

BEFORE THE ANDHRA PRADESH ELECTRICITY REGULATORY
COMMISSION * HYDERABAD

O.P. No. 13 of 2012

IN THE MATTER OF

Petition requesting the Andhra Pradesh Electricity Regulatory Commission

- I. To reject the review petition as it is time barred
- II. To reject the review petition as the grounds mentioned are not new
- III. Not to alter the capital cost of wind turbine adopted in 2009 Order
- IV. Not to concede InWEA request to hike wind energy tariff
- V. To give us an opportunity to be heard in person

IN THE MATTER OF

Name and full address of the petitioner:

People's Monitoring Group on Electricity Regulation,
First Floor, 1-9-291/6/1, Vidya Nagar,
Hyderabad – 500 044.

Represented by:

M. Thimma Reddy
Convenor,
People's Monitoring Group on Electricity Regulation,
First Floor, 1-9-291/6/1, Vidya Nagar,
Hyderabad – 500 044.

And

Name and full address of the Respondents:

Indian Wind Energy Association

BEFORE THE ANDHRA PRADESH ELECTRICITY REGULATORY
COMMISSION, 82-2-283/B/1, Road No.3, Banjara Hills,
HYDERABAD.

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Petition requesting the Andhra Pradesh Electricity Regulatory Commission

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4. Not to concede InWEA request to hike wind energy tariff

AFFIDAVIT VERIFYING THE MEMORANDUM OF OBJECTIONS

I, M.Thimma Reddy, son of M.Pothi Reddy, 1-9-291/6/1, Vidya Nagar, Hyderabad – 44, do hereby solemnly affirm and state as under:

1. I am the Convenor of the People's Monitoring Group on Electricity Regulation (PMGER), the applicant in the above matter and am duly authorised by the said applicant to make this memorandum of objections on its behalf.
2. The statements made in the paragraphs of the accompanying memorandum of objections now shown to me are true to my knowledge, derived from the review petition filed by InWEA and other documents made available by the APERC and the material gathered by the People's Monitoring Group on Electricity Regulation (PMGER) and made available to me and are based on information and advice received which I believe to be true and correct.

Deponent.

07 – 05 – 2012.

Hyderabad

**BEFORE THE ANDHRA PRADESH ELECTRICITY REGULATORY
COMMISSION * HYDERABAD**

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1.1 Though the Public Notice dated 17-04-2012 was published on 23-04-2012 the relevant documents as promised in the Notice were not placed on the website of the Commission until 27th April 2012. Because of this we lost precious time to examine the application made by Indian Wind Energy Association (InWEA). The public were supposed to comments and suggestions within two weeks from the date of publication of this notice. Though subsequently the date for public hearing was postponed from 10th May to 15th May, 2012 the date for written submission was not changed. We hope that in future the Commission will make the documents publicly available as promised, proactively.

1.2 The admission of the petition filed by InWEA dated 31—01- 2012 and putting it for public hearing raises the issues of Commission's priorities. While there is no dispute on the importance of promoting new and renewable sources of energy there are equally or even more important issues, as far as AP's power sector is concerned, are pending before the Commission for years. PPAs related to new power plants of APGENCO with combined capacity of more than 2000 MW are pending before the Commission for nearly three years. And the Commission also allowed the APDICOMs to procure power from these plants. We have been requesting the Commission to examine these PPAs immediately as these are having very adverse impact on retail supply tariffs in the state.CAG which had in the recent past examined some of these plants reported excess spending in execution of these plants. During a recent public hearing on RPPO & REC held on 12-01-2012 in response to a submission to one of the objectors the Commission Chairman directed the staff to initiate the process on these PPAs. But after that we did not come across any development on this front.

1.3 We have filed a review petition on the Commission's Orders to revive PPA with BPL on 27-08-2010. A hearing to examine the admission of this review petition was held on 01-10-2011, which is more than one year after the submission of our petition. To this day we do not know the fate of our petition. At the same time the Commission not only admitted InWEA's petition but also scheduled a public hearing. And if news reports are to be believed the Commission is favourably disposed to give consent to the tariff hike proposed by InWEA, if not in toto (Annexure: 1 - News clipping from The Hindu Business Line, dated 08-03-2012).

1.4 Even the way the Commission issued the Regulation 1 of 2012 dated 21-03-2012 on compliance of new RPPO and REC raise many issues. The Commission took up the issue even when the existing order on RPPO is valid up to the year 2014. During the public hearing when some of the objectors questioned the examination of issues related to Renewable Energy Certificate (REC) members of the Commission responded that they were only floating the idea related to REC but would not take a decision on it. But when the Order in the form of Regulation was issued 21-03-2012 it basically dealt with RECs. What is more unlike the RPPO Order dated 31-03-2009 the present Regulation/Order is not signed by the members of the Commission who heard the public but by the Secretary to the Commission. Also, this new Order does not examine issues placed before the Commission by different stakeholders during the public hearing there by violating its own regulations on conduct of business. In sum, it is not a reasoned Order.

1.5 This gives an impression that the Commission is under pressure to issue such Orders to the detriment of the public interest. Here it would not be out of place to mention that one of the present cabinet ministers of AP heads the Wind Energy Association of AP and in all probability the GoAP is putting its weight on the proposals of InWEA.

1.6 ERC is meant to be an independent, quasi-judicial entity to balance the interests of all stakeholders and regulate the power sector in transparent, economical and efficient manner. We hope that the APERC would return to its mandate.

2.1 InWEA has filed the present petition under Section 94 (1) (f) of the Electricity Act, 2003 to review the Commission's Order dated 1st May 2009 on tariff for wind energy. According to Clause 49 (1) of Conduct of Business Regulations [Regulation 2 of 1999] of the Commission the review petition need to be filed within 90 days of making of any decision by the Commission. As the present review petition was filed on 31st January 2012, beyond 90 days limitation, it is time barred and the same is liable to be rejected. As such we request the Commission to dismiss the review petition.

2.2 Though InWEA in its review petition claims that significant change have taken place since the Commission issued its Order on wind energy tariff on May 1, 2009 (para 8.2) it is using the same information that it had used in its filings in 2008-2009. It continued to adopt the same capital cost per MW of Rs. 5.75 crore which it had used in its previous submissions and what is more it uses almost the same old information on the per MW cost incurred by some of the PSUs which had set up these plants. As the grounds on which InWEA wants the review petition to be admitted also do not hold the same needs to be rejected.

3.1 According to Section 6.4 of the National Tariff Policy “ the Appropriate commission shall fix a minimum percentage for purchase of energy from such sources taking in to account availability of such resources in the region and its impact on tariffs ... It will take some time before non-conventional technologies can compete with conventional sources in terms of cost of electricity. Therefore, procurement by distribution companies shall be done at preferential tariffs determined by the Appropriate Commission”

3.2 One of the issues that needs to be addressed is the wind energy potential in the state; that is, extent of availability of such resources in the region. There are varied estimates regarding the wind energy potential in the state. Some years back the NREDCAP estimated the wind energy potential at 2110 MW. Later, in 2009 the Indian Wind Energy Association (InWEA) estimated the potential at 8675 MW. The present petition of InWEA places the figure at 14,497 MW. This may increase further as Berkeley Laboratories of US has recently has come out with an estimate of 2006 GW to 3,121 GW for India as a whole which is 20 times higher than the present official estimate. This study is reported to have claimed that wind energy potential in AP is higher than Tamil Nadu. NREDCAP may be directed to come out with a clear picture of wind energy potential in the state.

3.3 Another issue that needs to be kept in mind is that the ‘preferential tariff’ impact on tariffs is not adverse.

How far tariff is factor in influencing the setting up of the wind energy plants:

4.1 InWEA argued that in AP though wind energy potential is there installed capacity did not increase because of lower tariff offered. In their petition InWEA contended that under the existing tariff it was difficult to get reasonable return (para. 7) and that wind tariff was inadequate to recover cost (para 9.3). But an examination of the information provided in their own petition shows that tariff is not an issue in spread of wind energy generation.

State	Tariff (Rs/U)	Installed Capacity in 2004-05 in MW	Installed Capacity in 2007-08 in MW	Capacity Added in MW
AP	2.70	121.2	122.5	
Tamil Nadu	2.90	2057.3	3873.4	1861.1
Gujarat	3.37	268.0	1252.9	984.9
Karnataka	3.40	411.3	1011.4	600.1
Maharashtra	3.50	457.3	1755.9	1298.6
Rajasthan	3.60	284.8	538.8	254.0
Madhya Pradesh	3.97	29.5	187.7	158.2

4.2 The above table based on information made available as a part of process in 2009 shows that though Tamil Nadu offered lower tariff than other states mentioned in the table it added more new capacity (1861.1 MW) than other states. Madhya Pradesh offered more tariff than other states but added lesser new capacity (158.2 MW) than other states. From this it is clear that lower tariff approved by the Commission cannot be taken as a reason for lower capacity addition in AP.

State	Tariff (Rs/U)	Installed Capacity in 2008-09 in MW	Installed Capacity in 2011-12 in MW	Capacity Added in MW
AP	3.50	122.45	199.20	76.75
Tamil Nadu	3.39	4304.52	6286.00	1981.48
Gujarat	3.56	1566.51	2337.30	770.79
Karnataka	3.70	1327.35	1773.20	445.85
Maharashtra	3.38 – 5.07	1938.85	2400.00	461.15
Rajasthan	3.87 – 4.08	746.52	1678.50	931.98
Madhya Pradesh	4.35	212.79	275.90	63.11

4.3 The same story continues after 2009 also. Even though AP higher tariff than Tamil Nadu the capacity addition in AP is no comparison to TN. Similarly, in Madhya Pradesh though its tariff is higher than AP its capacity addition is lower than AP. This shows that there are other factors that influence wind energy capacity addition apart from power purchase tariff allowed by the respective Commission.

4.4 From the above it is clear that tariff is not the only factor influencing the setting up of the wind energy plants. It is important to examine other factors which might have been impeding spread of wind energy in Andhra Pradesh. In this context APERC along with NREDCAP may conduct a study on factors that are coming in the way of tapping wind energy potential in AP.

Project/capital cost:

5.1 Unreliable figures on capital costs of wind energy units are coming in the way of arriving at proper cost of generating wind energy. Near monopoly condition in wind turbine manufacturing and lack of transparency is coming in the way of arriving at reliable numbers. The following table adopted from the application made by the InWEA before the APERC in 2008 provides per MW cost of wind power plants quoted by Suzlon Power in different states within a gap of few months:

Client	Submission date	Cost per MW (Rs in Crore)
Gujarat Alkalies	17-3-2007	5.14
Chennai Port Trust	4-4-2007	5.36
Rajasthan Mines & Minerals	23-4-2007	5.16
ONGC – Gujarat	15-6-2007	6.08
BEL – Karnataka	16-6-2007	7.45

5.2 The above table shows that the Suzlon Power Company hiked the cost of plant per MW by more than Rs. 2 crore within three months. Based on these figures InWEA adopted capital cost of Rs. 5.75 crore per MW. And based on this capital cost it wanted to adopt Rs. 4.41 per unit power purchase cost from wind energy units.

5.3 As a part of the present petition InWEA provided a list of PSUs which have set up wind turbines through tendering process. But it did not state whether the tender conditions are the same for all of them to be comparable. Also there is wide divergence in the capital cost of different units within each state. For example, take the case of Tamil Nadu units while per MW cost of one unit (ICF, Chennai) is Rs. 6.29 crore cost of another unit (Nuclear Power Corporation) is Rs. 5.02 crore, a difference of 25.3%. This difference in capital cost does not appear to be normal. InWEA in this petition did not mention the period for which these tenders are applicable and companies which won these tenders.

5.4 As a cartel operates in the wind turbine market and there is no transparency in the capital costs adopted by different wind turbine manufacturers as well as wind energy developers the Commission cannot put faith in the figures provided by InWEA.

5.5 There are no grounds to change the capital cost adopted by the Commission.

5.6 In order to arrive at a more reliable estimate of capital costs the Commission may direct InWEA and NREDCAP to provide a detailed break up of costs, with bills, incurred in setting up wind turbines. These details shall include major components of a wind station. This information shall cover plants set up in different geographical locations and over different time periods.

Return on equity:

6.1 In the case of return on equity the Commission may, instead of applying a uniform rate for all units, distinguish between the units that received concessions like tax holiday. Accelerated depreciation and generation based incentive and other units that did not receive any concession and accordingly specify the return on equity applicable to different units. This may take in to account the preferential tariff aspects.

7.1 InWEA based on different parameters wanted the Commission to adopt Rs. 4.92 per unit as wind energy tariff. As most of the grounds adduced by InWEA were already examined in the past and turned down the Commission may continue with the existing tariff.

7.2 As the proposed tariff is meant for new plants the competitive bidding route may be taken to select the wind energy developer as well as the tariff at which electricity will be procured from the selected developer. At present there is no transparent process to select wind energy developers in the state. This has led to many controversies in allotting lands to the developers so selected. The Competitive bidding route will help to increase transparency and bring down tariffs also. This method would encourage technology improvement for efficient operation which in turn will lead to lower tariff.

8.1 Wind energy generation is characterized by steep fluctuations in its availability. This poses challenge to grid management as well as places burden on DISCOMs to plan nearly as much capacity from other sources. In order to have a better idea about availability of wind energy plants necessary infrastructure needs to be put in place to improve the accuracy of wind forecast in AP.

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Wind power producers hopeful of tariff hike in AP

M. RAMESH

CHENNAI, MARCH 7:

A statement by the Chairman of the AP Electricity Regulatory Commission at a recent hearing to the effect that the Commission would consider raising the wind power tariff provided there were petitions seeking a hike, has raised hopes among the wind power developers. A stream of petitions has landed in the Commission's office, it is learnt.

Andhra Pradesh is now in the reckoning as among the more windy States, thanks to a recent assessment of the Centre for Wind Energy Technology. C-WET has said that if you put up wind turbines at a height of 80 metres, there are enough sites in the State to generate 14,500 MW. The wind power tariff today is Rs 3.60 a unit, which is "unappealing". Wind energy players say that going by the guidelines for tariff determination announced recently by the Central Electricity Regulatory Commission, the minimum tariff anywhere in the country for wind power works out to Rs 4.78 a unit.

But renewable energy companies are not too happy with Andhra Pradesh. The State, for instance, is yet to announce its 'renewable purchase obligation' rules and the definition of 'average pooled purchase cost'.

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(The Hindu Business Line, March 8, 2012)