

**M.P. STATE ELECTRICITY REGULATORY COMMISSION**  
**(Procurement of power From Small Hydro Power Projects in Madhya Pradesh**  
**Order dated May 2013**

Sl. No.	Description	Summary												
1.	<b>Title</b>	M.P. State Electricity Regulatory Commission (Procurement of Power from Small Hydro Power Projects in Madhya Pradesh)												
2.	<b>Policy for implementation of small hydro power based electricity Projects in MP, 2011</b>	<p>This 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 table given below:</p> <table border="1"> <thead> <tr> <th>Sl. No.</th> <th>Estimated installed capacity</th> <th>Free electricity as percentage of actual power generation (excluding auxiliary consumption)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Up to 5 MW</td> <td>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).</td> </tr> <tr> <td>2</td> <td>More than 5 MW but up to 10 MW</td> <td>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).</td> </tr> <tr> <td>3</td> <td>More than 10 MW but up to 25 MW</td> <td>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).</td> </tr> </tbody> </table>	Sl. 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).
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3.	<b>Procedural History</b>	The Commission had issued tariff order for procurement of power from Small Hydro projects on 30-06-2008 for the control period upto 31-03-2013. Meanwhile the Commission issued orders that the existing control period may be extended until further orders.												
4.	<b>Applicability of the Order</b>	The tariff order will be applicable to new SHPs commissioned on or after the date of issue of this order for sale of electricity to the Distribution Licensees within the State. The order specifies the terms and conditions (other than the tariff) for captive user or for sale to third party.												
5.	<b>Tariff Review Period/ Control Period</b>	The control period to which this order shall apply shall start from the date of issue of this 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.	<b>Mechanism for Tariff Determination</b> (i) <b>Single Part Vs. Two Part Tariff</b> (ii) <b>Project Specific or Generalized Tariff</b> (iii) <b>Front/Back Loaded or Levelized Tariff</b>	<p>The Commission has decided single part tariff.</p> <p>The Commission has decided single part tariff approach.</p> <p>The Commission has decided to use common tariff for all the small hydro projects during common benchmarks.</p>												
7	<b>Tariff issues</b> (i) <b>Capital Cost</b>	Capital cost comprises of cost of land, plant & machinery, civil works, erection, commissioning, cost of power evacuation and related expenses.												

<p><b>8</b></p>	<p><b>Fixation of Norms and Determination of Tariff</b></p>	<p>The Commission has decided to fix the following norms for determination of tariff:</p> <table border="1"> <thead> <tr> <th data-bbox="545 260 626 323">Sl. No.</th> <th data-bbox="626 260 1040 323">Parameters Norms</th> <th data-bbox="1040 260 1450 323">As decided by the Commission</th> </tr> </thead> <tbody> <tr> <td data-bbox="545 323 626 449">1</td> <td data-bbox="626 323 1040 449">Capital Cost (Rs. Lakhs per MW) including cost of power evacuation and without indexation for future years</td> <td data-bbox="1040 323 1450 449">(a) Rs. 650 for capacity less than 5 MW (b) Rs. 635 for capacity of 5 MW and above</td> </tr> <tr> <td data-bbox="545 449 626 491">2</td> <td data-bbox="626 449 1040 491">Capacity Utilization Factor (%)</td> <td data-bbox="1040 449 1450 491">30</td> </tr> <tr> <td data-bbox="545 491 626 585">3</td> <td data-bbox="626 491 1040 585">Operation &amp; Maintenance Expenses (%)</td> <td data-bbox="1040 491 1450 585">3% of the capital cost in first year with an escalation of 5.72 % for each year thereafter.</td> </tr> <tr> <td data-bbox="545 585 626 627">4</td> <td data-bbox="626 585 1040 627">Plant life (years)</td> <td data-bbox="1040 585 1450 627">35</td> </tr> <tr> <td data-bbox="545 627 626 722">5</td> <td data-bbox="626 627 1040 722">Depreciation (%)</td> <td data-bbox="1040 627 1450 722">7% per annum for the first 10 years and balance 20% in the next 25 years</td> </tr> <tr> <td data-bbox="545 722 626 764">6</td> <td data-bbox="626 722 1040 764">Return on Equity (%)</td> <td data-bbox="1040 722 1450 764">20% pre-tax</td> </tr> <tr> <td data-bbox="545 764 626 806">7</td> <td data-bbox="626 764 1040 806">Interest on Debt (%) per annum</td> <td data-bbox="1040 764 1450 806">13</td> </tr> <tr> <td data-bbox="545 806 626 848">8</td> <td data-bbox="626 806 1040 848">Debt-equity ratio</td> <td data-bbox="1040 806 1450 848">70:30</td> </tr> <tr> <td data-bbox="545 848 626 1079">9</td> <td data-bbox="626 848 1040 1079">Interest on working capital on (%) per annum O&amp;M expenses for 1 month (ii) Receivables equivalent to 2 months of energy charges based on normative CUF (iii) Maintenance spares @ 15% of O&amp;M expenses</td> <td data-bbox="1040 848 1450 1079">13.5</td> </tr> <tr> <td data-bbox="545 1079 626 1142">10</td> <td data-bbox="626 1079 1040 1142">Auxiliary consumption (% of generated energy)</td> <td data-bbox="1040 1079 1450 1142">1</td> </tr> </tbody> </table>	Sl. No.	Parameters Norms	As decided by the Commission	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 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
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<p><b>9</b></p>	<p><b>Other Terms and Conditions</b>                      (i) <b>Power Purchase Agreement and Tenure</b>                       (ii) <b>Scheduling</b>                       (iii) <b>Reactive Power Supply</b>                       (iv) <b>Wheeling charges for third party sale/captive consumption</b>                       (v) <b>Metering &amp; Billing</b>                       (vi) <b>Payment Mechanism</b></p>	<p>The power shall be procured centrally by M.P. Power Management Co. Ltd. at the rates specified in this order. This power shall be distributed to three Distribution Licensees on the basis of actual energy input in the previous financial year. PPA will be signed between developer and M.P. Power Management Co. Ltd. which will in turn have back to back power supply agreement with the Distribution Licensees for a period of 35 years.</p> <p>Small Hydro Projects are out of the preview of scheduling.</p> <p>Developer to pay for kVARh consumption @ 27 paise/unit.</p> <p>Concerned Distribution Company to deduct 2% energy injected towards wheeling charges. M.P. Power Co. Ltd. to avail 4 P/unit subsidy from State Govt. and pass on this subsidy to the Distribution Licensees.</p> <p>On a monthly basis. Meter reading at site by Distribution Licensees.</p> <p>(a) The bills favouring M.P. Power Management Co. Ltd. shall be submitted to the concerned Distribution Licensee who shall verify and send within 7 days to M.P. Power Management Co. Ltd. for making payment to the developer. M.P. Power Management Co. Ltd. in turn shall raise bills on the Distribution Licensees on the basis of allocation</p>																																	

	<p><b>(vii) Default Provisions for Third Party Sale or sale to utility</b></p> <p><b>(viii) Drawing of Power during Shutdown</b></p> <p><b>(ix) Sharing of CDM benefits</b></p> <p><b>(x) Existing Projects</b></p>	<p>(b) In case of delay in payment by M.P. Power Management Co. Ltd. shall pay delayed payment surcharge @ 2% p.a. over and above the short term lending rate of SBI prevailing on first day of the month when payment became due.</p> <p>(c) If payment made within 15 days, incentive of 1% of billed amount shall be allowed, for payment through LC an incentive of 2% shall be allowed.</p> <p>(a) If payment not made by M.P. Power Management Co. Ltd. within 60 days, developer after giving 15 days notice shall have the liberty to approach the Commission for allowing sale of power to third party.</p> <p>(b) In case of inadvertent flow of energy into the system by the generator, the licensee shall pay to the developer @ Rs. 2.62 per unit per for projects less than 5 MW and Rs. 2.56 per unit for projects above 5 MW.</p> <p>(c) Project developer to obtain short/long term open access permission and pay open access charges for captive use/third party sale. No permission required for sale to Licensee.</p> <p>Permitted on payment at the temporary rate applicable to HT industrial category.</p> <p>Generator to retain 100% CDM benefits</p> <p>All existing projects commissioned before the issue of this order shall continue to be governed by the terms and conditions applicable at the time of their commission.</p>
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