

RECORD OF PROCEEDINGS

DATE OF HEARING : September 19, 2007 at 11.00 hrs

CASE No. : 44 of 2007

PETITIONERS : M/s. Reliance Energy Limited (“**REL**”)

RESPONDENTS : None

MATTER : Petition filed by REL seeking amendment to Regulation 25.2 of the MERC (Terms and Conditions of Tariff) Regulations, 2005 to make the requirement of “prior approval” modified to post facto approval, of the short-term power procurement initiated with electricity traders during April, May and June 2007; clarification as to whether an electricity trader, or a generator from which an electricity trader procures power, is an approved source of power for a distribution licensee; approval of the transmission losses and open access charges for intervening transmission corridors, as applicable on actuals, up to the distribution network of REL

CORAM : Chairman, Member-Technical, Member-Finance

REL filed a Petition on August 17, 2007 seeking amendment to Regulation 25.2 of the MERC (Terms and Conditions of Tariff) Regulations, 2005 (“**Tariff Regulations**”), to make the requirement of “prior approval” modified to post facto approval in the context of the short-term power procurement initiated with electricity traders, during April, May and June 2007; clarification as to whether an electricity trader, or a generator from which an electricity trader procures power, is an approved source of power for a distribution licensee; approval of the transmission losses and open access charges for intervening transmission corridors, as applicable at actuals on to the distribution network of REL. The Commission scheduled the hearing in the matter for September 19, 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 19, 2007, Shri. Kapil Sharma, Head (Regulatory)-REL, submitted that a Power Management Group (“**PMG**”) has been formed by TPC-D, REL-D and BEST for procurement of power from electricity traders outside Maharashtra, to meet the estimated peak power shortage of Mumbai licensees. The PMG is also selling surplus power outside Mumbai, during off-peak hours.

3. Shri. Sharma referred Regulation 25.2 of the Tariff Regulations and submitted that under the Order dated April 24, 2007 in Case No. 75 of 2006 (in the matter of approval of the Annual Revenue Requirements of REL-D for the Control Period FY 2007-08 to FY 2009-10 & Retail Tariff For FY 2007-08) (“**the MYT Order**”), details of approved quarterly power purchase quantum have not been provided, which would have enabled REL to obtain prior approval for variation in quarterly procurement of power vis-à-vis approved quantum. He added that there was a seasonal variation in demand. Shri. Sharma further submitted that under the present proceedings, a clarification has been sought on whether an electricity trader, or a generator from which an electricity trader procures power, is an approved source of power for a distribution licensee. It was submitted that with respect to imbalance pool settlement, the energy drawn at T<>D interface is grossed up as per normative transmission losses, to arrive at the energy requirement at the In-STS ex-bus level. From the same, after subtraction of DTPS generation and the share of TPC, the balance energy is sourced through bi-lateral power procurement. The remaining energy is settled through UI imbalanced pool settlement. Since REL is seeking post facto approval under the present proceedings, REL has deducted the quantum of energy sourced through UI mechanism for settlement of imbalanced pool. Out of 9154 MU, which is the approved quantum for energy procurement for FY 2007-08, the approved quantum of power purchase per quarter works out to 2289 MU (i.e. 9154 / 4).

4. Shri. Sharma submitted that owing to the availability of infirm power from electricity traders, the quantum and price for the said infirm power is not available for the seeking of prior approval, in terms with said Regulation 25.2 of the Tariff Regulations. It was submitted that procurement of infirm power from electricity traders is in the nature of ‘spot purchase’. In view thereof, the infirm power procurement may be approved post facto. Approval has been further prayed for the transmission losses and open access charges that have occasioned while sourcing the said infirm power.

5. The Commission enquired of Shri. Sharma as to the interpretation that REL holds on the concept of approved source. Shri. Sharma submitted that the electricity traders from which REL is procuring power have obtained valid licenses from the Central Electricity Regulatory Commission. The generating units from where the said electricity traders are generating power, have obtained valid authorizations to generate power. It was submitted that since the functions of the said electricity traders and/or the generators are pursuant to valid licenses/ authorizations, as the case may be, they should be considered for approval as valid sources, as per the requirements of Regulation 25.2 of the Tariff Regulations.

6. The Commission enquired of Shri. Sharma as to whether REL seeks a ratification of unplanned power procurement as a result of inadequate demand forecasting. Shri. Sharma submitted that prior demand forecasting has been undertaken by REL. However, no firm power was available, so far as bilateral power procurement was concerned.

7. The Commission observed that REL should improve their day-to-day planning and demand forecasting methodologies. Load curves (daily, weekly and monthly) should be assessed with precision. The Commission further observed that annual procurement of

power is approved recognizing the possibility of any deviation from the approved quantum or cost by 5%. It was observed with dismay that licensees should not seek post facto approval for power procurement that has been undertaken on account of inadequate planning and demand assessment. Only in the case of any emergency, short-term power procurement from previously identified sources may be a subject matter for post facto approval. The Commission further observed that adequate advance assessment of demand should be undertaken by REL to identify merit order sources. Anticipated UI drawal should also be assessed and accounted accordingly. REL needs to assess demand at 50Hz which will aid the forecasting of UI drawal. By efficient operation planning at 50Hz, minor imbalances of demand may be met out through UI. The power anticipated for drawal from the grid through UI mechanism, should be appropriately accounted for by REL.

8. Shri. Sharma submitted that while seeking approval of power procurement for FY 2007-08 in Case No. 75 of 2006, month-wise energy requirement and seasonal variation of the same, were not projected by REL. Energy requirement has been projected thereunder on annual basis. REL would be in a position to furnish such projections for FY 2008-09. The Commission observed that the seasonal variation in the annual demand should have projected as part of annual demand.

9. On an enquiry made by the Commission, Shri. Sharma submitted that so far as quantum is concerned, the aggregate procurement of power at the end of FY 2007-08, if approved quarterly, shall not deviate from the quantum approved under the MYT Order. However, the deviation from approved quarterly procurement quantum, if at all such a situation may arise, shall be above 5%. The Commission enquired of Shri. Sharma as to by how much percentage shall REL deviate vis-à-vis the approved procurement quantum as per the MYT Order, should REL procure power on a quarterly basis. Shri. Sharma submitted that 5% of 2289 MU is 115 MU while REL has procured 156 MU. Thus, an excess of 41 MU has been procured by REL in the first quarter of FY 2007-08. However, the deviation in terms of cost would be within the stipulated 5%.

10. The Commission observed that the variation in the first quarter of FY 2007-08 should not be assessed vis-à-vis the annual approved quantum of power purchase divided into four equal parts, on account of the seasonal variations. REL should improve its demand forecasting methodologies and submit demand forecasts (daily and monthly with seasonal variation) during the annual performance review of the MYT Order, to be submitted by November 30, 2007.

The hearing in the matter concluded thereafter.

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List of Persons present at the hearing on September 19, 2007

1. Shri. Ganesh Balasubramanian, Sr. Officer, REL.
2. Shri. P.S. Pandya, Sr. Consultant, REL.
3. Shri. S.A. Nikhalje, SE (Reg. Cell), MSPGCL.
4. Shri. R.N. Mundhe, SE, MSLDC.
5. Shri. K.N. Rajagopal, Dy Ch., BEST.
6. Shri. C.H. Shinde, Dy. Ch., BEST.
7. Shri. K. Vinodraj, Dy. Ch., BEST.
8. Shri. S.N. Pawar, BEST.
9. Shri. M.R. Dharaskar, BEST.
10. Shri. V.K. Rokhade, Suptd., BEST.
11. Shri. P.M. Hundul, AVP, REL.
12. Shri. Kapil Sharma, Head (Reg. Affairs), REL.
13. Shri. Vijay Anand, Dy. Manager, REL.
14. Shri. Sukanya Khan, Legal Dept., REL.
15. Shri. Kezman Karkaria, Head (Power Procurement), REL.