SMP-19/2013

M.P. Electricity Regulatory Commission
Bhopal

Tariff Order
for
procurement of power
from
Small Hydro Power Projects
in Madhya Pradesh

May 2013

1. LEGISLATIVE PROVISIONS

1.1 Section 86(1) (e) of the Electricity Act 2003 (EA,2003 or the Act), mandates the State Electricity Regulatory Commissions to promote co-generation and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person. The Regulatory Commissions are also required to specify, for the purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution Licensee. Under Section 62, the Act empowers the Commissions to determine the tariff for the supply of electricity by a generating company to a distribution Licensee. Clauses (h) and (i) of Section 61 are relevant in so far as tariff determination of renewable sources of energy is concerned and are reproduced below:

"61(h) the promotion of co-generation and generation of electricity from renewable sources of energy;"

"61(i) the National Electricity Policy and tariff policy:"

1.2 Section 6.4 of the Tariff Policy dealing with Non-conventional sources of energy generation including co-generation provides as under:-

(1) Pursuant to provisions of section 86(1)(e) of the Act, the Appropriate Commission shall fix a minimum percentage for purchase of energy from such sources taking into account availability of such resources in the region and its impact on retail tariffs. Such percentage for purchase of energy should be made applicable for the tariffs to be determined by the SERCs latest by April 1, 2006.

It will take some time before non-conventional technologies can compete with conventional sources in terms of cost of electricity. Therefore, procurement by distribution companies shall be done at preferential tariffs determined by the Appropriate Commission.

(2)Such procurement by Distribution Licensees for future requirements shall be done, as far as possible, through competitive bidding process under Section 63 of the Act within suppliers offering energy from same type of non-conventional sources. In the long-term, these technologies would need to compete with other sources in terms of full costs.

(3)The Central Commission should lay down guidelines within three months for pricing non-firm power, especially from non–conventional sources, to be followed in cases where such procurement is not through competitive bidding.

1.3 The Central Electricity Regulatory Commission issued revised guidelines vide notification dated 06.02.2012 specifying the norms for various non-conventional sources of energy including power from small hydro power projects. By order dated 28.02.2013, it indicated various parameters for working out the tariff for the financial year 2013-14.

1.4 While the Ministry of Power, Government of India deals with large hydro projects, the mandate for the small hydro power (up to 25 MW) is given to the Ministry of New and Renewable Energy, Government of India.

1.5 The New and Renewable Energy Department, Government of Madhya Pradesh had also issued “Policy for implementation of small hydel-power based electricity projects in Madhya Pradesh, 2011” vide notification dated 03.11.2011. This policy has been framed keeping in view all the aspects and needs of the small hydro power sector. The policy provides for selection of pre-identified small hydro power projects on the basis of quantum of minimum free power the developer is willing to provide to the state as per the table given below :-

S.No.	Estimated installed capacity	Free electricity as percentage of actual power generation (excluding auxiliary consumption)
1	Up to 5 MW	5% with exemption of a block of 2 years as preferred by developer during the first 7 years of operation from commercial operation date (COD).
2	More than 5 MW but up to 10 MW	8% with exemption of a block of 2 years as preferred by developer during the first 7 years of operation from commercial operation date (COD).
3	More than 10 MW but up to 25 MW	10% with exemption of a block of 2 years as preferred by developer during the first 7 years of operation from commercial operation date (COD).

1.6 Hence, in exercise of the powers vested in it under Section 86(1)(a), (b) ,(c) and (e); and Section 62(1) of the Act and all other powers enabling it in this behalf, the Madhya Pradesh Electricity Regulatory Commission (Commission), through this order, determines the tariff, procurement process and related dispensation for purchase of power by Distribution Licensees in the state from small hydro power projects including terms and conditions for captive use or third party sale.

2. PROCEDURAL HISTORY

The Commission had issued a tariff order for procurement of power from small hydro power projects on 30.06.2008 for the control period up to 31.03.2013. Meanwhile, by order dated 30.03.2013, the Commission issued a direction that the existing control period may be extended until further orders on the same terms and conditions as mentioned in the tariff order dated 30.06.2008.

3. REGULATORY PROCESS FOR NEXT CONTROL PERIOD

i. The Commission had issued a public notice on 03.04.2013 inviting comments/suggestions/objections on the approach paper on “Fixation of norms for determination of tariff for procurement of power from small hydro power projects” from various stakeholders by 25.04.2013. The list of stakeholders who have submitted their comments in writing is given in Annexure-I. A public hearing was held on 27.04.2013. The list of stakeholders who participated in the hearing is given in Annexure-II.

ii. While arriving at the new terms and conditions and, consequently, the tariff for generation of power from small hydro power projects, the Commission has analyzed the comments/suggestions received from various stakeholders and considered the guidelines issued by CERC for determination of tariff for procurement of power from renewable energy sources.

4. APPLICABILITY OF THE ORDER

i. This tariff order will be applicable to all new small hydro power projects in Madhya Pradesh commissioned on or after the date of issue of this order for sale of electricity to the distribution licensees within the state. This order also specifies the terms & conditions (other than tariff) for captive user or for sale to third party.

ii. It will be mandatory for the distribution licensees to submit to the Commission, quarterly progress reports on the capacity addition, purchase of energy and other relevant details in respect of small hydro power projects commissioned in their licensed area, and also post them on their websites on a regular basis.

5. TARIFF REVIEW PERIOD/CONTROL PERIOD

The control period to which this order shall apply shall start from the date of issue of order and will end on 31.03.2016 (i.e. end of FY 2015-16). The tariff decided in this order shall apply to all projects which come up during the above mentioned control period and the tariff determined shall remain valid for the project life of 35 years.

6. MECHANISM FOR TARIFF DETERMINATION

Benchmarking

Benchmarking generally requires evaluation, detailed scrutiny and determination of each cost parameter for each project separately. There is a considerable diversity in the value of various parameters across projects, such as plant capacity, project cost, financing plan etc. A ‘Benchmark Tariff Determination’ approach has been used by the Commission and the cost of generation on benchmark performance norms has been arrived at.

Single Part vs. Two Part Tariff

Normally, two part tariff is applied in order to separately recover fixed and variable costs through its fixed and variable components. However, such an approach would not be relevant to hydro projects of any size. CERC has also worked out single part tariff. The Commission has, therefore, adopted single part tariff approach.

Project Specific or Generalized Tariff

A Generalized tariff mechanism would provide an incentive to the investors for use of most efficient equipment to maximize returns and for selecting the most efficient site. The process of project specific tariff fixation will be cumbersome and time consuming. It has, therefore, been decided to use common tariff for all the small hydro power projects using common benchmarks.

Front/Back Loaded or levelized tariff

In case tariff is front loaded the developer may lose interest in the project after enjoying benefits of front loading. In a back loaded tariff, the developer may not be able to meet his loan servicing liability due to inadequacy of cash flow. Considering the long life of the project of 35 years, it would not be appropriate to adopt levelized approach towards tariff determination. In its earlier tariff order dated 30.06.2008, the Commission had determined year wise tariff. Thus, the Commission has decided to continue to determine year wise tariff for such projects in line with its earlier tariff order.

7. TARIFF ISSUES

The Working Group constituted by the Forum of Regulators (FOR) for Policies on Renewables have, in their recommendations, suggested that a cost-plus tariff based on reasonable norms should be adopted for Renewable Energy. Keeping in view the above recommendations, the Commission has adopted an approach of preferential treatment on a cost-plus basis for determining tariff for the small hydro power projects. In a cost plus approach, the key elements that influence the determination of tariffs for such projects are:

- Capital Cost
- Capacity Utilization Factor
- Operation & Maintenance Expenses
- Plant life
- Depreciation
- Return on Equity
- Interest on debt

- Debt-Equity Ratio
- Interest on working capital
- Auxiliary consumption

Capital Cost (including cost of infrastructure)

i. Capital Cost is the most critical element in tariff determination. This comprises cost of land, plant and machinery, civil works, erection, commissioning, cost of power evacuation and other related expenses.

ii. In the approach paper, the Commission had proposed capital cost of Rs. 6.50 Crs./MW and Rs. 6.35 Crs./MW for the projects of capacity of less than 5 MW and 5MW and above respectively . These costs are inclusive of power evacuation cost and without indexation. Various stakeholders have indicated the capital cost ranging from Rs. 7.00 Crs./MW to Rs. 8.50 Crs./MW for projects of capacity of less than 5 MW and from Rs. 7.50 Crs./MW to Rs. 10.00 Crs./MW for projects of capacity of 5 MW and above. The M.P. Power Management Company Limited has requested that the norms as notified by CERC may be adopted.

iii. In its Regulations dated 06.02.2012, CERC has considered capital cost of Rs. 6.00 Crores/MW and Rs. 5.50 Crs./MW for 2012-13 with a provision of indexation for future years. In its order dated 28.02.2013, CERC has adopted Capital Cost of Rs. 6.24 Crores/MW and Rs. 5.72 Crs./MW for FY 2013-14 using indexation formula.

Commission's views:

As mentioned above, capital cost depends on various factors and therefore a reasonable capital cost shall have to be considered on a uniform basis for the purpose of tariff determination. In its earlier tariff order, the Commission has considered capital costs for run of river / canal based projects separately. In Madhya Pradesh, the canal based projects are not coming up, therefore capacity based capital costs were proposed in the approach paper by the Commission in line with CERC's Regulations dated 06.02.2012. Various stakeholders have suggested capital costs with wide variations. The variation in capital cost may be attributed partly to the cost of land which varies from place to place to a large extent.

iv. The Commission is of the view that it would be reasonable to consider capital cost at Rs. 6.50 Crs./MW for the projects of capacity of less than 5 MW and Rs. 6.35 Crs./MW for the projects of capacity of 5MW and above keeping in view the time required for the execution of these projects. These are inclusive of cost of power evacuation system and without indexation during the control period.

Capacity Utilization Factor

i. Capacity utilization factor (CUF) for hydro power based projects depends on several factors such as quality, capacity and age of machines installed, head and discharge of water etc.

ii. In its Regulations dated 06.02.2012, CERC suggested CUF as 30%. This normative CUF is net of free power to the state and any quantum of free power if committed by the developer over and above the normative CUF shall not be factored into the tariff. In the approach paper, the Commission had also proposed capacity utilization factor of 30%. Various stakeholders have suggested capacity utilization factor for full life of the project ranging from 25% to 28 %.

Commission's views:

iii. As mentioned above, the capacity utilization factor depends on various variable factors. It would be difficult to compute it specifically for each site due to lack of data. In view of this and after duly considering the stakeholders' views as well as CERC's recommendations, the Commission has decided to consider capacity utilization factor of 30% for the purpose of determination of tariff.

O & M expenses

i. The operation and maintenance expenses comprise of manpower expenses, insurance expenses, spares and repairs, consumables and other expenses (statutory fees etc.).

ii. In the approach paper, the Commission had proposed operation and maintenance expenses as 3% of capital cost for the first year and thereafter an escalation of 5.72 % per year.

iii. In its Regulations dated 06.02.2012, CERC has considered annual O&M expenses as Rs. 20 Lakhs/MW for projects of capacity of less than 5 MW and Rs. 14 Lakhs per MW for projects of capacity of 5 MW and above for FY 2012-13 with an escalation @ 5.72% per annum. Accordingly in its order dated 28.02.2013, CERC has considered O&M expenses for FY 2013-14 at Rs. 21.14 Lakhs/MW for projects of capacity of less than 5 MW and Rs. 14.80 Lakhs per MW for projects of capacity of 5 MW and above.

iv. Various stakeholders have suggested O&M expenses from 3% to 5% of capital cost for the first year and thereafter with an escalation from 5.72% to 7.93 % per annum. The M.P. Power Management Company Limited has requested that the norms as notified by CERC may be adopted.

Commission's views:

v. In its earlier tariff order dated 30.06.2008, the Commission had allowed O&M expenses at 2.5% of the capital cost with an escalation @ 4% per annum. Considering the CERC norms and the increase in maintenance cost over the years, the Commission has decided that it would be appropriate to allow 3% of the capital cost of the project as O&M expenses in the first year with an escalation of 5.72% for each year thereafter.

Plant Life

i. In the approach paper, the Commission had proposed plant life of 35 years. In its Regulations dated 06.02.2012, CERC has also taken plant life of 35 years. Various stakeholders have suggested the plant life from 25 years to 35 years.

Commission's views:

ii. After considering the suggestions from various stakeholders and CERC norms, the Commission has considered the plant life as 35 years for such projects for tariff determination purposes.

Depreciation

i. In the approach paper, the Commission had proposed depreciation @ 7% per annum for the first 10 years and remaining 20% to be spread over the useful life of the plant from 11th year onwards. In its Regulations dated 06.02.2012, CERC has considered the depreciation @ 5.83 % for the first 12 years and balance to be spread over the useful life of the plant from 13th year onwards. Some of the stakeholders have suggested adopting the Commission's proposal.

Commission's views:

ii. The Commission has decided that for the purpose of tariff determination, it would be prudent to assume depreciation @ 7% per annum for the first 10 years so that the debt is repaid in a loan tenure of 10 years and balance 20% to be depreciated over the next 25 years so that the assets are depreciated to a residual value of 10% of its initial value over the life of the project.

Return on equity

i. In the approach paper, the Commission had proposed return on equity as 20% pre-tax. In its Regulations dated 06.02.2012, CERC has considered return on equity @ 20 % for the first 10 years and @ 24 % from 11th year onwards. Various stakeholders suggested the return on equity in the range of 20% to 24% pre-tax or as per CERC recommendations.

Commission's views:

ii. In Madhya Pradesh, generating company is being allowed return on equity @ 15.5% which is grossed up with the tax rate. Considering that the generating company is paying minimum alternate tax @ 20.01 %, the return on equity would be less than 20%. Also, keeping in view requirements of the tariff policy for preferential tariff for renewable sources of energy, the Commission has decided to allow RoE @ 20 % pre-tax for the entire life of the project.

Interest on Debt

i. In the approach paper, the Commission had proposed interest on debt @ 13% per annum. In its Regulations dated 06.02.2012, CERC has recommended interest on debt for computation purposes as average State Bank of India Base rate prevalent during the first six months of the previous year plus 300 basis points, which works out to 13 %. Various stakeholders have suggested annual rate of interest on debt ranging from 13% to 14%.

Commission's views:

ii. Considering the CERC norms and taking the present average base rate of SBI at 10%, the Commission has decided to allow interest on debt at a fixed rate of 13 % per annum.

Debt - Equity Ratio

i. In its approach paper, the Commission had proposed debt-equity ratio of 70:30. The Clause 5.3(b) of the Tariff Policy also stipulates a debt-equity ratio of 70:30 for financing power projects. In its Regulations dated 06.02.2012, CERC has considered debt-equity ratio of 70:30.Various stakeholders have also suggested 70:30 ratio.

Commission's views:

ii. Considering the above, the Commission has decided a debt-equity ratio of 70:30 for the determination of tariff.

Interest on Working Capital

i. In the approach paper, the Commission had proposed interest on working capital @ 13.5% per annum. In its Regulations dated 06.02.2012, CERC has recommended interest on working capital for computation purposes as average State Bank of India Base rate prevalent during the first six months of the previous year plus 350 basis points, which works out to 13.5 % and the amount of working capital to be calculated using the following norms:

a) O&M expenses for 1 month

b) Receivables equivalent to 2 months of energy charges

c) Maintenance spares @ 15% of O&M expenses.

Commission's views:

ii. Considering the CERC norms and taking the present average base rate of SBI at 10%, the Commission has decided to allow interest on working capital at a fixed rate of 13.5 % and the amount of working capital to be calculated using the following norms:

a) O&M expenses for 1 month

b) Receivables equivalent to 2 months of energy charges

c) Maintenance spares @ 15% of O&M expenses.

Auxiliary consumption

i. In the approach paper, the Commission had proposed auxiliary consumption @ 1.0 % of the generated energy. In its Regulations dated 06.02.2012, CERC has considered auxiliary consumption @ 1.0% of the generated energy. Various stakeholders have suggested adopting the Commission's proposal.

Commission's views:

ii. Considering the above, the Commission has decided that the auxiliary consumption may be allowed at 1% of the generated energy for the purpose of determination of tariff.

8. FIXATION OF NORMS AND DETERMINATION OF TARIFF

In view of the foregoing discussion, the Commission decides to fix the following norms for determination of tariff:

S. No.	Parameters	Norms
1	Capital Cost (Rs. Lakhs per MW) including cost of power evacuation and without indexation for future years	a) Rs. 650 for capacity less than 5 MW b) Rs. 635 for capacity of 5 MW and above
2	Capacity Utilization Factor (%)	30
3	Operation & Maintenance Expenses (%)	3% of the capital cost in first year with an escalation of 5.72 % for each year thereafter.
4	Plant life (years)	35
5	Depreciation (%)	7% per annum for the first 10 years and balance 20% in the next 25 years
6	Return on Equity (%)	20% pre-tax
7	Interest on Debt (%) per annum	13
8	Debt-equity ratio	70:30
9	Interest on working capital on (%) per annum (i) O&M expenses for 1 month (ii)Receivables equivalent to 2 months of energy charges based on normative CUF (iii) Maintenance spares @ 15% of O&M expenses	13.5
10	Auxiliary consumption (% of generated energy)	1

iii. Considering the above parameters and zero percent (0%) free power, the Commission sets the year wise tariff for generation of electricity from new small hydro power based power projects as under:

Year	Tariff (Rs./unit) for		Year	Tariff (Rs./unit) for	
	Less than 5MW	5 MW and above		Less than 5MW	5 MW and above
1	6.39	6.25	19	3.90	3.82
2	6.26	6.12	20	4.02	3.93
3	6.14	5.99	21	4.15	4.06
4	6.01	5.86	22	4.29	4.19
5	5.89	5.74	23	4.43	4.33
6	5.77	5.62	24	4.58	4.47
7	5.65	5.50	25	4.74	4.63
8	5.54	5.38	26	4.90	4.79
9	5.43	5.27	27	5.08	4.97
10	5.32	5.17	28	5.27	5.15
11	3.67	3.55	29	5.47	5.34
12	3.22	3.15	30	5.68	5.55
13	3.31	3.23	31	5.90	5.77
14	3.39	3.32	32	6.14	6.00
15	3.48	3.41	33	6.38	6.24
16	3.58	3.50	34	6.65	6.49
17	3.68	3.60	35	6.92	6.77
18	3.79	3.70			

iv. The tariff indicated above is subject to the policy guidelines issued on free electricity and additional free electricity to be provided by the developer to the State Government under the "Policy for implementation of small hydel-power based electricity projects in Madhya Pradesh, 2011" notified on 03.11.2011 as amended from time to time.

9. OTHER TERMS AND CONDITIONS

i. The tariff determined shall be exclusive of taxes and duties as may be levied by the State Government.

ii. A review of the tariff rate before the expiry of the control period may be undertaken by the Commission under exceptional circumstances, if the need for such review is clearly demonstrated with adequate supporting material.

iii. The tariff rates shall be firm for the project life and will not vary with fluctuations in exchange rate etc.

Power Purchase Agreement and Tenure

iv. The energy generated by small hydro power projects will be procured centrally by the M.P. Power Management Co. Ltd. at the rates specified in this order. The energy so procured will be allocated by M.P. Power Management Co. Ltd. to the three distribution licensees on the basis of actual energy input in the previous financial year. Accordingly, the Power Purchase Agreements will be signed between the developer and the M.P. Power Management Co. Ltd. The M.P. Power Management Company Limited, Jabalpur, in turn, will have back to back power supply agreement with the Distribution Licensees. The agreements will be for exclusive sale of electricity for a period of 35 years from the date of commissioning of plant. The developer may execute agreement with M.P. Power Management Co. Ltd. before commissioning of plant and the commissioning certificate may form a part of the agreement. The M.P. Power Management Company Limited, Jabalpur is directed to develop the model agreement accordingly.

v. The developers are required to get all the required statutory clearances/approvals/consents before entering into agreement with M.P. Power Management Company Limited.

Scheduling

vi. The small hydro power projects are presently out of the purview of 'scheduling'. However, they may be subjected to 'scheduling' as and when a decision is taken by the Commission in this regard.

Reactive Power Supply

vii. The small hydro power projects are deemed to be generating stations of a generating company and all functions, obligations and duties assigned to such stations under the Electricity Act 2003 would apply to these power stations. These stations would be required to abide by all applicable codes.

viii. The Commission determines the charges for KVARh consumption from the grid as 27 paise/unit i.e. the rate which is already prevalent in the state and which may be revised as and when necessary.

ix. Reactive energy charges would be payable by the developer to the Distribution Licensees in whose territorial area the small hydro power project is located.

Wheeling charges for third party sale/captive consumption

x. The Distribution Company in whose area the energy is consumed (irrespective of the point of injection) shall deduct 2% of the energy injected towards wheeling charges in terms of units. The M.P. Power Management Company Limited shall also claim subsidy from the State Government towards wheeling charges @ 4% of the energy injected at the rate of prevailing energy charges for the user in terms of provisions made by Government of M.P. in “Policy for implementation of small hydel-power based electricity projects in Madhya Pradesh, 2011” notified on 03.11.2011 as amended from time to time. This amount of subsidy shall then be passed on to the Distribution Licensees in whose area the energy is consumed on the basis of allocation indicated in the agreement. Wheeling charges are not applicable where generation and consumption of energy are at the same premises without involving the system network of the licensees.

Metering & Billing

xi. Metering arrangement is to be done at site.

xii. Billing of metered energy will be carried out on a monthly basis.

xiii. Meter reading will be carried out by the respective Distribution Licensees where the energy is injected into the system.

Payment Mechanism

xiv. The Commission specifies a settlement period of 30 days from the date of submission of the bill to the concerned Distribution Licensees where the power is injected in order to ensure that the developer has an assurance of cash inflow for the energy, which he delivers to the grid.

xv. The bills favouring M.P. Power Management Company Limited, Jabalpur shall be submitted to the concerned distribution licensee in whose area the power is injected. The distribution licensee shall then verify the bills and send the same within 7 days of receipt of bills to the M.P. Power Management Company Limited, Jabalpur for making payment to the developer. The M.P. Power Management Company Limited in turn, would raise the bills on the distribution licensees on the basis of allocation. In case any dispute arises on the bills for payment then the M.P. Power Management Co. Ltd. is required to make the payment of such bill in full within the stipulated time and then refer the dispute to the Commission.

xvi. In case of delay beyond the 30 days payment period, the M.P. Power Management Co. Ltd. will pay delayed payment surcharge on outstanding amount at the rate of 2% p.a. over and above the short term lending rate of the State Bank of India (known as Prime Lending Rate) prevailing on the first day of the month when the payment became due.

xvii. In case the M.P. Power Management Co. Ltd. makes the payment within 15 days from the date of submission of bill by developer, an **incentive of 1% of billed amount** shall be allowed by the developer towards prompt payment. Alternatively, if the payment is made by the M.P. Power Management Co. Ltd. to the developer through irrevocable letter of credit on presentation of bill, **an incentive of 2% of billed amount** shall be allowed by the developer.

xviii. The delayed payment surcharge/incentive will also be passed on to the Distribution Licensees by the M.P. Power Management Co. Limited.

xix. The M.P. Power Management Co. Ltd., Jabalpur shall submit by 15th of the month following the end of the quarter to the Commission (ending June, September, December and March) the details of bills pending for payment at the end of the quarter along with reasons thereof.

Default Provisions for Third Party Sale or sale to utility

xx. In case payment is not made within 60 days of presentation of bill (i.e. thirty days more than the specified limit of thirty days for normal payment), the developer may issue fifteen clear days' notice to the M.P. Power Management Company Limited to make the payment. This, however, will not absolve M.P. Power Management Company Limited from payment of delayed payment surcharge as provided in clause xvi of this order. In case, M.P. Power Management Company Limited still does not make the payment, the developer shall have the liberty to approach the Commission for allowing sale of power to third party.

xxi. Where the developer has an arrangement for third party supply or for captive consumption and desires to terminate such agreement with third party and to supply to the utility, the utility with the prior permission of the Commission, will purchase the power at the rate as applicable to inadvertent flow of energy mentioned in para xxii below. In such cases, the developer shall be required to execute the Power Purchase Agreement with the M.P. Power Management Co. Ltd. for the remaining period of project life.

xxii. In case of inadvertent flow of energy into the system by the generator, the licensee shall pay to the developer for the energy received at Rs. 2.62 per unit for the projects of capacity of less than 5 MW and Rs. 2.56 per unit for the projects of 5 MW and above.

xxiii. The project developer is required to obtain Short/ Long Term Open Access permission in case of captive use/ third party sale. Open access charges, as applicable, shall be levied. In case of sale of power to the Distribution Licensee, such permission is not applicable and is not required to be obtained.

Drawing of Power during Shutdown

xxiv. The plant would be entitled to draw power from the Distribution Licensee’s network during shutdown period or during other emergencies. The supply availed would be billed at the temporary rate applicable to HT Industrial category. The drawl by the Plant would not normally be expected to exceed 10% of the MW capacity it delivers to the Distribution licensee.

Other applicable conditions

xxv. All statutory clearances and necessary approvals, if any, are to be obtained by the developer for setting up of project through Department of Non-conventional Energy Sources. The developer is also responsible for compliance and renewals as may be required from time to time.

xxvi. The developer would ensure that the proposed location of the plant is in accordance with the policy guidelines of the Union/State Government.

xxvii. Other conditions in respect of minimum purchase requirement, banking and reduction in contract demand shall be applicable as per MPERC (Cogeneration and Generation of Electricity from Renewable Sources of Energy) (Revision-I) Regulations, 2010 as amended from time to time.

xxviii. In its Regulations dated 06.02.2012, CERC has specified the sharing of Clean Development Mechanism benefits which is as under.

" The CDM benefits should be shared on a gross basis, starting from 100% to developers in the first year after commissioning and thereafter reducing by 10% every year till the sharing becomes equal (50:50) between the developers and the consumers, in the sixth year. Thereafter, the sharing of CDM benefits should remain equal till the time that benefit accrues."

The Commission is of the view that there are uncertainties associated with small hydro power projects such as fixed tariff for entire life of the plant, availability of water, withdrawal of advance against depreciation etc. The Commission is also guided by the fact that it would be in the larger interest of the state that available potential for generation of power from renewable energy sources is exploited to the maximum extent so that all Obligated Entities are able to fulfill their Renewable Purchase Obligations. This would also avoid or minimize the need for purchase of RECs (Renewable Energy Certificates).

In view of the above and to promote harnessing of small hydro power, the Commission has decided that the generator may retain 100 % benefits without sharing these with the consumers during the currency of the present control period.

xxix. In case the point of injection and drawl fall within the jurisdiction of any of the Distribution Licensees involving transmission network, permission for bulk power transmission shall be obtained from M.P. Power Transmission Co. by the developer before executing the agreement with M.P. Power Management Co. and the developer shall not be required to execute a separate agreement with M.P. Power Transmission Company Limited.

xxx. All existing projects i.e. projects commissioned before the issue of this order shall continue to be governed by the terms and conditions applicable at the time of their commissioning.

Ordered accordingly.

sd/-	**sd/-**	**sd/-**
(**Alok Gupta)**	**(A.B.Bajpai)**	**(Rakesh Sahni)**
Member	**Member**	**Chairman**

Place : Bhopal
Date : 14.05.2013