

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Coram**

- 1. Shri Bhanu Bhushan, Member**
- 2. Shri R. Krishnamoorthy, Member**

**Petition No. 88/2007**

**In the matter of**

Approval of tariff in respect of Doyang Hydro Electric Project(3X25MW) for the period from 1.4.2004 to 31.3.2009.

**And in the matter of**

North Eastern Electric Power Corporation Ltd. ....**Petitioner**

Vs

1. Assam State Electricity Board, Guwahati
2. Meghalaya State Electricity Board, Shillong
3. Department of Power, Govt. of Tripura, Agartala
4. Power and Electricity Department, Govt. of Mizoram, Aizawl
5. Electricity Deptt, Govt. of Manipur, Imphal
6. Department of Power, Govt. of Arunachal Pradesh, Itanagar
7. Department of Power, Govt. of Nagaland, Kohima
8. North Eastern Regional Electricity Board, Shillong
9. North Eastern Regional Load Despatch Centre, Shillong .....**Respondents**

**The following were present:**

1. Shri P. K. Borah, NEEPCO
2. Shri D. Dey, NEEPCO
3. Shri B. K. Chakraborty, NEEPCO
4. Shri D. Chaudhary, NEEPCO
5. Shri A. G. West, NEEPCO
6. Shri P. K. Agrawal, NEEPCO
7. Shri P. Mazumdar, NEEPCO
8. Shri P.K. Hazarika, ASEB
9. Shri K. Goswami, ASEB
10. Shri L. Priyaokumar, Electricity Department, Manipur

11. Shri M. Jaduswami Singh, Electricity Department, Manipur
12. Shri W. Rehman, Department of Power, Arunachal Pradesh
13. Shri A. Gian Chaudhuri, TSECL
14. Shri K. N. War, MESEB
15. Shri T. Passah, MESEB
16. Shri L. K. Kanungo, NERLDC
17. Shri R. Sutradhar, NERLDC
18. Shri H. M. Sharma, Consumer
19. Ms. Seema Sharma, Advocate, Consumer

**ORDER**  
**(Date of hearing: 2.8.2007 at Guwahati)**

The petitioner has filed this petition dated 10.7.2007 for approval of tariff in respect of Doyang Hydro Electric Project (3X25 MW) (hereinafter referred to as “the generating station”) for the period 1.4.2004 to 31.3.2009 in accordance with the provisions of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004 (hereinafter referred to as “the 2004 regulations”).

2. The petition was heard on 2.8.2007 and the petitioner was directed through order dated 21.8.2007 to furnish some additional documents and information by 10.9.2007 with advance copy to the respondents as well as the learned counsel for consumer-respondent who appeared before us. The documents and information called for by us have not been filed by the petitioner. We proceed to dispose of the case based on the available information.

3. Earlier, the petitioner filed Petition No 62/2005 for determination of tariff of the generating station for the period 2004-09. Based on Ministry of Power letter

dated 22.1.2003, the following Annual Fixed Charges were claimed in the petition:

	2004-05	2005-06	2006-07	2007-08	2008-09
Single-part tariff (Rs./Unit)	2.431	2.552	2.680	2.814	2.955
Ex-bus saleable Design energy (Gwh)	197.97	197.97	197.97	197.97	197.97
Annual Fixed Charges (Rs. In crore)	48.12	50.53	53.05	55.71	58.49

4. According to Ministry of Power letter dated 22.1.2003, considering the peculiar nature of the generating station, its tariff was to be fixed @ Rs.2 per kWh during 2000-01, to be escalated @ 5% every year, throughout its life. This letter of Ministry of Power formed the basis for the Commission's order dated 17.4.2003 in Petition No. 91/2002 under which single-part tariff was provisionally approved at the rate of Rs.2 per unit from the date of commercial operation, that is, 10.7.2000 with a further direction for escalation @ 5% per year. Accordingly the following year-wise provisional single-part tariff was approved in the order dated 17.4.2003:

- (a) 2001-2002 - Rs. 2.10/kWh,
- (b) 2002-2003 - Rs. 2.205/kWh,
- (c) 2003-2004 - Rs. 2.315/kWh.

5. With the introduction of ABT in North Eastern Region with effect from 1.11.2003, the need arose for conversion of the single-part tariff into two-part tariff to ensure effective implementation of ABT. Accordingly, the single-part tariff initially allowed by order dated 17.4.2003 was provisionally converted into two-

part tariff by the order of 6.10.2003, which was subsequently confirmed by order of 4.4.2005.

6. As regards determination of tariff for the period 2004-2009 sought in Petition No. 62/2005, the same could not be done in accordance with the 2004 regulations because the necessary inputs for determination of tariff were not placed on record by the petitioner. Accordingly, the petition was disposed of vide Commission's order dated 31.10.2005, by notionally accepting the single-part tariff in terms of Ministry of Power letter dated 22.1.2003 for a period up to 31.3.2006 only. The single-part tariff worked out to Rs. 2.431/kWh for the year 2004-05 and Rs. 2.552/kWh for the year 2005-06. Based on this single-part tariff, the petitioner's entitlement to annual fixed charges was computed as under:

Year	Annual saleable Design energy (Gwh)	Annual Fixed Charges
2004-05	197.97MUs	Rs.(197.97 x 2.431)/10 crore= Rs 48.13 crore
2005-06	197.97 MUs	Rs.(197.97 x 2.552)/10 crore= Rs 50.52 crore

7. As the major impediment in determination of the tariff in accordance with the 2004 regulations was non-finalization of the financial package by the Central Government, the Commission observed in para 12 of the above order as under:

“12 We take this opportunity to impress upon the Central Government that necessary approval of revised financial package may be finalised at an early date so that the tariff beyond 31.3.2006 can be considered in terms of the notification which governs the terms and conditions of tariff in all other cases. A copy of this order may be sent to the Secretary, Ministry of Power for his appropriate action. The petitioner shall also vigorously

pursue the matter with the concerned authorities to ensure expeditious finalisation of the revised financial package.”

8. The petitioner has submitted that it has been diligently pursuing the matter with the concerned authorities, but the financial package has not yet been approved by the Central Government, except on the aspect of rescheduling debt and equity vide letter dated 30.3.2007.

9. In the meantime, Ministry of Power vide its letter No 1/20/93-H-I dated 10.3.2006 indicated to the petitioner to approach the Commission for enhancement of tariff to earn at least 4% return on equity during 2006-07 and gradually increase it to 10% by the year the loan repayment is over. As per the above letter, the tariff is to be increased by 5% every year till it finally gives a 10% return on equity.

10. The petitioner has also submitted a proposal to the Central Government for restructuring of financial package of the generating station. As per the financial model of the petitioner proposed to the Central Government, tariff has been computed at 4.34 paise/kWh and 4.38 paise/kWh for the years 2007-08 and 2008-09 respectively.

11. Pending finalization of the financial package by the Central Government, we have the following options to determine tariff of the generating station for the period 2006-09:

(a) Tentative computation of tariff as per the 2004 regulations, or

- (b) Computation based on Ministry of Power letter dated 10.3.2006 allowing 4% return on equity and gradually increasing it to 10%, or
- (c) Computation as per the financial model submitted by the petitioner to the Central Government, or
- (d) Computation as per Ministry of Power letter dated 22.1.2003, providing 5% escalation every year.

12. Tariff computed in accordance with the above four methodologies works out as under:

Particulars	(Rs/kWh)		
	2006-07	2007-08	2008-09
Tariff as per the 2004 regulations	5.71	5.37	5.29
Tariff as per 4% ROE gradually increased to 10% with 0.75% increase every year	3.74	3.55	3.61
Tariff as per the petitioner's financial model submitted to the Government of India	-	4.34	4.38
Tariff as per Ministry of Power letter dated 22.1.2003 with 5% annual escalation	2.680	2.814	2.955

13. From the above, it is evident that computation of tariff in accordance with the 2004 regulations shall result in very high tariff, as also a tariff shock, which the Commission cannot allow. It is also evident that tariff as per Ministry of Power letter dated 22.1.2003 with 5% annual escalation results in minimum tariff as compared to the other three methods. We are convinced that adoption of this methodology will give minimum tariff shock as it is only a continuation of the methodology adopted since 2000-01. Accordingly, year-wise single-part tariff of the generating station is specified as under:

(Rs./kWh)

Year	2006-07	2007-08	2008-09
Tariff	2.680	2.814	2.955

14. Based on this single-part tariff, the petitioner's entitlement to annual fixed charges shall be as under:

Year	2006-07	2007-08	2008-09
Single-part tariff (Rs./Unit)	2.680	2.814	2.955
Ex-bus Saleable design energy (MUs)	197.97	197.97	197.97
Annual Fixed Charges (Rs. In crore)	53.05	55.71	58.50

15. Other related aspects including revenue shortfall upto 31.3.2009 shall be looked into by the Commission while determining tariff for the generating station with effect from 1.4.2009

16. This order disposes of Petition No 88 of 2007

Sd/=

**(R. KRISHNAMOORTHY)**  
**MEMBER**

Sd/=

**(BHANU BHUSHAN)**  
**MEMEBR**

New Delhi dated the 1<sup>st</sup> October, 2007