

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Coram:**

1. Shri Ashok Basu, Chairperson
2. Shri A.H. Jung, Member

**Petition No.67/20006**

**In the matter of**

Approval of one time tariff for Ratnagiri Gas and Power Private Limited(RGPPL) during interim period pending the implementation of revival of the project with LNG as fuel.

**And in the matter of**

Ratnagiri Gas and Power Private Limited(RGPPL) .... **Petitioner**  
Vs  
Maharashtra State Electricity Distribution Company Ltd .... **Respondent**

**The following were present:**

1. Shri S.B Agrawal, MD, RGPPL
2. Shri C.K.Mondal, RGPPL
3. Shri S.K Satpathy, AGM(TS), RGPPL
4. Shri Syam Diwan, Advocate, MSEDCL
5. Shri Amit Sharma, Advocate, MSEDCL
6. Shri Y.I. Shah, MSEDCL
7. Shri R.K. Gupta, MSEDCL
8. Shri R.A. Mulla, MSEDCL
9. Shri M.D. Sangani, MSEDCL

**ORDER  
(DATE OF HEARING: 17.10.2006)**

The petitioner, Ratnagiri Gas and Power Pvt. Ltd made the present application for approval of variable cost @ 607 paise/kWh and capacity and incidental charges @ Rs.33.03 crore per month for sale of power from Ratnagiri Gas and Power Project (hereinafter 'the generating station') taken over from the Dabhol Power Company, during the period from October 2006 to March 2007 from Phase-I, Block – I. The power is presently proposed to be sold to Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL), the

respondent. The petitioner has placed on record a copy of Ministry of Power Certificate No.C-436/2005-IPC dated 14.3.2006 which certifies as under:

“(a) Certified that Ragnagiri (erstwhile Dabhol) Power Project being set up by M/s. Ratnagiri Gas and Power Private Ltd., is an inter-State thermal power plant of a capacity of 1000 MW or more.

(b) Certified that (i) power purchasing States have constituted the Regulatory Commission with full power to fix tariffs; (ii) that the power purchasing States undertake, in principle, to privatize distribution in all cities, in these States, each of which has a population of more than one million within a period to be fixed by the Ministry of Power, and (iii) that the power purchasing States have agreed to provide recourse to that State’s share of Central Plan allocations and other devolutions towards discharge of any outstanding payment in respect of purchase of power.”

2. The petitioner has stated that a minimum of 5% of power generated at the generating station is proposed to be sold outside the State of Maharashtra.

3. The variable cost of 607 paise/kWh was stated to be based on the cost of imported Naphtha and for this purpose the petitioner has considered heat rate of 2000 KCal/kWh and auxiliary power consumption @ 3.5%, with loading pattern at 70% of base load. The break-up of capacity and incidental charges of Rs.33.03 crore/month was given as under:

	(Rs. in crore)
(i) Impact of additional IDC (Phase I Block I)	- 17.33
(ii) O&M expenses	- 11.70
(iii) Interest on Working Capital	- 4.00
Total	- <u>33.03</u>

4. The application was initially heard on 26.9.2006 when it was clarified on behalf of the petitioner that viability of the project was on LNG, the long-term sourcing of which was to be firmed up by Gas Authority of India Ltd. However, due to acute shortage of power in the State of Maharashtra, the respondent

was interested to buy power on base load basis with naphtha as fuel during the period in question. It was stated on behalf of the petitioner that the proposal made in the present application should be considered as that for sale of infirm power. This was further confirmed through an affidavit filed on behalf of the petitioner. In terms of this proposal, any revenue other than recovery of fuel cost, earned by sale of power would reduce the capital cost for determination of final tariff.

5. Considering the peculiar circumstances under which the generating station was taken over and the application for approval of tariff for sale of infirm power was made, it was felt reasonable that the parties should first hold consultations to arrive at, if possible, a mutually agreeable and reasonable rate for sale of infirm power after taking into consideration of all the relevant aspects, without this process being quoted as a precedent. This was conveyed by order dated 26.9.2006. The hearing of the case was adjourned to 17.10.2006.

6. At the hearing the representative of the petitioner produced a copy of the letter dated 9.10.2006 from the respondent addressed to the petitioner according to which the parties had agreed for parameters of heat rate of 2000 Kcal/kWh and auxiliary power consumption @ 3.5% for arriving at fuel charges on landed cost basis as pass through during the period of sale of infirm power. In terms of said letter dated 9.10.2006, the respondent has also agreed to pay incidental cost @ 30 paise/kWh for infirm power proposed to be supplied by the petitioner. The correctness of the letter dated 9.10.2006 was confirmed by

learned counsel for the respondent. The respondent is also liable to pay fuel charge @ Rs.4.71/kWh corresponding to present day naphtha price of US\$492 per ton. It was stated that fuel charges of Rs.4.71/kWh was subject to variation depending upon the naphtha price. It was further stated that power supply was likely to be started by mid-November 2006. The petitioner has since submitted a copy of the Power Purchase Agreement 19.10.2006, according to which fuel charges will be worked out in accordance with the following formula:

$$\text{Fuel Charges} = \frac{\text{Gross Heat Rate (Kcal/kWh)}}{\text{Gross GCV of Naphtha (Kcal/Kg)}} \times \frac{\text{Price of Fuel (Rs./Kg)}}{[1-\text{APC} (\%)]}$$

7. In view of the understanding arrived at by the parties, we approve the price of Rs.5.01/kWh, which includes fuel charges of Rs.4.71/kWh and incidental expenses of 30 paise/kWh, fuel charges being subject to variation depending upon the price of naphtha.

8. It was stated on behalf of the parties that a tripartite agreement between the petitioner, the respondent and Indian Oil Corporation for importing of naphtha was being finalized. We direct that a copy of the tripartite agreement be placed on record immediately after signing. Further, as and when supply of infirm power is started, the petitioner shall inform the Commission through an appropriate affidavit. Since the supply of power to the respondent will ease the situation, we direct that respondent shall refrain from any undisciplined overdrawal from the regional grid so that the grid stability and security are not endangered or jeopardised.

9. List this petition on 18<sup>th</sup> January 2007 for review of the position and to take stock of the possibility of generation beyond 31.3.2007 since it is expected that by this time LNG was likely to become available. We also direct that the respondent shall obtain clearance of Maharashtra Electricity Regulatory Commission for purchase of infirm power at the rates approved by us.

10. The order dated 26.9.2006 recorded a statement attributing to the learned counsel for the respondent that the price of about Rs.5.50 per unit should be acceptable. An affidavit has been filed on behalf of the respondent stating that no such statement was made by the learned counsel, through a letter from the respondent addressed to the petitioner to that effect was on record before the Commission. The respondent has prayed for a clarification. In view of the fact that the parties have agreed to rate of Rs.5.01/kWh for sale of infirm power and we have accorded our approval to this rate, the statement attributed to the learned counsel for the respondent in the order dated 26.9.2006 has lost relevance. Accordingly, no further clarification is called for.

11. List on 18.1.2007 as already directed.

Sd/-  
**(A.H. JUNG)**  
**MEMBER**

Sd/-  
**(ASHOK BASU)**  
**CHAIRPERSON**

**New Delhi dated the 25<sup>th</sup> October, 2006**