BEFORE

THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION,

LUCKNOW

Petition No.: 881 of 2013 & 952 of 2014

PRESENT:

1. Hon'ble Sri Desh Deepak Verma, Chairman
2. Hon'ble Sri Indu Bhushan Pandey, Member

IN THE MATTER OF:

Application under regulation 156 read with regulation 32 & 33 of UPERC (Conduct of Business) Regulation, 2004 for approval of additional term loans and revised means of finance in respect of 330 MW Srinagar HEPP
And
Approval of provisional tariff for power to be generated at Shrinagar Hydro Electric Project (4 x 82.5 MW) under the Power Purchase Agreement dated 28.6.2006.

And

IN THE MATTER OF:

Alaknanda Hydro Power Company Limited
Paigah House, 156-169, S.P. Road,
Secunderabad – 500003 Andhra Pradesh ………………..Petitioner
AND
UP Power Corporation Limited
14- Ashok Marg, Shakti Bhawan,
Lucknow – 226001

Government of UP
(through Principal Secretary, Energy)
Bapu Bhawan,
Lucknow ....Respondent

The following were present:
Shri Sanjay Singh, Director (Commercial), UPPCL
Shri V.P. Srivastava, CE (PPA) UPPCL
Shri Vivek Dikshit, EE, UPPCL
Shri P. V. Prasana Reddy, CEO, AHPCL
Shri T.V. Bhaskar, Head Legal, AHPCL
Shri Chandan Reddy, AHPCL
Shri Sriniwas Sisila, V.P., AHPCL
Shri Gopal Sharma, AHPCL
Shri Dileep Tripathi, AHPCL

ORDER

(Date of Hearing: August 14, 2015)

1. In the hearing dated June 30, 2015, vide Order dated July 14, 2015 the Commission had given directions to UPPCL to:
    i. Come up with specific & categorical view on capital cost & tariff
    ii. Submit a tariff rationalization plan under existing provisions to minimize the impact of higher capital cost of the Alaknanda Hydro Power Plant so as to minimize the impact on the end consumer
    iii. Comments on the increase in cost due to geological changes and surprises separately and interest during construction..

2. Accordingly, UPPCL filed its reply dated August 13, 2015. In its reply UPPCL has submitted 6 different models based on capital cost, rate norms, chargeable energy and loan repayment period etc. for minimizing the impact of high capital cost of the plant.

3. UPPCL also submitted that with regard to the capital cost of Rs. 5,088.77 Crore claimed by the Petitioner which is higher by Rs. 869.97 Crore than the capital cost of Rs. 4,218.80 Crore as worked out by the Expert Committee; no convincing explanation has been received from the Petitioner. In response to the Commission's query as to why UPPCL is agreeable to pay 75% of annual fixed charge claimed by the Petitioner, UPPCL explained that provisional tariff is decided at 95% of the capital cost of the project. The figure of Rs. 4,218.88 Crore as arrived by the Expert Committee is 82% of Petitioner's capital cost figure of Rs. 5,088.77 Crore. After considering the proceeds towards sale of scrap of capital equipments and 95% of the remaining cost, the figure reached is 75% of the capital cost claimed by the Petitioner.

4. UPPCL has given its consent to consider the capital cost of Rs. 4,218.80 Crore worked out by the Expert Committee. In reply to the Commission's query regarding the break up for the differential amount of Rs. 869.97 Crore (Difference of Capital Cost of Rs. 5,088.77 Crore claimed by the Petitioner and Capital Cost of Rs. 4,218.80 Crore worked out by the Expert Committee) UPPCL submitted that it is due to increase in hard cost by Rs. 260.14 Crore and increase in IDC, FC by Rs. 609.83 Crore between September 30, 2013 and January 31, 2015. The Commission opined that AHPCL shall consider the amount to be received from the insurance company to resolve this issue.

5. AHPCL submitted that it has requested the Bank to reduce the interest rate on the long

term loan.

6. UPPCL in its model has made calculation to reach at optical tariff / equated tariff rationalized over a period of 30 years. AHPCL submitted that it would not be able to accept the same for the first year of the 30 year time period due to its arrangement with the Bank.

7. The Commission directed UPPCL to submit a report on other hydro projects who faced such circumstances and their treatment thereof.

8. UPPCL expressed its disagreement for the explanation of AHPCL regarding additional cost and cost incurred on geographical factors and IDC as submitted with the Petition due to lack of supporting evidence. UPPCL requested the Commission that any claim on account of cost incurred on Geographical factors, distinct from and over and above the cost factored by the Expert Committee should be subjected to prudence check for being included in the capital cost of the project. The Commission also discussed whether the opinion of CEA would be required in this matter.

9. It was also deliberated that the first PPA was signed between AHPCL and undivided GoUP/UPPCL in which GoUP/UPPCL (before bifurcation) was entitled to 12% of the saleable energy free of cost for being the state in which the plant is set up, as per the provision under prevailing rule of MoP. Subsequently Restated Implementation Agreement was signed on February 08, 2006 and Amended and Restated Power Purchase Agreement was signed on June 06, 2006 between the Govt. of Uttaranchal, Govt. Of Uttar Pradesh, UPPCL and AHPCL after the Uttaranchal split from the state of Uttar Pradesh. As per Article 17.1 of the said implementation agreement the Govt. of Uttaranchal shall be entitled to 12% of the saleable energy which is the difference between the energy output and auxiliary consumption of the project free of cost as Alaknanda Power Plant came under the province of Uttaranchal after bifurcation from Uttar Pradesh.

10. As per the said agreement Govt. of Uttar Pradesh/ UPPCL shall purchase the balance 88% of the saleable energy. UPPCL submitted that as per the attendant obligation AHPCL is required to supply 12% of total saleable energy to Uttaranchal and can't load capacity charge corresponding to the said 12% of the saleable energy on UPPCL which is only entitled to 88% of the total saleable energy as the power would not be then free of cost. UPPCL also submitted a legal opinion from Senior Advocate Mr. Sanjay Sen in this regard.

11. The Commission directed AHPCL to submit their reply to the rejoinder filed by Mr. Jhunjhunwala on June 04, 2015 a copy of which was provided to them during hearing.

12. The Commission deliberated that the next date of hearing will be finalized after study and evaluation of the models filed by UPPCL.

13. The Commission recalled the directions given to UPPCL in the earlier orders seeking their categorical views on the Capital Cost, tariff and tariff rationalisation plan as discussed by them. The UPPCL has submitted 6 different models for determination of tariff. The Commission feels that it was not proper and would not serve the purpose. UPPCL needs to give its definite recommendations or atleast give its order of preference among the six models. The Commission, therefore, directs UPPCL to come up with a firm proposal so that the tariff to the consumers may be rationalised. Although UPPCL has submitted its comments on increase in capital cost due to change in capital cost, geological changes, geological surprises and IDC but the Commission finds the comments on geological changes and geological surprises are not given specifically and separately. Therefore, the Commission decides that expenditure on geological changes & surprises would be sent to CEA for verification.

14. The next date of hearing shall be intimated separately.

(I. B. Pandey)	**(Desh Deepak Verma)**
Member	**Chairman**

Place: Lucknow
Date: 2nd September, 2015