

HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION

Keonthal Commercial Complex, Khalini, Shimla – 171 002, Himachal Pradesh

In the matter of: Fixing the rate of sale of Free Power by the Government of Himachal Pradesh to Himachal Pradesh State Electricity Board Limited (HPSEBL) for FY 15

Coram:

Sh. Subhash Chander Negi,
Chairman

Order

(Date of Order: 23.05.2014)

Background

1.1 The Government of Himachal Pradesh (hereinafter referred to as “GoHP” or “State Government”) has Free Power entitlement in various generating stations of NTPC, NHPC, SJVNL, PSEB, HPSEBL and IPPs in lieu of project site being used by these generating stations. The detail of free power entitlements from these generating stations is given in Table 1 below:-

Table 1: Free Power Entitlement of GoHP

Generating Station	Free Power Share
Bairasiul	12.00%
Chamera-I	12.00%
Chamera –II	12.00%
Chamera –III	12.00%
Karcham Wangtoo	12.00%
Nathpa Jhakri	12.00%
Ranjeet Sagar Dam Share	4.60%
Baspa - II	12.00%
Malana	15.00%
Ghanvi	12.00%
Baner	12.00%
Gaj	12.00%
Larji	12.00%
Khauri	12.00%
Patikari	12.00%
Toss	15.00%
Sarbari	12.00%
Upper Joiner	15.00%
Sumez	15.00%
Beas Kund	13.65%
Neogal	15.00%

- 1.2 Prior to FY05, the entire Free Power share of the State Government was available to HPSEBL at a rate equal to the tariff rate of the lowest slab for domestic consumers i.e. 70 paise per unit.
- 1.3 Subsequently, in FY06, the Free Power was made available by Govt. of H.P. to HPSEBL during the winter months only (November to March) and at a rate equal to the average cost of power purchase of HPSEBL from various sources, which was Rs 1.93 per unit.
- 1.4 The rate of Free Power of Govt. of Himachal Pradesh is being decided now by HPERC in accordance with the power conferred under section 86 (1) (b) of the Electricity Act, 2003 and the Electricity [Removal of Difficulty] (Third) Order, 2005 issued by Ministry of Power, Govt. of India which came in to force on June 8, 2005.
- 1.5 From 2007 till 2011, the Commission switched over to the concept of marginal cost of power from Central Sector Generating Stations. On the basis of this new approach the Commission fixed the price of Free Power to be purchased by HPSEBL at Rs. 2.35, Rs. 3.04, Rs. 3.04, Rs.

2.87 and Rs. 3.19 per unit in 2007, 2008, 2009, 2010 and 2011 respectively.

- 1.6 In FY12, the Commission revised its methodology for determination of Free Power rate and determined the Free Power rate by taking into consideration the average cost of power purchased by HPSEBL from all sources (except banking) and the ex-bus bar rate of energy of the stations from which GoHP has Free Power entitlement. The notional cost of Free Power was determined by considering the maximum of average power purchase rate in FY11 and the ex-bus rate of the respective station in FY11, and then multiplying the higher of the two by the quantum of Free Power received from the respective station. The average rate of Free Power was thus determined as Rs 2.96 per unit for FY12.
- 1.7 The Commission continued with the same methodology for determination of Free Power rate for FY13 & FY14 and fixed the rate of Free Power at Rs 2.90 and Rs. 2.92 per unit respectively.
- 1.8 The Commission finds merit in continuing with the current methodology for determining the rate of free power during the next MYT Control Period from FY15 to FY19 also because 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. Accordingly the Commission decides that the 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.

Determination of the rate of Free Power for FY 2014-15

- 1.9 HPSEBL in its tariff petition for Third Control Period has submitted that it will be utilizing equity power of Govt. of HP on a long term and therefore only the free power available from generating stations that are currently connected with HPSEBL's system will be availed by it.
- 1.10 Accordingly HPSEBL has projected that the Free Power only from Shanan, Ranjeet Sagar Dam, Baspa, Malana, HPSEBL's own generating stations and IPPs will be availed by it.
- 1.11 The Commission feels that this is prudent policy that should be followed in long run because Utilizing this quantum of free power by HPSEBL shall be beneficial to both the GoHP and HPSEBL. HPSEBL will gain as it will not have to pay any PGCIL charges and interstate losses for this quantum of energy as the stations are directly connected to HPSEBL's network. GoHP shall be benefitted because if it sells this power outside the State, apart from losses and PGCIL charges, wheeling charges to HPSEBL will also have to borne by it thereby reducing the effective price of energy fetched.
- 1.12 HPSEBL has supplied the details of Free Power available to it from various stations during FY14, which has been considered by the Commission for working out the Free Power rate for FY15.
- 1.13 For own generating stations of HPSEBL, the ex-bus rates as decided by the Commission in the 2nd APR Order dated 27th April, 2013 have been considered.
- 1.14 For Baspa-II the rate of energy as determined by the Commission vide its Order dated 6th September, 2012 have been considered.
- 1.15 The ex-bus rate of Rajeet Sagar Dam has been considered same as taken by the Commission in its Order on GoHP free power rate for FY14 dated 26th April, 2013.
- 1.16 For private SHPs viz. Patikari, Toss, Sarbari, Upper Joiner ,Tangling, Sumez, Beas Kund and Neogal the ex-bus rates equivalent to their PPA rates as approved by the Govt. of H.P./ Commission have been considered.
- 1.17 In the absence of any specific tariff for Malan HEP, the Commission has considered Ex-Bus rate equal to HPSEBL's average power purchase rate for FY14.

- 1.18 The notional cost of Free Power received by HPSEBL in FY15 has been determined by considering the maximum of average power purchase rate in FY14 (excluding banking) as per the Commission's estimates i.e. Rs 2.33 per unit, and the ex-bus rate of the respective station, and multiplying the higher of the two by the quantum of Free Power from the respective station in FY14.

Therefore, as per the principle/ methodology, the rate of Free Power for FY15 is arrived at Rs 2.87 per unit, as shown in following Table 2 :-

Table 2: Free Power Rate for FY 14

Generating Station	FY13 Expected Availability to HPSEBL	FY13 Average Power Purchase Cost determined by Commission	FY13 Ex-Bus Rate of the Station	Free Power Cost (Max of Avg Purchase Cost & Ex Bus Rate)
	(MU)	(Paise/unit)	(Paise/unit)	(Rs Cr)
	<i>A</i>	<i>B</i>	<i>C</i>	$D = A * \text{Max}(B \text{ or } C)$
Shanan Share	2.63	233.00	23	0.61
Ranjeet Sagar Dam Share	67.57	233.00	505	34.12
Baspa - II	159.68	233.00	254	40.56
Malana	55.03	233.00	233	12.82
Ghanvi	7.15	233.00	107	1.67
Baner	4.96	233.00	181	1.16
Gaj	4.23	233.00	215	0.99
Larji	79.01	233.00	247	19.51
Khauri	4.97	233.00	202	1.16
Patikari	8.48	233.00	225	1.98
Toss	7.71	233.00	250	1.93
Sarbari	3.83	233.00	295	1.13
Upper Joiner	6.58	233.00	217	1.53
Sumez	7.34	233.00	217	1.71
Beas Kund	3.49	233.00	217	0.81
Neogal	3.51	233.00	225	0.82
Total	426.18			122.51
Approved Free Power Rate (Rounded off)		[D ÷ A]	Paise/unit	287

- 1.19 The Commission, therefore, determines the price of Free Power for FY15 at **Rs. 2.87 per unit** for purchase by HPSEBL.
- 1.20 This Order shall be effective for the year FY2014-15 i.e. till March 31, 2015, unless allowed to be continued for further period with such variations and modifications as may be ordered by the Commission.

--sd--

Shimla
Date: May 23, 2014

Subhash Chander Negi
Chairman, HPERC