# MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

**In the matter of:**

Determination of Fuel and Power Purchase Price Adjustment amount for Meghalaya Energy Power Distribution Corporation Limited (MePDCL) for the period April 2013 to September 2013.

**AND**

**In the matter of:**

Meghalaya Energy Corporation Ltd. (MeECL) - ….. Petitioner

Meghalaya Energy Power Distribution Corporation Ltd (MePDCL).

## O R D E R

Date: 02.12.2013

Petitioner Meghalaya Energy Distribution Corporation Ltd (MePDCL) as licensee has filed a petition under cover of its letter bearing No. MePDCL/DD/T-440/2013-14/22 dated 20.11.2013 seeking amendment of the modified Fuel and Power Purchase Price Adjustment (FPPPA) Formula which the Commission vide its order dated 28.06.2013 had approved. MePDCL had at the same time proposed FPPPA for the period from April-September, 2013. MePDCL on 12.10.2012 had proposed an FPPPA formula to meet uncontrollable charges in the fuel related cost and power purchase variations and the Commission, after due consideration and consultation had modified it in its order dated 28.6.2013. The approved Formulae are as follows:

$$PPP_O = \sum_{m=1}^{k} TC2 - \sum_{m=1}^{k} TC1 \qquad (1)$$

$$PPPo = \sum_{m=1}^{k} (FC_A - FC_B) + \sum_{m=1}^{k} ( (VC_A \times Q_A) - (VC_B \times Q_B) ) \qquad (2)$$

Where

TC1 is the sum of total cost as allowed in the Tariff Order for all sources other than own generation

TC2 is the sum of total cost actually paid to outside State sources

$FC_A$ is the actual fixed cost paid to generators (In Rs. Millions)

$FC_B$ is the approved fixed cost for Generators as per tariff order for respective year (In Rs. Millions).

$VC_A$ is the actual variables cost per unit of delivered energy at CERC approved rates (In Rs.).

$VC_B$ is the base variables cost per unit of delivered energy as per tariff order for respective year (In Rs.).

$Q_A$ is the actual level of power purchases from each source (In MU).

$Q_B$ is the quantity of power purchases from sources approved in the tariff order of respective year (In MU).

2. On 22.08.2013, MePDCL filed a review petition praying for modification of the 28.06.2013 approved formula. In the petition MePDCL prayed that it be allowed to compute the PPP0 on the basis of the change in the unit rate of power purchase from that of approved for 2013-14 in the tariff order and that the change will be multiplied by the actual quantum of power purchased in the first quarter of 2013-14. By such computation the additional power purchase expenditure will be about Rs. 27.6 crores, recoverable from the consumers through FPPPA.

3. For examination of the actuals relating to power purchases made for the period from April to September 2013, the Commission required the licensee to file a petition in accordance with the FPPPA Formula given in its order dated 28.06.2013 with the supporting power purchases bills and category wise sale data. If MePDCL felt it necessary, opportunity

was also given that it could propose improvement in the approved formula. The Commission also asked the licensee to submit the FPPPA calculations as per its original proposed formula in order to enable the Commission to compare the two.

4. MePDCL responded and submitted on 20.11.2013 the FPPPA computation according to the formula originally proposed by it, i.e., the formula, -

$$\mathbf{PPPo} = \sum_{m=1}^{k} (FC_A - FC_B) + \sum_{m=1}^{k} (VC_A - VC_B) \times Q_B$$

$$\mathbf{FPPPA = (PPP0 + Z + A + I)}$$

Where Z is unpredictable cost, A is adjustment of previous quarter and I is the amount of working capital.

By this method of calculation MePDCL will require Rs.27.6 crores for FPPPA for the first quarter of 2013-14 and Rs. Rs.25.35 crores for FPPPA for the second quarter. For both the quarters the proposed total amount will be Rs.53 crores. In the petition, MePDCL also submitted that the approved FPPPA formula needs to be modified.

5. On a query made regarding the supplementary bills which appeared in the calculations, MePDCL clarifies that the bills are those received in the first quarter of 2013-14. On examination of the bills, Commission found that the supplementary bills relate to previous years' dues and delayed payment surcharges. MePDCL also submits that due to less revenue collection there is cash shortage and that there is no unused budgetary amount left for purchase of power. However, there was no satisfactory reply for the payment of fixed charges to NEEPCO even when there was no power supplied by that corporation during the period.

6. The Commission held a hearing on 25.11.2013 and gave MePDCL an opportunity to clarify about its proposal. MePDCL stated that the overall sale of power in the State had gone down and licensee was unable to get the revenue as forecast for 2013-14. In such a situation, MePDCL pleaded that the FPPPA for 2013-14 as projected by it be allowed so that the revenue position improve and they will be in position to clear power purchase dues.

7. MePDCL had included interest on working capital in the computation and proposed that Rs.0.81 per unit on that account be charged from domestic consumers as FPPPA. In its order of 28.06.2013, the Commission had already ruled that the interest on working capital could not be allowed in FPPPA computation. If there is any gap the same will be considered at the time of truing up.

8. After detailed examination, the Commission finds that there are variations in the cost of power purchase made from different sources as given in the tariff order for 2013-14 and the actual amount spent by the licensee. However, in totality, the entire amount of Rs. 82 Crores per quarter allowed in the tariff order for power purchases from all the sources indicated in the tariff order will have been enough to meet the requirement of Rs. 64 crores actually spent by the licensee provided it gets the targeted quarterly amount of Rs. 154 crores as revenue out of the sale as per tariff order. The amount to be spent for power purchase has to come from the approved projected sales and in case of short fall in demand of electricity there is a possibility of getting less revenue leading to less availability of cash for power purchase. With a view to get a clearer picture the Commission has tried to study the actual sale during the first quarter of 2013-14 and the revenue received therefrom. Against the projected sale of 333 MUs within the State in the first quarter there is a short fall of sale and also of revenue by about 28.5%. This also matches with the figures taken in the FPPPA proposal of the licensee. In the circumstance the amount of Rs 82 crores as provided in the tariff order may be taken to be Rs 59 (Rs 82 x (100-28.5)%) crores for the purpose of the present FPPPA computation. As per the licensee, about Rs.64 crores has been spent towards power purchase in the first quarter inclusive of payment of outstanding power purchase dues. If the formula (1) given in para 1 of this order is used then there will

be a gap of Rs.5 crores (Rs.59-Rs.64) in the first quarter to be considered for FPPPA. However, if the formula used by MePDCL in its petition is considered then the requirement for FPPPA will become Rs.10 crores after adjusting fixed charges payable to Palatana and BTPS as against their demand of Rs.27.6 crores. Accordingly, in the absence of audited figures, the Commission provisionally allows Rs.5 crores as FPPPA amount for the first quarter of 2013-14.

9. Similarly, for the second quarter of 2013-14, in the absence of information relating to sale and revenue, the same level as that of the first quarter is assumed. Accordingly, the power purchase amount sanctioned for the second quarter of 2013-14 becomes Rs.59 crores. According to MePDCL, Rs.64.5 crores has been spent in the second quarter for power purchase and as such there will be a shortfall of Rs.5.5 crores (Rs.59-Rs.64.5) against the power purchase in the second quarter of 2013-14. However, if the formula used by MePDCL in its petition is considered then the requirement for FPPPA will become Rs.7.2 crores after adjusting fixed charges payable to Palatana and BTPS as against their demand of Rs.25.34 crores. Accordingly, in the absence of audited figures, the Commission provisionally allows Rs.5.5 crores as FPPPA amount for the second quarter of 2013-14. The Commission therefore, allows a total of Rs.10.5 crores (Rs.5 + Rs.5.5) for FPPPA computation for both the quarters.

10. At the hearings, MePDCL pressed that there is need to address the situation arising from the uncontrollable increase in fuel cost and power purchase. It pleaded that the short fall of revenue be compensated by FPPPA to offer some relief. Considering the circumstances and after analyzing the information as available, the Commission hereby provisionally allows Rs.10.5 crores as FPPPA amount for the period from April to September of 2013. This will amount to Rs.0.20 per unit as an average FPPPA to be charged from each consumer excluding BPL/Kutir jyoti connections. The charges to be recovered from different categories of consumers as FPPPA are given in the table below:

Table - FPPPA

| Category | FPPPA (Rs/Kwh) |
|---|---|
| Domestic | 0.15 |
| Non domestic | 0.24 |
| Industries LT | 0.24 |
| agriculture | 0.10 |
| Public Lighting | 0.22 |
| Water Works | 0.24 |
| General Purpose | 0.23 |
| Crematorium | 0.15 |
| MeECL officers | 0.15 |
| Industries HT | 0.23 |
| Water Works HT | 0.22 |
| Domestic HT | 0.23 |
| Commercial HT | 0.22 |
| General Purpose HT | 0.22 |
| Industries EHT | 0.22 |

11. Normally, the FPPPA for Quarter 1 and Quarter 2 of 2013-14 should be applied and charged in the bills for October 2013 onwards. However, due to the processing time taken to arrive at a more correct picture, the surcharge will be applied from 1st December 2013 to be reflected in the bills for December 2013 and onwards.

12. The present exercise is based on certain premises and should not be taken as a precedent. The FPPPA Formula approved by the Commission vide its order dated 28.06.2013 stays and a final view will be taken at the time of the annual tariff exercise for 2014-15 when more data will be available.

## 13. Decision on FPPPA and Implementation

1) The Commission allows the FPPPA charges for the period from April 2013 to September 2013 on provisional basis. It will be validated with audited records at the time of truing up. Any surplus or deficit may be adjusted accordingly.

2) The FPPPA shall be charged from all consumers except BPL/Kutir Jyoti connections.

3) The charges shall be applied according to energy consumed of respective category and will be charged in the regular billings for the months of December 2013 to March 2013. For public lighting connections without meters, the amount of FPPPA shall be computed @ 5% of their fixed charges. Similarly for sale to Assam if any the FPPPA may be computed @ 5% of energy bill.

4) The licensee shall publish an advance notice in the newspapers to inform the consumers of the levy of the FPPPA charges necessitated due to variation in the cost of power purchase from outside the State. The licensee is also directed to show clearly the FPPPA calculations in the consumers' bills.

5) The Commission shall take a final view on the FPPPA Formula and procedures to be followed at the time of issue of tariff order for 2014-15.

14. While passing this order allowing the FPPPA to take place to the extent indicated above, Commission has kept in view the fact that electricity has also to be purchased from sources outside to meet the requirement in the State. Prices of outside purchases cannot be controlled. The requirement for electricity is more during the winter months and the licensee is obliged to meet the requirement of consumers by providing them regular power supply. In the next tariff exercise for 2014-15, the matter will be examined so that any levy now made for FPPPA is subsumed and adjusted in a manner as may be deemed reasonable and justify.

(Anand Kumar)
Chairman