

Rajasthan Electricity Regulatory Commission

Petition No. 1285/17 & 1286/17

In the matter of petition filed by M/s Raj West Power Ltd., for determination of tariff for its 1080 MW Lignite based thermal generating station for FY 2018-19 and

In the matter of petition filed by M/s Barmer Lignite Mining Company Ltd., for determination of transfer price of Lignite for FY 2018-19 from Kapurdi and Jalipa mine.

Coram:

Shri Vishvanath Hiremath,	Chairman
Shri R. P. Barwar,	Member
Shri S. C. Dinkar,	Member

Petitioners :

1. M/s Raj West Power Ltd. (1285/17)
2. M/s Barmer Lignite Mining Company Ltd. (1286/17)

Respondents:

1. Jaipur Vidyut Vitran Nigam Ltd.
2. Ajmer Vidyut Vitran Nigam Ltd.
3. Jodhpur Vidyut Vitran Nigam Ltd.

Date of hearing: 26.04.2018

Present:

1. Sh. Aman Anand, Advocate for Petitioners
2. Sh. P. N. Bhandari, Advocate for Discoms

Date of order : **10.05.2018**

INTERIM ORDER

1. M/s Raj West Power Ltd. (RWPL) has filed a petition before the Commission on 27.11.2017 for determination of tariff for its 1080 MW Lignite based thermal generating station for FY 2018-19.

2. RWPL has prayed to allow the following tariff for FY 2018-19 as under:

S.No.	Particulars	Proposed Tariff (Rs./KWh)
1.	Fixed Charges	1.8792
2.	Variable Charges	2.8584
3.	Total Charges	4.7375

3. RWPL has also prayed to award a reasonable interim tariff for its power plant in view of the fact that the current interim tariff is expiring on 31.03.2018, so as to enable the Petitioner to supply electricity to the Respondents, subject to adjustment against the final tariff of the generating station to be determined by the Commission.

4. M/s Barmer Lignite Mining Company Ltd. (BLMCL) has also filed a petition bearing No. 1285/17 before the Commission on 27.11.2017 for determination of transfer price of lignite for FY 2018-19 from Kapurdi and Jalipa mines for supply to RWPL's Lignite based 1080 MW (8x135 MW) thermal generating station.

5. BLMCL has prayed for transfer price of lignite from Kapurdi and Jalipa mines for FY 2018-19 as detailed below:

S.No.	Item	Rate
1	Lignite Transfer Price before royalty, VAT and other statutory levies	Rs. 2036.78/ MT
2	Royalty(6% Add-valorem)	Rs. 122.21/ MT
3	Contribution to District Mineral Foundation @ 30% of Royalty	Rs. 36.66/ MT
4	Contribution to National Mineral Exploration Trust Fund @ 2% of Royalty	Rs. 2.44/ MT
5	GST @ 18% on (Royalty, DMFT and NMET)	Rs. 29.04/ MT
6	Clean Energy Cess	Rs. 400.00/ MT
7	GST @ 5% on invoice value	Rs.131.36/ MT
8	Sub Total: (1to 7)	Rs. 2758.49/ MT
9	Less: CENVAT/ Input credit for GST@5%	Rs. 131.36/ MT
10	Total (8-9)	Rs. 2627.13/ MT

6. BLMCL has also prayed to award a sustainable ad-hoc interim transfer price of lignite for Kapurdi and Jalipa mines in view of the fact that the current transfer price of lignite available with Petitioner is expiring on 31.03.2018 to enable the Petitioner to continue to supply lignite to RWPL generating station, subject to adjustments.
7. The matter was heard on 26.04.2018 for determination of interim tariff for RWPL's Lignite based power station and interim Transfer price of lignite from Kapurdi and Jalipa mine for FY 2018-19. Shri Aman Anand, Advocate appeared for Petitioners and Shri P N Bhandari, Advocate appeared for Discoms.
8. Sh. Aman Anand, Advocate submitted as under:
 - (i) The permission for extracting lignite from Kapurdi Mine for enhanced capacity (i.e., 7 MTPA) has come to an end in FY 2017-18, and it has extracted lignite from Kapurdi on enhanced capacity for FY 2014-15, 2015-16, 2016-17 and FY 2017-18. Now the permissible quantity for extraction of lignite from Kapurdi mine is 3.75 MTPA.
 - (ii) The environmental clearance for Jalipa Mine was obtained on 29.04.2010 and the mining lease for Jalipa mine was transferred to the Petitioner on 25.05.2015. As per Rule 28 of the Mineral Concession Rules, 1960, the Petitioner was statutorily obligated to commence mining operations on Jalipa mine, within one year.
 - (iii) Jalipa mine has achieved its commercial operation on 01.11.2017 and started dispatch/supplying lignite for the power plant of M/s Raj West Power from 15.11.2017 and by end of 31.03.2018 total quantity of 1.07 lakhs Metric Ton of lignite has been supplied from Jalipa mine.

- (iv) The Statutory Auditor has certified the capital expenditure incurred on Jalipa Mines as on COD.
 - (v) The Petitioner vide its written submissions dated 27.04.2018 while enclosing the actual GCV certificates for the period starting from Nov 2017 to March 2018 has submitted that the interim transfer price of lignite may be granted on the mining plan GCV, as assumed in the petition subject to adjustments at the time of true up; or in the alternative if the Commission is inclined to consider the actual GCV then in that event Petitioner has prayed the Commission to take into account the corresponding adjustment in the lignite transfer price, so that the price per Kcal equilibrium is not disturbed.
 - (vi) The Petitioner further submitted that the provisional transfer price applicable for FY 2017-18 would be insufficient and at that price the mining operations would become unviable. The Petitioner also submitted the Fixed Charge component of transfer price of lignite from Jalipa mine is higher due to higher Capital Cost and this aspect also needs to be considered while allowing ad-hoc interim tariff for FY 2018-19. In view of above, Petitioner has prayed to allow a reasonable ad-hoc interim tariff and transfer price of lignite from Kapurdi and Jalipa mine for FY 2018-19 till final tariff is determined by the Commission.
9. Sh. P. N. Bhandari, Advocate appeared for Discoms and made oral submissions during the hearing on behalf of Respondent Discoms. The Respondent Discoms have not made any written submissions in the matter.
10. Sh. Bhandari during the hearing submitted that it has been observed that the interim tariff allowed by the Commission in previous years were higher than the final tariff, therefore while allowing the interim tariff for FY 2018-19,

Commission should consider the said observation. Sh. Bhandari also submitted that the interim tariff allowed for FY 2017-18 is already on higher side and therefore no further increase in interim tariff should be allowed.

Commission's views/decisions:

11. We have carefully considered the prayer of the Petitioners for grant of increase in interim tariff, the objections filed on behalf of the Respondents to the same and arguments addressed by Ld. Counsel of Petitioners and Respondents.
12. As the prayers made by both generating and mining companies are interrelated, Commission has considered both the petitions and prayers together and is passing the following common interim order.

Lignite Transfer Price

13. Commission observes that BLMCL has filed this petition for determination of transfer price for FY 2018-19 from Kapurdi and Jalipa Mines for supply to M/s Raj WestPower Limited's lignite based 1080 MW thermal generating station.
14. The Commission also observes that the bidding process for finalization of transfer price of lignite is under process and considering the fact that Jalipa mine has achieved its commercial operation on 01.11.2017 and started dispatch/supplying lignite for the power plant of M/s Raj WestPower as per e-Rawana receipts submitted by the Petitioner.
15. The Commission also observes that subsequent to approval of ad-hoc lignite transfer price for FY 2017-18, following developments have happened which needs to be kept in mind while allowing the ad-hoc lignite transfer price for FY 2018-19:

a) Implementation of GST which has changed the tax structure applicable on Transfer Price of Lignite.

b) Commencement of production of lignite from Jalipa Mine and lignite being supplied during FY 2018-19 is from both Kapurdi and Jalipa Mines, instead of only Kapurdi mine as considered at the time of approval of ad-hoc lignite transfer price for FY 2017-18.

16. Therefore, at this stage pending consideration of petitions on merits, Commission deems it appropriate to consider 70% of Lignite Transfer Price before royalty, VAT and other statutory levies as proposed by the Petitioner.

17. Based on the above, interim transfer price for FY 2018-19 from Kapurdi and Jalipa lignite mines for supply to RWPL's Lignite based thermal generating station works out as under:

S.No.	Item	Rate
1	Lignite Transfer Price before royalty, VAT and other statutory levies	Rs. 1425.75/MT
2	Royalty(6% Add-valorem)	Rs. 85.54/ MT
3	Contribution to District Mineral Foundation @ 30% of Royalty	Rs. 25.66/ MT
4	Contribution to National Mineral Exploration Trust Fund @ 2% of Royalty	Rs. 1.71/ MT
5	GST @ 18% on (Royalty, DMFT and NMET)	Rs. 20.33/ MT
6	Compensation Cess	Rs. 400.00/ MT
7	GST @ 5% on Invoice Value (on S.No 1 to 4)	Rs. 76.93/ MT
8	Sub Total: (1 to 7)	Rs. 2056.94/ MT
9	Less: CENVAT/ Input credit for GST@5%	Rs. 76.93/ MT
10	Total (8-9)	Rs. 1958.99/ MT

Variable Charges

18. For calculating the interim variable charges, Commission has considered the transfer price of lignite from Kapurdi and Jalipa mines as Rs. 1959/ MT. The interim variable charges for FY 2018-19 thus works out to Rs. 2.15/unit.

Fixed Charges

19. RWPL in its petition has claimed fixed charges of Rs. 1.8792/unit. As per the Petitioner, the fixed charges are based on capital cost approved by the Commission vide its order dt. 24.02.2016 along with subsequent capitalization including additional capitalization. Commission further observes that the final fixed charges for FY 16-17 are Rs 1.817/unit and the tariff order for FY 2017-18 is reserved. The fixed charges per unit have reduced on year to year basis while approving the final tariffs from FY 2014-15 to FY 2016-17. Therefore, pending prudence check and adjustments after detailed consideration, the Commission deems it appropriate to allow the fixed charges for FY 2018-19 on interim basis as Rs. 1.70/unit.

20. In the light of what has been discussed above, the interim tariff for units 1 to 8 for FY 18-19 and transfer price on ad-hoc basis for FY 18-19 works out as under:

S.N.	Item	Rate
1.	Lignite Transfer Price	Rs.1959/MT
2.	Fixed cost	Rs. 1.70/unit
3.	Variable cost	Rs. 2.15/unit
4.	Total Tariff	Rs. 3.85/unit

21. Payment made, based on the above interim tariff, would be subject to normative target availability for recovery of full capacity charges and target PLF for incentive as specified in Tariff Regulations, 2014 in respect of lignite fired thermal power stations using CFBC technology.

22. Interim tariff for units 1 to 8 of the RWPL and interim transfer price of BLMCL would be applicable from 01.04.2018 subject to adjustment to be made based on final orders.

(S. C. Dinkar)
Member

(R. P. Barwar)
Member

(Vishvanath Hiremath)
Chairman