

BEFORE THE MEGHALAYASTATEELECTRICITYREGULATORYCOMMISSION
SHILLONG

CASE No. 5/2018

In the matter of Petition for FPPPA charges for the 1st and 2nd quarters of FY 2017-18

AND

Meghalaya Power Distribution Corporation (the Petitioner)

Coram

WMS Pariat, IAS (Retd.)
Chairman

Date of Order: 17.09.2018

The petitioner MePDCL had filed petition for approval of Fuel and Power Purchase Price Adjustment (FPPPA) for 1st and 2nd quarters of FY 2017-18 on 15.02.2018 seeking approval of Fuel and Power Purchase Price Adjustment (FPPPA) as claimed by them. The Commission provisionally admitted the petition on 22nd of July 2018 directing the licensee to furnish additional information required by the Commission.

FPPPA for FY 2017-18 (1st & 2nd Quarter):

The MSERC (Multi Year Tariff) Regulations 2014 specifies that;

“90.1 Commission shall allow the recovery or refund of additional charge for adjustment to Tariff on account of change in fuel related costs of electricity generation and purchase of electricity.

90.2 The additional charge for adjustment shall be recovered or refunded, as the case may be, on a quarterly basis; and shall be taken as per actual of the last three months.”

According to the above regulations, the petitioner shall claim fuel cost of electricity generation and purchase of electricity which includes variable/fuel cost and fixed cost relating to generators/power suppliers. Cost variation in other viz. O&M cost, etc, would not be eligible for claim through FPPA. The FPPPA is intended to enable the utility to adjust/recover the difference if lower/higher power purchase cost vis-à-vis the power

purchase cost approved in the tariff order **during the relevant tariff/financial year**. The cost adjustment shall be on a quarterly basis of the relevant tariff/financial year.

The Commission in view of the above, clarifies that the cost variance in power purchase and other costs for the previous FY 2017-18 shall be considered only in true up for FY 2017-18 based on the actual power purchase cost along with the expenses (ARR cost parameters) supported by audited annual accounts for FY 2017-18.

It may be recalled that MePDCL had filed an appeal No. 97 of 2015 before the APTEL against the Commission's order dated 23.01.2015 relating to FPPPA. The APTEL in its judgment stated that;

“Considering the provisions of the Tariff Regulations 2011 and subsequent directions issued under various orders by the State Commission regarding FPPPA adjustment, as well as the provisions of MYT 2014, we find that the State Commission has duly identified the mechanism of FPPPA recovery and dealt with the matter in accordance with the provision of the Tariff Regulations 2011 and hence we are not in agreement with the argument of the Appellant that the Commission has not followed the process under Tariff Regulations 2011”.

The MeECL (holding company of MePDCL) had filed petition on 23.12.2016 for amendment of Regulation 90 of MSERC (MYT) Regulations 2014 laying down the exact formula for recovery of FPPPA. The Commission in its order dated 24.10.2017 on the petition has ruled that *“the Licensee may file the FPPPA formula along with the tariff petition, which will be examined by the Commission as per Regulations”.*

The Commission had also observed, in this same order, that *“According to this Regulation the MePDCL shall propose the formula for adjustment of cost variance of purchase of power along with the tariff petition year on year for approval of the Commission. It is pertinent to state that modification of existing FPPPA formula would be subject to discussion and deliberation with the stakeholders for approval by the Commission. **The MePDCL is therefore directed to propose amendment, if any, to the existing FPPPA formula along with the tariff petition to be filed for MYT control period from FY 2018-19 to FY 2020-21”.***

Further, the Commission directed the MePDC that they may, however, file petition for adjustment of FPPPA for the 1st and 2nd quarters for FY 2017-18 as per existing approved formula, urgently supported by all the necessary documents to the Commission urgently to

take appropriate decision in line with the relevant provisions of the MSERC (Multi Year Tariff) Regulations 2014.

MePDCL has now filed petition for approval of FPPPA charges for 1st and 2nd quarter for FY 2017-18. MePDCL is a deemed licensee in terms of Section 14 of the Electricity Act 2003 here in after referred as an Act.

Regulation 90.6 reads, "The generating company or licensee (MePDCL) shall refund or recover, as the case maybe, any difference of such charge already recovered by it and now approved by the Commission".

The Summary of the petition is as detailed below

MePDCL has claimed the FPPPA charges by proposing the following formula vide para 1.2 of the petition.

$$FPPPA = P + Z + I$$

a) Where,

P Adjustment on account of variation in the power purchase cost from other entities, including Central Sector Stations, Independent Power Producers, Captive Power Plants, Bilateral, Power Exchange, etc, as determined by the Hon'ble Commission from time to time.

Z Any other unpredictable and unforeseen cost, not envisaged at the time of tariff fixation. These costs could be variation in Water charges/ Tax structure/Electricity Duty/Cess & Other Levies or Supplementary Bills that may be raised by various generating stations/CTU.

I Interest burden on MePDCL due to additional Working Capital requirement corresponding to delayed recovery

b) The adjustment for change in the power purchase costs from other sources will be calculated in the following manner:

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

Where

m Generating Stations 1 to k

FC_A Actual fixed cost paid to the generators in INR Crore

FC_B Base fixed costs to the generators in INR Crore as per applicable / prevailing order of the MSERC

- b. Un-predictable and unforeseen (supplementary bills) cost of Rs.35.66 crore as per the proposed formula at para 1.2 of the petition as per details furnished in para 2.6 of the petition are indicated generator-wise in the Table below:-

Source	Amount (Rs. Crore)
NHPC (Loktak)	1.54
NEEPCO	3.40
NTPC	3.62
OTPC	27.10
MePGCL	-
Total	35.66

- c. MePDCL has proposed the adjustment formula for working capital interest (I) at para 1.3.3 of the petition is as ;

$$I = \frac{UA \times r \times T}{12}$$

The Interest on working capital of Rs.2.45 crore is shown (for six months @11.43%) for funding FPPPA charges as detailed in the table below.

Particulars	Amount (I NR Cr)
PPP= Change in Power Purchase Cost for 1st and 2nd Quarters of FY 2017-18 (I NR Crores)	7.14
Z= Unpredictable and unforeseen cost, not envisaged at the time of tariff fixation is considered as zero	35.66
A= The adjustment on account of unadjusted charge in fuel and power purchase price of previous control period	0
FPPPA Approved in earlier Control Period	0
FPPPA Recovered in earlier Control Period	0
Unadjusted Charge in fuel and power purchase price of previous control period	0
Working Capital Interest (UA*r*T/12)	
UA (Rs Million) (UA =PPP+ Z + A)	42.80
Rate of Interest	11.43%
Time Period (I n months)	6
Interest (INR Cr)	2.45

In sum, the licensee has claimed in all Rs.45.25 Crores, towards FPPPA charges for 1st and 2nd quarters of FY 2017-18 at Rs. 7.14 Crore, un predictable un-fore seen cost not envisaged at the time of Tariff fixation for Rs. 35.66 Crore, and working capital interest at Rs. 2.45 Crore to be recovered in FY 2018-19 at 0.91 Ps/kWh on the projected energy sales of 497.91MU during 1st and 2nd quarter of FY 2018-19.

Commission taking into consideration of all facts and additional data submitted, and after prudence check as per Regulations, has analyzed the FPPPA claim and passed the following orders on the petition filed by MePDCL for 1st and 2nd quarters of FY 2017-18.

Commission's Analysis:

1. Regulation 90.1 of MSERC MYT Regulation 2014 specifies that the Commission shall allow recovery or refund, as the case may be, of additional charge for adjustment to Tariff on account of change in fuel related costs of electricity generation and purchase of electricity.

The Commission highlighted the fact that it had not approved any revised formula as stated at para 1.2 of the petition to cover the interest and un-predictable & unforeseen costs.

The Commission in its order dated 24.10.2017 held that the formula for FPPPA charges shall be filed as per existing approved formula, along with tariff petition for the year 2018-19 for approval or otherwise by the Commission. In view of the fact that the Licensee has not submitted its claim in line with the FPPPA formula which is mandated by the Regulations, the submission made by it in its petition dated 15/02/18 is not tenable and is accordingly rejected.

2. However, for the benefit of the Licensee, and in order to enable it to submit FPPPA claims which are in line with the Regulations in future. The Claim of the Licensee towards FPPPA charges as projected in the petition is however analyzed hereunder.

Source wise break up of FPPPA charges (Variable & Fixed Charges)
(Rs. crore)

Sl. No.	Source	Variable charges (VA-VB)*QA	Fixed charges (FCA-FCB)	Total charges (P)
1	NTPC	--	(-17.23)	(-17.23)
2	NHPC	--	--	--
3	NEEPCO	(-9.31)	(-0.45)	(-9.76)
4	OTPC Pallatana	(-0.03)	4.62	4.59
5	MePGCL	16.41	12.96	29.37
6	Others			0.14
7	Total			7.14

- a) The FPPPA claim in respect of New Umtru HEP for Rs.29.37 Crores does not reveal any variation, as the actual fixed cost and energy charges are the same, that was

approved in the **provisional Tariff** vide Commission's order dated 06.11.2017 for MePGCL.

- b) Commission had already considered the Power Purchase cost in respect of New Umtru project at Rs.2.58 /Kwh based on the MYT ARR for FY 2017-18 of MePDCL for Rs. 38.70 Crore as per order issued on 31.03.2015.
 - c) Commission had also approved a provisional Tariff as per Regulation 41.5 on the petition filed by MePGCL for New Umtru project at Rs.2.18/Kwh on 06.11.2017 till the approval of the Capital cost of the project is finalized based on filing of final Tariff petition. Thus the Power Purchase cost earlier considered for MePDCL at Rs.2.58/Kwh stands superseded.
 - d) The Provisional Tariff approved for Nine months period for New Umtru Project from 01.07.2017 to 31.03.2018 shall be applicable for the energy supplied during the period 01.07.2017 to 30.09.2017 for billing the consumers, where by the actuals and approved Power purchase rates shall be the same, leaving no variation for FPPPA claim.
3. The FPPPA charges Projected in the petition against the OPTC project for Rs. 4.59 Crore are found admissible, however, the Power Purchase cost allowed in the Tariff Order for FY 2017-18 in respect of other sources like, NTPC, NEEPCO was more than the actuals claimed in the petition which amounted to negative value excluding FPPPA charges of New UmtruHEP as detailed in the table below.

Source wise break up of FPPPA charges (Variable & Fixed Charges)

(Rs. crore)

Sl. No.	Source	Variable charges (VA-VB)*QA	Fixed charges (FCA-FCB)	Total Charges (P)
1	NTPC	--	(-17.23)	(-17.23)
2	NHPC	--	--	--
3	NEEPCO	(-9.31)	(-0.45)	(-9.76)
4	OTPC Pallatana	(-0.03)	4.62	4.59
5	Others			0.14
6	Total			(-22.26)

The overall impact of the FPPPA claim is therefore a negative value which would have to be passed on to the consumers as per the Regulations.

4. The Commission in consonance with the provisions of the Regulations, has been allowing the unpredictable and unforeseen costs not envisaged at the time of Tariff fixation, in the True Up process for items that are admissible as per the Regulations, towards Power Purchase cost variation, water charges, taxes, electricity duty, cess & other levies etc. (excluding Interest and late payment surcharge). This would be on the basis of supplementary bills as approved by competent authorities such as CERC, PGCIL and NERLDC and other authorities.

MePDCL shall claim the variables if any in the True up petition for FY 2017-18 with audited accounts.

5. MSERC Regulations as they stand at present do not provide for allowing interest on additional working capital for the delayed recovery of the FPPPA charges. Commission had allowed interest on working capital at Rs.18.35 Crore in the Tariff Order for FY 2017-18 as permissible in the Regulations. As such the interest on additional Working capital claim of the licensee for Rs. 2.45 Crore as included in the FPPPA petition would not be admissible as it is not permissible under Regulations.

6. **Other Sources:-**The inter region, intra region deviation (UI) charges and market (IEX) variation shall be regulated for the entire FY 2017-18 in the true up process under UI balancing settlement.

Abstract of the Claim

Particulars	Unit	Amount Claimed	Admitted by MSERC
Power Purchase Cost Adjustment	P (INR Crs)	7.14	-
Unpredictable Cost	Z (INR Crs)	35.66	-
Interest Cost	I (INR Crs)	2.45	-
Total FPPPA Cost	INR Crs	45.25	-
Approved Sales (FY 2018-19)	MU	1015.63	-
Sales considered for the purpose of FPPPA recovery	MU	497.91	-
FPPPA per unit to be recovered	INR/ kWh	0.91	-

ORDER

The Commission in the light of the aforesaid facts stated above, and the material available on record, does not approve the FPPPA claim of Rs. 45.25 crore for the 1st and 2nd quarter of FY 2017-18. However, the variations in power purchase cost Actual vis-à-vis Approved in tariff order shall be considered in truing up process based on the actual power purchase cost reported through audited statement of annual accounts of the relevant year i.e. FY 2017-18.

Accordingly, the petition for FPPPA filed by the petitioner on 15.02.2018 stands disposed of.

Sd/-

W.M.S. Pariat, IAS (Retd.)
Chairman