

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Coram:**

1. **Shri Ashok Basu, Chairman**
2. **Shri K.N. Sinha, Member**
3. **Shri Bhanu Bhushan, Member**

**Petition No.62/2005**

**In the matter of**

Fixation of two-part tariff of Doyang Hydro Electric Project (3x25 MW) for the period from 1.4.2004 to 31.3.2009

North Eastern Electric Power Corporation Ltd., Shillong

**.....Petitioner**

**Vs**

1. Assam State Electricity Board, Guwahati
2. Meghalaya State Electricity Board, Shillong
3. Department of Power, Govt. of Tripura, Agartala
4. Power & Electricity Department, Govt. of Mizoram, Aizawl
5. Electricity Department, Govt. of Manipur, Imphal
6. Deptt. of Power, Govt. of Arunachal Pradesh, Itanagar
7. Department of Power, Govt. of Nagaland, Kohima

**.....Respondents**

**The following were present**

1. Shri M.S. Jyewa, NEEPCO
2. Shri P.K. Borah, NEEPCO
3. Shri R. Mallik, NEEPCO
4. Shri S.S. Bhattacharya, NEEPCO
5. Shri H.M Sarma, ASEB
6. Shri K. Goswami, ASEB

**ORDER  
(DATE OF HEARING: 25.10.2005)**

The present petition is filed for fixation of tariff for sale of power from Doyang Hydroelectric Project (Doyang HEP) (3x25 MW) for the period 1.4.2004 to 31.3.2009. The tariff is to be regulated in terms of the Commission's notification dated 26.3.2004 on terms and conditions of tariff (hereinafter referred to as "the notification").

2. The petitioner had earlier filed petition No 91/2002 for approval of tariff from the date of commercial operation, that is, 10.7.2000 to 31.3.2004. On perusal of the petition, it was noticed that certain details essential for fixation of tariff, in particular the final financial package, had not been filed by the petitioner. Therefore, the petitioner was directed to furnish the additional details, including the finalised financial package. At the request of the petitioner, the time for filing of additional details was extended from time to time. The necessary details were, however, not filed.

3. During pendency of the earlier petition, the petitioner brought to the Commission's notice Ministry of Power's letter dated 22.1.2003 according to which, considering the peculiar nature of the project, Doyang HEP, the petitioner was advised that the tariff needed to be fixed @ Rs.2 per unit, to be escalated @ 5% every year, throughout the life of the generating station. Taking notice of the Ministry of Power's letter dated 22.1.2003, the Commission by order dated 17.4.2003 provisionally approved single part tariff of Rs.2 per unit from the date of commercial operation, that is, 10.7.2000 with a further direction for escalation @ 5% per year. The year-wise provisional single part tariff worked out as under:

2001-2002	Rs. 2.10/kWh,
2002-2003	Rs. 2.205/kWh, and
2003-2004	Rs. 2.315/kWh.

4. ABT was introduced in North-eastern Region w.e.f 1.11.2003. Therefore, before ABT implementation the single part tariff was required to be converted into two-part tariff for its effective implementation. Accordingly, initially the single part tariff

allowed by order dated 17.4.2003 was provisionally converted into two-part tariff by the order of 6.10.2003, which was subsequently confirmed by order of 4.4.2005.

5. The Commission has approved the primary energy rate of 50.32 paise per kWh for the year 2001-2002. The primary energy rate for subsequent years was to be worked out by the parties concerned based on the lowest variable charges of the central sector thermal power generating station in Eastern Region and the transmission charges applicable to that Region. The annual fixed charges allowed by the Commission during the period 2001-02 to 2003-04 were as under:

2001-2002	Rs.41.57 Crore
2002-2003	Rs.43.65 Crore
2003-2004	Rs.45.83 Crore

6. Based on Ministry of Power letter dated 22.1.2003, the petitioner in the present petition has sought approval of annual fixed charges for the years 2004-05 to 2008-09 as under:

Year	2004-05	2005-06	2006-07	2007-08	2008-09
Single part tariff (Rs./unit)	2.431	2.552	2.680	2.814	2.955
Ex-bus saleable Design energy (MU)	197.97	197.97	197.97	197.97	197.97
Annual Fixed Charge (Rs. in crore)	48.12	50.53	53.05	55.71	58.49

7. We have heard the representatives of the parties present at the hearing.

8. It is noticed that the petitioner has claimed the annual fixed charges after applying the escalation factor of 5% per annum over the single-part tariff of Rs.2.315/kWh applicable for the year 2003-04. The representative of the petitioner submitted that approval of final financial package for Doyang HEP was still under

consideration of the Central Government and was likely to be finalised in a short time. The representative of the first respondent, namely, Assam State Electricity Board has opposed the escalation of charges beyond 2003-04 on the ground that it cannot continue indefinitely.

9. In case of hydro power generating stations it is generally noticed that while the tariff is higher during the initial stages after commissioning of the generating station, it goes on successively reducing after the repayment of loans has started. However, in case of Doyang HEP, the situation will be reverse, in case the petitioner is allowed escalation @ 5% each year. The tariff will work out to about Rs.3/kWh by the end of current tariff period, that is, the year 2008-09 and by the same trend, the tariff may rise to Rs.11/kWh by the end of normal life of 35 years. This situation cannot be allowed to continue since it will not be in the consumer's interest. Therefore, tariff should be determined in terms of the notification for which, the final approved financial package is a necessary input, but has not been approved by the competent authority as yet.

10. As the necessary inputs for determination of tariff have not been placed on record by the petitioner, the process of actual determination thereof based the notification cannot be undertaken. We, therefore, dispose of the present petition by notionally accepting the single part tariff in terms of Ministry of Power letter dated 22.1.2003 for a period up to 31.3.2006 only. The single part tariff accordingly works out to Rs. 2.431/kWh for the year 2004-05 and Rs. 2.552/kWh for the year 2005-06. Based on this single part tariff, the petitioner shall be entitled to annual fixed charges for these two years as under:

<u>Year</u>	<u>Annual Saleable Design Energy</u>	<u>Annual Fixed Charges</u>
2004-05	197.97 MU	Rs.(197.97 x 2.431)/10 crore= Rs 48.13 crore
2005-06	197.97 MU	Rs.(197.97 x 2.552)/10 crore= Rs 50.52 crore

11. The primary energy rate for Doyang HEP shall be worked out in accordance with Regulation 39 of the notification based on the lowest variable charges of the Central sector thermal power generating stations in the North-eastern Region. In case the parties are unable to agree, any one of them may approach the Commission for its decision.

12 We take this opportunity to impress upon the Central Government that necessary approval of revised financial package may be finalised at an early date so that the tariff beyond 31.3.2006 can be considered in terms of the notification which governs the terms and conditions of tariff in all other cases. A copy of this order may be sent to the Secretary, Ministry of Power for his appropriate action. The petitioner shall also vigorously pursue the matter with the concerned authorities to ensure expeditious finalisation of the revised financial package.

13. Accordingly, the petition No. 62/2005 stands disposed of. The petitioner is at liberty to make a fresh application for approval of tariff for the period 1.4.2006 to 31.3.2009 in the light of the decision of the competent authority on the revised financial package.

**Sd/-  
(BHANU BHUSHAN)  
MEMBER**

**Sd/-  
(K.N. SINHA)  
MEMBER**

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

**New Delhi dated the 31<sup>st</sup> October 2005**