the State, hence it is an integral part of its purchase cost.</p>	<p>HPSEBL has not considered UI for determining APPC in compliance of Commission's Order in Petition No. 122/2014. As per Order "<i>U.I as a system mechanism 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 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 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. 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.</i>"</p> <p>In order to meet the system requirement and grid discipline, heavy penalties are being imposed for over drawl /under drawl from the Grid in terms of CERC (Deviation Settlement Mechanism and related Matters) regulation, 2014 (now UI regulations stand replaced by Deviation Settlement Mechanism and related Matters regulation). Hence the plea of purchase/sale of power through Deviation Settlement Mechanism is ruled out.</p>

14. On scrutiny of the detailed power purchase data received from the HPSEBL, it is observed that the energy purchased from Tangling HEP (14.32 MUs) was wrongly considered in the purchase under REC

Mechanism. The net energy purchase from SHPs shall accordingly be (285.89 MUs-14.32 MUs) 271.57 MUs and the corresponding cost of energy purchased under REC Mechanism shall be reduced to Rs. 60.83 Crore. Similarly the energy purchased from Khauli HEP (own generation) is 50.99 MUs (after deducting auxiliary consumption of 0.325 MUs from 51.322 MUs). The Govt. of HP free power is 12% i.e. $0.12 \times 50.933 = 6.12$ MUs instead of 13.93 MUs taken in the petition. The cost of 6.12 MUs for free power @ Rs. 2.87 per kWh is accordingly being considered as Rs.1.75 Crore instead of Rs.4.00 Crore.

- 15.** 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 specifies 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, 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.

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.”

16. The issue of APPC has been discussed elaborately by the Commission in its previous two 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 for 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 interchange (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 supplier (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.

- 17.** The Himalaya Power Producers Association, Shimla had filed petition in Hon'ble APTEL against the above principles laid down in the 2012-13 APPC order, particularly the inclusion of electricity procured through banking (banked energy) for the purpose of calculation of APPC at zero cost. The Hon'ble APTEL in its order dated 1st July, 2014 in the said petition upheld the order of the Commission and the petition was dismissed.
- 18.** 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 as well as for future years.
- 19.** Accordingly, the Commission, after duly considering the submissions made by the stakeholders and the replies given by the distribution licensee i.e. HPSEB Limited and relevant power purchase expenses of the FY 2014-15, eligible for calculation of weighted average pooled price for FY 2015-16, submitted in the Petition No. 86/2015 and MA No. 100/2015 by the HPSEB Limited, determines the rate of the APPC for FY 2015-16 as under:-

Eligible Power Purchase Expenses of FY 2014-15 for determination of the APPC for FY 2015-16		
Details	MU	Rs. Crore
HPSEBL Stations	1604.19	215.29
BBMB Stations	592.38	38.78
NTPC Stations	1353.04	476.23
NHPC Stations	348.98	94.61
From other Stations and Equity Power	3643.97	992.29
Free Power	569.43	164.14
Private Micros (REC)	271.57	60.83
Banking (Advance/Forward Banking)	512.40	0.00
Bilateral Purchase	00.00	00.00
PXI/IEX	80.00	29.29

Total Power Purchase Cost	8975.96	2071.46
----------------------------------	----------------	----------------

The computed APPC rate is 231 paise per unit

Based on the above, the APPC for FY 2015-16 works out to 231 paise per unit and is so approved by the Commission. These prices are firm and final and will not be trued up.

- 20.** This Order shall be applicable for FY 2015-16 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.

Shimla
Dated: 07.12.2015

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