

## **RECORD OF PROCEEDINGS**

DATE OF HEARING : September 24, 2007 at 11.00 hrs  
CASE No. : 40 of 2007  
PETITIONERS : Maharashtra State Electricity Distribution Company Limited (“**MSEDCL**”)  
RESPONDENTS : M/s. Lanco Energy Pvt. Ltd. (“**LEPL**”)  
  
MATTER : Petition filed by MSEDCL seeking review of the Order dated June 26, 2007 passed in Case No. 27 of 2006  
  
CORAM : Chairman and Members

MSEDCL filed a Petition on July 24, 2007 seeking review of the Order dated June 26, 2007 passed in Case No. 27 of 2006 (in the matter of MSEDCL’s Petition for Approval of Power Purchase Agreement with M/s Lanco Energy Private Limited for purchase of saleable energy from their 500 MW Teesta VI Hydro Electric Project in Sikkim). The Commission scheduled the hearing in the matter for September 24, 2007 in the presence of all the licensees of Maharashtra and four consumer representatives authorized on a standing basis under the Electricity Act, 2003 (“**EA 2003**”). Notices were issued accordingly.

2. At the hearing held in the matter on September 24, 2007, on an enquiry made by the Commission as to the maintainability of the petition under Regulation 85(a) of the Maharashtra Electricity Regulatory Commission (Conduct of Business) Regulations, 2004, it was observed that MSEDCL is not prepared to address the issue of maintainability. The Commission granted MSEDCL an opportunity to make submissions on the merits of the matter. The Commission observed that the merits of the matter shall be considered in terms with appropriate submissions on the maintainability of the present petition, which MSEDCL need to submit within two weeks.

3. Shri. Gyanendra Thakur, M/s. CRISIL, consultants to MSEDCL, submitted that the approach of the Commission to re-structure the Power Procurement Agreement (“**PPA**”) between MSEDCL and LEPL in terms of two-part tariff has not been well founded. A two-part part tariff would create various accounting difficulties. The Commission observed that the regulations framed by the Commission provide for a two-part tariff, in line with the regulations framed by the Central Electricity Regulatory Commission. MSEDCL has to initiate adequate proceedings as per law in order to challenge the operation of a two-part tariff, as required under the regulations framed by the Commission. The said issues cannot be resolved under the present proceedings.

4. Shri. Thakur submitted that the 500 MW Teesta VI Hydro Electric Project has daily peaking capacity and is environmental-friendly. So far as peak demand is concerned, the Commission enquired of Shri. Thakur as to whether a take-or-pay

condition shall be imposed on MSEDCL during the monsoon months, when the demand of MSEDCL is considerably low. Shri. Thakur submitted that such a condition has been proposed under the PPA. However, the tariff impact for the drawal of energy during off-peak period (monsoon months) would be low. The Commission observed that the issue in question is that whether during such circumstances, drawal from 500 MW Teesta VI Hydro Electric Project would be a merit order purchase. It was observed that MSEDCL have surplus energy during the monsoon months. Shri. A.K. Ghosh, Director (Finance), MSEDCL, submitted that during monsoon months, MSEDCL have surplus power in temporary phases, and not continually. The Commission observed that incidences of surplus capacity cannot be temporary during monsoon months, as the same increases the base load capacity during that period.

5. The Commission observed that MSEDCL has not made adequate examination of their power procurement arrangements with Lanco. The Commission directed MSEDCL to submit appropriate submissions on the maintainability of the present petition, and the merits of the power procurement arrangements considered with LEPL.

The hearing in the matter was adjourned for two weeks.

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**List of Persons present at the hearing on September 24, 2007**

1. Shri. Trimukhe G.S., CE (PP), MSEDCL.
2. Shri. K. Satheesan, EE (CP), MSEDCL.
3. Shri. A.K. Ghosh, Director (Finance), MSEDCL.
4. Shri. M.N. Ravi Shankar, Director, M/s. Lanco Energy Pvt. Ltd.
5. Shri. S.K. Mittal, Director, M/s. Lanco Energy Pvt. Ltd.
6. Shri. R.B. Sri Nagesh, Sr. GM, M/s. Lanco Energy Pvt. Ltd.
7. Shri. V.M. Shinde, Asst. Manager, M/s. Lanco Energy Pvt. Ltd.
8. Shri. Gyanendra Thakur, Manager, M/s. CRISIL.
9. Shri. Rajat, Manager, M/s. CRISIL.