

BEFORE THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

Petition No. 334/2006

IN THE MATTER OF: Determination of Tariff for Sale of Electricity from Integrated Waste Management Complex to be set up at in Kanpur

AND

IN THE MATTER OF:

Kanpur Waste Management Company(P)Ltd.
Core 4 B, 4th Floor,
India Habitat Center
Lodhi Road,
New Delhi-110003

:Petitioner

The following were present:

1. Sri. Haziq Beg, VP, IL&FS
2. Sri. P.D Grover, Advisor, IL&FS
3. Sri. Arvind Kumar, Sr. Project Officer, NEDA
4. M. Venkata Subramaniam

ORDER

(Date of Hearing 26.5.06)

- (1) The Petitioner is a Special Purpose Vehicle (SPV) set up by Infrastructure Leasing & Financial Services Ltd. (ILFS) and Andhra Pradesh Technology Department & Promotion Board (APTDC) for implementation of 'Integrated Municipal Waste Processing Complex' (IMWPC) project at Jajmau, Kanpur. The Petitioner has prayed the Commission to adopt the tariff, Rs.3.84/KWh with an escalation of 5%, based on MNES guidelines and to direct distribution companies of the State, including KESCO, to purchase power generated from MSW projects.
- (2) In the hearing, has Sri.H.Beg submitted on behalf of the Petitioner that after determination of tariff by the Commission, competitive bids shall be invited and the project shall be transferred to the successful bidder on behalf of the concerned Municipality. It was also clarified on behalf of the Petitioner that the bids shall have consideration to the grants available from the Central Government and land from the State Govt. for development of such projects and the tariff could be adjusted based as the experience is gathered.
- (3) The grounds for seeking fresh mandate on tariff for this source of generation have been attributed to inadequacy of the tariff, Rs.2.50/KWh with an escalation of 4 % per year, determined by the Commission in attracting the investment. The Petitioner has

made an elaborate case based on stated operational and commercial norms and has concluded that the tariff arrived on the basis of MNES Guidelines would be appropriate. The Petitioner has not shown that the operational, financial and cost parameters contemplated for tariff determination are optimum based on best utility practices. The Commission has observed, vide Para 5.20 of order-dated 18.7.05, that source specific tariff would require support of sufficient data followed by the efficiency norms for operation and it would only be possible at some later date when sufficient data is available. In absence of appropriate data in the Petition, the Commission is constrained to live up with the promise made to the interested parties in Order dated 18.7.05 that tariff shall be determined based on efficient operation as has determined in case of bio mass/bagasse based co-generation and hydroelectric generation.

- (4) Further, it is noted that the Petitioner is a SPV and intends to invite competitive bids for the project after the tariff is determined in this Petition. This scenario is not in the spirit of Section 63 of the Electricity Act, 2003 (the Act) which provides that the Commission shall adopt the tariff if such tariff has been determined through transparent process of bidding in accordance with the guidelines issued by the Central Government. The Central Government has notified guidelines under section-63 of the Act on 19.1.05 for short term and long term procurement of power by distribution licensees by inviting competitive bids for site specific and fuel specific generating projects. The tariff policy notified by the Central Government on 6.2.06 also envisages that future procurements from non-conventional sources of energy shall be done through competitive bidding within the suppliers offering energy from same type of non-conventional source. The tariff policy foresees these technologies to compete with other sources in terms of full cost in future. The Commission has specified in Regulation 29 of *UPERC(Terms & Conditions for supply of power and Fixation of tariff for sale of power from Captive Generating Plants, Co-generation, Renewable Sources of Energy and Other Non-conventional sources of Energy based plans to a distribution licensee)Regulations,2005*, that the distribution licensee shall purchase power from Non-conventional sources of energy up to 7.5% of the total energy purchase and purchases from non-conventional sources shall be through competitive bidding as and when notified by the Commission.
- (5) In view of the aforesaid, if the Commission determines tariff as prayed by the Petitioner and allow it to invite competitive bids thereafter, it would not be in fitness with the

provisions of the Act. Therefore, any proposal brought before the Commission, similar to that put up in this Petition, should comply with the intents and objects of the Act, Guidelines, and Orders & Regulations of the Commission.

- (6) It is gathered from letter No.152/GM dated 4.3.2000 that Kanpur Electricity Supply Company has shown interest in the project by proposing to take a joint exercise with Kanpur Nagar Nigam (KNN). Not limited to electricity generation, the development of such project is vital to the interest of Civic life and Environment and the concerned agencies like KESCO and KNN should play an active role in its development. The Commission is inclined to conclude this exercise to help invite competitive bids in this area.
- (7) The Petitioner is granted liberty to approach the Commission for approval of a proposal for inviting competitive bids on behalf of KESCO. The Petitioner is also directed to submit data of employed costs, operational norms & achieved parameters, financial norms, fuel supply management & waste disposal, methodology of assessment of energy potential and capacity determination associated with various projects commissioned in the country and abroad on an affidavit in respect to such projects commissioned in UP, Delhi, Andhra Pradesh and else where in the country for in house exercise in the Commission.
- (8) The Petition is disposed of.

(R.D. Gupta)
Member

(P.N Pathak)
Member

(Vijoy Kumar)
Chairman

Lucknow; Dated : 6th July, 2006