

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

1. **Shri Ashok Basu, Chairman**
2. **Shri K.N. Sinha, Member**

Petition No.86/2003

In the matter of

Approval of generation tariff of Indira Sagar Project

And in the matter of

Narmada Hydroelectric Development Corporation Ltd

.....**Petitioner**

Vs

1. Narmada Valley Development Department, Bhopal
2. Madhya Pradesh State Electricity Board, Jabalpur

.....**Respondents**

The following were present

1. Shri Harish Aggarwal, CE (PCS), NHDC
2. Shri A.B. Agrawal, GM (Comml), NHDC
3. Shri T.J.S. Brar, NHDC
4. Shri S. K. Gupta, NHDC
5. Shri R. Chandra, NHDC
6. Shri Prashant Kaul, CE, NHPC
7. Shri A.K. Awasthi, EE (P), NVDD
8. Shri Prakash Soni, EE, MPSEB
9. Shri D. Khandelwal, SE, MPSEB

ORDER

(DATE OF HEARING : 3.2.2004)

The petition filed by the petitioner for approval of provisional tariff is listed for hearing after notice.

2. Narmada Hydroelectric Development Corporation Ltd, a joint venture between NHPC and Govt. of Madhya Pradesh, was established on 1.8.2000 as a company under the Companies Act, 1956. The petitioner is responsible for execution of Indira Sagar Project and Omkareshwar Project on ownership basis and will operate and maintain these projects.

3. Indira Sagar Project is a multi-purpose project to facilitate power generation and provides water for irrigation, industrial and domestic use. The project consists of three units. Unit I, consists of Dam and appurtenant work, Unit II consist of Irrigation system of canals and distributaries and Unit III includes power house and water conductor system along with allied works in power generation. Thus, Unit I and II are essentially for power generation and named as power component and Unit II is for irrigation system and named as irrigation component. The Indira Sagar Project being the mother project for downstream projects also contributes to Sardar Sarovar Project by its regulated water releases. Accordingly, an apportioned cost towards Sardar Sarovar Project is credited to Indira Sagar Project. Thus, only the balance cost is accounted towards cost of the power generation.

4. The project is scheduled to be completed by May, 2005. However, it would be possible to generate power during the construction period with the commissioning of Unit I and Unit III. Further, the power would be generated as run of the river scheme, since storage would not be possible without spillway gates. The assets could not be put under commercial operation on 1.1.2004 as stated in the petition. These assets (Machine I and Machine II) were declared under commercial operation on 14.1.2004 and 18.1.2004 respectively.

5. It has been stated on behalf of the petitioner that Govt. of India has allocated 100% power generated from Indira Sagar Project to the State of Madhya Pradesh at the tariff approved by the Commission. Govt. of Madhya Pradesh has agreed to forego 12% free power to it in order to keep the tariff at the minimum.

6. Shri Harish Aggarwal submitted that the cost of the project (power component) after apportionment as sanctioned by Government of India is Rs.3527.54 crore, including IDC of Rs.488.37 crore. The estimated completion cost of Machine I and Machine II as claimed by the petitioner is Rs.36452 lakh per unit. The Machine I and Machine II of the Indira Sagar Project were put under commercial operation on 14.1.2004 and 18.1.2004 respectively, therefore, audited accounts up to the date of commercial operation of these assets would be available after 31.3.2004.

7. Shri D.K. Khandelwal, SE, MPSEB (Respondent No.2) stated that although the petitioner has commissioned Unit I and Unit III but generation likely to be achieved by running these units as run of the river scheme would be far less than what could have been achieved after completion of the dam. The design energy as envisaged with run of the river scheme would be 144.5 Mus compared to 487.7 Mus with fully operational dam after its completion. Thus, they have to pay full capacity charges even when full capacity may not be available with run of the river scheme.

8. Shri Khandelwal further stated that by putting under commercial operation Unit I and Unit III from 14.1.2004 and 18.1.2004 respectively, even without completion of dam and other works, the generation of power has started during the construction period. Thus, the power generated during the construction period should be treated as infirm power. This contention of Shri Khandelwal was opposed by Shri Awasthi, NVDD. Shri Awasthi stated this might not be the case of infirm power because infirm power was considered to be produced temporarily

during trial run, testing and commissioning of the unit. In this case Unit I and Unit III have been put under commercial operation, after trial run etc. on 14.1.2004 and 18.1.2004 respectively and since then there is continuous generation of power. In response to a query of the Commission, the staff of the Commission explained that CEA has not prescribed any specific norms on this issue. We may observe that power is being generated from Machine I and Machine II continuously since these assets are put under commercial operation and power is being supplied to the Govt. of Madhya Pradesh. Therefore, the issue that the power is generated as a run of the river scheme during the construction period and should be treated as infirm power is not of any significance.

9. The petitioner has claimed the provisional tariff based on the estimated completion cost of the assets. Shri A.K. Awasthi, EE (P) appearing on behalf of the respondent No.1 supported the above contention of the petitioner. Shri D.K. Khandelwal, SE, MPSEB (respondent No.2) did not oppose the claim of the petitioner for the provisional tariff based on the estimated completion cost of the assets. On consideration of the above recorded facts, we allow a tariff of Rs.1031.26 lakh and Rs.978.38 lakh for Machine I and Machine II respectively, on provisional basis, from the date of commercial operation of the each unit up to 31.3.2004, subject to adjustment after determination of final tariff. The provisional tariff allowed corresponds to 85% of the annual fixed charges of each unit on annualised basis.

10. Two part tariff in respect of Machine I and Machine II of the station from the date of commercial operation up to 31.3.2004 would be as follows:

Fixed charges from 14.1.2004 to 31.3.2004 for Unit I = 1028.45 lakh

Fixed charges from 18.1.2004 to 31.3.2004 for Unit III = 975.71 lakh

I. Capacity charge = Fixed Charges – Primary energy charge

II. Primary Energy Charge = Primary saleable energy (ex bus)*

* Primary energy rate for the above period would be considered @ 41.03

kWh/paise

11. We direct the petitioner to file fresh petition for the determination of the final tariff after completion of the dam and other works. With the above direction, this petition stands disposed of.

Sd/-
(K.N. SINHA)
MEMBER

Sd/-
(ASHOK BASU)
CHAIRMAN

New Delhi dated the 1st March, 2004