BEFORE MAHARASHTRA ELECTRICITY REGULATORY COMMISSION, MUMBAI

Additional Submission on

Long Term Power Purchase Agreement between MSEDCL and Lanco Energy (Teesta VI hydro project)

By

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In our previous submission regarding this issue, we pointed out several data gaps in the proposal submitted by MSEDCL. During the public hearing dated 9th January 2007, certain new facts became known to us after presentations of MSEDCL and Lanco Energy which were not mentioned in MSEDCL proposal. In light of this, we are submitting the following comments in addition to our previous submission dated 6th January 2007.

1. It became clear during the public hearing that certain documents (such as DPR, Tariff model etc) were submitted by Lanco/MSEDCL to the MERC or MSEDCL. However, the Commission did not hold the technical validation session for identifying data gaps and consistency of these documents. Considering criticality of such documents in determining the generation tariff, generation pattern and financial impact on consumers, we strongly advise MERC to hold technical validation sessions in such cases. Moreover, a list of documents available with the Commission should also be mentioned in the public notice. In this case, we request the Commission to share these key documents (DPR, TEC by CEA, tariff model etc) with the consumer representatives.

2. In the presentation made by MSEDCL (page 3, slide 5), peaking capability of Teesta VI project (in hours/day) for every month is presented in the form of a chart. It is clear from the chart that the project would generate for 24 hours between June and September which are monsoon months in Maharashtra and the demand for power is much less than the peak season. For rest of the months, the plant generates 500 MW for 3-5 hours. But the monsoon generation is about 50% of the total generation from Teesta VI. As we have already submitted, adding ER CTU charges and Maharashtra STU losses and charges, the landed cost of power at MSEDCL boundary would be at least Rs 3.25/kWh for all units (including monsoon energy). Thus, in effect,

MSEDCL proposal envisions a must-run base load plant during monsoon months for next 25 years with landed cost of at least Rs 3.25/kWh, which appears very high for a base load generation. We request the Commission to particularly address this issue in the order and specifically work out the overall financial impact on MSEDCL and consumers.

3. According to clause 4.3.5 of the PPA submitted by MSEDCL, in case MSEDCL fails to draw the contracted energy, MSEDCL would have to compensate Lanco the difference between MSEDCL tariff and third party tariff in case third party tariff is less than MSEDCL tariff. However, looking at the demand pattern across India, it is quite unlikely that demand for base load power would come in monsoon months at a landed cost of more than Rs 3/kWh. This means that MSEDCL would probably have to pay for the power it cannot buy during the monsoon monsoon.

4. We should understand that the present PPA with Lanco would have implications for next 25 years. Thus, justifying the techno-economic viability of the project based on current power shortages would be inappropriate. Therefore, a scientific demand forecast and integrated capacity addition plan on least cost principles should be submitted by MSEDCL. We request the Commission not to approve any long term power purchase arrangements proposed by MSEDCL unless it submits the aforesaid forecast and integrated capacity addition plan.

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