

OP No.29 of 2026**FR No.36 of 2026****ANDHRA PRADESH CENTRAL POWER DISTRIBUTION CORPORATION LIMITED**

Corporate office, Vidyuth Nilayam

Beside APTRANSCO-GENCO Vidyut Soudha, Eluru Road, Gunadala, Vijayawada - 520004

From
The Chief General Manager
Projects, Corporate Office
APCPDCL, Vijayawada.

To
The Secretary, APERC
Vidyut Niyantana Bhavan
Adjacent to 220/132/33/11 KV
Carbides Sub Station
Dinnedevarapadu Road
KURNOOL - 518002, A.P.

Lr.No.CGM-PROJ/GM/PP&RAC/EE/APCPDCL/F. K.C.P.11/E.357219, Dt:10-06-2026

Sir,

Sub: - APCPDCL- Power Purchase – Filing of Petition before Hon'ble APERC seeking approval for the continuation agreement entered on 12.05.2026 between APCPDCL and M/s. KCP Sugar and Industries Corporation Limited for procurement of Power from their 12 MW Bagasse Based Co-generation power plant located at Vuyyuru(v) & (M), Krishna District in Andhra Pradesh– Submitted - Regarding.

Ref: Letter: APERC/Tariff/Consultant/F:E-952/D.No.30, Date: 28.01.2026.

In accordance to the directions of Hon'ble APERC, APCPDCL herewith submitting the Petition before this Commission in the matter of seeking approval for the continuation agreement entered on 12.05.2026 between APCPDCL and M/s. KCP Sugar and Industries Corporation Limited for procurement of Power from their 12 MW Bagasse Based Co-generation power plant located at Vuyyuru(v) & (M), Krishna District in Andhra Pradesh for kind consideration of Hon'ble Commission.

Encl: Petition in original (5 sets)

Yours faithfully



#ApprovedBYName#
CHIEF GENERAL MANAGER
PROJECTS
APCPDCL:: VIJAYAWADA

Digitally signed by
LINGAMURTHY KARI

Date: 10-06-2026

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

AT ITS OFFICE AT VIDYUT NIYANTRANA BHAVAN, 220/132/33/11 KV SS AP
CARBIDES, DINNEDEVARAPADU ROAD, KURNOOL-518002.

O.P. No. of 2026

IN THE MATTER OF:

Petition filed under Section 86 1(b) read with Section 86 1(e) of the Electricity Act, 2003, seeking approval for the continuation agreement entered on 12.05.2026 between APCPDCL and M/s. KCP Sugar and Industries Corporation Limited for procurement of Power from their 12MW Bagasse Based Co-generation power plant located at Vuyyuru(v) &(M), Krishna District in Andhra Pradesh.

Between

**Andhra Pradesh Central Power Distribution Corporation Limited
("APCPDCL")**

Corporate Office, Vidyuth Nilayam, Beside APTRANSCO-Genco Vidyut Soudha, Eluru Road, Gunadala, Vijayawada – 520004.

..... Petitioner

AND

M/s. KCP Sugar and Industries Corporation Limited

..... Respondent

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Place: Vijayawada

Date: 11.06.2026


Petitioner

**CHIEF GENERAL MANAGER
PROJECTS, APCPDCL
VIJAYAWADA**

BEFORE THE HONOURABLE ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION

AT ITS OFFICE AT VIDYUT NIYANTRANA BHAVAN, 220/132/33/11 KV SS AP
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Between

Andhra Pradesh Central Power Distribution Corporation Limited ("APCPDCL")

Corporate Office, Vidyuth Nilayam, Beside APTRANSCO-Genco Vidyut Soudha, Eluru Road, Gunadala, Vijayawada - 520004.

..... Petitioner

AND

M/s. KCP Sugar and Industries Corporation Limited

..... Respondent

Petition Filed under Section 86 1(b) read with 86 1(e) of the Electricity Act, 2003

1. It is submitted that initially the APTRANSCO had entered into a PPA with M/s KCP Sugar and Industries Corporation Limited on 21.01.2003 for procurement of power from 20 MW Bagasse based power plant for a period of 20 years from COD at the tariff as determined by APERC from time to time.
2. The PPA was amended on 24.09.2004 due to modifications as directed by APERC. Later, the PPA was again amended on 23.10.2004 as proposed by the generator for implementation of 20 MW projects in two phases i.e 12 MW in 1st phase and 8 MW in 2nd phase. However, the generator had established only 1st phase of 12 MW, out of which the export of power to Grid for sale to APTRANSCO is 6 MW and the COD (Commercial Operation date) was declared on 26.12.2005.
3. This Hon'ble commission vide order dated 20.03.2004 for NCE projects, inter-alia, determined the Generic fixed cost (FC) tariff for Bagasse based projects for first 10

years of operation and Generic variable cost (VC) tariff for FY2004-05 to FY2008-09 with effect from 01.04.2004. The said determined tariff was contested before various fora by the NCE developers. After due legal proceedings, finally this Hon'ble commission vide order dated 22.06.2013 revised the said tariff. Further, this Hon'ble commission also determined the FC beyond 10 years of operation vide order dated 05.08.2014. Consequently, Variable cost is being determined by this Hon'ble Commission for every 5 years control period with effect from 01.04.2004.

4. It is submitted that the Generic tariff determined by this Hon'ble Commission applicable for Bagasse based projects are tabulated as follows:

Year of Operation	Fixed Cost Rs./Unit	Tariff determined by APERC	Financial year	Variable Cost Rs./Unit	Tariff determined by APERC
1 st	1.92	As per APERC Order dt:22.06.2013	2004-05	1.31	As per APERC Order dt:22.06.13
2 nd	1.88		2005-06	1.38	
3 rd	1.84		2006-07	1.44	
4 th	1.8		2007-08	1.52	
5 th	1.77		2008-09	1.59	
6 th	1.73		2009-10	1.67	As per APERC order dt:06.08.13
7 th	1.7		2010-11	1.75	
8 th	1.67		2011-12	1.84	
9 th	1.6		2012-13	1.93	
10 th	1.16		2013-14	2.03	
11 th	1.18	As per APERC order dt:05.08.2014	2014-15	2.73	As per APERC order dt:16.05.14
12 th	1.22		2015-16	2.93	
13 th	1.27		2016-17	2.78	
14 th	1.32		2017-18	2.81	
15 th	1.37		2018-19	3.07	
16 th	1.43		2019-20	3.14	As per APERC order dated:10.02.2020
17 th	1.49		2020-21	3.30	
18 th	1.55		2021-22	3.47	
19 th	1.62		2022-23	3.64	
20 th	1.7		2023-24	3.82	
			2024-25	3.93	As per APERC order 05.09.2024
			2025-26	4.07	
			2026-27	4.21	
			2027-28	4.35	
			2028-29	4.50	

Note: APERC order dated 22.06.2013 & 06.08.2013 is under contest before Supreme Court. Based on the directions of Supreme Court dated 16.12.2013, the tariff was paid from the date of order and 50% differential arrear amounts were also paid. Apart that, the developer was paid the tariff by APDISCOMS as indicated above.

5. Further, it is submitted that M/s KCP Sugar and Industries Corporation Limited vide letter dated 13.08.2025 requested APCPDCL for renewal of PPA for further period after expiry of PPA i.e., with effect from 26.12.2025 on the ground of the existing PPA Tariff for FY2025-26 besides seeking Tariff for subsequent financial years as may be determined by the Honorable APERC.
6. Whereas in pursuant to the clause 7 of the expired PPA and based on the orders of the Hon'ble APERC in respect of M/s. Chodavaram Co-operative Sugars Ltd, a series of negotiations have been carried out between M/s KCP Sugar and Industries Corporation Limited and APDISCOMS.
7. Accordingly, it has been agreed and decided on mutual consensus of both parties i.e., M/s KCP Sugar and Industries Corporation Limited and APDISCOMS for execution of continuation agreement to the PPA dt.21.01.2003 for a period of 20 years at a fixed tariff of Rs 4.50 per unit, de hors to the increase in fuel cost in future w.e.f. 26.12.2025 subject to approval of the Honorable APERC. The same was communicated by the generator vide letter dt.01.12.2025.
8. Also, the generator vide letter dt.01.12.2025 has assured to supply at least 2 MW more during peak hours (as specified by Honorable APERC under its RSTO or any other instructions from APSLDC from time to time) when compared to the previous crushing seasons.
9. Further submitted that the tariff paid to the generator for the 20th year of operation i.e., the last year of the previous PPA (expired on 25.12.2025) is Rs 5.77 per unit as per existing APERC orders. But the tariff now agreed by the generator for continuation of the agreement for 20 years is Rs 4.5/-per unit, which is less compared to the previous tariff paid.
10. It is submitted that the plant has been generally exporting power to the grid during season for the period from December to March of every year. And this generation will help APDISCOMs as availability of power for these months is pivotal.
11. In this context, it is to submit that as per APERC order dt.05.09.2024, which was framed on par with CERC Regulations for tariff determination of RE projects, the price paid to generator prior to expiry of the PPA was Rs 5.77 per unit. Accordingly, the fuel cost was allowed to be escalated @3.45% per annum. Owing to this, VC would increase substantially and average tariff arrived for 20 years period would be

much higher. Whereas the developer requested for extension of PPA for further period of 20 years at constant tariff of Rs.4.50 per unit, de hors to increase in fuel cost in future w.e.f. 26.12.2025 subject to approval of the Honorable APERC.

12. Further, it is submitted that procurement of power for further period of 20 years at constant tariff of Rs.4.5 per unit agreed by generator, M/s KCP Sugar and Industries Corporation Limited is viable and very much required to meet the peak demand requirement during December to March as it is a seasonal industry of 12 MW capacity supplying RTC power during that period unlike wind and Solar projects.
13. It is submitted that to enter any PPA/amendments by the DISCOMs, prior approval from APERC shall be required. M/s KCP Sugar and Industries Corporation Limited vide letter dated 19.12.2025 has requested to permit supply of power to Grid till the PPA gets renewed duly stating that their crushing operations started on 08.12.2025 since the plant is incidental cogeneration project.
14. Considering the said request of generator, this Hon'ble commission was requested vide letter dated 29.12.2025 by AP DISCOMS for according approval for procurement of power from M/s KCP Sugar and Industries Corporation Limited with effect from 26.12.2025 and for continuation of procurement of power for a period of 20 years at fixed tariff of Rs.4.50 per unit by entering into continuation Power Purchase Agreement with M/s KCP Sugar and Industries Corporation Limited accordingly.
15. In response, this Hon'ble commission vide letter dated 28.01.2026 directed APDISCOMs to file an appropriate petition before this Hon'ble commission after following the due regulatory process, as the matter involves not only the renewal of the PPA but also the fixation of tariff and permitted the DISCOMS to procure power from M/s KCP Sugar and Industries Corporation Limited during the interim period for a tariff of RS 4.5 per unit, subject to the Commission's final decision.
16. As per the section 86 (1)(b) of Electricity Act, 2003 the Hon'ble Commission has wide powers to regulate the process of such proposed procurement of power and to pass orders granting approval or otherwise of it. Further as per section 86 1(e), the Hon'ble Commission has to promote Renewal Energy Sources.

17. Further as per AP Electricity reforms Act, 1998 under section 21(5), Power Purchase Agreement becomes void without the consent of APERC, which Act was saved as per section 183 of Electricity Act, 2003 to the extent of not having inconsistency.

In light of the above, the petitioner is herewith submitting the petition under Section 86 1(b) read with Section 86 1(e) of the Electricity Act, 2003, seeking approval for the continuation agreement entered on 12.05.2026 between APCPDCL and M/s KCP Sugar and Industries Corporation Limited for procurement of Power from their 12 MW Bagasse Based Co-generation power plant located at Vuyyuru (V & M) in Krishna District Andhra Pradesh at a Tariff of Rs 4.50 as was determined by this Honorable Commission in similar issue relating to M/s Chodavaram Cooperative sugars Ltd in O.P No.16 of 2024.

PRAYER

It is therefore prayed that the Hon'ble Commission may be pleased to pass appropriate orders for approval of the above stated continuation PPA and the Tariff that are deemed fit.

Place: Vijayawada
Date: 11.06.2026


Petitioner
CHIEF GENERAL MANAGER
PROJECTS, APCPDCL
VIJAYAWADA

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

AT ITS OFFICE AT VIDYUT NIYANTRANA BHAVAN, 220/132/33/11 KV SS AP
CARBIDES, DINNEDEVARAPADU ROAD, KURNOOL-518002.

O.P. No. of 2026

IN THE MATTER OF:

**Petition filed under Section 86 1(b) read with Section 86 1(e) of the
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entered on 12.05.2026 between APCPDCL and M/s. KCP Sugar and
Industries Corporation Limited for procurement of Power from their 12MW
Bagasse Based Co-generation power plant located at Vuyyuru(v) &(M),
Krishna District in Andhra Pradesh.**

Between

**Andhra Pradesh Central Power Distribution Corporation Limited
("APCPDCL")**

Corporate Office, Vidyuth Nilayam, Beside APTRANSCO-Genco Vidyut Soudha, Eluru
Road, Gunadala, Vijayawada – 520004.

..... Petitioner

AND

M/s. KCP Sugar and Industries Corporation Limited

..... Respondent

VERIFICATION AFFIDAVIT

I, Kari Linga Murthy, S/o. Late Sri. K. Ramaiah, aged about 59 years working for
gain at the Andhra Pradesh Central Power Distribution Corporation Limited do solemnly
affirm and say as follows:

1. I am working as the Chief General Manager, Projects of Andhra Pradesh Central
Power Distribution Corporation Limited, and am competent to affirm, swear, execute
and file present counter affidavit.
2. I have read and understood the contents of the accompanying Counter drafted
pursuant to my instructions. The statements made in the accompanying Counter
now shown to me are true to my knowledge derived from the official records made
available to me and are based on the information and advice received which I
believe to be true and correct.


DEPONENT

**CHIEF GENERAL MANAGER
PROJECTS, APCPDCL
VIJAYAWADA**

VERIFICATION

I, the above-named Deponent solemnly affirm at Vijayawada on this 11th day of June' 2026 that the contents of the above affidavit are true to my knowledge, no part of it is false and nothing material has been concealed there from.


DEPONENT
CHIEF GENERAL MANAGER
PROJECTS, APCPDCL
VIJAYAWADA

Solemnly affirmed and signed before me on this 11th day of June' 2026 at Vijayawada.


ATTESTED
LAW OFFICER, APCPDCL
VIJAYAWADA

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File Upload Status

ePayOrder Number CT0AFOETP3

Debit Status

Remarks SBI LOC RELEASED NO 40000121 ON 11062026

Transaction Date 11-Jun-2026

11-06-2026

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Y V G RAMESH 30000.00

00000039024852825

Authorizer 1

SPECIALISED MID CORPORATE BRANCH, VIJAYAWADA

CT0AFOETP3 SBI LOC RELEASED NO 40000121 ON 110

Counterfoil Description SBI LOC RELEASED NO 40000121 ON 11062026

Transaction Type Third Party Transfer

Debit Account Details

Account Number	Branch	Amount
00000039024852825	SPECIALISED MID CORPORATE BRANCH, VIJAYAWADA	30000.00

Credit Account Details

Account No. / Name	Amount	Credit Status
00000033888237865 / SECRETARY,APERC	30000.00	Scheduled and Pending Authorization

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100Rs.



20/1/03 681
P. Babu Sankar
P. Mahabub
Sankar, Hyd.

18831 70
KCP Sugar and Industries
Corporation Ltd. Hyd.

Kamal Chandra
MANAGER 20/1
e Seva
Ex-Office Street V. N. Jai
Khamrabad.



POWER PURCHASE AGREEMENT
BETWEEN
TRANSMISSION CORPORATION OF ANDHRA PRADESH LIMITED
AND
M/s K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

This Power Purchase Agreement (the "Agreement") entered into this 21st day of January, 2003, between Transmission Corporation of Andhra Pradesh Limited, incorporated by the Government of Andhra Pradesh in accordance with the Andhra Pradesh Electricity Reform Act 1998 (Act No.30 of 1998), under the provisions of Companies Act, 1956 in place of Andhra Pradesh State Electricity Board, having its office at Vidyut Soudha, Hyderabad - 500 082, India, hereinafter referred to as the "APTRANSCO" (which expression shall, unless repugnant to the context or meaning thereof, include its successors and assigns) as first party, and M/s K.C.P. Sugar and Industries Corporation Limited a Company incorporated under Indian Company's Act, 1956, having its registered office at Ramakrishna Buildings, 239, Anna Salai, Chennai - 600 006, hereinafter referred to as the 'Company' (which expression shall, unless repugnant to the context or meaning thereof, include its successors and assigns) as second party.

Chief Engineer (IPC)
1950, Vidyut Soudha
Hyderabad

and further warranted
on 24-9-2004

10/11/04
Chief Engineer (IPC)
Vidyut Soudha

For K.C.P. Sugar and Industries Corporation Ltd.
J. Satyanarayana
Senior General Manager (Co-ordination)

Whereas, the Company is setting up the Non-conventional Energy Project i.e., the 20 MW capacity Bagasse based co-generation project, at Vuyyuru Village, Vuyyuru Mandal, Krishna District, Andhra-Pradesh with a proposal a) to generate 19.00 MW out of which 2.15 MW is for Auxiliary Consumption, 6.85 MW is for Captive Consumption and 10.00 MW is for export to grid for sale to APTRANSCO during season & b) to generate 11.40 MW Out of which 0.95 MW for Auxiliary Consumption, 0.20 MW Captive Consumption and 10.25 MW for export to grid for sale to APTRANSCO during off season as detailed in Schedule 1 attached herewith, hereafter called the project, and the Non-conventional Energy Development Corporation of Andhra Pradesh Limited, hereafter referred to as NEDCAP has accorded approval to the said proposal in their letter No.NEDCAP/PD/8291/2001-2002/1220 Date: 22.7.2002 & No.NEDCAP/ PD 8291 2002 1673, Date: 06.09.2002, copies whereof are attached herewith as Schedule 2A & 2B and the Company entered into Agreement with NEDCAP on 22.7.2002, copy whereof is attached herewith as Schedule 3.

3. The Company shall fulfil the conditions of Agreement entered with NEDCAP and obtain extensions wherever required till the Project is completed. In the event of cancellation of the Project allotted to the Company by NEDCAP for any reason, the PPA with APTRANSCO will automatically get cancelled.

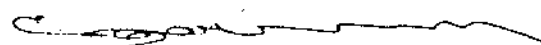
4. WHEREAS, it has been agreed that the Project will be designed, engineered and constructed and operated by or on behalf of the Company with reasonable diligence subject to all applicable Indian laws, rules, regulations and orders having the force of law.

5. This Agreement is enforceable subject to obtaining consent of Andhra Pradesh Electricity Regulatory Commission as per Section 21 of Andhra Pradesh Electricity Reform Act 1998 (Act No 30 of 1998)

6. NOW THEREFORE, in consideration of the foregoing premises and their mutual covenants herein, and for other valuable consideration, the receipt and sufficiency of which are acknowledged, the parties hereto, intending to be legally bound hereby agree as follows:

Chief Engineer (IPC)
APTRANSCO, Vuyyuru Mandal
Krishna District, 517 673

For K.C.P. Sugar and Industries Corporation Ltd.



(Signature)



ఆంధ్ర ప్రదేశ్ ఆంధ్ర ప్రదేశ్ ANDHRA PRADESH

00AA 651789

Date : 02-09-2004
Purchased By :
F. BABU SAHEB
S/O. P. MAHBOOB SAHEB
HYDERABAD

Serial No : 1661
For Whom :
KCP SUGAR AND INDUSTRIES
CORPORATION LTD
HYDERABAD

MPA
అంబలయ
eSeva
Manager
KHAIRATABAD
HYDERABAD.

4/11/04
Amendment dated 24th day of September, 2004

to the Power Purchase Agreement dated 21.01.2003 between APTRANSCO
and M/s K.C.P. Sugar and Industries Corporation Limited

Whereas the Power Purchase Agreement dt. 21.01.2003 entered into (herein after referred to as "Agreement") between M/s. K.C.P. Sugar and Industries Corporation Limited and APTRANSCO and this Agreement is in force now.

2 Whereas, Andhra Pradesh Electricity Regulatory Commission (APERC) vide letter No. APERC/Secy/Dir-Engg/DD-Trans/F-NC-PPA/D.No.444/2003 dated 6.2.2003 has issued consent under section 21 (4) of AP Electricity Reform Act, 1998 to the Agreement dated 21.1.2003.

[Signature]
Chief Engineer (IPO)
APTRANSCO, Vidyut Seetha
HYDERABAD-500082.

2A

For K.C.P. Sugar and Industries Corporation Ltd.

[Signature]
J. Satyanarayana
Senior General Manager (Co-ordination)

3 Whereas, APERC has approved modifications in respect of Articles on Tariff and Delivered Energy of the Agreement and directed APTRANSCO to amend the Agreement accordingly.

4 Whereas, the Company in their letter dated 6.9.2004 intimated that their original Power Purchase Agreement entered is misplaced and they could not trace out the same and requested for permission to sign a new Power Purchase Agreement along with the amendments approved by APERC.

5 Whereas, it is agreed that the duplicate copy of the Agreement available with the Company will be deemed to be original Agreement.

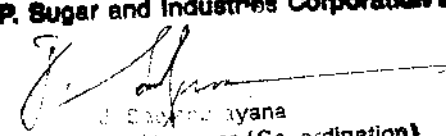
6 Whereas, Articles on Tariff (Article 2.2) and Delivered Energy (Article 1.4) in the Agreement are modified as approved by APERC. Also, Articles 1.5, 1.14, 2.5, 4.1 & 7 are amended and new Articles at Preamble para 3(a), Preamble para 5(a), 1.12, 4.12(a) & 6.1 (ii) (a) are incorporated and Article 6.1 (v) is deleted in the Agreement as per the directions communicated by APERC from time to time. The amendments are incorporated at pages 2C, 2D, 2E, 2F, 2G, 2H & 2I of the Agreement.

7 The Amendments as mentioned in paragraph 6 above and in the APPENDIX shall be deemed always to have been made from the 21st January' 2003 that is from the date of Original Agreement. The other terms and conditions of the Agreement remain unaltered.

8 The Agreement including these Amendments are enforceable subject to obtaining the consent of APERC under Section 21 of A.P. Electricity Reform Act 1998 (Act No.30 of 1998).


Chief Engineer (IPC)
APTRANSCO, Vidvat Samsa
HY. BRARAD-510012.

For K.C.P. Sugar and Industries Corporation Ltd.


J. Sankar Ayana
Senior General Manager (Co-ordination)

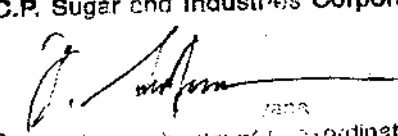
APPENDIX

Sl.	Article No.	Existing	Amendment (shall be read in place of existing Articles)
1	Preamble para 3(a)	New Article	The Company shall follow strictly the Ministry of Non-Conventional Energy Sources (MNES), Government of India guidelines issued from time to time regarding usage of conventional fuel i.e., Coal along with the Non-Conventional fuel.
2	Preamble para 5(a)	New Article	The terms and conditions of this Agreement are subject to the provisions of Electricity Act, 2003(36 of 2003).
3	Article 1.4	Delivered Energy: means, with respect to any Billing Month, the kilo watt hours (kWh) of electrical energy generated by the Project and delivered to the APTRANSCO at the Interconnection Point as defined in Article 1.8, as measured by the energy meters at the Interconnection Point during that Billing Month. Explanation: For the purpose of clarification, Delivered Energy, excludes all energy consumed in the Project for Captive Consumption, by the main plant and equipment, lighting and other loads of the Project from the energy generated and as recorded by energy meter at Interconnection Point.	Delivered Energy: means, with respect to any Billing Month, the kilo watt hours (kWh) of electrical energy generated by the Project and delivered to the APTRANSCO at the Interconnection Point as defined in Article 1.8, as measured by the energy meters at the Interconnection Point during that Billing Month. Explanation -1 : For the purpose of clarification, Delivered Energy, excludes all energy consumed in the Project for captive consumption, by the main plant and equipment, lighting and other loads of the Project from the energy generated and as recorded by energy meter at Interconnection Point. Explanation -2: The delivered energy shall be limited to the energy calculated at 100% PLF with net Exportable Capacity i.e., after deducting capacities for Auxiliary consumption and Captive


Chief Engineer (IPC)
 APTRANSCO, Vidyut Soudha
 HYDERABAD-500 082.

2C

For K.C.P. Sugar and Industries Corporation Ltd.

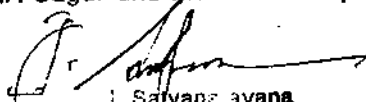

 Senior General Manager (Co-ordination)

Sl.	Article No.	Existing	Amendment (shall be read in place of existing Articles)
			consumption from Installed Capacity and as mentioned in Preamble & Schedule 1 of Agreement for sale to APTRANSCO. Whenever generation exceeds the installed capacity, the energy delivered by the project above 100% PLF during such periods will not be accounted for the purpose of payment.
4.	Article 1.5	Due Date of Payment: means the date on which the amount payable by the APTRANSCO to the Company hereunder for Delivered Energy, if any, supplied during a Billing Month becomes due for payment, which date shall be thirty (30) days from the Metering Date, and in the case of any supplemental or other bill or claim, if any, the due date of payment shall be thirty (30) days from the date of the presentation of such bill or claim to the designated officer of the APTRANSCO.	Due Date of Payment: means the date on which the amount payable by the APTRANSCO to the Company hereunder for Delivered Energy, if any, supplied during a Billing Month becomes due for payment, which date shall be thirty (30) days from the Metering Date, provided the bill is received by APTRANSCO within 5 days from metering date, and in the case of any supplemental or other bill or claim, if any, the due date of payment shall be thirty (30) days from the date of the presentation of such bill or claim to the designated officer of the APTRANSCO.
5.	Article 1.12	New Article	Unit: When used in relation to the generating equipment means one set of turbine generator and auxiliary equipment, and facilities forming part of the project and when used in relation to electrical energy, means kilo watt hour (kWh).
6	Article 1.14	All other words and expressions, used herein and not defined herein but defined in the Indian Electricity Act,	All other words and expressions, used herein and not defined herein but defined in the Indian Electricity Rules,


Chief Engineer (IPC)
 APTRANSCO, Vidyut Soudha
 HYDRABAD-500 082.

2D

For K.C.P. Sugar and Industries Corporation Ltd.

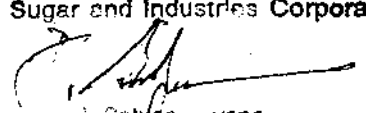

J. Satyanarayana
 Senior General Manager (Co-ordination)

Sl.	Article No.	Existing	Amendment (shall be read in place of existing Articles)
		1910, Electricity (Supply) Act, 1948, Indian Electricity Rules, 1956 and A.P. Electricity Reform Act, 1998 shall have the meanings respectively assigned to them in the said Acts.	1956, A.P. Electricity Reform Act, 1998 and Electricity Act, 2003 shall have the meanings respectively assigned to them in the said Acts.
7	Article 2.2	The Company shall be paid the tariff for the energy delivered at the interconnection point for sale to APTRANSCO at Rs. 2.25 paise per unit with escalation at 5% per annum with 1994-95 as base year and to be revised on 1 st April of every year upto the year 2003-2004. Beyond the year 2003-2004, the purchase price by APTRANSCO will be decided by Andhra Pradesh Electricity Regulatory Commission. There will be further review of purchase price on completion of ten years from the date of commissioning of the project, when the purchase price will be reworked on the basis of Return on Equity, O&M expenses and the Variable Cost.	The Company shall be paid the tariff for the energy delivered at the interconnection point for sale to APTRANSCO as applicable as on date of Commercial Operation subject to the reviews of the prices by the APERC from time to time. Notwithstanding these reviews there will be a special review of purchase price on completion of 10 years from the date of commissioning of the project, when the purchase price will be reworked on the basis of Return on Equity, O & M expenses, and the Variable Cost.
8.	Article 2.5	Where in any Billing month, the Gross energy and demand supplied by the APTRANSCO to the Company, shall be billed by the APTRANSCO as per the explanations given, and the Company shall pay the APTRANSCO for such energy and demand supplies. Further, since the Company's power house is running in parallel with APTRANSCO grid, the Company	Where in any Billing month, the Gross energy and demand supplied by the APTRANSCO to the Company as a bilateral arrangement to maintain the auxiliaries in the power plant in situations of non-generation of power, shall be billed by the APTRANSCO as per the explanations given, and the Company shall pay the APTRANSCO for such energy and demand supplies. Further, since the Company's power


Chief Engineer (IPC)
 APTRANSCO, Vidyut Soudha
 HYDERABAD-500082.

2E

For K.C.P. Sugar and Industries Corporation Ltd.


 J. Satyanarayana
 Senior General Manager (Co-ordination)

Sl.	Article No.	Existing	Amendment (shall be read in place of existing Articles)
		has to pay Grid Support Charges as decided by APERC for grid support given to the process unit in the premises. Explanation 1: The Generating Plants viz., Bagasse/Biomass based cogeneration projects, Biomass based power projects and power projects based on Waste to Energy (projects based on any waste of renewable nature from urban and industrial sector) use the power generated for their captive purpose in the same premises and export surplus power to grid. Explanation 2: If the Company is not willing to avail power from APTRANCO for their processing unit in the same premises during outages of their power plant by providing suitable interlocking arrangements between power plant and processing unit, and desires to draw power from Grid for starting and maintenance purpose of the generating station through the dedicated line intended for export of power, the following conditions will apply: i) The Company has to declare the Load requirement for Starting and Maintenance purposes of the power plant. ii) The Company will not have a	house is running in parallel with APTRANSCO grid, the Company has to pay Grid Support Charges as decided by APERC for grid support given to the process unit in the premises. Explanation 1: The Generating Plants viz., Bagasse based cogeneration projects, Biomass based power projects and power projects based on Waste to Energy (projects based on any waste of renewable nature from urban and industrial sector) use the power generated for their captive purpose in the same premises and export surplus power to grid. Explanation 2: If the Company is not willing to avail power from APTRANSCO for their processing unit in the same premises during outages of their power plant by providing suitable interlocking arrangements between power plant and processing unit, and desires to draw power from Grid for starting and maintenance purpose of the generating station through the dedicated line intended for export of power, the following conditions will apply: i) The Company has to declare the Load requirement for Starting and Maintenance purposes of the power plant and agreed to by

[Signature]
Chief Engineer (IPC)
 APTRANSCO, Vidyut Soudha
 HYDERABAD-500082.

2F

For K.C.P. Sugar and Industries Corporation Ltd.

[Signature]
J. Satyaparayana
 Senior General Manager (Co-ordination)

Sl.	Article No.	Existing	Amendment (shall be read in place of existing Articles)
		separate H.T. Service connection number, H.T. Agreement and contracted Maximum Demand. The Gross energy and the recorded maximum demand shall be billed as per APTRANSCO's the then tariff rates applicable to H.T-I consumers. iii) In the event of exceeding the declared load, penal charges will apply as per Tariff conditions. iv) In case the developer wants the power from grid for their processing plant during planned outage, a separate requisition for sanction of Temporary supply for the purpose shall be made utilising the existing infrastructure for the project. Explanation 3: If the Company is willing to avail power from APTRANSCO for their processing unit in the same premises during outages of their power plant, and desires to draw power from Grid for starting and maintenance purposes of the Generating station through the dedicated line intended for export of power, the following conditions will apply. i) The Company will have a separate H.T. Agreement and Contracted Maximum Demand with APTRANSCO. ii) The Gross energy and the	APTRANSCO/DISCOM. ii) The Company will not have a separate H.T. Service connection number, H.T. Agreement and contracted Maximum Demand. The Gross energy and the recorded maximum demand shall be billed as per APTRANSCO's the then tariff rates applicable to H.T-I consumers. iii) In the event of exceeding the declared load, penal charges will apply as per Tariff conditions. iv) In case the developer wants the power from grid for their processing plant during planned outage, a separate requisition for sanction of Temporary supply for the purpose shall be made utilising the existing infrastructure for the project. Explanation 3: If the Company is willing to avail power from APTRANSCO for their processing unit in the same premises during outages of their power plant, and desires to draw power from Grid for starting and maintenance purposes of the Generating station through the dedicated line intended for export of power, the following conditions will apply. i) The Company will have a separate H.T. Agreement and Contracted Maximum Demand with

[Signature]
Chief Engineer (IPC)
 APTRANSCO, Vidyut Soudha
 HYDERABAD-500 082.

2G

For K.C.P. Sugar and Industries Corporation Ltd.

[Signature]
J. Satyanarayana
Senior General Manager (Co-ordination)

Sl.	Article No.	Existing	Amendment (shall be read in place of existing Articles)
		Demand will be billed by APTRANSCO as per the then tariff applicable to H.T-I consumers.	APTRANSCO. ii) The Gross energy and the Demand will be billed by APTRANSCO as per the then tariff applicable to H.T-I consumers.
9	Article 4.1	The Company shall install main meters of Static type 0.2 class accuracy at the Interconnection Point and the APTRANSCO shall install check meters of Static type at the same point and of the same accuracy. The main meters and check meters will each consist of a pair of export and import meters.	The Company shall install main meters of Static type 0.2 class accuracy at the Interconnection Point and the APTRANSCO shall install check meters of Static type at the same point and of the same accuracy. The main meters and check meters shall each consist of a pair of export and import meters with facility for recording meter readings using Meter Recording Instrument. For the purpose of uniformity the Company shall follow metering specification as developed by APTRANSCO.
10	Article 4.12(a)	New Article	The Company shall install communication system in the Project and at the designated Sub-station at the cost of the Company, to establish contact with the Sub-station to which it is interconnected for co-ordination of the Project operation. The regular maintenance of the Wireless sets is to be carried out by the Company.
11	Article 6.1(ii)(a)	New Article	The Company shall furnish the generation and maintenance schedules every year.
12	Article 6.1(v)	Non Conventional energy projects sanctioned by NEDCAP, which use the generation partially or fully for captive purposes, will have to seek	Deleted

V. K. S.
Chief Engineer (IPC)
APTRANSCO, Vidyut Soudha
HYDRABAD-500 002.

2H

For K.C.P. Sugar and Industries Corporation Ltd.

[Signature]
Senior General Manager (Co-ordination)

Sl.	Article No.	Existing	Amendment (shall be read in place of existing Articles)
		permission from the Commission u/s 21(3) of Andhra Pradesh Electricity Reform Act, 1998 for captive use of the energy generated.	
13	Article 7	DURATION OF AGREEMENT This Agreement shall be effective upon its execution and delivery thereof between parties hereto and shall continue in force from the Commercial Operation Date (COD) and up to the period permitted by APERC for captive consumption and until the twentieth (20th) anniversary that is for a period of twenty years from the Commercial Operation Date (COD) for sale to APTRANSCO. This Agreement may be renewed for such further period of time and on such terms and conditions as may be mutually agreed upon by the parties, 90 days prior to the expiry of the said period, subject to the consent of the APERC. Any and all incentives/conditions envisaged in the Articles of this Agreement are subject to modification from time to time as per the directions of APERC, Government of Andhra Pradesh.	DURATION OF AGREEMENT This Agreement shall be effective upon its execution and delivery thereof between parties hereto and shall continue in force from the Commercial Operation Date (COD) and until the twentieth (20th) anniversary that is for a period of twenty years from the Commercial Operation Date (COD). This Agreement may be renewed for such further period of time and on such terms and conditions as may be mutually agreed upon by the parties, 90 days prior to the expiry of the said period of twenty years, subject to the consent of the APERC. Any and all incentives/conditions envisaged in the Articles of this Agreement are subject to modification from time to time as per the directions of APERC.

[Signature]
Chief Engineer (IPC)
APTRANSCO, Vidyut Soudha
HYDERABAD-500 082.

For K.C.P. Sugar and Industries Corporation Ltd.

[Signature]
J. Satyanarayana
Senior General Manager (Co-ordination)

ARTICLE 1 DEFINITIONS

As used in this Agreement, the following terms shall have the meanings set forth herein below. Defined terms of singular number shall include the plural and vice-versa.

- 1.1 **Billing Date:** means the fifth (5th) day after the Metering Date.
- 1.2 **Billing Month:** means the period commencing from 25th of the calendar month and ending on the 24th of the next calendar month.
- 1.3 **Commercial Operation Date (COD):** means, with respect to each Generating unit, the date on which such Generating unit is declared by the company to be operational, provided that the company shall not declare a Generating unit to be operational until such Generating unit has completed its performance acceptance test as per standards prescribed.

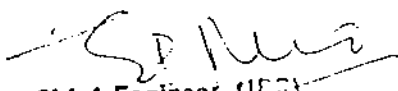
Explanation: In respect of Non-conventional based power projects the date of synchronisation of the first unit of the project will be treated as the Commercial Operation Date of the project since Ministry of Non-conventional Energy Sources not specified any guide lines for declaration of the Commercial Operation Date (COD).

- 1.4 **Delivered Energy:** means, with respect to any Billing Month, the kilo watt hours (kWh) of electrical energy generated by the Project and delivered to the APTRANSCO at the Interconnection Point as defined in Article 1.8, as measured by the energy meters at the Interconnection Point during that Billing Month.

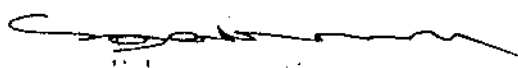
Explanation: For the purpose of clarification, Delivered Energy, excludes all energy consumed in the Project for Captive consumption, by the main plant and equipment, lighting and other loads of the Project from the energy generated and as recorded by energy meter at Interconnection Point.

- 1.5 **Due Date of Payment:** means the date on which the amount payable by the APTRANSCO to the Company hereunder for Delivered Energy, if any, supplied during a Billing Month becomes due for payment, which date shall be thirty (30) days from the Metering Date, and in the case of any supplemental or other bill or claim, if any, the due date of payment shall be thirty (30) days from the date of the presentation of such bill or claim to the designated officer of the APTRANSCO.

- 1.6 **Installed Capacity:** means the total rated capacity in mega-watts of all the generators installed.


Chief Engineer (PPE)
APTRANSCO, Hyderabad
HYDERABAD

For K.C.P. Sugar and Industries Corporation Ltd


General Manager (Administration)

1.7

Interconnection Facilities: means all the equipment and facilities, including, but not limited to, all metering facilities, switch gear, substation facilities, transmission lines and related infrastructure, to be installed by the APTRANSCO by using the existing dedicated line to Mother Industry or laying independent line to the designated Substation of APTRANSCO at the voltage specified in Article 1.13 at the company's expense from time to time throughout the term of this Agreement, necessary to enable the APTRANSCO to economically, reliably and safely receive Delivered Energy from the Project in accordance with the terms of this Agreement.

Explanation: In respect of Non-Conventional Energy Projects viz., Bagasse/Biomass based cogeneration projects, Biomass based power projects and power projects based on Waste to Energy (projects based on any waste to renewable nature from urban and industrial sector) etc., the Company have to bear the entire expenditure of interconnection facilities for power evacuation as per the sanctioned estimate by the respective field officers.

1.8

Interconnection Point: means the point or points where the Project and the APTRANSCO's grid system are interconnected at designated APTRANSCO substation. The metering for the Project will be provided at the interconnection point as per Article 4.1.

Explanation: In case of Bagasse/Biomass based cogeneration projects, Biomass based power projects and power projects based on Waste to Energy (projects based on any waste to renewable nature from urban and industrial sector), the Interconnection Point will be at designated APTRANSCO Substation.

1.9

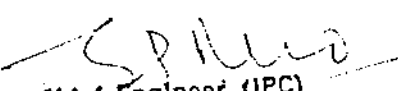
Metering Date: means mid-day (i.e., noon) of the 24th (twenty-fourth) day of each calendar month, at the Interconnection Point.

1.10

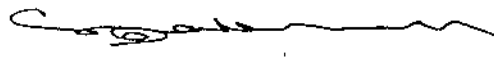
Project: means the 20 MW capacity co-generation power plant based on Bagasse at at Vuyyuru Village, Vuyyuru Mandal, Krishna District, Andhra Pradesh, with a proposal for (a) During Season: Out of 19 MW generated, 2.15 MW is for Auxiliary Consumption, 6.85 MW is for Captive Consumption and balance 10.00 MW is for export to Grid for Sale to APTRANSCO (b) During Off-season: Out of 11.4 MW generated, 0.95 MW is for Auxiliary Consumption, 0.20 MW consumption for Captive use and balance 10.25 MW is for export to Grid for Sale to APTRANSCO; as detailed in Schedule 1, entrusted to the Company for construction and operation as detailed in Agreement entered into with NEDCAP as shown in Schedule 3 attached herewith and includes the metering system.

1.11

System Emergency: means a condition affecting the APTRANSCO's electrical system which threatens the safe and reliable operation of such system or which is likely to result in the disruption of safe, adequate and continuous electric supply by the APTRANSCO, or which endangers life or property, which condition is affected or aggravated by the continued delivery of Delivered Energy from the Project.


Chief Engineer (IPC)
APTRANSCO, Vidut Soudha
HYDERABAD-500 032

For K.C.P. Sugar and Industries Corporation Ltd


General Manager

- 1.13 **Voltage of Delivery:** means the voltage at which the electrical energy generated by the project is required to be delivered to the APTRANSCO at the Interconnection Point and the Voltage of Delivery is as detailed below

For Bagasse/Biomass based cogeneration projects, Biomass based power projects and power projects based on Waste to Energy (projects based on any waste of renewable nature from urban and industrial sector):

Capacity of the plant

**Specified voltage level for interfacing
with APTRANSCO grid**

Upto 1500 KVA

11 KV

From 1501 KVA to 7500 KVA

33 KV

Above 7500 KVA

132 KV

- 1.14 All other words and expressions, used herein and not defined herein but defined in the Indian Electricity Act, 1910, Electricity (Supply) Act, 1948, Indian Electricity Rules, 1956 and AP Electricity Reform Act, 1998 shall have the meanings respectively assigned to them in the said Acts.

S.P. Rao
Chief Engineer (IPC),
APTRANSCO, Vidyut Soudha
HYDERABAD 500 032

For K.C.P. Sugar and Industries Corporation Ltd.

[Signature]
General Manager (i)

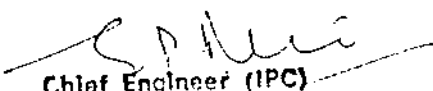
ARTICLE 2 PURCHASE OF DELIVERED ENERGY AND TARIFF

- 2.1 All the Delivered Energy at the interconnection point for sale to APTRANSCO will be purchased at the tariff provided for in Article 2.2 from and after the date of Commercial Operation of the Project. Title to Delivered Energy purchased shall pass from the Company to the APTRANSCO at the Interconnection Point.
- 2.2 The Company shall be paid the tariff for the energy delivered at the interconnection point for sale to APTRANSCO at Rs.2.25 paise per unit with escalation at 5% per annum with 1994-95 as base year and to be revised on 1st April of every year upto the year 2003-2004. Beyond the year 2003-2004, the purchase price by APTRANSCO will be decided by Andhra Pradesh Electricity Regulatory Commission. There will be further review of purchase price on completion of ten years from the date of commissioning of the project, when the purchase price will be reworked on the basis of Return on Equity, O&M expenses and the Variable Cost.
- 2.3 The tariff is inclusive of all taxes, duties and levies.
- 2.4 All future increase in Taxes, Duties and Levies on Energy generated is to be borne by the Company.
- 2.5 Where in any Billing month, the Gross energy and demand supplied by the APTRANSCO to the Company, shall be billed by the APTRANSCO as per the explanations given, and the Company shall pay the APTRANSCO for such energy and demand supplies. Further, since the Company's power house is running in parallel with APTRANSCO grid, the Company has to pay Grid Support Charges as decided by APERC for grid support given to the process unit in the premises.

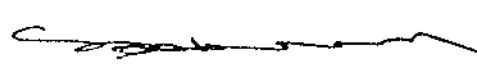
Explanation 1: The Generating Plants viz., Bagasse/Biomass based cogeneration projects, Biomass based power projects and power projects based on Waste to Energy (projects based on any waste of renewable nature from urban and industrial sector) use the power generated for their captive purpose in the same premises and export surplus power to grid.

Explanation 2: If the Company is not willing to avail power from APTRANSCO for their processing unit in the same premises during outages of their power plant by providing suitable interlocking arrangements between power plant and processing unit, and desires to draw power from Grid for starting and maintenance purpose of the generating station through the dedicated line intended for export of power, the following conditions will apply

- i) The Company has to declare the Load requirement for Starting and Maintenance purposes of the power plant.
- ii) The Company will not have a separate H.T. Service connection number, H.T. Agreement and contracted Maximum Demand. The Gross energy and the recorded maximum demand shall be billed as per APTRANSCO's the then tariff rates applicable to H.T-I consumers.


Chief Engineer (IPC)
APTRANSCO, Vidyut Soudha
HYDERABAD-500 022

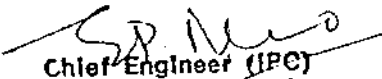
For K.C.P. Sugar and Industries Corporation Ltd.



- iii) In the event of exceeding the declared load, penal charges will apply as per Tariff conditions.
- iv) In case the developer wants the power from grid for their processing plant during planned outage, a separate requisition for sanction of Temporary supply for the purpose shall be made utilising the existing infrastructure for the project.

Explanation 3: If the Company is willing to avail power from APTRANSCO for their processing unit in the same premises during outages of their power plant, and desires to draw power from Grid for starting and maintenance purposes of the Generating station through the dedicated line intended for export of power, the following conditions will apply.

- i) The Company will have a separate H.T. Agreement and Contracted Maximum Demand with APTRANSCO.
- ii) The Gross energy and the Demand will be billed by APTRANSCO as per the then tariff applicable to H.T-I consumers.

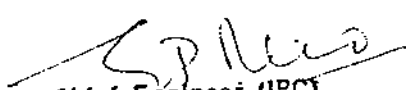

Chief Engineer (IPC)
APTRANSCO, Vidyut Soudha
HYDERABAD-500 037

For K.C.P. Sugar and Industries Corporation Ltd.

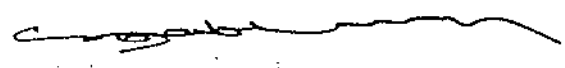

(General Manager)

ARTICLE 3 INTERCONNECTION FACILITIES

- 3.1 Upon receipt of a requisition from the Company the APTRANSCO will prepare an estimate for arranging interconnection facilities for power evacuation at the voltage level as per Article 1.13. The Company have to bear the entire cost of the interconnection facilities as per the sanctioned estimate. APTRANSCO shall evaluate, design, install, own, operate and maintain the Interconnection Facilities and perform all work, at the Company's expense, necessary to economically, reliably and safely connect the APTRANSCO's existing system to the Project switch yard.
- 3.2 APTRANSCO may also permit the Company to execute the interconnection facilities for power evacuation as per the sanctioned estimate at its discretion duly collecting the supervision charges as per procedure in vogue.
- 3.3 The maintenance expenses of the interconnection facilities from time to time have to be borne by the Company. The maintenance work on the Generating units has to be done in coordination with the APTRANSCO.
- 3.4 APTRANSCO has got the right to add any additional loads on the feeder without detrimental to the interests of the existing generating companies on the same feeder.
- 3.5 Any modifications or procedures or changes in arranging interconnection facilities for power evacuations rests with Government of Andhra Pradesh/APTRANSCO.
- 3.6 During the period prior to the Commercial Operation Date, on the request of the Company, the APTRANSCO will supply energy to the Project for any purpose, on the Terms and Conditions and at the tariff rates that are applicable from time to time to the category of consumers of the APTRANSCO to which the Company belongs, provided separate metering arrangements as may be required under the Terms and Conditions of such tariff have been installed at the Project.

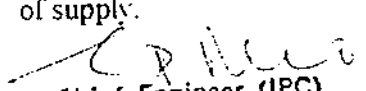

Chief Engineer (IPC)
APTRANSCO, Vidyut Soudha
HYDERABAD 500 001

For K.C.P. Sugar and Industries Corporation Ltd.


General Manager (Operation)

ARTICLE 4 METERING AND PROTECTION

- 4.1 The Company shall install main meters of Static type 0.2 class accuracy at the Interconnection Point and the APTRANSCO shall install check meters of Static type at the same point and of the same accuracy. The main meters and check meters will each consist of a pair of export and import meters.
- 4.2 All of the meters required to be installed pursuant to Article 4.1 above shall be jointly inspected and sealed on behalf of both parties and shall not be interfered with, tested or checked except in the presence of representatives of both parties.
- 4.3 The meter readings from the main meters will form the basis of billing. If any of the meters required to be installed pursuant to Article 4.1 above are found to be registering inaccurately the affected meter will be immediately be replaced.
- 4.4 Where the half yearly meter check indicates an error in one of the main meter/meters beyond the limits for such meter but no such error is indicated in the corresponding check meter/meters, billing for the month will be done on the basis of the reading on the check meter/meters and the main meter will be replaced immediately.
- 4.5 If during the half yearly test checks, both the main meters and the corresponding check meters are found to be beyond permissible limits of error, both the meters shall be immediately replaced and the correction applied to the consumption registered by the main meter to arrive at the correct delivered energy for billing purposes for the period of the one month upto the time of such test check, computation of delivered energy for the period thereafter till the next monthly meter reading shall be as per the replaced main meter.
- 4.6 Corrections in delivered energy billing, whenever necessary, shall be applicable to the period between the previous monthly meter reading and the date and time of the test calibration in the current month when the error is observed and this correction shall be for the full value of the absolute error. For the purpose of determining the correction to be applied to any meter registering inaccurately, the meter shall be tested under conditions simulating 100, 50, 20 and 10 percent load at unity power factor and 0.5 power factor. Of these eight values, the error at the load and power factor nearest the average monthly load served at the Interconnection Point during the applicable period shall be taken as the error to be applied for correction.
- 4.7 If both the main and check meters fail to record or if any of the PT fuses are blown out, then the energy will be computed on a mutually agreeable basis for that period of defect.
- 4.8 The main and check meters shall be tested and calibrated utilizing a Standard Meter. The Standard Meter shall be calibrated once in every year at the approved Laboratory by Government of India/Government of Andhra Pradesh, as per Terms and Conditions of supply.


Chief Engineer (IPC)
Bhubaneswar, Odisha
Bhubaneswar 751 002

For K.G.P. Super Thermal Generation Corporation Ltd.

- 4.9 All main and check meter tests shall be jointly conducted by the authorized representatives of both parties and the results and correction so arrived at mutually will be applicable and binding on both the parties.
- 4.10 On the Metering Date each month meter readings shall be taken (and an acknowledgement thereof signed) by the authorized representatives of both parties.
- 4.11 Within six (6) months following the execution of this Agreement, the Company and the APTRANSCO shall mutually agree to technical and performance specifications (including, but not limited to, the metering configuration for the Project) concerning the design and operation of the facilities required to be installed by the Company in order for the Company to operate in parallel with the APTRANSCO's grid. Thereafter, any change in such specifications shall be subject to mutual agreement of the parties.
- 4.12 The Project shall be operated and maintained in accordance with good and generally accepted utility standards with respect to synchronizing, voltage, frequency and reactive power control.
- 4.13 Voltage regulation shall be such as to enable continued paralleling and synchronisation with the grid voltage at the point of interconnection.
- 4.14 The equipment of the Company shall be designed for fluctuations in the frequency within limits of -5% and +3% of the standard frequency of 50 cycles per second.
- 4.15 The Company shall ensure that the power factor of the power delivered to the APTRANSCO is maintained at or above the Minimum Power Factor as per Tariff Notification, or otherwise pay Surcharge as per Tariff Notification in force.
- 4.16 Any change in rupturing capacity of switchgear, settings of the relays, etc., shall be subject to approval of the APTRANSCO.
- 4.17 As the Project's generator may carry fault currents that may occur on the APTRANSCO's grid, the Company shall provide adequate generator and switchgear protection against such faults. The APTRANSCO is not responsible for damage, if any, caused to the Project's generator and allied equipment during parallel operation of the generator with the APTRANSCO's grid.
- 4.18 The Company shall make a good faith effort to operate the Project in such a manner as to avoid fluctuations and disturbances to the APTRANSCO's grid due to parallel operation with the grid.
- 4.19 The Company shall control and operate the Project. The APTRANSCO shall only be entitled to request the Company to reduce electric power and energy deliveries from the Project during a System Emergency, and then only to the extent that in the APTRANSCO's reasonable judgment such a reduction will alleviate the emergency. The APTRANSCO shall give the Company as much advance notice of such a reduction as is practicable under the circumstances and shall use all reasonable efforts to remedy the circumstance causing the reduction as soon as possible. Any reduction required of the Company hereunder shall be implemented in a manner consistent with safe operating procedures.

Chief Engineer (IPC)

APTRANSCO, 1, 2nd Floor

CHENNAI - 600 007

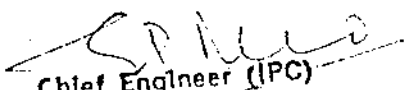
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For K.C.P. Sugar and Industries Corporation Ltd.


General Manager

ARTICLE 5 BILLING AND PAYMENT

- 5.1 For Delivered Energy purchased, the Company shall furnish a bill to the APTRANSCO calculated at the rate provided for in Article 2.2, in such form as may be mutually agreed between the APTRANSCO and the Company, for the billing month on or before the 5th working day following the metering date.
- 5.2 Any payment made beyond the due date of payment, APTRANSCO shall pay interest at a rate of 10% per annum as per existing nationalised bank rate and in case this rate is reduced, such reduced rate is applicable from the date of reduction.
- 5.3 The APTRANSCO shall pay the bill on monthly basis as per Article 5.1, by opening a revolving Letter of Credit for a minimum period of one year in favour of the Company.
- 5.4 **Letter of Credit:** Not later than 30 days prior to the Scheduled COD of the first Generating Unit, APTRANSCO shall cause to be in effect an irrevocable revolving Letter of Credit issued in favour of the Company by a Scheduled Bank (the Letter of Credit). Each Letter of Credit shall
- (a) on the date it is issued, have a term of one year;
 - (b) be payable upon the execution and presentation by an officer of the Company of a sight draft to the issuer of such Letter of Credit supported by a meter reading statement accepted and signed by both parties or a certification from the Company that the APTRANSCO failed to sign the meter reading statements within five days of the metering date or that a supplemental bill has been issued and remains unpaid until the due date of payment;
 - (c) provide that the Company shall have the right to draw upon such Letter of Credit notwithstanding any failure by the APTRANSCO to reimburse the issuer thereof for any draw down made under; and
 - (d) not less than 30 days prior to the expiration of any Letter of Credit, the APTRANSCO shall provide a new or replacement Letter of Credit. Each monthly bill or supplemental bill shall be presented at the said Scheduled Bank for payment under the Letter of Credit and shall become payable thereunder. The opening charges for Letter of Credit (L/C) and Letter of Credit (L/C) negotiation charges will be borne by the beneficiary i.e., Company.
- 5.5 **Direct Payment:** Notwithstanding the fact that a Letter of Credit has been opened, in the event that through the actions of the APTRANSCO, the Company is not able to make a draw upon the Letter of Credit for the full amount of any bill, the Company shall have the right to require the APTRANSCO to make direct payment of any bill by cheque or otherwise on or before the due date of payment by delivering to the APTRANSCO on or prior to the due date of payment of such bill a notice requiring payment in the foregoing manner. Without prejudice to the right of the Company to draw upon the Letter of Credit if payment is not received in full, the APTRANSCO shall have the right to make direct payment by cheque or otherwise of any bill such that within 30 days after the date of its presentation to the designated officer of the


Chief Engineer (IPC)
APTRANSCO, Vidya Soudha
HYDERABAD-500 087

11 For K.O.F. Sugar and Industries Corporation Ltd.

APTRANSCO, the Company shall receive payment in full for such bill. When either such direct payment is made, the Company shall not present the same bill to the Scheduled Bank for payment against the Letter of Credit.

- 5.6 **Billing disputes:** The APTRANSCO shall pay the bills of the Company promptly subject to the clauses 5.1 and 5.2 above.

The APTRANSCO shall notify the Company in respect of any disallowed amount on account of any dispute as to all or any portion of the bill. The Company shall immediately take up issue with all relevant information with APTRANSCO which shall be rectified by the APTRANSCO, if found satisfactory. Otherwise notify its (APTRANSCO's) rejection of the disputed claim within reasonable time with reasons therefor. The dispute may also be decided by mutual agreement. If the resolution of any dispute requires the APTRANSCO to reimburse the Company, the amount to be reimbursed shall bear interest at 10% per annum from the date of disallowance to the date of reimbursement.

- 5.7 All payments by the APTRANSCO to the Company hereunder shall be made to such address as may be designated by the Company to the APTRANSCO in writing from time to time.

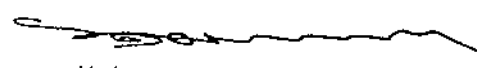
Address : M/s KCP Sugar and Industries corporation Ltd.,
Ramakrishna Buildings, 183, Anna Salai,
Chennai - 600 006.

Fax : 044 - 8546617/8555863

Telephone : 044 - 855 5172 to 5176


Chief Engineer (IPC)
APTRANSCO, Vidyut Soudha
HYDERABAD-500 097

For K.C.P. Sugar and Industries Corporation Ltd.


General Manager

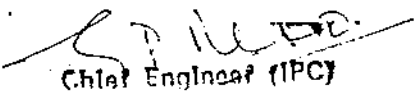
ARTICLE 6 UNDERTAKING

6.1 The Company shall be responsible:

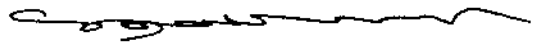
- (i) for the proper maintenance of the project in accordance with established prudent utility practices.
- (ii) for the operation, maintenance, overhaul of the plant, equipment, works, switch yard and transmission lines and equipment up to the Interconnection Point of the project in close coordination with the APTRANSCO.
- (iii) for making all payments on account of any taxes, cesses, duties, or levies imposed by any Government or competent statutory authority on the land, equipment, material or works of the project or on the energy generated or consumed by the project or the Company or on the income or assets of the Company.
- (iv) for obtaining necessary approvals, permits or licences for operation of the project and sale of energy to APTRANSCO there from under the provision of the relevant laws.
- (v) Non-conventional energy projects sanctioned by NEDCAP, which use the generation partially or fully for captive purposes, will have to seek permission from the Commission U/S 21 (3) of Andhra Pradesh Electricity Reform act, 1998 for captive use of the energy generated.
- (vi) for payment of Grid support Charges as fixed by APERC from time to time.
- (vii) the Company have to comply with the provisions of the AP Code of Technical Interface (Grid Code).

6.2 The APTRANSCO agrees:

- (i) to make all reasonable efforts for making arrangements for evacuation of power from the project to be completed prior to the Commercial Operation Date of the Project subject to Article 3.
- (ii) for purchase of Delivered Energy from the project as per section 2.2.
- (iii) for providing grid support for the essential load of the power plant and for manufacturing process.


Chief Engineer (IPC)
TRANSCO, Widyut Soudha
HYDRABAD-500 032

For K.C.P. Sugar and Industries Corporation Ltd.

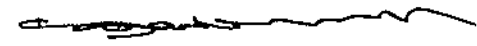

General Manager (Administration)

ARTICLE 7
DURATION OF AGREEMENT

This Agreement shall be effective upon its execution and delivery thereof between parties hereto and shall continue in force from the Commercial Operation Date (COD) and up to the period permitted by APERC for captive consumption and until the twentieth (20th) anniversary that is for a period of twenty years from the Commercial Operation Date (COD) for sale to APTRANSCO. This Agreement may be renewed for such further period of time and on such terms and conditions as may be mutually agreed upon by the parties, 90 days prior to the expiry of the said period, subject to the consent of the APERC. Any and all incentives/conditions envisaged in the Articles of this Agreement are subject to modification from time to time as per the directions of APERC, Government of Andhra Pradesh.


Chief Engineer (IPC)
APTRANSCO, Vidyut Soudha.
HYDERABAD-500 082

For K.C.P. Sugar and Industries Corporation Ltd.


General Manager (K.C.P. Sugar and Industries Corporation Ltd.)

**ARTICLE 8
NOTICES**

- 8.1 Except as otherwise expressly provided in this Agreement, all notices or other communications which are required or permitted hereunder shall be in writing and sufficient if delivered personally or sent by registered or certified mail, telecopy, telex or telegram addressed as follows:

If to the Company:

Attention : M/s KCP Sugar and Industries corporation Ltd.,
Ramakrishna Buildings, 183, Anna Salai,
Chennai - 600 006.

Fax : 044 - 8546617/8555863

Telephone : 044 - 855 5172 to 5176

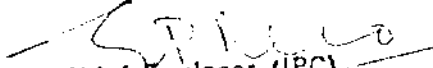
If to the APTRANSCO:

Attention : Chief Engineer,
Investment Promotion Cell,
APTRANSCO, Vidyut Soudha,
Hyderabad - 500 082.

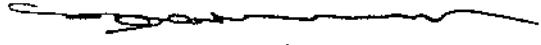
Fax No : 040-23396027

Telephone No : 040-23393304

- 8.2 All notices or communications given by telecopy, telex or telegram shall be confirmed by depositing a copy of the same in the post office in an envelope properly addressed to the appropriate party for delivery by registered or certified mail. All notices shall be deemed delivered upon receipt, including notices given by telecopy, telex or telegram regardless of the date the confirmation of such notice is received.
- 8.3 Any party may by written notice change the address and/or addresses to which such notices and communications to it are to be delivered or mailed.

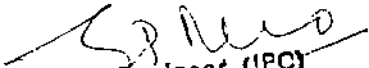

Chief Engineer (IPC)
APTRANSCO, Vidyut Soudha
HYDERABAD-500 082

For K.C.P. Sugar and Industries Corporation Ltd.

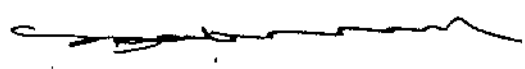

General Manager (Administration)

ARTICLE 9 DEFAULT

- 9.1 In the event, APTRANSCO commits a breach of any of the terms of this Agreement, the Company shall be entitled to specific performance of this Agreement or claimed such damages as would be available under Law or both, at its option, by giving 30 days notice to APTRANSCO.
- 9.2 In the event, Company commits a breach of any of the terms of this Agreement, the APTRANSCO shall be entitled to specific performance of this Agreement or claimed such damages as would be available under Law or both, at its option, by giving 30 days notice to Company.
- 9.3 If the default continues for a period of 30 days or more, either party will have a right to issue a preliminary notice for termination of this Agreement. If the default is not cured within 30 days thereafter, either party can terminate this Agreement and can claim damages at its option.

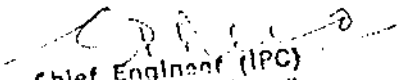

Chief Engineer (IPC)
APTRANSCO, Vidyut Soudha
HYDERABAD-500 087

For K.C.P. Sugar and Industries Corporation Ltd.

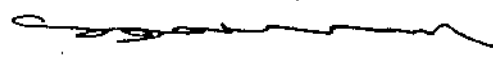

General Manager

ARTICLE 10
SUBSEQUENT COMMISSION / GOVERNMENTAL ACTIONS

If as a result of any act, restraint or regulation by the AP Electricity Regulatory Commission, State or Central Government Authority, Department, Ministry, whether part of legislative, executive, or judicial branch, the Company's ability to use the energy for Captive consumption can be materially abridged or abrogated, at the request of the Company, APTRANSCO agrees to negotiate in good faith with the Company for an arrangement mutually agreed to by both the parties, whereby, the Company would sell and the APTRANSCO would purchase the energy produced by the Project.


Chief Engineer (IPC)
APTRANSCO, Vidyut Soudha
HYDERABAD-500 082

For K.C.P. Sugar and Industries Corporation Ltd.


General Manager

(u)

ARTICLE 11 SPECIAL PROVISIONS

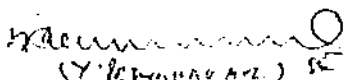
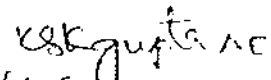
- 11.1 The waiver of any breach or failure to enforce any of the terms, covenants or conditions of this Agreement shall not in any way affect, limit, modify or waive the future enforcement of such terms, covenants or conditions.
- 11.2 No oral or written modification of this Agreement either before or after its execution shall be of any force or effect unless such modification is in writing and signed by the duly authorized representatives of the Company and the APTRANSCO, subject to the condition that any further modification of the Agreement shall be done only with the prior approval of Andhra Pradesh Electricity Regulatory Commission. However, the amendments to the Agreement as per the respective orders of APERC from time to time shall be carried out. All the conditions mentioned in the Agreement are with the consent of APERC.
- 11.3 However, in respect of power evacuation, the voltage levels for interfacing with APTRANSCO's Grid will be as per Article 1.13. The cost of interconnection facilities have to be borne by the Company as per Article 3.
- 11.4 The invalidity or unenforceability for any reason of any provision of this Agreement shall not prejudice or affect the validity or enforceability of any other provision of this Agreement.
- 11.5 The failure of any party to insist in one or more instances upon the strict performance of any of the provisions of this Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or relinquishment of any such rights but the same shall continue in full force and effect.
- 11.6 Unless the context otherwise requires, every arrangement, procedure or any other matter which is, under any of the provisions of this Agreement, required to be mutually agreed upon between the parties, shall be concluded by a written Agreement between the parties not later than the date specified in the concerned clause of this Agreement, subject to the consent of the APERC.
- 11.7 This Agreement, including Schedule 1, 2A, 2B & 3 attached hereto, constitute the entire agreement between the parties with respect to the subject matter hereof, and there are no oral or written understandings, representations or commitments of any kind, express or implied, not set forth herein.
- 11.8 The headings contained herein are included solely for the convenience of the parties and are not to be used as a basis for interpreting the various sections of this Agreement.
- 11.9 The parties each agree to act in good faith in implementing the terms and conditions of this Agreement and in carrying out their respective obligations hereunder.

- 11.10 In the event of the merger or re-organisation of APTRANSCO, if the resulting entity is able to perform APTRANSCO's obligations hereunder in no less a manner than APTRANSCO, the resulting entity shall take the right and responsibility for performance of APTRANSCO's obligations.
- 11.11 In the event of the merger or re-organisation of Company if the resulting entity is able to perform Company's obligations hereunder in no less a manner than Company, the resulting entity shall take the right and responsibility for performance of Company's obligations.
- 11.12 **Assignment and Financing:** Neither party shall assign this Agreement or any portion thereof to any third party without the prior written consent of the other party which consent shall not be unreasonably withheld.

IN WITNESS WHEREOF, the Company and the APTRANSCO have caused this Agreement to be executed as of the date and the year first set forth above.

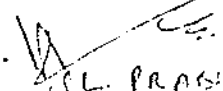
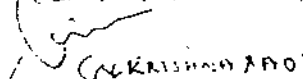
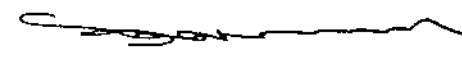
For and behalf of
TRANSMISSION CORPORATION OF ANDHRA PRADESH LIMITED

WITNESS

1.  By: 
(Y. KRISHNA RAO) SE Chief Engineer (IPC)
2.  Its: 
(K. SARWAN KUMAR GUPTA) TRANSCO, Vidyut Soudha, 21.1.03
HYDERABAD-500 082.
For and behalf of

M/s KCP SUGAR AND INDUSTRIES CORPN. LIMITED

WITNESS

1.  By: For K.C.P. Sugar and Industries Corporation Ltd.
(L. PRASHANTH)
2.  Its: 
(K. KRISHNA RAO) H. P. Rao
General Manager (Production) 21/1/03

SCHEDULE 1

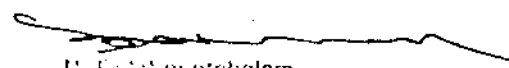
Particulars of the Project (referred to in the Preamble to the Agreement)

Name of the Project	Location	No. of Units	Capacity of each Generator	Capacity of the Station
Bagasse based co-generation project by M/s KCP Sugar and Industries Corpn. Ltd.	Vuyyuru Village, Vuyyuru Mandal, Krishna District, Andhra Pradesh.	2	12 MW & 8 MW	20 MW (*)

- (*) (a) **During Season:** Out of 19.00 MW generated, 2.15 MW is for Auxiliary Consumption, 6.85 MW is for Captive Consumption and 10.00 MW is for export to grid for sale to APTRANSCO.
- (b) **During Off-Season:** Out of 11.40 MW generated, 0.95 MW for Auxiliary Consumption, 0.20 MW Captive Consumption and 10.25 MW for export to grid for sale to APTRANSCO.


Chief Engineer (IPC)
APTRANSCO, Vidyut Soudha
HYDERABAD-500 082

For K.C.P. Sugar and Industries Corporation Ltd.


H. E. Chavvachalam
General Manager (Administration)

SCHEDULE 2A
(Copy of Sanction letter from NEDCAP to the Company)

Non-Conventional Energy Development Corporation of Andhra Pradesh Limited

NEDCAP/PD/8291/2001-2002/1220

Date: 22.7.2002

PROCEEDINGS

Sub: Sanction of 20 MW Capacity of Bagasse based Co-Generation power project to M/s KCP Sugar and Industries corporation Limited – Reg.

Ref: 1. Your application No.2002/KK/TS/SR/093, dated:11.2.2002 & 21.2.2002.
2. G.O.Ms.No.253 EFF (RES) deptt. dated 15.11.94
3. Approval accorded by the NEDCAP Board Sub Committee for projects in its meeting held on 24.6.2002.

In the reference (1) cited above, M/s KCP Sugar & Industries corporation Ltd., requested for the approval to setup 20 MW Bagasse Based Co-Generation Power Project in their sugar mill at Vuyyuru (V) & (M), Krishna District for generation of electric power for captive consumption /sale of power to APTRANSCO/Third parties.

In the reference 2nd cited above, the State Government issued orders permitting NEDCAP to sanction power projects upto 20 MW through renewable energy sources.

The NEDCAP Board Sub-committee for projects in its meeting held on 24.6.2002 has accorded sanction to M/s KCP Sugar & Industries corporation Ltd., to setup 20 MW capacity Bagasse based Co-generation Power project in Vuyyuru (V) & (M), Krishna District . The above approval is accorded subject to the following conditions

1. The Project developer shall abide by the regulations of the Andhra Pradesh Electricity Regulatory Commission (APERC). The Proceedings issued by APERC shall be followed. The developer shall approach APERC for obtaining license/exemption from obtaining license for supply/use of power. In the event of APERC disallowing captive consumption or third party sale, the developer shall be required to enter into PPA with APTRANSCO. The NEDCAP cannot guarantee either the power purchase price or the APTRANSCO entering into PPA as these are dependent upon the power supply position in the state at a given point of time and requirement of power by APTRANSCO. The developer will be proceeding at his own risk with regard to either regulatory clearance for supply license or power purchase agreement with APTRANSCO.
2. The Project Developer shall enter into Agreement with NEDCAP. An irrevocable bank guarantee of Rs. 25000/- per MW valid for a period of 24 months shall be furnished at the time of Agreement. This amount will be adjusted against penalties imposed, if any due to delay in execution of the project (format for submission of Agreement and Bank guarantee are enclosed).

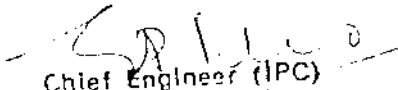
3. The project Developer shall pay service charges Rs. 20.00 lakhs to NEDCAP at the time of entering into Agreement with NEDCAP @ Rs. 1.00 lakh per MW.
4. The Project Developer shall follow the guidelines issued by MNES/State Govt./NEDCAP from time to time.
5. The project Developer shall submit monthly progress reports to NEDCAP on the status of the project (format enclosed).
6. The Project developer is not permitted to use other biomass other than bagasse, cane top and cane trash for power project. However, they are permitted to use coal etc., to the extent approved by MNES, GOL, New Delhi.

Hence, M/s. KCP Sugar & Industries Corporation Ltd is requested to enter into Agreement with NEDCAP within 30 days from the date of these proceedings, failing which these proceedings stand cancelled.

Sd/-
For VICE CHAIRMAN &
MANAGING DIRECTOR

To
M/s KCP Sugar & Industries Corporation Ltd.,
Ramakrishna Buildings,
No.239, Anna Salai,
CHENNAI - 600 006.

Copy to the Prl. Secretary, Energy Department, Govt. of A.P., Hyderabad.
Copy to the Chairman & MD, APTRANSCO, Vidyut Soudha, Hyderabad.
Copy to the Director (Power Group), MNES, Govt. of India, New Delhi.
Copy to the Director (Engg), APERC, Banjara Hills, Hyderabad.
Copy to the Collector, Krishna (Machilipatnam) District.
Copy to the District Manager, Vijayawada, Krishna District.


Chief Engineer (IPC)
APTRANSCO, Vidyut Soudha
HYDERABAD-500 002

For K.C.P. Sugar and Industries Corporation Ltd.


General

SCHEDULE 2B
(Copy of Sanction letter from NEDCAP to the Company)

Non-Conventional Energy Development Corporation of Andhra Pradesh Limited

NEDCAP/P&D/8291/02/1673

Date: 06.09.2002

To
The Chief Engineer(IPC),
APTRANSCO,
Vidyut Soudha,
Hyderabad.
Sir,

Sub: Sanction of 20 MW capacity Bagasse based Co-generation power project to
M/s. KCP Sugar & Industries Corpn. Ltd., - Reg.

Ref: 1. Lr No nil dated 5.9.2002 from M/s. KCP Sugar & Industries Corpn. Ltd.,

It is to inform that NEDCAP has sanctioned 20MW capacity bagasse based Co-generation power project to M/s. KCP Sugars & Industries Corpn. Ltd. vide our Proceedings No. NEDCAP/PD/8291/02, Dated: 22.7.2002. The above power project is under implementation.

Through their letter cited in reference (1) above the developer has requested NEDCAP to furnish the details of power generation and its use as listed hereunder.

Particulars	Season	Off Season
Installed capacity in MW	20.00	20.00
Generation in MW	19.00	11.40
Auxiliary Power Consumption MW	2.15	0.95
Factory consumption in MW	6.85	0.20
Total Consumption in MW	9.00	1.15
Net Exportable Power MW	10.00	10.25

In this connection, it is to inform that M/s. KCP Sugar & Industries Corpn. Ltd., will approach APTRANSCO to enter into PPA. Hence, requested to take necessary further action in the matter.

Thanking you.

Yours faithfully,

Sd/-

For VC & MANAGING DIRECTOR.

CC to M/s.KCP Sugar & Industries Ltd., Chennai for information.

23 For K.C.P. Sugar and Industries Corporation Ltd.

Chief Engineer (IPC)
APTRANSCO, Vidyut Soudha
HYDERABAD-500 082

SCHEDULE 3
(Copy of Agreement with NEDCAP)
AGREEMENT

The Agreement is made this 22nd day of July 2002 between the Non-conventional Energy Development Corporation of A.P. Ltd., (NEDCAP) represented by the Vice Chairman & Managing Director whose office shall include his successors, legal representatives and assignees, etc., and M/s KCP Sugar and Industries Corporation Limited, company is having its registered office at "Ramakrishna Buildings", 239, Anna Salai, Chennai- 600 006, which expression shall include its successors, legal representatives and assignees.

Whereas the Company has made application dated 11.02.2002 & 21.02.2002 to M/s Non-conventional Energy Development Corporation of A.P. Ltd., Hyderabad to setup a 20.00 MW capacity Co-generation power plant based on Bagasse in Village Vuyyuru, Mandal Vuyyuru, District Krishna, for captive consumption and or sale of power to APTRANSCO/ Third parties.

And whereas, NEDCAP vide delegation of powers issued vide G.O.Ms.No. 253 (E&F) RES Dept., dated 15.11.1994 has accorded permission to the Company to setup 20 MW capacity power plant based on Bagasse route vide Lr.No.NEDCAP/PD/8291/2002, dated 22.07.2002.

Now therefore, it is hereby agreed by and between the parties hereto as under:

- (1) The Company shall promote to establish the Co-generation Power Plant with the guidelines issued by the Govt. of India and Govt. of Andhra Pradesh.
- (2) The Company shall obtain all statutory clearances required to establish the Bagasse power plant.
- (3) The Company shall make necessary arrangements for procurement of equipment from the reputed manufacturers/collaborators required for the plant.
- (4) The Company shall take necessary action that required for procurement of Bagasse for uninterrupted supply for running of Co-generation plant.
- (5) The Company shall abide by the Regulations of Andhra Pradesh Electricity Regulatory Commission (APERC). The proceeding issued by APERC shall be followed. The Developer shall approach APERC for obtaining licence/exemption from obtaining licence for supply/use of power. In the event of APERC disallowing captive consumption or third party sale, the developer shall be required to enter into PPA with APTRANSCO. The NEDCAP cannot guarantee either the Power Purchase Price or the APTRANSCO entering into PPA as these are dependant upon the power supply position in the State at a given point of time and requirement of power by APTRANSCO. The developer will be proceeding at his own risk with regard to either regulatory clearance for supply license or power purchase agreement with APTRANSCO.

24 For K.C.P. Sugar and Industries Corporation L.T.

Chief Engineer (IPC)

APTRANSCO, Hyderabad

11/11/2002

- (6) The Company shall comply with the provisions of the AP Electricity Reform Act, 1998 and also the applicable provisions of the Indian Electricity Act 1910 and the Electricity (Supply) Act, 1948 and the rules and regulations framed there under.
- (7) The company shall pay Rs. 20.00 Lakhs as service charge to NEDCAP before entering into agreement.
- (8) The Company shall complete the financial closure within a period of six months from the date of signing of the Agreement or before such extensions as may be accepted and granted by NEDCAP on request by the Company on account of delays in obtaining all necessary contents, licences, authorities and clearances required from the Government of Andhra Pradesh and Government of India.
- (9) The Company shall execute the project within 24 months from the date of Agreement entered and generation of power should be made by 21.07.2004. For every quarter the progress report on implementation to be submitted to NEDCAP. The Company shall provide an irrevocable Guarantee of Rs. 25,000/- per MW which will be adjusted against penalty imposed if any, due to the delay in execution of the Project. The rate of penalty for delay of execution of every MW for every fortnight will be Rs. 5,000/-. If the Company fails to execute the project as per grace period of 3 months, it will be left open for NEDCAP to cancel the project without assigning any reasons.
- (10) NEDCAP reserves the right to withdraw the approval should there be any default in the execution of the terms of the Agreement after giving reasonable opportunity.
- (11) All disputes are subjected to the jurisdiction of Hyderabad only.
- (12) The Company shall abide by such terms and conditions as may be prescribed by Govt. of A.P. From time to time in the interest of the implementation of the project.

FOR AND ON BEHALF OF THE
M/s KCP SUGAR & INDUSTRIES
CORPORATION LIMITED

Sd/-
General Manager (Adm.)

FOR AND ON BEHALF OF
NON-CONVENTIONAL ENERGY
DEVELOPMENT CORPORATION
OF A.P. LIMITED (NEDCAP)

Sd/-
VC & Managing Director

Witnesses:

- 1) Sd/-
- 2) Sd/-


Chief Engineer (IPC)
APTRANSCO, Vidyut Soudha
HYDERABAD-500 082

For K.C.P. Sugar and Industries Corporation Ltd.



INDIA NON JUDICIAL



Government of Andhra Pradesh

IN-AP73943310827711Y

e-Stamp

Certificate No. : IN-AP73943310827711Y
Certificate Issued Date : 18-Mar-2026 11:08 AM
Account Reference : NEWIMPACC (SV)/ ap18076904/ AP-KSN/ AP-VYR/apsharmiu
DDO Code : 27002308001 O/o IG R
Unique Doc. Reference : SUBIN-APAP1807690429495015845913Y
Purchased by : YALAMANCHILI SITA RAM DAS
Description of Document : Article 0 Not Mentioned
Property Description : Not Applicable
Consideration Price (Rs.) : 0
 (Zero)
First Party : K C P SUGAR AND INDUSTRIES CORPORATION LIMITED
Second Party : Not Applicable
Paid By (For Whom) : K C P SUGAR AND INDUSTRIES CORPORATION LIMITED
Stamp Duty Amount(Rs.) : 100
 (One Hundred only)



Please write or type below this line

Agreement for continuation of expired PPA with different tariff for a different period entered on 12.05.2026 between APCPDCL and M/s.KCP Sugar and Industries Corporation Limited:

1. This Agreement dated 12.05.2026 (the "Agreement") is a continuation Agreement for the expired PPA entered on 21.01.2003 between Transmission Corporation of Andhra Pradesh Limited (APTRANSCO) and M/s. KCP Sugar and Industries Corporation Limited, A company incorporated under Indian Company's Act 1956, Andhra Pradesh hereinafter referred to as the "Company" (which expression shall, unless repugnant to the context of meaning thereof, include its successors and assigns) as second party.
2. Pursuant to 3rd transfer scheme & consequent separation of APSPDCL, the PPA dated:21.01.2003 was vested with Andhra Pradesh Central Power Distribution Corporation Limited (APCPDCL), incorporated by the Government of Andhra Pradesh in accordance with the Andhra Pradesh Electricity Reform Act 1998 (Act No.30 of 1998), under the provisions of Companies Act, 1956, hereinafter referred to as the "DISCOM" (which

CHIEF GENERAL MANAGER
 PROJECTS, APCPDCL
 VIJAYAWADA

Y. Sita Ram Das
 UNIT HEAD
 K.C.P. Sugar and Industries Corpn. Ltd.,
 VUYYURU-521 165.
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Statutory Alert:

1. The authenticity of this Stamp certificate should be verified at 'www.shoilestamp.com' or using e-Stamp Mobile App of Stock Holding. Any discrepancy in the details on this Certificate and as available on the website / Mobile App renders it invalid.
2. The onus of checking the legitimacy is on the users of the certificate.
3. In case of any discrepancy please inform the Government Authority.

expression shall, unless repugnant to the context or meaning thereof, include its successors and assigns) as first party

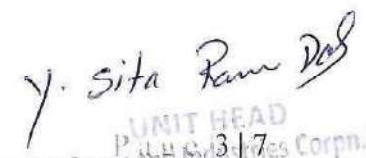
3. Whereas, the 12 MW capacity Bagasse Based Co-generation Power plant located at Vuyyur (V) & (M), Krishna District in Andhra Pradesh (hereafter called the Project) was set up by M/s. KCP Sugar and Industries Corporation Limited with a proposal for export of 6 MW power to grid for Sale to DISCOM
4. Whereas, the Power Purchase Agreement dated 21.01.2003 and its subsequent amendments dated: 24.09.2004 & 23.10.2004 were entered into (here in after referred to as "Agreement") between Transmission Corporation of Andhra Pradesh Limited (APTRANSCO) and M/s. KCP Sugar and Industries Corporation Limited for procurement of power from 20 MW project (phase I -12 MW and Phase II- 8 MW (not established)) for a period of 20 years from the Commercial Operation Date (COD) of the project at the tariff as may be determined by the Hon'ble APERC from time to time. The commercial Operation Date of the project was achieved on 26.12.2005.
5. Whereas on 13.08.2025, M/s. KCP Sugar and Industries Corporation Limited requested for renewal of PPA for a further period after expiry of PPA w.e.f 26.12.2025 on the ground of the existing PPA tariff for FY 2025-26 besides seeking tariff for subsequent financial years as may be determined by the Hon'ble APERC.
6. Whereas in pursuant to clause 7 of the expired PPA and based on the orders of the Hon'ble APERC in respect of M/s. Chodavaram Cooperative Sugars Limited, a series of negotiations have been carried out between M/s. KCP Sugar and Industries Corporation Limited and APDISCOMs.
7. Whereas as per mutual consensus of both parties i.e., APDISCOMs & M/s. KCP Sugar and Industries Corporation Limited, it has been agreed and decided for execution of continuation agreement to the PPA Dt. 21.01.2003 for a period of 20 years at a fixed tariff of Rs. 4.50 per unit, de hors to increase of fuel cost in future, w.e.f from 26.12.2025 subject to the approval of the Hon'ble APERC.
8. Whereas the DISCOM requested the Hon'ble APERC on 29.12.2025 to accord approval for procurement of power with effect from 26.12.2025 for a further period of 20 years at fixed tariff of Rs.4.50 per unit and for entering into continuation PPA.
9. Whereas the Hon'ble APERC on 28.01.2026 duly giving the interim approval for such procurement and directed to file appropriate petition before commission to take a decision.


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10. Accordingly, APCPDCL has entered the continuation agreement on **12.05.2026** with M/s.KCP Sugar and Industries Corporation Limited, in respect of 12 MW Bagasse Based Power project set up located at Vuyyur (V) & (M), Krishna District in Andhra Pradesh for a further period of 20 years from the date of consent/approval from the Hon'ble APERC subject to the following conditions.
- a) The rate per unit of power is Rs. 4.50 constant for a period of 20 years, dehors to increase of fuel cost in future, subject to approval of the Hon'ble APERC.
 - b) The Generator shall ensure the availability and supply of 4 MW of power for four (4) hours during peak hours (as specified by Hon'ble APERC under its RSTO orders issued from time to time, or any other instructions from APSLDC) during cane crushing season.
 - c) Must -Run status is not applicable.
 - d) The Continuation agreement will be effective subject to the approval of the Hon'ble APERC.
 - e) The duration of the PPA is for a period of 20 years subject to the consent of the Hon'ble APERC.
 - f) The Energy injected in any financial year over and above the specified CUF of 55% shall be paid only incentive of 50 paise per unit upto 100% energy calculated on monthly basis on net exportable capacity. Energy supplied beyond 100% is treated as inadvertent power and shall not be paid.
 - g) The energy drawn by the generator for meeting their Auxiliaries shall be billed at DISCOM end under their present category at the tariff as determined by APERC from time to time.
 - h) In case, if the Generator avails power to their colony consumption, the generator shall pay the tariff as may be decided by the APERC from time to time in its RSTO under the category of colony consumption.
11. Whereas M/s. KCP Sugar and Industries Corporation Limited has accepted for the condition that the project can be backed down by the APSLDC based on system exigencies at any point of time without any compensation to the generator.
12. Delivered Energy means, with respect to any Billing Month, the kilo watt hours (kWh) of electrical energy generated by the Project and delivered to the DISCOM at the Interconnection Point of 33/11 KV SS, Vuyyur as measured by the energy meter at the Interconnection Point during that Billing Month.


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P. H. S. 317
K.C.P. Sugar and Industries Corpn. Ltd.,
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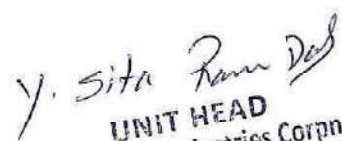
Explanation 1: For the purpose of clarification, Delivered Energy, excludes all energy consumed in the Project, by the main plant and equipment, lighting and other loads of the Project from the energy generated and as recorded by the energy meter at Interconnection Point.

Explanation 2: The delivered energy in a Billing Month shall be limited to the energy calculated based on the Capacity agreed for export to network for sale to DISCOM as mentioned in Preamble and Schedule - 1, multiplied with number of hours and fraction thereof the project is in operation during that billing month. In case any excess energy is delivered no payment shall be made for the same.

13. The company shall be paid tariff for Energy Delivered at the interconnection point for sale to DISCOM, which shall be firm at Rs. 4.50 per unit for a period of 20 years from the date of approval of the Hon'ble APERC.
14. The tariff is inclusive of all Taxes, duties and levies. All future increase in taxes, duties and levies is to be borne by M/s. KCP Sugar and Industries Corporation Limited.
15. Interconnection point means the point or points where the project and the APTRANSCO's/APDISCOM's grid system are interconnected. This project interconnection point is 33/11 KV SS, Vuyyur.
16. Metering Point: means points where metering shall be provided for Project at interconnection Point 33/11 KV SS, Vuyyur.
17. M/s. KCP Sugar and Industries Corporation Ltd shall install main meter, check meter of static type 0.2s class accuracy of ABT Meters having facilities to record both export and import of electricity to / from the grid at the Interconnection Point as per the prevailing norms of CEA/APERC/APTRANSCO/APDISCOMs.
18. Whereas in any Billing month, the energy supplied by the DISCOM to the Power Producer as a bilateral arrangement to maintain the Auxiliaries in the power plant in situations of non-generation of power, shall be billed by the DISCOM under their present category at the tariff as determined by APERC from time to time, and the Power Producer shall pay the bills raised by DISCOM from time to time.

Explanation: The Bagasse Power plant during the plant shut down periods shall draw the energy from DISCOM only for the essential loads not exceeding the CMD with DISCOM.


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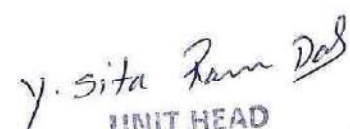
19. DISPUTE RESOLUTION

- 19.1 Each Party shall designate in writing to the other party a representative who shall be authorized to resolve any dispute arising under this Agreement in an equitable manner.
- 19.2 Following notice by one Party to the other setting out the particulars of the dispute, if the designated representatives are unable to resolve a dispute under this Agreement within 15 days, such dispute shall be referred by such representatives to a senior officer designated by the Power Producer and a senior officer designated by the DISCOM, respectively, who shall attempt to resolve the dispute within a period of 15 days.
- 19.3 The Parties hereto agree to use their best efforts to attempt to resolve all disputes arising hereunder promptly, equitably and in good faith and further agree to provide each other with reasonable access during normal business hours to any and all non-privileged records, information and data pertaining to any such dispute.
- 19.4 Failing resolution of the dispute in terms of the above provisions or even otherwise, any party may approach the AP Electricity Regulatory Commission to adjudicate upon the dispute in terms of Section 86 (1) (f) of Electricity Act, 2003.

20. SPECIAL PROVISIONS

- 20.1 The waiver of any breach or failure to enforce any of the terms, covenants or conditions of this Agreement shall not in any way affect, limit, modify or waive the future enforcement of such terms, covenants or conditions.
- 20.2 No oral or written modification of this Agreement either before or after its execution shall be of any force or effect unless such modification is in writing and signed by the duly authorized representatives of the Power Producer and the DISCOM, subject to the condition that any further modification of the Agreement shall be done only with the prior approval of the Andhra Pradesh Electricity Regulatory Commission. However, the amendments to the Agreement as per the respective orders of APERC from time to time shall be carried out.
- 20.3 The invalidity or unenforceability for any reason of any provision of this Agreement shall not prejudice or affect the validity or enforceability of any other provisions of this Agreement.
- 20.4 The failure of any party to insist in one or more instances upon the strict performance of any of the provisions of this Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver


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of any such provisions or relinquishment of any such rights but the same shall continue in full force and effect.

- 20.5 Unless the context otherwise requires, every arrangement, procedure or any other matter which is, under any of the provisions of this Agreement, required to be mutually agreed upon between the parties, shall be concluded by a written Agreement between the parties not later than the date specified in the concerned clause of this Agreement, subject to the consent of the APERC.
- 20.6 The parties each agree to act in good faith in implementing the terms and conditions of this Agreement and in carrying out their respective obligations hereunder.
- 20.7 In the event of the merger or re-organization of DISCOM, if the resulting entity is able to perform DISCOM's obligations hereunder in no less a manner than DISCOM, the resulting entity shall take the right and responsibility for performance of DISCOM's obligations.
- 20.8 In the event of the merger or re-organization of Power Producer if the resulting entity is able to perform Power Producer's obligations hereunder in no less a manner than Power Producer, the resulting entity shall take the right and responsibility for performance of Power Producer's obligations.
21. Whereas this PPA along with tariff is enforceable subject to receiving the consent of Andhra Pradesh Electricity Regulatory Commission under section 21 of A.P. Electricity Reform Act 1998.
22. The developer M/s.KCP Sugar and Industries Corporation Limited, has accepted to disconnect their Bagasse Based power plant from inter-connected substation after expiry of the continuation Agreement period i.e. after 20 years.
23. The developer M/s.KCP Sugar and Industries Corporation Limited, has accepted that after expiry of the extended power purchase Agreement period if power is exported to the grid without having further valid Agreement, without the requisition from APTRANSCO, APCPDCL, without the consent of Hon'ble APERC, the exported power will be treated as inadvertent power and no payment will be done by APTRANSCO/ APDiscoms for the exported power as said above.
24. The developer M/s.KCP Sugar and Industries Corporation Limited, has accepted not to claim the bills by them in case the energy is exported to the grid after expiry of the continuation agreement period i.e. after 20 years.


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VIJAYAWADA


UNIT HEAD
K.C.P. Sugarcane Industries Corpn. Ltd.,
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25. Both parties undertake to abide by the Commission's decision to procure power from M/s KCP Sugar and Industries Corporation Limited during the interim period, i.e., from the date of expiry of the original PPA (25.12.2025) to the effective date of this continuation agreement, at a tariff of Rs.4.50 per unit, subject to the Commission's final decision.
26. All the terms and conditions of the expired PPA dated 21.01.2003 along with its subsequent amendments dated: 24.09.2004 & 23.10.2004 which are not inconsistent with the terms of instant agreement and which are not traversed herein above shall continue for the present agreement.

For and behalf of


ANDHRA PRADESH CENTRAL POWER
DISTRIBUTION CORPORATION LIMITED
PROJECTS, APCPDCL
VIJAYAWADA

WITNESS

1. 
22/08/2024/APCPDCL

2. 
DyBE/PP/APCPDCL

M/s. KCP Sugar and Industries Corporation

UNIT HEAD
K.C.P. Sugar and Industries Corpn. Ltd.,
VUYYURU-521 165,

WITNESS

1. 
AGM (Electrical)

2.



தமிழ்நாடு தமில்நாடு TAMILNADU

KSICL
ch-6

- 5 JUL 2021

CG 070244

[Signature]
S. SPANMUGAM

L No: 9140/2010 Dt: 20-09-2010

for: 662, Anna Salai, Thousand Lights,
Chennai-600 006. Cell: 98408 75193

POWER OF ATTORNEY

I Know all men by these presents that I, Imgard Velagapudi, wife of Late Mr.V.M.Rao, aged 84 Years, Managing Director of K.C.P.Sugar and Industries Corporation Limited, having its Registered Office at "Ramakrishna Buildings", No.239, Anna Salai, Chennai – 600 006, do hereby appoint Mr.Y.Sita Ram Das, son of Mr. Y.V.Prasad, aged about 46 years, residing at Vijayawada, working as an Assistant General Manager (HR & Admn) in Vuyyuru Unit of K.C.P.Sugar and Industries Corporation Limited as my Power of Attorney to specifically do the following, on behalf of me, in respect of matters pertaining to K.C.P.Sugar and Industries Corporation Limited:

1. To appear in all civil, criminal and other cases including those cases relating to employment of personnel filed in any of the courts or other competent authorities within the jurisdiction of Vuyyuru and Lakshmipuram, Andhra Pradesh;
2. To engage Advocate or Advocates, sign vakalat, sign and file complaints, petitions, defend, submit or file evidence, in such manner, as may be required, in the civil, criminal and other cases including those cases relating to employment of personnel, filed by or against me, before all competent courts of law, quasi – judicial authorities, tribunals, arbitrators, dispute resolution mechanism or such other competent authorities; and

1

Xerox Copy of the Original

[Signature]
Jol Velagapudi

3. To appear and represent and do such other acts, as may be necessary, in any arbitration proceedings or other dispute resolution mechanism.

And I hereby agree that all acts, deeds and things lawfully done by my said Attorney shall be construed as acts, deeds and things done by me and I undertake to ratify and confirm all and whatsoever that my said Attorney shall lawfully do or cause to be done for me by virtue of the power hereby given

In token whereof I affirm my signature on the 5th Day of July, 2021.

Y. Sita Ram Das

SPECIMEN SIGNATURE OF
Y.SITA RAM DAS,
THE SAID ATTORNEY

Irmgard Velagapudi

IRMGARD VELAGAPUDI

Witness

Signature : *S. Jeba Elavarasi*

Name : S. JEBHA ELAVARASI

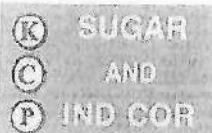
Designation : COMPANY SECRETARY

"Attested"

Xerox Copy of the Original



E. Nagarajan
KODURU NAGESWARAO
ADVOCATE & NOTARY
VUYYURU - 521165, K. N. Nagar Dist., AP
Cell: 9383578444



K.C.P. SUGAR AND INDUSTRIES CORPORATION LTD.

Regd. Office : "Ramakrishna Buildings", Post Box No. 727, No.239, (Old No.183), Anna Salai, Chennai - 600 006.
Ph : 044 2855 5171 to 5176 Fax : 044 2854 6617 E-mail : general@kpsugar.com, www.kpsugar.com
CIN - L15421TN1995PLC033198

CERTIFIED EXTRACT OF THE RESOLUTIONS PASSED IN THE BOARD MEETING OF K.C.P.SUGAR AND INDUSTRIES CORPORATION LIMITED HELD ON MONDAY, THE 29th DAY OF MAY, 2023 THROUGH VIDEO CONFERENCING

AUTHORIZATION OF OFFICIALS UNDER VARIOUS INDIRECT TAX LAWS FOR VUYYURU UNIT:

"RESOLVED THAT in supersession of all the earlier resolutions passed by the Board, on and with immediate effect, the Board of Directors hereby authorize Ms. Irmgard Velagapudi, Managing Director, and Ms. V.Kiran Velagapudi, Executive Director, severally, or any one of the following Executives of the Company:

- Mr. Y. Sita Rama Das, Unit Head;
- Mr. C. K. Vasantha Rao, General Manager (Finance & Sales);
- Mr. S. Sampath Kumar, DY. General Manager (Finance & Accounts)
- Mr. K. Chandra Babu, Assistant General Manager (Distillery).

to sign for the sale invoices, forms, returns and comply with other procedural formalities pertaining The Central Goods and Services Tax Act, 2017, The Integrated Goods and Services Tax Act, 2017, The Andhra Pradesh Goods and Services Tax Act, 2017 and The Andhra Pradesh Excise Act, 1968 and that they be and are hereby severally and jointly authorized to appear before the said authorities on behalf of the Company, wherever necessary.

RESOLVED FURTHER THAT the Directors/Executives hereinabove authorized are empowered to sign application for registration, forms, declarations, returns, challans / other documents and to execute bonds as may be required to comply with the provisions of various legislations mentioned above which shall include authority to represent the Company in all or any proceeding/ matters therewith including assessment/s appeal/s revisions / enquiries, etc. and appear for personal hearings before the quasi - judicial authorities and judicial authorities and to sign and execute and submit written replies, statements, Memorandum of appeals, affidavits, vakalats, and other form of representations for the said purpose with power to delegate the same to such other employees of the Company.

RESOVLED FURTHER THAT a certified true copy of this resolution shall be signed by Ms. Irmgard Velagapudi, Managing Director and / or Mr. AravindKumar V, Company Secretary and Compliance officer of the Company.

// CERTIFIED TRUE COPY//

For K.C.P. Sugar and Industries Corporation Limited


Irmgard Velagapudi
Managing Director

Place: Chennai

Date : 24.02.2026

◇ Leading Manufacturers of Premium Grade Sugars, Rectified Spirit, Anhydrous Alcohol, Calcium Lactate, Bio-Fertilizers, Bio-Compost, Mycorrhiza Inoculum and Processing of Premium Grade Urad Dal.

Factories at	- Vuyyuru,	Krishna Dist., A.P. - 521 165.	Tel : 08676 232001/02	Fax : 08676 232640
	- Lakshminipurem	Krishna Dist., A.P. - 521 131.	Tel : 08671 222046	Fax : 08671 222640
Engineering Division	- Trichy	Tamil Nadu - 620 015.	Tel : 0431 - 2501201	

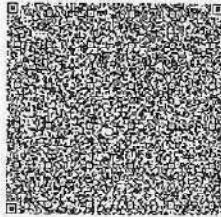


భారత ప్రభుత్వం
Government of India

భారత విశిష్ట గుర్తింపు ప్రాధికార సంస్థ
Unique Identification Authority of India

రిజిస్ట్రేషన్/Enrolment No.: 2017/01299/00495

To
యలమంచిలి సీతా రామ్ దాస్
Yalamanchilli Sita Ram Das
S/O Y V Prasad
PLOT NO 22
ROAD NO 12
BHARATHI NAGAR
Vijayawada (Urban)
Krishna Andhra Pradesh - 520008
9704456965



మీ ఆధార్ సంఖ్య / Your Aadhaar No. :

3157 2944 7982

VID : 9162 0297 9373 4924

నా ఆధార్, నా గుర్తింపు



భారత ప్రభుత్వం
Government of India



యలమంచిలి సీతా రామ్ దాస్
Yalamanchilli Sita Ram Das
పుట్టిన తేదీ/DOB: 26/10/1975
పురుషుడు/ MALE

Issue Date: 23/10/2011

3157 2944 7982

VID : 9162 0297 9373 4924

నా ఆధార్, నా గుర్తింపు



Government of India



సమాచారము / INFORMATION

- ఆధార్ అనేది గుర్తింపు యజ్ఞం, పౌరసత్వానికి కాదు.
- ఆధార్ ప్రత్యేకమైనది మరియు సురక్షితమైనది.
- సురక్షిత QR కోడ్/ఆఫ్లైన్ XML/ఆన్లైన్ ప్రమాణీకరణను ఉపయోగించి గుర్తింపును ధృవీకరించండి.
- ఆధార్ లెటర్, PVC కార్డ్, ఇ-ఆధార్, ఎం-ఆధార్ వంటి అన్ని రకాల ఆధార్ లు సమానంగా డిట్టబాటు అవుతాయి. 12 అంకెల ఆధార్ సంఖ్య ప్లానంలో చివరివల ఆధార్ ఐడింటిటీ (VID)ని కూడా ఉపయోగించవచ్చు.
- కనీసం 10 సంవత్సరాలకు ఒకసారి ఆధార్ ను అప్డేట్ చేయండి.
- వివిధ ప్రభుత్వ మరియు ప్రభుత్వేతర ప్రయోజనాలు/సేవలను పొందడంలో ఆధార్ మీకు సహాయపడుతుంది.
- మీ మొత్తల్ సరిగ్గా మరియు ఈ-మెయిల్ ఐడింటిటీ ఆధార్ లో అప్డేట్ చేసుకోండి.
- ఆధార్ సేవలను పొందేందుకు స్మార్ట్ ఫోన్లలో ఎం-ఆధార్ యాప్ ను డౌన్లోడ్ చేసుకోండి.
- భద్రతను నిర్ధారించడానికి లాక్/అన్లాక్ ఆధార్/బయోమెట్రిక్స్ ఫీచర్స్ ఉపయోగించండి.
- ఆధార్ ను అప్డేట్ చేసే సంస్థలు తగిన సమ్మతిని పొందవలసి ఉంటుంది.
- Aadhaar is a proof of identity, not of citizenship.
- Aadhaar is unique and secure.
- Verify identity using secure QR code/offline XML/online Authentication.
- All forms of Aadhaar like Aadhaar letter, PVC Cards, eAadhaar and mAadhaar are equally valid. Virtual Aadhaar Identity (VID) can also be used in place of 12 digit Aadhaar number.
- Update Aadhaar at least once in 10 years.
- Aadhaar helps you avail various Government and Non- Government benefits/services.
- Keep your mobile number and email id updated in Aadhaar.
- Download mAadhaar app on smart phones to avail Aadhaar Services.
- Use the feature of lock/unlock Aadhaar/biometrics to ensure security.
- Entities seeking Aadhaar are obligated to seek due consent.

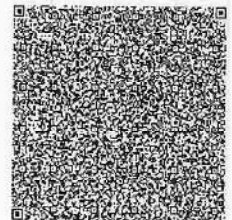


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ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION
4th & 5th Floors, Singareni Bhavan, Red Hills, Hyderabad 500 004

ORDER

Dated 22nd June, 2013

Pursuant to Order dt. 20-12-2012 in Appeal Nos. 150, 166, 168, 172, 173 of 2011 and 9, 18, 26, 29, and 38 of 2012 and Order dt. 30-04-2013 in Review Petition Nos. 3, 4 & 5 of 2013 of Hon'ble APTEL:

1. The tariff for the Biomass (also applicable for Industrial Waste), Bagasse based co-generation and Mini Hydel Power Plants, which were existing as on 31-03-2004 and those commissioned between 01-04-2004 to 31-03-2009 except for the projects covered by negotiated PPAs, is hereby determined, based on the norms indicated in the aforesaid orders of the Hon'ble APTEL, as follows:

Biomass (also applicable for Industrial Waste):

(a) Fixed Cost:

Year of operation since commencement of unit	Fixed cost Rs/unit
1 st	1.77
2 nd	1.74
3 rd	1.72
4 th	1.69
5 th	1.67
6 th	1.67
7 th	1.65
8 th	1.64
9 th	1.59
10 th	1.23

- (b) Incentive on generation beyond threshold PLF of 80% is payable by APDISCOMs at the rate of 35 paise/kWh

(c) **Variable Cost:**

Financial Year	Variable cost Rs/unit
2004-05	1.97
2005-06	2.09
2006-07	2.21
2007-08	2.35
2008-09	2.49

Bagasse based co-generation:

(a) **Fixed Cost:**

Year of operation since commencement of unit	Fixed cost Rs/unit
1 st	1.92
2 nd	1.88
3 rd	1.84
4 th	1.80
5 th	1.77
6 th	1.73
7 th	1.70
8 th	1.67
9 th	1.60
10 th	1.16 ✓

- (b) Incentive on generation beyond threshold PLF of 55% is payable by APDISCOMs at the rate of 35 paise/kWh.

(c) **Variable Cost:**

Financial Year	Variable cost Rs/unit
2004-05	1.31
2005-06	1.38
2006-07	1.44
2007-08	1.52
2008-09	1.59

Mini Hydel Power Projects:

(a) Tariff:

Year of operation since commencement of unit	Rs/unit
1 st	3.89
2 nd	3.79
3 rd	3.69
4 th	3.60
5 th	3.51
6 th	3.42
7 th	3.33
8 th	3.25
9 th	3.17
10 th	3.10

- (b) Incentive on generation beyond PLF of 45% is payable by APDISCOMs at the rate of 35 paise/kWh.

2. APTEL directed to adopt O&M escalation as per actual CAGR of WPI (All Commodities) & CPI (Industrial Workers in the State) indices for 2004-09 with 40% weightage to CPI and 60% to WPI. Accordingly, the Commission worked out the same at 6.69%. The above tariff is based on, inter-alia, O&M Escalation of 6.69%.

3. Minimum Alternate Tax (MAT) / Income Tax is a pass through and is to be paid by the Distribution Licensees' to the developer upon receipt of the claim from the developer. This is over and above the tariff determination made herein.

4. Electricity Duty is a pass through and is to be paid by the Distribution Licensees' to the developer upon receipt of the claim from the developer. This is over and above the tariff determination made herein.

5. Water Royalty is a pass through and is to be paid by the Distribution Licensees' to the Mini Hydel Developers upon receipt of the claim. This is over and above the tariff determination made herein.

6. Hon'ble APTEL directed that interest on arrears, due to the developers as a consequence of determination of tariff on the basis of norms determined by it, to be allowed at the rate of 12% to be compounded on quarterly basis. Accordingly, the DISCOMs are directed to calculate the interest on arrears keeping in view the tariff now determined in this order. For the purpose of convenient payment, DISCOMs are allowed to pay the arrears and interest to the developers in 6 monthly installments commencing from July, 2013.

7. In respect of Mini Hydel Power Projects, the subsidy amount received by the project developers from Government of India after adjusting the prepayment penalty, if any, is to be adjusted against the arrears due to the developers.

8. Hon'ble APTEL directed that applicability of tariff with specific reference to particular PPAs entered into between the developers and the distribution licensees to be decided by the State Commission after hearing the concerned appellants separately. In view of the above directions of the Hon'ble APTEL, the Commission hereby notifies through this order that, the aggrieved parties if any, regarding applicability of tariff, are directed to approach this Commission by filing proper petitions with in 30 days from the date of this order. Thereafter the same will be disposed after hearing the necessary parties in the matter.

This order is corrected and signed on this 22nd day of June, 2013

Sd/
(R.Ashoka Chari)
Member

Sd/-
(C.R.Sekhar Reddy)
Member & Chairman I/c



ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION
4th & 5th Floors, Singareni Bhavan, Red Hills, Hyderabad 500 004

Dated 6th August, 2013

IN THE MATTER OF

Order to give Consequential effect to the order of the Commission dated 31-03-2009 in O.P. No.5 of 2009 based on Hon'ble APTEL order dated 20-12-2012 and 30-04-2013.

**ORDER
(SUO-MOTO)**

1. Commission vide its order dated 31-03-2009 in O.P. No.5 of 2009, inter-alia, had determined the variable cost tariff in respect of Bagasse (co-generation) projects and Biomass based projects (including industrial waste) since no tariff rate structure was available in the 20th March, 2004 order for the purchase of power from the sources by the APDISCOMs w.e.f. 01-04-2009 onwards.
2. While determining the variable cost tariff as mentioned above, the Commission did not revisit the various parameters towards fixation of variable cost except in respect of cost of fuel, which changes with time. Further, what needs to be noted is that the order dated 31-03-2009 mentioned *supra* was made, inter-alia, also subject to the final order of the Hon'ble Supreme Court of India in Appeal before it against the order of the Hon'ble APTEL dated 02-06-2006.
3. Subsequently, by judgement dated 08-07-2010 in C.A Nos. 2926/2006 & batch, the Hon'ble Supreme Court set aside the impugned judgement of Hon'ble APTEL dated 02-06-2006 and remanded the matter to the Commission directing, inter-alia, that the Commission shall hear the non-conventional energy generators afresh and fix/determine the tariff for purchase of electricity.

4. In pursuance thereof, the Commission heard the parties afresh and passed three different orders which were communicated under cover of a letter dated 12-09-2011.

5. On the appeal filed against the same before the Hon'ble APTEL, the Hon'ble APTEL had passed judgement dated 20-12-2012 in Appeal No. 166 of 2011 and batch, inter-alia, determining the various parameters for the determination of tariff and directing the Commission to pass final order for the tariff accordingly.

6. Pursuant to the order dated 20-12-2012 and order dated 30-04-2013 of the Hon'ble APTEL, the Commission determined the tariff vide its order dated 22-06-2013, for the Biomass (also applicable for Industrial waste), bagasse based co-generation and Mini Hydel power plants. While the tariff for Biomass (also applicable for Industrial waste) and bagasse based co-generation consisted of fixed cost (for 1st year of operation to 10th year of operation) and variable cost (for FY 2004-05 to 2008-09), the tariff for Mini Hydel projects consists of fixed cost only (referred as tariff in 22-06-2013 order).

7. Now the task before the Commission is to give consequential effect to the order dated 31-03-2009 to the extent applicable based on the operating parameters (relevant to variable cost and to the extent applicable) determined in Hon'ble APTEL order dated 20-12-2012 and order dated 30-04-2013. For that purpose the relevant operating norms are as extracted hereunder:

A. Biomass Power Plants

(a)	Threshold PLF	80%
(b)	Auxiliary consumption	10%
(c)	Specific fuel consumption	1.36 kg/kWh based on station heat rate of 4500 kCal/kWh and GCV of 3300 kCal/kg.

B. Bagasse based cogeneration

(a)	Threshold PLF	55%
(b)	Auxiliary computation	9%
(c)	Specific fuel consumption	1.6 kg/kWh based on station heat rate of 3600 kCal/kWh and GCV of 2250 kCal/kg.

8. Based on the above operating norms, the revised variable cost is hereby determined and is as follows:

Biomass (also applicable for Industrial Waste):

Variable Cost:

Financial Year	Rs/unit
2009-10	3.03
2010-11	3.18
2011-12	3.34
2012-13	3.51
2013-14	3.68

Bagasse based co-generation:

Variable Cost:

Financial Year	Rs/unit
2009-10	1.67
2010-11	1.75
2011-12	1.84
2012-13	1.93
2013-14	2.03

9. This order is for giving consequential effect to the order dated 31-03-2009 in O.P.No.5 of 2009 based on Hon'ble APTEL order dated 20-12-2012 and 30-04-2013. Other terms and conditions of the order dated 31-03-2009 remains un-modified.

This order is corrected and signed on this 6th day of August, 2013.

Sd/-	Sd/-
(R.ASHOKA CHARI)	(C.R.SEKHAR REDDY)
MEMBER	MEMBER & CHAIRMAN I/c



ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION
11-4-660, 4th & 5th floors, Singareni Bhavan, Red Hills, Hyderabad-500 004.

O.P.No. 32 of 2014

IN THE MATTER OF

Determination of Variable Cost for the period from 01-04-2014 to
31-03-2019 in respect of the Existing plants based on Non Conventional
Energy (NCE) sources in the State of Andhra Pradesh

16th May 2014

ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION
#11-4-660, 4th & 5th Floors, Singareni Bhavan, Red Hills, Hyderabad 500 004
Phone No: 040-23397625/381/399 Fax No: 040-23397378/489 Website
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1 Background

- 1.1 By order dated 20th March 2004, the Commission had determined the tariff for purchase of electrical energy generated by non-conventional energy projects in the state of Andhra Pradesh by the Transmission Corporation of Andhra Pradesh Limited (APTRANSCO) in case of R.P. No.84/2003 in O.P. No.1075/2000.
- 1.2 This order covered the following Non Conventional Energy (NCE) projects:
 - a. Biomass based Power Projects
 - b. Bagasse based co-generation Power Projects
 - c. Industrial Waste to Energy Projects
 - d. Municipal Waste to Energy Projects
 - e. Mini Hydel Projects
 - f. Wind Electricity Generation Projects
- 1.3 In the above order, the fixed cost was determined for Biomass, Bagasse, Industrial Waste and Mini Hydel projects for their 1-10th year of operation. The variable cost was determined for Biomass, Bagasse and Industrial Waste projects for the period FY 2004-05 to FY 2008-09. A single part tariff for Municipal Waste projects and Wind projects was also determined.
- 1.4 By O.P. No.5 of 2009 dated 31st March 2009, the Commission determined the variable cost for Biomass, Bagasse and Industrial Waste projects for

the period FY 2009-10 to FY 2013-14 and single part tariff for Wind and Municipal Waste projects was also determined.

- 1.5 The Commission, pursuant to the Hon'ble Appellate Tribunal for Electricity (APTEL) orders dated 20th December 2012 and 30th April 2013, had determined the revised fixed cost for 1-10th year of operation for Biomass, Bagasse, Mini Hydel projects and revised variable cost for the period FY 2004-05 to FY 2008-09 by order dated 22nd June 2013 based on the norms specified by Hon'ble APTEL.
- 1.6 The Commission, pursuant to the Hon'ble APTEL orders dated 20th December 2012 and 30th April 2013, had determined the revised variable cost for Biomass, Bagasse and Industrial Waste projects for the period FY 2009-10 to FY 2013-14, by order dated 6th August 2013 based on the operating norms specified by Hon'ble APTEL.
- 1.7 The Commission has now in this order undertaken the exercise for determination of variable cost norms and the consequent tariff for Biomass, Bagasse and Industrial waste based power projects for the period FY 2014-15 to FY 2018-19.
- 1.8 The Hon'ble APTEL in the order dated 20th December 2012 had directed the Commission to carry out a scientific study to determine the normative parameters specific to the state of Andhra Pradesh for future. The excerpts from the Hon'ble APTEL Order to this effect are as follows:

"However, we feel that there is a need for carrying out a scientific study for determining the normative parameters specific to the state

for future. The study should also take into consideration the technological improvements that have since taken place in the generation by non-conventional energy sources. We direct the State Commission to arrange to undertake the study on priority and frame its Tariff Regulations for purchase of power by distribution licensees from NCE sources after considering the Study Report, Central Commission's Regulations and any other relevant information."

1.9 The norms laid down in the Hon'ble APTEL order dated 20th December 2012 were applicable to the computation of variable cost for the period FY 2004-05 to FY 2008-09. Due to the absence of any technical study or further information available from statutory bodies, the same technical norms were extended by the Commission in its order of the 6th August 2013 for the period FY 2009-10 to FY 2013-14. The Commission, as directed by the Hon'ble APTEL has now adopted a holistic approach for the determination of the variable cost norms for NCE sources for the period FY 2014-15 to FY 2018-19. This approach incorporated the following seven elements

- A. Floated a consultation paper on the norms for variable cost determination for Biomass, Bagasse, Industrial waste and single part tariff for Municipal waste projects.
- B. Conducted a public hearing on the issues identified in the consultation paper and noted the comments, objections, suggestions of various stakeholders.
- C. Scrutinised the CEA report on "Operating norms for Biomass based power plants" published in September, 2005 with reference to its applicability to Andhra Pradesh.

- D. Scrutinised the CERC Committee report on the “Performance/ Viability of Biomass based plants operating in the Country including the prevailing biomass prices” published in July, 2013 with reference to its applicability to Andhra Pradesh.
- E. Engaged M/s. KPMG as an independent consultant with a mandate to analyse the operating parameters/norms and economics of NCE projects in general with special reference to their working in Andhra Pradesh to prepare a study report (hereinafter called as study report) on the determination of cost and performance norms for NCE sources.
- F. Undertook field visits to three (3) biomass power plants located in Andhra Pradesh viz., (i). M/s. JOCIL Ltd., (ii). M/s. Matrix Power Pvt. Ltd. and (iii). M/s. Ind-Barath Energies Ltd.
- G. Analysed relevant CERC and State Electricity Regulatory Commission’s (SERC) orders and Regulations with reference to determination of variable cost norms for NCE sources including the CERC (Terms and Conditions for Tariff determination from Renewable Energy Sources) (first amendment), Regulation 2014.

1.10 The Commission, distilled the independent findings of the seven elements described above and determined the Variable cost norms for Biomass, Bagasse and Industrial waste sources through the process described below.

1.11 As a first step in this process the Commission, had floated a Consultation Paper on determination of norms for the computation of variable cost for Biomass, Bagasse and Industrial Waste projects on 21st February 2014. Subsequently, a public hearing was held on 24th March 2014 and the views of all the stakeholders who submitted their views earlier in writing as well

as orally during the public hearing were noted. Some of the stakeholders had referred to the norms laid down by the Hon'ble APTEL in its 20th December 2012 order for Station Heat Rate (SHR), while requesting for performing an independent analysis to determine the Gross Calorific Value (GCV) and fuel price. The Commission, having adopted a holistic approach described earlier, determined all operational norms based on a distillation of the findings of the seven elements referred to earlier. Following determination of operation norms, the Commission, then proceeded to determine the variable cost for NCE generators for the period FY 2014-15 to FY 2018-19.

2 Biomass based Power Projects

The norms determined by the Commission in its 2004 and 2009 order and the norms fixed by Hon'ble APTEL 2012 order have been summarised in the below table to the extent relevant for variable cost determination.

Biomass Power Project Norms					
	Units	APERC 2004 Order	APERC 2009 Order	APERC June 2013 Order (Based on Hon'ble APTEL judgement)	APERC Aug 2013 Order (Based on Hon'ble APTEL judgement)
Applicability (Variable Cost)	Period	FY 04-05 to FY 08-09	FY 09-10 to FY 13-14	FY 04-05 to FY 08-09	FY 09-10 to FY 13-14
SHR	kCal/kWh	3,700	3,700	4,500	4,500
Auxiliary Consumption	%	9%	9%	10%	10%
GCV	kCal/kg	3,200	3,200	3,300	3,300
Fuel Price (Base year)	Rs./tonne	1,000 (FY 04-05)	2,000 (FY 09-10)	1,300 (FY 04-05)	2,000 (FY 09-10)
Fuel Price escalation	%	5%	5%	6%	5%

CERC in the first amendment to 2012 RE Tariff regulations made in March 2014 and CEA in its 2005 report, while recognising the problems being faced by Biomass developers provided additional allowances on the technical parameters as detailed below:

Allowances provided for Biomass developers			
	CEA 2005 report on Operating norms for Biomass plants referred by Hon'ble APTEL in December 2012 Order	APERC norms adopted in the consequent order issued in August 2013	CERC amendment to 2012 RE Tariff regulations 2014
Operational uncertainties owing to different fuel mixes	5% on SHR	5% on SHR	10 - 12% on SHR
Fuel handling and storage losses	5% on SHR	5% on SHR	7-10% on GCV
Norms	SHR - 4,500 kCal/kWh	SHR - 4,500 kCal/kWh	SHR - 4,200 kCal/kWh
	GCV - 3,300 kCal/kg	GCV - 3,300 kCal/kg	GCV - 3,100 kCal/kg
Specific Fuel Consumption	1.36	1.36	1.35

The Commission notes that the Specific Fuel Consumption (SFC) determined by both CERC and CEA is practically the same. The Specific fuel consumption adopted by CERC was 1.35 kg/kWh while CEA had earlier in 2005 adopted a specific fuel consumption of 1.36 kg/kWh. The Commission notes that both CERC and CEA in their respective determinations have recognised the problems being faced by Biomass developers and have provided additional cushion/allowances in finalising either the SHR or the GCV to alleviate these challenges. No allowance/ cushion was suggested in the finalisation of the fuel price by both the agencies.

In its Consultation paper on “Determination of Variable cost of generation for Biomass Power Projects” on 21st February 2014, the Commission had proposed the following variable cost norms to be applicable from FY 2014-15 to FY 2018-19.

Proposed norms in Consultation paper for determination of Variable cost of generation for Biomass Power Projects for the period FY 2014-15 to FY 2018-19		
Parameter	Unit	Proposed Norm
Station Heat Rate	kCal/kWh	4,000
Auxiliary Consumption	%	10%
Gross Calorific Value	kCal/kg	3,300
Fuel Price (FY 2014-15)	Rs./tonne	2,830
Fuel Price Escalation	%	Computed *
Specific Fuel Consumption	Kg/kWh	1.21

** Based on fuel price escalation methodology specified in the consultation paper*

The Consultation paper provided for cushion/allowances for operational challenges in the fuel cost rather than in the GCV or SHR. Accordingly, it determined the SHR and GCV with minimum cushion leading to an SFC of 1.21 kg/kWh. To compensate for operational uncertainties, the fuel cost of Rs.2,431/tonne approved by the Commission in FY 2013-14 was increased to Rs.2,830/tonne for FY 2014-15 in the consultation paper. This indicates a 16% increase in the fuel price which is far above the fuel escalation.

2.1 Station Heat Rate

2.1.1 The Commission had proposed an SHR value of 4,000 kCal/kWh in the Consultation paper.

2.1.2 Biomass Energy Developers Association (BEDA) had argued that SHR of the plant is affected by different fuel mixes and the moisture content of fuel. Consequently, they felt that the additional allowance on SHR due to these factors should be taken into account, and SHR should be fixed at 4,500 kCal/kWh as specified in the Hon'ble APTEL order dated 20th December 2012. The Hon'ble APTEL had referred to the CEA report of 2005 which had determined a Gross SHR of 4,033 kCal/kWh and had allowed a 5% escalation in SHR due to operational uncertainties and an additional 5% escalation due to loss in fuel GCV and loss in fuel weight due to long storage, thereby allowing an SHR of 4,500 kCal/kWh. The CEA report did not give any additional allowance on the GCV and fuel price as the required allowance was already given on the SHR side.

2.1.3 Andhra Pradesh Distribution Companies (APDISCOMS) have submitted that the proposed SHR is on the higher side and stated that an SHR of 3,700 kCal/kWh is appropriate, as fixed by the Commission in the 2004 Order.

2.1.4 M/s.PSR Green Power Projects Private Limited has proposed an SHR value of 4,500 kCal/kWh owing to plant inefficiencies and fuel deterioration.

- 2.1.5 CERC had constituted a Committee in October 2012 for revisiting the norms of Biomass projects. The Committee, after undertaking a detailed study of selected Biomass plants in India, had determined the average design SHR of Biomass plants as 3,750 kCal/kWh. It was noted that Biomass Plants are forced to operate with all kinds of agro residues irrespective of the moisture content of the fuel due to seasonal availability. The Committee also pointed out that in case of seasonal fuels, the longer storage time affects the performance of the operating Biomass Power stations during season, and during off season they resort to burning low-priced, inferior quality fuel with limited combustion efficiency of boilers, due to unavailability of good quality fuel at affordable prices which also affects the performance. Thus, the Committee recommended a 10-12% operating margin on the SHR. The Committee had proposed an SHR of 4,200 kCal/kWh for stations using travelling grade boiler and 4,125 kCal/kWh for stations using AFBC boiler. This recommendation was adopted in the first amendment to the CERC RE Tariff Regulations 2012 made in March 2014.
- 2.1.6 Based upon their independent analysis, the consultants appointed by the Commission in their study report has recommended an SHR of 4,200 kCal/kWh for Biomass plants.
- 2.1.7 The Commission after taking into account the SHR determined by CERC committee report and the SHR recommended in the study report determines for the sake of uniformity, a SHR of 4,200 kCal/kWh for both kinds of boilers for computation of Variable cost for the period FY 2014-15 to FY 2018-19.

2.2 Auxiliary Consumption

2.2.1 The Commission had proposed an auxiliary consumption of 10% in the consultation paper.

2.2.2 The Biomass Energy Developers Association (BEDA) has argued for determination of auxiliary consumption on the basis of individual configuration of plants and year of operation.

2.2.3 The APDISCOMS had argued that the auxiliary consumption of 10% is on the higher side as auxiliary consumption in Biomass plants is much lower than that in coal fired power plants. They proposed that auxiliary consumption be set at 9%, as was accepted in 2004 by most of the power developers including Biomass Energy Developers Association (BEDA).

2.2.4 M/s.PSR Green Power Projects Private Limited had proposed an auxiliary consumption of 12% on the ground that hard woody biomass waste needs to be chipped and involves conveying, chipping and the actual auxiliary consumption works out to be higher than 10%.

2.2.5 The CERC for its amendment to the principal regulation based on its committee report had determined an auxiliary consumption of 10% for Biomass plants using water cooled condenser from second year onwards and 12% for Biomass plants using air cooled condenser from second year onwards.

2.2.6 The Commission noted that all the biomass plants inspected during its field visit used water cooled condensers.

2.2.7 The study report had analysed a sample of biomass players and determined their average auxiliary consumption to be around 10%. Accordingly the study report recommended that an auxiliary consumption of 10% be adopted.

2.2.8 The Commission, after a detailed consideration of the above and noting that only existing plants are coming under the ambit of this order hereby determines an Auxiliary consumption of 10% for computation of variable cost for the period FY 2014-15 to FY 2018-19.

2.3 Gross Calorific Value

2.3.1 The Commission had proposed a GCV of 3,300 kCal/kg in the Consultation paper.

2.3.2 The CEA report of 2005 had given an allowance on the SHR side to account for fuel uncertainties, GCV and weight loss in the fuel due to long storage. Hence, it did not recommend any additional allowance on the GCV side.

2.3.3 Biomass Energy Developers Association (BEDA) stated that the GCV of the as fired fuel has to be adjusted for moisture content to arrive at the GCV in as purchased condition when computing the fuel requirement. It had computed a weighted average GCV of 2,835 kCal/kg and rounded it off to 2,800 kCal/kg to account for uncertainties and variations in an as purchased condition. Their computation is given in the table below:

GCV of Fuel (as purchased) computed by BEDA		
Fuel source (as purchased)	% fuel mix	GCV (kCal/kg)
Rice husk	36.8%	3,090
Juliflora	42.9%	2,850
Agri Residue	20.3%	2,343
Weighted average GCV	100%	2,800

2.3.4 The Commission feels that the approach adopted by the BEDA for the computation of GCV is not justified for the following reasons:

- The Commission during its field visits to Biomass plants in the state noted that juliflora is used in a limited fashion by these plants. The allocation of 42.9% for juliflora by BEDA appears excessive. The stakeholder had used the historical fuel mix specified by the CEA report which was published in 2005. More than 9 years have elapsed and this no longer reflects the prevalent fuel mix in the state.
- The concept of computing the GCV in as-purchased condition is inappropriate as the distinction between as-purchased and as-fired fuel is already being taken into consideration in purchasing decision by building moisture variations into the pricing decision. Purchase prices for high moisture content are proportionately lower than low moisture content fuels. The Commission has separately taken into account the degradation of weight and associated parameters due to storage and handling losses.
- The stakeholder, while requesting for an SHR of 4,500 kCal/kWh which already had accounted for allowances to incorporate possible fuel quality variations, has requested for an independent and additional allowance on the GCV for the same fuel quality variations while computing the fuel requirement. The Commission is of the view that the approach of the stakeholder asking for multiple allowances

on different parameters for the same reasons is self serving and inappropriate.

- CERC (Terms and Conditions for Tariff determination from Renewable Energy Sources) (First Amendment) Regulations, 2014 in Statement of Reasons (Page 22) dated 18-03-2014 has specified the following on GCV computation

“Based on the above factors, the Committee recommended the normative GCV value for the Biomass Plants for determination of generic tariff as 3100 kcal/kg for mustard husk, rice husk and other kinds of biomass fuel under as fired condition. Considering the same, the Commission has decided to retain the norm as proposed in the draft Regulations which is also in line with the recommendation received from MNRE (Given vide its letter dated 30th September, 2011) and as recommended in the CEA Report.”

2.3.5 The Commission proposes to follow the CERC approach and determine the GCV in an as-fired condition.

2.3.6 M/s.PSR Green Power Projects Private Limited has proposed a GCV of 2,600 kCal/kg as the biomass fuel contains more than 50% moisture in as-received condition.

2.3.7 CERC Committee had referred to the Biomass Atlas which stated 56% of Biomass fuel availability in Andhra Pradesh is from rice husk and around 33% from agricultural residues. The Commission notes that while the availability of agricultural residues vary with geographical location, the broad indicative mix indicated by the CERC committee report can be adopted. The Commission has computed the weighted average GCV of the Biomass fuel by considering usage of 56% rice husk, 20%

agricultural residues and 24% Juliflora and has considered the GCV of rice husk (3,032 kCal/kg) and agricultural residue (3,524 kcal/kg) captured by the CERC committee from a Biomass project in Andhra Pradesh. The GCV of juliflora as suggested by MNRE as quoted in the CERC Committee Report has been adopted as 2,800 k.cal/kg.

- 2.3.8 The computation of weighted average GCV with the above individual GCVs is as detailed below.

GCV of Fuel (as fired) computed by the Commission		
Fuel Source (as fired)	% fuel mix	GCV (kCal / kg)
Rice Husk	56%	3,032
Juliflora	24%	2,800
Agri Residue	20%	3,524

The weighted average GCV comes out to around 3,075 kCal/kg.

- 2.3.9 CERC, in the first amendment to RE Tariff Regulations of 2012 has considered a GCV of 3,100 kCal/kg for mustard husk, rice husk and other husks of biomass fuels under as fired condition of biomass plants.
- 2.3.10 The study report through a primary research exercise had determined the GCV of Biomass plants in the range of 3,000-3,200 kCal/kg.
- 2.3.11 The Commission, after a detailed consideration of the above points hereby determines a GCV of **3,100 kCal/kg** for biomass fuels under as fired condition of the Variable cost tariff for the period FY 2014-15 to FY 2018-19.

2.4 Fuel Price

2.4.1 The Commission had proposed a fuel price of Rs. 2,830/tonne for Biomass projects for FY 2014-15 in the consultation paper. This price was determined after applying the CERC fuel price indexation mechanism and considering a one-time adjustment of 5% for fuel losses on account of handling and storage.

2.4.2 Biomass Energy Developers Association (BEDA) has argued that fuel price should be determined after determining the fuel requirement in as purchased condition, considering that the moisture content in the fuel increases the fuel weight in as purchased condition. It noted that 1 MT of fuel in an as-fired condition would require 1.372 MT of fuel to be purchased. The weighted average fuel price suggested by them was Rs.4,617/tonne after considering the moisture content, chipping and stacking cost, and losses due to foliage as given below.

Fuel price (as purchased) computed by BEDA		
Fuel Source (as purchased)	% fuel mix	Price (Rs./tonne)
Rice husk	36.8%	3,360
Juliflora	57.2%	4,444
Agri Residue	43.2%	1,943
Weighted Average Fuel price	137.2%	4,617

2.4.3 The Commission notes that the stakeholder while computing the GCV of the fuel in an as purchased condition had considered a 100% fuel mix while it had considered a 137% fuel mix for computing the fuel price. This inconsistent approach cannot be accepted by the Commission as it would lead to an unwarranted increase in the Variable cost. The concept of computing the fuel price in as-purchased condition is incorrect as the

distinction between as-purchased and as-fired fuel is already taken into consideration in the pricing mechanism as pointed out earlier.

2.4.4 People's Monitoring Group on Energy and APDISCOMS have said that the proposed fuel cost is on the higher side and proposed that the Commission adopt a fuel price of around Rs. 2,500/tonne as fixed by CERC for Andhra Pradesh.

2.4.5 The study report had undertaken a market research exercise to determine the biomass fuel prices prevalent in the state, the results of which are captured in the following table.

Fuel price (as fired) determined in the study report		
Fuel Source (as fired)	% fuel mix	Price (Rs./tonne)
Rice Husk	56%	2,800
Juliflora	24%	3,000
Agri Residue	20%	2,100

2.4.6 The report has considered the Biomass fuel mix for Andhra Pradesh as specified by the CERC committee while computing the weighted average fuel price. The weighted average fuel price works out to be Rs. 2,708/tonne.

2.4.7 Considering the uncertainty in the availability and fuel prices of bio fuels, the Commission feels additional comfort needs to be provided to generator. Accordingly, it provides an additional cushion of 5% on the fuel price worked out above.

2.4.8 Therefore, the Commission has determined a base fuel price of **Rs.2,843 per tonne** for FY 2014-15 for computation of the Variable cost for the period FY 2014-15 to FY 2018-19. The price determined is for an as-fired fuel which also includes all transportation and handling costs for the period FY 2014-15. The fuel price escalation will be applicable only from the year FY 2015-16 onwards.

2.5 Fuel Price Escalation

2.5.1 The Commission had proposed the fuel price indexation mechanism in the consultation paper as given in the Regulation 45 of CERC RE Tariff Regulations of 2012. This mechanism is applicable for fuel price adjustment in subsequent years, by considering FY 2012-13 as the base year. It takes into account three parameters, namely, (a) Escalation of fuel handling cost, considering Wholesale Price Index (WPI) as the reference variable, (b) Escalation of fuel cost, considering CERC notified Annual Inflation Rate for indexed energy component in case of captive coal mine source, as the reference variable, and (c) Escalation in transportation cost, considering escalation in High Speed Diesel, as the reference variable. Three multiplying factors have been associated with each of these parameters.

2.5.2 The formula for the fuel price indexation mechanism is:

$$P_{(n)} = P_{(n-1)} * \{a * (WPI_{(n-1)} / WPI_{(n-2)}) + b * (1 + IRC_{(n-1)}) + c * (Pd_{(n-1)} / Pd_{(n-2)})\}$$

2.5.3 For the purpose of tariff computation, the Commission proposed to publish escalation rates based on the indexation methodology for Biomass power projects in Andhra Pradesh for the period FY 2015-16 to

FY 2018-19, before the commencement of the financial year, for which tariff needs to be determined. But, in order to obtain an indicative tariff, the Commission had considered an escalation rate of 6% for Biomass fuel price over the base price of FY 2014-15 for the next five year period.

2.5.4 The Biomass Energy Developers Association argued that the mechanism considers cost of captive coal, which is not related to Biomass fuel. They pointed to the fact that diesel prices increased by 12%, G grade coal by 14% and Subabul price by 20% during September 2009 to September 2013. The stakeholder proposed an escalation rate 12% based on its findings. During the Commission's visits to the three biomass plants, it was noted that Subabul was not used by any of these plants as a fuel. The Commission notes that Subabul is not used by NCE generators in Andhra Pradesh at all in view of its relatively high price and competing demand from paper mills for pulp production. Hence, the Commission rejects the proposal that the increase in Subabul price should be a parameter for increase in Biomass fuel price. In 2009, the diesel prices were regulated. In 2013, the diesel prices are far less regulated. The increase in diesel prices over this period cannot be taken as an indicator for increase in fuel price. Hence, the argument advanced by the objector is not convincing.

2.5.5 The APDISCOMS had suggested that the fuel price escalation of 5%, as adopted in the Hon'ble APTEL order of 2012 should be continued.

2.5.6 The fuel price proposed for FY 2014-15 in the consultation paper (Rs.2,830 per MT) is 16% higher than the approved fuel price for FY 2013-14. The price now determined above is higher at Rs.2,843 per tonne.

Hence, the Commission does not see any merit in the argument that historical escalation has not been taken into account.

2.5.7 CERC in the first amendment to 2012 RE Tariff regulations made in March 2014 had amended the Regulation 44 of the Principal regulations by including the following at the end of Regulation 44

“Alternatively, biomass fuel price shall be decided annually by the appropriate Regulatory Commission through an independent survey which could be carried out by constituting a State level committee consisting of representatives of State Nodal Agency, State Government, Distribution Licensees, biomass power producers association and any other organization”.

2.5.8 This amendment provided an alternative method to the State Commissions for computing the biomass fuel price every year.

2.5.9 The Commission after a careful consideration of Regulation 44 and 45 of CERC RE Tariff Regulations 2012 and the amendment to Regulation 44 feels that the fuel price indexation mechanism specified in Regulation 45 of CERC RE Tariff Regulations 2012 is a preferable option and would like to determine the Biomass fuel price as per the fuel price indexation mechanism. The Commission would like to compute the escalation rates on an annual basis based on the indexation methodology which is fair to both the Biomass developers and the Distribution licensees.

2.5.10 The fuel price determined in this order of Rs. 2,843/tonne would be applicable for FY 2014-15 and the escalation mechanism would be considered to determine fuel price from FY 2015-16 onwards.

2.5.11 The following table lists down the norms considered by the Commission for computing the variable cost for the period FY 2014-15 to FY 2018-19 for Biomass power projects.

Variable cost Norms for Biomass Power Projects		
	Units	Norms
Applicability (Variable Cost)	Period	FY 14-15 to FY 18-19
SHR	kCal/kWh	4,200
Auxiliary Consumption	%	10%
GCV	kCal/kg	3,100
Fuel Price (FY 2014-15)	Rs./tonne	2,843
Fuel Price escalation	%	Computed *
Specific Fuel Consumption	Kg/kWh	1.35

* Based on fuel price escalation methodology

2.5.12 The Variable cost for Biomass power projects for the period from FY 2014-15 to FY 2018-19 is determined as indicated below:

Indicative Variable Cost for Biomass Power Projects for the period FY 2014-15 to FY 2018-19 (Rs. /Unit) *	
Financial Year	Variable Cost (Rs./Unit)
FY 2014-15 **	4.28
FY 2015-16	4.54
FY 2016-17	4.81
FY 2017-18	5.10
FY 2018-19	5.40

* The fuel price escalation is indicative (6%). Actual fuel price escalation would be notified by the Commission before the start of each financial year starting from FY 2015-16.

** This is the rate APDISCOMs have to pay

2.5.13 The Commission, during its field visit has recognised that Biomass developers are facing various challenges like fuel availability problems, fuel storage problems and operational uncertainties due to various types of fuels being utilised. The Commission has attempted to cushion these challenges by proactively assessing operational parameters for biomass players in the above discussed fashion. The Commission feels that these measures would encourage the Biomass players to operate the plants at optimum levels.

3 Industrial Waste based Power Projects

3.1 The Commission would like to continue with the existing mechanism, i.e., the norms proposed for Biomass power projects shall be applicable to Industrial Waste based power projects also.

3.2 The following table lists down the norms considered by the Commission for computing the variable cost for the period FY 2014-15 to FY 2018-19 for Industrial waste based power projects.

Variable cost Norms for Industrial waste based Power Projects		
	Units	Norms
Applicability (Variable Cost)	Period	FY 14-15 to FY 18-19
SHR	kCal/kWh	4,200
Auxiliary Consumption	%	10%
GCV	kCal/kg	3,100
Fuel Price (FY 2014-15)	Rs./tonne	2,843
Fuel Price escalation	%	Computed*
Specific Fuel Consumption	Kg/kWh	1.35

* Based on fuel price escalation methodology

- 3.3 The Variable cost for Industrial waste based power projects for the period from FY 2014-15 to FY 2018-19 is determined as indicated below:

Indicative Variable Cost for Industrial Waste based Power Projects for the period FY 2014-15 to FY 2018-19 (Rs. /Unit)*	
Financial Year	Variable Cost (Rs./Unit)
FY 2014-15 **	4.28
FY 2015-16	4.54
FY 2016-17	4.81
FY 2017-18	5.10
FY 2018-19	5.40

* *The fuel price escalation is indicative (6%). Actual fuel price escalation would be notified by the Commission before the start of each financial year starting from FY 2015-16.*

** *This is the rate APDISCOMs have to pay.*

4 Bagasse based Power Projects

The Commission recognises that existing Bagasse plants need encouragement as they produce power during the period of the year when demand accelerates.

The norms determined by the Commission in its 2004 and 2009 order and the norms determined by Hon'ble APTEL 2012 order have been summarised in the below table to the extent relevant for variable cost determination.

Bagasse Power Project Norms					
	Units	APERC 2004 Order	APERC 2009 Order	APERC June 2013 Order (Based on Hon'ble APTEL judgement)	APERC Aug 2013 Order (Based on Hon'ble APTEL judgement)
Applicability (Variable Cost)	Period	FY 04-05 to FY 08-09	FY 09-10 to FY 13-14	FY 04-05 to FY 08-09	FY 09-10 to FY 13-14
SHR	kCal/kWh	3,700	3,700	3,600	3,600
Auxiliary Consumption	%	9%	9%	9%	9%
GCV	kCal/kg	2,300	2,300	2,250	2,250
Fuel Price (Base Year)	Rs./tonne	575 (FY 04-05)	950 (FY 09-10)	745 (FY 04-05)	950 (FY 09-10)
Fuel Price escalation	%	5%	5%	5%	5%

The Commission had floated a Consultation paper on "Determination of Variable cost of generation for Bagasse Power Projects" on 21st February 2014 and had proposed the following variable cost norms to be applicable from FY 2014-15 to FY 2018-19

Proposed norms in Consultation paper for determination of Variable cost of generation for Bagasse Power Projects for the period FY 2014-15 to FY 2018-19		
Parameter	Unit	Proposed Norm
Station Heat Rate	kCal/kWh	3,600
Auxiliary Consumption	%	8.5%
Gross Calorific Value	kCal/kg	2,250
Fuel Price (FY 2014-15)	Rs./tonne	1,281
Fuel Price Escalation	%	Computed *
Specific Fuel Consumption	Kg/kWh	1.60

** Based on fuel price escalation methodology specified in the Consultation paper*

4.1 Station Heat Rate

4.1.1 The Commission had proposed an SHR value of 3,600 kCal/kWh in the Consultation paper.

4.1.2 M/s. South India Sugar Mills Association (SISMA) was of the opinion that off-season operation of a Bagasse plant should be considered while determining the SHR. The SHR during this period is found to be around 4300-4400 kCal/kWh, as a result of which a higher value for SHR should be allowed.

4.1.3 The SHR of Bagasse based power plants has been fixed at 3600 kCal/kWh by CERC after studying the heat mass balance diagrams and information furnished by MNRE.

4.1.4 The Commission has considered the SHR as determined by CERC and SERCs in the consultation paper and feels that parameters like SHR cannot be determined based on the performance of plants in the off-season.

4.1.5 Therefore, the Commission has considered an SHR of 3,600 kCal/kWh for computation of Variable cost for the period FY 2014-15 to FY 2018-19.

4.2 Auxiliary Consumption

4.2.1 The Commission had proposed an auxiliary consumption of 8.5% in the consultation paper in line with the CERC RE Tariff Regulations, 2012.

4.2.2 Representatives from South India Sugar Mills said that auxiliary consumption of Bagasse plants should be fixed at least at par with that of Biomass plants.

4.2.3 The Commission is of the view that auxiliary equipment is common between the sugar mill and power plant. As a result, the auxiliary consumption for Bagasse based cogeneration power plants is definitely lower than that of Biomass plants.

4.2.4 CERC had proposed an auxiliary consumption of 8.5% for Bagasse plants in the RE Tariff Regulations of 2012 which would be applicable to Bagasse plants being set up from FY 2013-14. However, since the fixed

cost for 1st-10th of operation for existing Bagasse plants in the state has already been determined by considering an auxiliary consumption of 9%, the Commission feels it is not desirable at this stage to alter the norm for existing plants. Accordingly, the Commission determined Auxiliary consumption at 9% for computation of Variable cost for the period FY 2014-15 to FY 2018-19.

4.3 Gross Calorific Value

4.3.1 The Commission had proposed a GCV of 2,250 kCal/kg for existing Bagasse plants in the state in the consultation paper after a comparative analysis of the GCV values proposed by various SERCs and CERC.

4.3.2 CERC, in the RE tariff regulations of 2012, has specified the GCV for Bagasse as 2,250 kCal/kg.

4.3.3 The Commission has considered a GCV of 2,250 kCal/kg for computation of the Variable cost for the period FY 2014-15 to FY 2018-19.

4.4 Fuel Price

4.4.1 The Commission had proposed a fuel price of Rs.1,281/tonne for Bagasse for FY 2014-15 in the consultation paper. This price was determined after applying the fuel price indexation mechanism on the price approved by the Commission for FY 2013-14.

- 4.4.2 The South India Sugar Mills Association (SISMA) stated that the fuel price should be worked out using the heat equivalent approach by considering the domestic coal price of Rs. 2,602/tonne and the equivalent GCV. The price so computed works out to be Rs. 1,879/tonne.
- 4.4.3 APDISCOMS had suggested that fuel price adopted by Hon'ble APTEL in 2012 order when escalated by 5% works out to be Rs.1,212/tonne for FY 14-15 and the same should be adopted.
- 4.4.4 However, the Commission notes that the price of bagasse for Andhra Pradesh as suggested by CERC in its draft order dated 7th January 2014 is Rs. 1,551/tonne for FY 14-15. This price has been determined by CERC after applying the fuel price indexation mechanism on the price considered by CERC for Andhra Pradesh for FY 2013-14. The Commission observes that the CERC determined bagasse price for Andhra Pradesh is 21% higher than the bagasse price proposed in the consultation paper. The Commission after considering the fact that the Minimum Support prices for Sugarcane has increased significantly during the past few years feels that it is necessary to give the Bagasse based power projects additional comfort on the fuel price side.
- 4.4.5 Hence, the Commission considers a base fuel price of Rs. 1,551/tonne for FY 2014-15 for computation of the Variable cost for the period FY 2014-15 to FY 2018-19. This fuel price would provide the required incentive to the Bagasse players to perform at their optimum level.

4.5 Fuel Price Escalation

4.5.1 The Commission for computation of Bagasse fuel price escalation would like to adopt the same methodology used for the computation of the Biomass fuel price escalation explained in detail in Section 1.5.

4.5.2 The fuel price determined in this order of Rs. 1,551/tonne would be applicable for FY 14-15 and the escalation mechanism would be considered to determine fuel price from FY 15-16 onwards.

4.5.3 The below table lists down the norms considered by the Commission for computing Variable cost for the period FY 2014-15 to FY 2018-19 for Bagasse power projects:

Variable cost Norms for Bagasse Power Projects		
	Units	Norms
Applicability (Variable Cost)	Period	FY 14-15 to FY 18-19
SHR	kCal/kWh	3,600
Auxiliary Consumption	%	9%
GCV	kCal/kg	2,250
Fuel Price (FY 2014-15)	Rs./tonne	1,551
Fuel Price escalation	%	Computed *
Specific Fuel Consumption	Kg/kWh	1.60

** Based on fuel price escalation methodology*

4.5.4 The Variable cost for bagasse power projects for the period from FY 2014-15 to FY 2018-19 is determined as indicated below:

**Indicative Variable Cost for Bagasse Power Projects for the
period FY 2014-15 to FY 2018-19 (Rs. /Unit)***

Financial Year	Variable Cost (Rs./Unit)
FY 2014-15	2.73
FY 2015-16	2.89
FY 2016-17	3.06
FY 2017-18	3.25
FY 2018-19	3.44

** The fuel price escalation is indicative (6%). Actual fuel price escalation would be notified by the Commission before the start of each financial year starting from FY 2015-16.*

This order is corrected and signed on this 16th day of May, 2014

Sd/-
(P. RAJAGOPAL REDDY)
MEMBER

Sd/-
(R. ASHOKA CHARI)
MEMBER

Sd/-
(DR. V. BHASKAR)
CHAIRMAN

5 Annexure A: Determination of Fuel Price Escalation as per CERC methodology

CERC has explained a Fuel Price Indexation Mechanism in RE Tariff Regulations 2012. This mechanism is applicable for Biomass, Industrial Waste and Bagasse fuel price adjustment in subsequent years, by considering 2012-13 as the base year. It takes into account three parameters, namely, (a) Escalation of fuel handling cost, considering WPI as the reference variable, (b) Escalation of fuel cost, considering CERC notified Annual Inflation Rate for indexed energy component in case of captive coal mine source, as the reference variable, and (c) Escalation in transportation cost, considering escalation in High Speed Diesel, as the reference variable. Three multiplying factors have been associated with each of these parameters. The factors and parameters used for the computation and the detailed computation is given below

$$P_{(n)} = P_{(n-1)} * \{a * (WPI_{(n-1)} / WPI_{(n-2)}) + b * (1 + IRC_{(n-1)}) + c * (Pd_{(n-1)} / Pd_{(n-2)})\}$$

where

$P_{(n)}$: Price per tonne of fuel for n^{th} year

$P_{(n-1)}$: Price per tonne of fuel for $(n-1)^{th}$ year

a : Factor representing fuel handling cost which is taken as 0.2

b : Factor representing fuel cost which is taken as 0.6

c : Factor representing transportation cost which is taken as 0.2

$WPI_{(n-1)}$: Wholesale Price Index for April of $(n-1)^{th}$ year

$WPI_{(n-2)}$: Wholesale Price Index for April of $(n-2)^{th}$ year

$IRC_{(n-1)}$: Average Annual Inflation rate for indexed energy component in case of captive coal mine source for $(n-1)^{th}$ year

$Pd_{(n-1)}$: Weighted average price of High Speed Diesel for $(n-1)^{th}$ year

$Pd_{(n-2)}$: Weighted average price of High Speed Diesel for $(n-2)^{th}$ year

The detailed computation of the fuel escalation factor as per the above methodology is explained below:

Sl. No.	Particulars	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15
	WPI (April)	125	138.6	152.1	163.5	171.3	
	HSD (CERC - Calendar Year)	130.33	147.91	160.99	175.24	210.91	
	Energy Index	3.0%	8.6%	7.6%	6.5%	9.8%	
	Computation of Energy Index						
	Month of notification	Mar-09	Mar-10	Mar-11	Apr-12	Apr-13	
	Escalation Rate (%)	10.8%	8.7%	9.6%	9.5%	9.8%	
	Applicable Tenure (# days)	183	183	183	183	183	
	Month of notification	Nov-09	Dec-10	Oct-11	Oct-12	Oct-13	
	Escalation Rate (%)	- 4.8%	8.5%	5.7%	3.4%	9.8%	
	Applicable Tenure (# days)	182	182	182	182	182	
	Wtd. Avg. Escalation Rate (%)	3.0%	8.6%	7.6%	6.5%	9.8%	
	Escalation Matrix						
1	Fuel Handling cost						
	a	0.20	0.20	0.20	0.20	0.20	0.20
	WPI_{n-1}	123.50	125.00	138.60	152.10	163.50	171.30
	WPI_{n-2}	114.50	123.50	125.00	138.60	152.10	163.50
	Escalation	0.22	0.20	0.22	0.22	0.21	0.21
2	Fuel cost						
	b	0.60	0.60	0.60	0.60	0.60	0.60
	IRC_{n-1}	6.04%	3.00%	8.59%	7.63%	6.47%	9.81%
	Escalation	0.64	0.62	0.65	0.65	0.64	0.66

Sl. No.	Particulars	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15
3	Transportation cost						
	c	0.20	0.20	0.20	0.20	0.20	0.20
	Pd _{n-1}	135.66	130.33	147.91	160.99	175.24	210.91
	Pd _{n-2}	125.62	135.66	130.33	147.91	160.99	175.24
	Escalation	0.22	0.19	0.23	0.22	0.22	0.24
4	Total Escalation	6.80%	1.26%	10.02%	8.29%	7.15%	10.91%

ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION
(Regulatory Commission for the States of Andhra Pradesh and Telangana)
HYDERABAD

Dated 05-08-2014

Dr.V.Bhaskar, Chairman
Sri R.Ashoka Chari, Member
Sri P.Rajagopal Reddy, Member

O.P Nos. 8 of 2011; 9 of 2012; 12 of 2012; 22 of 2014 and 25 of 2014

Between:

O.P No. 8 of 2011

Eastern Power Distribution Company of Andhra Pradesh Ltd. ... Petitioner

AND

M/s. Navabharat Ventures Ltd. ...Respondent

Petition filed u/s 62 & 86 (1) (b) of the Act 2003 for determination of tariff to take effect on completion of 10 years from date of commissioning of the project of the respondent.

Counsel for the petitioner : Sri. P. Shiva Rao, Advocate
Counsel for the respondent/s : Sri. Challa Gunaranjan, Advocate

O.P No. 9 of 2012

Eastern Power Distribution Company of Andhra Pradesh Ltd ... Petitioner

AND

M/s. Etikoppaka Co-operative Agricultural & Industrial Society Ltd ...Respondent

Petition filed u/s 62 & 86 (1) (b) of the Act 2003 for determination of tariff to take effect on completion of 10 years from date of commissioning of the project of the respondent.

Counsel for the petitioner : Sri P. Shiva Rao, Advocate
Counsel for the respondent/s : Sri M.N.Aditya, Advocate

O.P No. 12 of 2012

Eastern Power Distribution Company of Andhra Pradesh Ltd. ... Petitioner

AND

M/s. GMR Technologies & Industries Ltd. ...Respondent

Petition filed u/s 62 & 86 (1) (b) of the Act 2003 for determination of tariff to take effect on completion of 10 years from date of commissioning of the project of the respondent.

Counsel for the petitioner : Sri. P. Shiva Rao, Advocate

Counsel for the respondent/s : Sri Challa Gunaranjan, Advocate

O.P.No. 22 of 2014

Eastern Power Distribution Company of Andhra Pradesh Ltd ... Petitioner

AND

M/s. Jeypore Sugar Company Ltd ...Respondent

Petition filed u/s 62 of the Act 2003 for determination of tariff to take effect on completion of 10 years from date of commissioning of the project of the respondent.

Counsel for the petitioner : Sri. P.Shiva Rao, Advocate

Counsel for the respondent/s : Sri Challa Gunaranjan, Advocate

O.P.No. 25 of 2014

Eastern Power Distribution Company of Andhra Pradesh Ltd ... Petitioner

AND

M/s. Chodavaram Co-operative Sugars Ltd ...Respondent

Petition filed u/s 62 & 86 (1) (b) of the Act 2003 for determination of tariff to take effect on completion of 10 years from date of commissioning of the project of the respondent.

Counsel for the petitioner : Sri. P.Shiva Rao, Advocate

Counsel for the respondent/s : Sri Challa Gunaranjan, Advocate

*(for easy reference, hereinafter Generating Companies are referred as
Project Developers and Distribution Licensee as EPDCL)*

These petitions have come up for hearing before the Commission on different dates in the presence of counsel for the parties concerned mentioned in the cause title. As all these petitions relate to determination of Fixed Cost component of tariff in respect of different Bagasse based power projects, which have completed 10 years of their operation from the date of commencement of commercial operation (CoD). Since not only the essential elements of the tariff frame work, but also the determination of tariff will be similar in all these cases, the Commission has decided to dispose of all these petitions together by a common order. In pursuance therefore, the Commission having considered the averments mentioned in respect of each of the petitions; counter / reply filed by the other side in respect of such petitions; submissions of the parties concerned during the hearing before the Commission; Study Report of independent consultant instituted by Commission and all the other relevant material available on record, passed the following:

COMMON ORDER

Chapter - I: INTRODUCTION

For a fuller appreciation of the context of this order, it is necessary to study the historical policy environment for promotion of non conventional energy generators. In the year 1993, Government of India (GoI) formulated a policy framework for promotion of generating capacity from non-conventional energy (NCE) sources with the objective of conserving fossil fuels and to reduce environmental pollution arising out of the emissions following the combustion of fossil fuels. The policy framework provided for certain incentives and facilities for promoting capacity addition through NCE sources including renewables. The incentives included subsidy (capital / interest) for setting up generating plants based on non-conventional (including renewable) sources. Among other parameters under the policy framework, the tariff payable for power from the NCE sources was predetermined in 1993-94 to take effect from 01-04-1994 with annual escalation. The Ministry of Non-conventional Energy Sources (MNES) and the Indian Renewable Energy Development Agency (IREDA) were requested to

provide policy framework, concessions and financial assistance to the NCE projects.

2. Various State Governments were also requested to formulate their policy framework including the tariff payable for encouraging generation from NCE sources, keeping in view the tariff guidelines laid down by Gol. Keeping in view the guidelines of MNES, Gol, dated 13-09-1993, Government of Andhra Pradesh (GoAP) vide G.O.Ms.No. 93 dated 18-11-1997 issued guidelines for promotion of NCE projects in Andhra Pradesh (as amended vide notification dated 12.12.1998), *inter-alia*, specifying the power purchase price of Rs.2.25/kWh, to be escalated at 5%, with base year being 1997-98 and to be reviewed after 3 years. In pursuance of such guidelines, several Bagasse based power projects were set up at different places in the then State of Andhra Pradesh after obtaining necessary permissions from M/s. NREDCAP. The project developers have entered into Power Purchase Agreements (PPA) for sale of electricity generated by them to the then APTRANSCO / Distribution Licensees which are valid for twenty years from their respective dates of commercial operation.

3. Andhra Pradesh Electricity Reform Act, 1998 came into force on 01-02-1999. Pursuant to the said Act, Andhra Pradesh Electricity Regulatory Commission (APERC) was constituted on 03-04-1999. The uniform incentives extended to all projects based on non-conventional / renewable sources of energy were required to be reviewed after a period of 3 years from the date of issue of G.O.Ms.No. 93 which was 18-11-1997. The continuance of the incentives in the manner prescribed in the said order or in a suitably modified form to achieve the objectives of promotion of power generation through non-conventional sources was to be examined. Accordingly, as per the provisions of the Reform Act, this task was undertaken by the Commission. The Commission issued notices to all the stake holders including developers / Associations, NEDCAP, IREDA and the then APTRANSCO, and heard their views. Subsequently, the Commission issued orders on 20-06-2001 in O.P.No.1075/2000, stating *inter-alia*:

- (a). the power generated by non-conventional energy developers is not permitted for sale to third parties.
- (b). developers of non-conventional energy shall supply power generated to APTRANSCO / DISCOMs of A.P. only.
- (c). price applicable for the purchase by the supply licensee should be Rs.2.25 per unit with 5% escalation per annum with 1994-95 as the base year.
- (d). a suo-motu review of the incentives to take effect from 01.04.2004 will be undertaken by the Commission after discussion with all the concerned parties.
- (e). there will also be a review of the purchase price with specific reference to each developer on completion of 10 years from the date of commissioning of the project (by which time the loans from financial institutions would have been repaid) when the purchase price will be re-worked on the basis of return on equity, O & M expenses and the variable cost.

4. Pursuant to the above mentioned order dated 20.06.2001 passed by the Commission in O.P. 1075 of 2000, several other NCE generators entered into PPAs on different dates with the then APTRANSCO / DISCOMs. In the year 2003 Commission initiated suo-motu proceedings in terms of the aforesaid order dated 20.06.2001 and on 20.03.2004 passed an order determining the tariff for electricity generated by non-conventional energy sources to be effective from 01.04.2004 in R.P. No 84 of 2003 in O.P. No. 1075 of 2000. The said tariff comprised of fixed costs for the 1st to 10th year of operation and variable costs varying for each of the financial years 2004-05 to 2008-09.

5. Aggrieved by the said order dated 20.03.2004, some of the Associations as well as individual NCE developers filed writ petitions before the Hon'ble High Court of Andhra Pradesh. However, consequent to constitution of the Hon'ble Appellate Tribunal for Electricity (ATE), the Hon'ble High Court of A.P., disposed of the said writ petitions with a direction to approach the Hon'ble ATE. In its judgment dt. 02.06.2006 in Appeal No.1 of 2005 & others, the Hon'ble ATE allowed the appeals with certain directions. On further appeals by the APTRANSCO and the Commission, the Hon'ble Supreme Court set aside the

judgement dt. 02.06.2006 of the Hon'ble ATE and remanded the matter back to the Commission for determination of the tariff afresh in the light of the observations made therein. In the meanwhile, GoAP notified the Third Transfer Scheme, where under the rights and obligations of APTRANSCO in respect of PPAs of different NCE project developers stood transferred and vested by operation of law in the DISCOMs concerned with effect from 09.05.2005 in whose area of operation that particular project is located. Accordingly, the PPAs entered into by different project developers with erstwhile APTRANSCO stood transferred and vested with the DISCOM concerned as shown in the cause title supra.

6. During the pendency of appeal before Hon'ble Supreme Court against the order dt. 02.06.2006 in Appeal No.1 of 2005 & others passed by Hon'ble ATE as mentioned supra, the Commission initiated *suo-motu* proceedings in O.P.No. 5 of 2009 in respect of period 2009-10 to 2013-14 and passed order dated 31.03.2009 determining the variable cost for that period taking the operational parameters contained in its order dated 20.03.2004 supra into consideration. Review petitions were filed before the Commission against the said order dated 31.03.2009 and the same were disposed on different dates by the Commission in the months of July and August 2013.

7. However, in respect of appeals pending before it against orders in Appeal No.1 of 2005 & others passed by Hon'ble ATE, the Hon'ble Supreme Court passed final orders dt. 08.07.2010 and remanded the matter to the Commission to determine afresh the charges payable to NCE projects. In the said order the Hon'ble Supreme Court observed that the Commission should endeavour to encourage the NCE projects and determine tariff for their survival. In pursuance thereof, the Commission passed orders dt. 12.09.2011, wherein the then Chairman and the other two then Members determined different charges payable to NCE developer. The said order of the Commission was again challenged in appeal before the Hon'ble ATE in Appeal No.150 of 2011 & batch. In its order dt. 20.12.2012, the Hon'ble ATE while disposing the said batch of appeals formulated the parameters required to be adopted for determining the

fixed and variable cost for the period 2004-2009 and directed the Commission to finalise the tariff accordingly. Consequently, the Commission issued necessary orders on 22.06.2013 determining the tariff comprising of fixed and variable cost for the period 2004-2009. It also passed another order on 06.08.2013 adopting the same parameters in respect of tariff and revising the order dt.31.03.2009, determining variable cost tariff for the period 2009-2014. Thereafter, the Commission in its order dt.16.05.2014, also determined variable cost for the period 2014-19 in O.P.No.32 of 2014. As seen in Para 4 supra, it now remains for the Commission to determine the fixed costs for the 10th to 20th year of operation.

8. In the meanwhile, several NCE projects have completed 10 years of operation from their respective CODs. In respect of NCE projects located in its area of operation, EPDCL filed the above mentioned petitions before the Commission for determination of tariff (fixed cost) from 11th year of operation of such projects.

9. As there was necessity that some fixed cost must necessarily be paid to different project developers while they were continuing to generate and supply electricity to EPDCL, pending final determination of tariff u/s 62 of the Electricity Act, 2003 (for short 'Act 2003' / 'Act'), EPDCL has been paying 90% of the 10th year tariff determined in Commission's order dt.20.03.2004, besides paying variable cost as per Commission's order dt.31.03.2009, as mentioned supra. In respect of project developer in O.P.No. 8 of 2011, EPDCL filed separate petition u/s 94(2) of the Act, in respect of 2 MW capacity portion which completed 10 years of operation on 06.02.2009. On 30.11.2012, the Commission passed orders in I.A. No. 3 of 2011 directing EPDCL to pay fixed cost at Rs.1.05 per unit for the 11th year and reducing the same by an amount of 7 paise per unit every year, for subsequent years. The Commission further stated that the said order applies to 2 MW capacity of M/s. Navabharat Ventures Ltd.

10. In the orders issued by the Commission for three different periods as mentioned supra, the Commission has adopted common variables with regard to determination of variable costs.

11. In view of the above and for the reasons mentioned in chapter-IV, Commission has decided to issue common order in respect of Bagasse based Power Projects which have completed 10 years of operation.

Chapter - II : SUBMISSIONS OF EPDCL

12. In all, five petitions have been filed by the EPDCL, for determination of tariff of Bagasse based Power Projects (Fixed Cost) from 11th year of operation onwards as shown in the cause title. In all these petitions, EPDCL has mentioned the capacity, location, date of entering into Power Purchase Agreement, etc., of different projects. Further, it is mentioned in the said petitions all these projects have completed ten years of operation on different dates and from 11th year of operation Fixed Cost payable to the Project Developers therein has to be determined by the Commission. Further, EPDCL formulated broadly similar Fixed Cost proposals inline with parameters adopted in Commission's order dated 20-03-2004 and submitted the same along with the petitions filed by it before the Commission in the above mentioned five cases. Based on the detailed calculations made, EPDCL proposed the Fixed Cost to be payable to the said five Project Developers and requested the Commission to approve said fixed charges to be payable for the energy purchases during the period from 11-20th year of operation. The assumptions adopted by the EPDCL for Fixed Cost determination from 11th - 20th year of operation are as hereunder:

- (i). Capital cost is Rs.3.25 Crs / MW
- (ii). Debt equity ratio is 70 : 30
- (iii). Debt repayment period is 10 years
- (iv). Interest rate on Term Loan is 10%
- (v). Return on Equity is 16%
- (vi). Depreciation is 7.84%
- (vii). Auxiliary consumption is 9%
- (viii). The threshold PLF for fixed cost recovery is 55%

- (ix). O & M expenditure is 3% of Project Cost
- (x). O & M escalation is 4%
- (xi). Interest on Working Capital is 12%. The quantum of Working Capital consists of (a). 1 month Fuel Cost (b). 1 month O & M Expenditure (c). 2 months Receivables and (d). Spares at 1% of Project Cost.

Chapter - III: SUBMISSIONS OF PROJECT DEVELOPERS

Submission of M/s.Navabharat Ventures Limited vide their counter dated 21.02.2014 in O.P.No. 8 of 2011 are as hereunder:

13. M/s. Navabharat Ventures Limited commissioned 2 MW Co-generation Power Plant on 07.02.1999 and entered into a PPA with APTRANSCO. However, it commissioned 9 MW Power Plant on 23.11.2005 after dismantling existing 2 MW Power Plant and entered into a new PPA on 06.05.2006 for export of 3.625 MW capacity in the season and 6 MW capacity in off-season with available surplus Bagasse.

14. Even though, the project developer dismantled the 2 MW power plant in 2006 physically, the Commission ordered to continue the 2 MW PPA for payment of Fixed Cost portion. While accepting the revised PPA entered in the year 2006, the Commission for the purpose of honouring the earlier PPA till the expiry of 20 years period, divided the tariff in 2:7 ratio for the purpose of Fixed Cost payment in relation to 2 MW portion.

15. Accordingly, the project developer requests the Commission to determine the tariff on par with the other Bagasse Co-generation Power plants, beyond 10th year of operation, as far as fixed cost portion of the tariff in respect of project developer's 2 MW is concerned.

Submission of M/s. Etikoppaka Co-operative Agricultural & Industrial Society Ltd vide their counter dated 23.04.2012 in O.P.No. 9 of 2012 are as hereunder:

16. The contention of the EPDCL that the PPA to be entered with the project developer is limited to a capacity of 1.5 MW is not correct. The power to be exported to grid is only from 1.5 MW Bagasse based cogeneration plant is not relevant factor to conclude that the capacity is limited to 1.5 MW. The future requirement should be taken into account. In addition, power cuts which have become a regular feature should also be taken into account.

17. It is true that the Commission passed order dt. 20.03.2004. But the said order has been challenged and the Hon'ble Supreme Court passed orders on 08.07.2010 in C.A. No.2926 & others. The *obiter dicta* and findings of Hon'ble Supreme Court should also be considered while deciding the present application.

18. It is true that the project developer will be completing 10 years of operation on 28.02.2011. However, the contention that the Fixed Cost payable to the project developer for the period from 28.02.2011 (11th year operation) is to be fixed by the Commission is not correct.

19. In response to the detailed calculations made and the proposals made by the EPDCL of the Fixed Cost payable to the project developer during the period from 11th year to 20th year, the project developer submits that the EPDCL is not entitled for the relief as the terms & conditions stipulated in the PPA binds the EPDCL and it cannot seek relief contrary to those terms. Therefore, the parameters considered for calculating the proposed fixed charges, do not merit any consideration.

20. In view of Article 2.2 of the PPA, project developer is estopped from deviating from the terms of the PPA and seek revision of tariff.

21. The Commission has no power or authority to alter the policy direction issued by the State Government and the Commission has no executive power or plenary power to issue directions in respect of NCE developers in the State, in

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general and the project developer herein, in particular. The Commission has no authority to alter or change the PPAs entered between the NCE developers and Electricity Board / APTRANSCO. Procurement arrangement / PPA entered is a statutory contract and therefore, the Commission has no authority to interfere with the same. The Commission is just a regulator to approve the PPA to examine the same as to whether the purchase is economical and in terms of State policy.

22. Along with counter, details of expenditure being incurred and to be incurred by the project developer is submitted for arriving at cost of generation.

23. The respondent requested that the following parameters be adopted:

- (i). Capital cost is Rs.3.25 Crs / MW
- (ii). Auxiliary consumption is 0.12 MW / Annum
- (iii). The threshold PLF for fixed cost recovery is 8.04% (Average of last 10 years)
- (iv). O & M expenditure is 0.195 Crs/Annum
- (v). O & M escalation is 55% of Wholesale Price Index (WPI)
- (vi). Not availed any loan and the project cost was met from Society funds.

Submission of M/s. GMR Technologies & Industries Ltd vide their Memo dated 04.12.2013 in O.P.No.12 of 2012 are as hereunder:

24. In the Memo filed on 04.12.2013, stating that the project developer is publishing consolidated annual accounts and therefore, the extracts from abstract of the Balance Sheet and Profit & Loss Account pertaining to "Cogen" Plant alone, as certified by a Chartered Accountant are being filed and requested the Commission to receive the said documents, which are necessary for adjudicating the case. The important assumptions made for Fixed Cost determination in the Memo file are as hereunder:

- (i). Project cost of Rs. 47.84 crs may be considered as per fixed Assets Gross block at the end of 10th year (2010-11).

- (ii). Debt amount of Rs. 26.42 Crs may be taken into consideration as per IREDA Term Loan sanction letter and balance amount of Rs. 21.42 cr may be considered as equity.
- (iii). In the calculation sheet Rs.37.78 Crs is shown as the actual project cost and Rs.26.42 Crs as the loan and Rs.11.36 Crs as the equity brought in by the company (*This works to Rs.2.36 Crs per MW*).
- (iv). Interest on Term Loan taken as 15% (in another place 10% is mentioned). Loan Tenure is taken as 10 years. Outstanding loan at the end of 10th year is shown as NIL.
- (v). Auxiliary consumption is taken as 9%. Depreciation for the balance period to be taken as 1.82%.
- (vi). Plant Load Factor may be taken as 47% considering 170 days of operation (16 MW * 24 hours * 170 days).
- (vii). O & M expenditure may be considered for 2011-12 and 2012-13 as per actuals and thereafter, escalation of 7.5% may be considered. The O & M expenditure for 2011-12 is shown as Rs.4.28 Crs. and for 2012-13 is shown as Rs.4.41 Crs.
- (viii). Carry over of fixed cost may be allowed at Rs.2.33 Crs each year from 11th year to 20th year.
- (ix). ROE may be considered at 24% as per CERC guidelines.
- (x). Interest taken at 10%. Interest on term loan also shown as "zero" from 11th year onwards.
- (xi). Interest on working capital may be arrived as per CERC guidelines with fuel cost for four months + O&M expense for one month + receivables for two months + maintenance spares @ 15% on O&M charges. Rate of interest may be charged at 12%.

Submission of M/s. Jeypore Sugar Company Ltd vide their Memo dated 28-03-2014 and dated 29-03-2014 In O.P.No.22 of 2014 are as hereunder:

25. Pursuant to the Commission directions on the hearing dated 24-03-2014, the respondent M/s. Jeypore Sugar Company Ltd., filed one memo on 28-03-2014 together with the data in the prescribed format and another memo on 29-03-2014 together with the profit and loss account and balance sheets for the years for 2003-04 to 2012-13. Further the assumptions adopted by the respondents for determination of fixed costs beyond 10 years are as hereunder:

- (i). Cost of Project considered at Rs.3.25 Crs per MW which totally works out Rs.39.00 Crs for 12 MW.
- (ii). Interest on Term Loan is Nil.
- (iii). 30% of the above considered as Equity.
- (iv). PLF is considered as 55%.
- (v). O & M expenditure of Rs.297.48 lakhs is considered for 2012-13 as per Audited P&L Accounts and thereafter escalation of 7.5% is considered.
- (vi). Return on Equity is considered at 24% as per CERC guidelines.
- (vii). Interest on working capital is arrived at as per CERC guidelines with fuel cost for four months + O & M expenses for one month + receivables for two months + Maintenance spares @ 15% on O & M charges. Rate of Interest is charged at 12%.
- (viii). Auxilliary consumption taken as 13.89% based on average of actual auxilliary consumption for previous 10 years.
- (ix). Depreciation taken as 1.82%.
- (x). Carry over of fixed cost of Rs.3.44 Crs is taken for all the balance years of operation.

Submission of M/s. Chodavaram Co-operative Sugars Ltd vide their Memo and Counter dated 28-03-2014 in O.P.No.25 of 2014 are as hereunder:

26. The respondent has, inter-alia, stated that they have 14 MW (2 x 7 MW) capacity Bagasse based Co-generation plant established at a cost of Rs.35.00 crs, out of which Rs.20.00 crs was financed by National Co-operative Development Corporation, New Delhi and Rs.15.00 crs was financed by Sugar Development

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Fund, New Delhi. It was also stated that the GoAP has a share of Rs.10.88 crores in the share capital.

27. The respondent further submitted that they have a PPA with APTRANSCO entered in 2001 and subsequently revised on 29th March, 2003 to export 6.25 MW to APTRANSCO from one 7 MW TG set. It is also submitted that the Co-generation plant has started its commercial operation on 01-03-2003 and since, then 6.25 MW power is being generated and exported to APTRANSCO during the crushing season.

28. It is further submitted that though the Term Loans for expansion was cleared off by 2012-13 every year the company borrowed Rs.60.00 crs to Rs.80.00 crs from APCOB at 12.5% interest towards Working Capital requirements and pleaded that the present tariff of Rs.2.84 is not at all remunerative to meet the Working Capital requirement.

29. It is submitted that owing to policy changes governing sugar prices and payment of other excise fees related to sale of molasses, the additional revenue from Co-generation plant is essential to meet the cane price payment to cane supply farmers as per the fair remuneration fixed by the Government of India and as such any lesser tariff fixed by the Commission will cause irreparable loss to M/s. Chodavaram Co-Operative Sugars Ltd.

30. The assumptions used for projections for the next 10 years of fixed cost to realize remunerative tariff are as hereunder:

- (i). Project cost of Rs.35.00 Crs is considered as per fixed assets gross block at the end of 2011-12.
- (ii). Interest on Term Loan is Nil.
- (iii). Share capital of the factory is taken as equity.
- (iv). PLF is considered as 55%.
- (v). O & M expenditure is considered for 2012-13 as per actuals (Rs.386.17 lakhs) and thereafter escalation of 7.5% is considered.
- (vi). Return on Equity is considered at 24% as per CERC guidelines.

- (vii). Interest on working capital is arrived at as per CERC guidelines with fuel cost for four months + O & M expenses for one month + receivables for two months + Maintenance spares @ 15% on O & M charges. Rate of interest is charged at 13%.
- (viii). Auxiliary consumption taken as 12%.
- (ix). Depreciation taken as 1.82%.

Chapter - IV : COMMISSION ANALYSIS

31. In addition to the material placed before it during the pleadings made by both the sides, the Commission, had sought and obtained details of the functioning of the Bagasse generating unit operated by the petitioners. These included Operational, Financial, Commercial and Generation details, supported by the relevant Balance Sheets & Profit and Loss Accounts from CoD till 31-03-2013 as well as projections into the future.

32. As noted by the Commission in its order on Variable Costs for Non-conventional energy generators issued on 16th May 2014, following Hon'ble APTEL directions, the Commission adopted a holistic approach for the determination of both Variable and Fixed Costs norms for NCE sources. This approach incorporated the five elements which are listed below.

- A. The Commission floated a consultation paper on the norms for variable cost determination for Biomass, Bagasse, Industrial waste and single part tariff for Municipal waste projects.
- B. The Commission conducted a public hearing on the issues identified in the consultation paper and noted the comments, objections, suggestions of various stakeholders.
- C. The Commission engaged M/s. KPMG as an independent consultant with a mandate to analyse the operating parameters/norms and economics of NCE projects in general with special reference to their working in erstwhile undivided Andhra Pradesh to prepare a study

report (hereinafter study report) on the determination of cost and performance norms for NCE sources.

D. The Commission analysed relevant CERC and State Electricity Regulatory Commission's (SERC) orders with reference to determination of variable cost norms for NCE sources.

E. The Commission considered the Central Electricity Regulatory Commission (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations, 2012 and its subsequent amendments.

33. The information and analysis generated in the above approach extended to the determination of both variable and fixed costs. In addition to the above five elements, the Commission has also had the benefit of the following additional information for determination of the fixed cost norms relating to Bagasse projects.

F. The written and oral submissions made by both the parties in their petitions and the documents submitted by them in support of their respective contentions.

G. The Operational, Financial, Commercial and Generation details, supported by the relevant Balance Sheets & Profit and Loss Accounts (from CoD till 31-03-2013) as well as projections into the future submitted by the respondent.

34. The Commission, distilled the findings of the above seven elements described above and determined the fixed cost for the petitioners from the 11th year of operation onwards through the process described below.

35. Prior to this exercise, it is appropriate to review the norms adopted by the Commission in its 2004 and the norms adopted by the Commission in its 2013 orders which were based on the Hon'ble ATE 2012 order. The parameters relevant to the determination of fixed costs are placed in Table 1 below:

TABLE 1

Bagasse Power Project Norms

	Units	Commission 2004 Order	Commission 2013 Order (Based on Hon'ble ATE norms)
Applicability (Fixed Cost)	Period	1-10th year of Operation	1-10th year of Operation
Capital Cost	Rs. Cr/MW	3.25	3.25
Threshold PLF	%	55%	55%
O&M expenses (1st year of operation)	% of Capital Cost	3.0%	4.0%
O&M Annual escalation	%	4%	6.69%
Debt: Equity Ratio	Ratio	70:30	70:30
Depreciation	%	7.84% (First 8 years) 7.28% (9th year) Balance 20% spread evenly over 11 years	7.84% (First 8 years) 7.28% (9th year) Balance 20% spread evenly over 11 years
Interest on Debt	%	10%	12%
ROE	%	16%	16% (MAT/Income Tax pass through)
Interest on Working Capital	%	12%	12%

36. After detailed analysis of the financial and operational parameters relevant to the performance of Bagasse players over the last ten years, including aspects like loan repayment, actual generation as compared to the normative Plant Load Factor (PLF) and the overall financial health of the project developers, the Commission came to the conclusion that the performance of all the project developers is broadly consistent with the existing norms.

37. Capital Cost:

On this issue of Capital Cost, DISCOMs have suggested Rs. 3.25 Crs/MW. All the project developers have incurred slightly less than Rs. 3.25 Crs/MW, though M/s. Etikoppaka Co-operative Agricultural & Industrial Society Ltd., and M/s. Jeypore Sugar Company Ltd., had requested for Rs. 3.25 Crs/MW.

38. Hon'ble ATE has also recommended Rs.3.25 Crs./MW as the capital cost for Bagasse Power Projects. This order deals only with existing Bagasse power projects, which are functioning and in respect of which capital costs have already been incurred. Hence, the Commission has continued the existing historical normative cost of Rs.3.25 Crs./MW for Bagasse power projects for the computation of fixed cost for 11-20th year of operation.

39. Plant Load Factors

On this issue, DISCOMs have suggested a threshold PLF of 55% for Fixed Cost recovery. On the other hand except for M/s. GMR Technologies & Industries Ltd., which suggested a PLF of 47% (based on 170 days of operation), other project developers have agreed for a threshold PLF of 55%, whereas M/s. Etikoppaka Co-operative Agricultural & Industrial Society Ltd., indicated a value of 8.04% PLF being the average of last 10 years. Further, M/s. GMR Technologies & Industries Ltd., also stated that full Fixed Cost can be recovered if the PLF is 55%, whereas, during the last 10 years they could achieve only 41%. As such, the un-recovered Fixed Cost for the last 10 years is Rs.23.20 Crs. and the same may be allowed to carry forward to future 10 years at the rate of Rs.2.33 Crs./year. Similar request was made by M/s. Jeypore Sugars Company Ltd although the amount of annual recovery is Rs.3.44 Crs.

40. Commission has examined the matter. Most of the project developers are in agreement with 55% PLF. M/s. GMR Technologies & Industries Ltd., though suggested a lower figure did not substantiate with adequate reasons except for stating that, it is based on 170 days of operation. The value indicated by M/s. Etikoppaka Co-operative Agricultural & Industrial Society Ltd., is an outlier. Further, the normative threshold PLF for Bagasse power projects in erstwhile undivided Andhra Pradesh as fixed by Hon'ble ATE and subsequently adopted by

this Commission in its order dated 22-06-2013 is 55%. Commission, cannot and should not compensate for the inefficiencies in the operation of the generators. In the light of the above, the Commission determines that the already existing normative PLF of 55% for Bagasse based power projects shall be continued for the computation of Fixed Cost for 11-20th year of their operation. The request for carry forward of un-recovered Fixed Cost into the future years, cannot be accepted as this will be tantamount to condoning operational inefficiencies of the developer.

41. To further promote and encourage Bagasse project developers and encourage efficient functioning, the Commission feels that an incentive of Rs 0.50 Ps. per unit for all generation above 55% PLF should be provided by the DISCOM concerned.

42. Auxiliary Consumption:

DISCOMs have suggested an Auxiliary Consumption of 9%, whereas, the request of some of the project developers varied from 12% to 13.89%. M/s. GMR Technologies & Industries Ltd., however has suggested for 9%. M/s. Etikoppaka Co-operative Agricultural & Industrial Society Ltd., has indicated a figure of 0.12 MW per Annum towards Auxiliary Consumption. They however did not indicate the Auxiliary Consumption in percentage terms. The Commission has already elaborately examined the issue and has adopted the Auxiliary Consumption at 9% in its order dt.16.05.2014, which is also inline with Hon'ble ATE determination in its order dt. 20.12.2012. In view of the above, the Commission sees no justification in further increasing the Auxiliary Consumption above 9%. Accordingly, the Commission hereby determines the Auxiliary Consumption as 9%.

43. O&M Expenditure and Escalation:

DISCOMs have suggested O&M as 3% of the Capital Cost and O & M Escalation of 4% Year-on-Year. The project developers have requested for O&M expenditure varying from Rs.24.79 Lakhs per MW to Rs.27.58 Lakhs per MW and O&M Escalation of 7.5% Year-on-Year and the O & M expenditure in respect of

M/s. Etikoppaka Coop. Agri and Industrial Society Ltd is shown as Rs 0.195 Crs per Annum and they did not indicate a per MW O & M Cost.

44. The Commission has carefully considered the matter. As per the existing norms based on Hon'ble ATE order dated 20.12.2012 and consequent APERC order dated 22.06.2013, passed by the Commission, the O&M expenditure is 4% of the capital cost for the first year with an escalation of 6.69% every year. The expenditure that could be allowed for the 11th year of operation, accordingly, comes to Rs 24.8 Lakhs per MW. This is much higher than the O & M expenditure that CERC has set which is at Rs 17.89 Lakhs per MW for Bagasse power projects for FY 2014-15. As such the Commission sees no justification to further increasing this level. It may also be noted that M/s. Jeypore Sugars Company Ltd., had sought for the same value of O & M as approved by the Commission in this order.

45. For the above reasons, the Commission determines to continue the existing O&M norm of 4% of Capital Cost for the base year with an annual escalation of 6.69% for Bagasse Power Projects for the computation of fixed cost for 11 - 20th year of operation.

46. Debt Equity Ratio:

DISCOMs suggested that the existing Debt: Equity ratio of 70:30 be maintained. Most of the project developers have adopted a similar stance. M/s. Etikoppaka Co-operative Agricultural & Industrial Society Ltd., stated that they have not availed any loan and their entire project cost was met from society funds.

47. The Commission notes that this ratio had a historical base derived from the inception of the project. The existing Debt: Equity ratio of 70:30 is an accepted norm across the country with other SERCs and the CERC adopting the same norm. Accordingly, the Commission is of view that the existing normative Debt: Equity ratio of 70:30 for Bagasse Power Projects applied for the first ten years be continued for the computation of Fixed Cost for next ten year period also.

48. Depreciation:

DISCOMs have suggested for 2% of project cost to be spread over the next 10 years of operation. On the other hand, the project developers have suggested 20% of the project cost to be spread over the next 11 years of operation.

49. DISCOMs suggestion is based on the assumption that 70% of project cost had been depreciated in first 10 years and only 20% need to be depreciated over the next 10 years leading to a residual value of 10% at the end of the 20th year. Whereas, the existing normative depreciation rates are 7.84% for the first 8 years and 7.28% for the 9th year (working out to 70% in 9 years). Thus the balance 20% of the project cost is to be spread evenly over remaining 11 years of Bagasse Power Projects. By this regime, 70% of the value is depreciated in the first nine years and 20% during the succeeding 11 years leaving a residual value of 10% at the end of the 20th year. The Commission has determined to follow the existing depreciation rate.

50. Interest on Debt:

Though DISCOMs have suggested an interest rate of 10%, no project developer has shown outstanding loans. M/s. Chodavaram Coop Sugars Ltd., has categorically stated that Term Loan is cleared off by 2012-13. Thus, the Commission had determined that no term loan outstanding existed after the 10th year.

51. In view of the above position there is no need for the Commission to decide the interest on Term Loan applicable for Fixed Cost determination beyond 10th year.

52. Return on Equity:

DISCOMs have suggested maintaining an RoE of 16% including MAT in most petitions. Number of project developers have suggested that the Commission adopt 24% Return on Equity as per CERC Guidelines.

53. The matter has been carefully examined by the Commission. The Commission has allowed a Post-Tax Return on Equity of 16% for Bagasse project

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developers and allowed a pass through of Income Tax/Minimum Alternate Tax (MAT). Bagasse project developers have also realised additional Certified Emission Reduction (CER) revenues. Thus, the Pre-Tax return effectively works out to more than 23% (based on a notional tax rate of 30%) which is more than adequate return. Further, adequate annual escalation has been provided to these project developers. For the above reasons, the Commission determines that the existing normative Return on Equity of 16% for Bagasse Power Projects for the computation of the Fixed Cost be continued for 11th to 20th year of their operation while allowing for a pass through of Income Tax and MAT is adequate incentive for the promoters.

54. Interest on Working Capital:

DISCOMs have suggested that the interest on Working Capital be considered as 12%. On the other hand, while M/s. GMR Technologies & Industries Ltd., and M/s. Jeypore Sugar Company Ltd., have agreed with the above suggestion, M/s. Chodavaram Co-operative Sugars Ltd., requested for an interest rate of 12.5%.

55. The Commission has examined the matter. In view of the broad agreement between the parties and in as much as the same rate of interest is also permitted for Biomass projects vide its order dated 19-07-2014, Commission sees no justification to give a different treatment to Bagasse power developers and adopted a rate of 12%.

56. Coming to the issue of the quantum of Working Capital, while DISCOMs did not make any suggestion, the project developers have requested for quantum of Working Capital to be determined as per CERC guidelines which consists of Fuel Cost for Four (4) months plus O&M Expenses for one month plus Receivables for two (2) months plus Maintenance Charges at 15% of the O & M Charges.

57. The Commission has examined the matter. The present Working Capital as per Hon'ble ATE order dated 20-12-2012 and the consequential order of this Commission dated 22-06-2013, consists of the following components:

- i) Fuel cost for one month computed at threshold PLF
- ii) O&M Expenses for one month
- iii) Receivables for two months at threshold PLF
- iv) Maintenance spares at 1% of the project cost

58. The same treatment is also extended to Biomass project developers. As such, Commission is not inclined to change the constituent components of Working Capital in the middle of the project cycle and as such Commission decided to follow the same as followed earlier being also inline with Hon'ble ATE order dated 20-12-2012. For the same reasons, the request of M/s. Chodavaram Co-operative Sugars Ltd., for a special dispensation on Working Capital also cannot be entertained and hence, rejected.

59. Incentive:

DISCOMs have not made any proposal in this regard. Nor there is any proposal from the Bagasse project developers.

60. Notwithstanding the above, the Commission has examined the matter. The Electricity Act, 2003 mandates the Commission to promote generation of electricity from Non-Conventional Energy sources. Commission had permitted an incentive of Rs.0.50 paise per unit over and above the threshold PLF in respect of Biomass project developers vide orders dated 19-07-2014. The same is in line with the CERC Tariff Regulations for Thermal Plants 2014, which offer the similar incentive to thermal plants for generation over the threshold PLF. That being the case, Commission is inclined to extend the same benefit to Bagasse project developers also. As all the fixed costs would have been recovered at PLF of 55%, the Commission is of the opinion that such incentive will encourage Bagasse project developers to enhance their generation. The Commission is confident that all Bagasse developers will abjure the use of fossil fuel in their power generation activities confirming to the terms and conditions of PPAs.

Chapter - V: CONCLUSION

61. Based on the detailed discussion in respect of different parameters as mentioned in the previous chapter, the Commission determines that the fixed cost payable for Bagasse Power Projects will be as follows:

Fixed Cost for Bagasse Power Projects for 11-20th year of operation (Rs./Unit)	
Year of Operation	Fixed Cost (Rs./Unit)
11	1.18
12	1.22
13	1.27
14	1.32
15	1.37
16	1.43
17	1.49
18	1.55
19	1.62
20	1.70

62. The above mentioned tariff (Fixed Cost) per unit is exclusive of Income Tax and Minimum Alternate Tax. Further, the above mentioned tariff is applicable only upto 55% PLF. As mentioned in the previous chapter, Commission directs that the DISCOM concerned to pay an incentive of Rs 0.50 Ps. per unit generation of electricity above 55% PLF to all such Bagasse project developers. The Commission also directs that Electricity Duty paid by the Bagasse project developers during this period shall be reimbursed.

63. As will be seen, the Commission has determined a generic order for Fixed Cost for the 11-20 year period of their operation. The Commission therefore directs that the above Fixed Costs will be payable by the respective DISCOMs for all Bagasse based NCE projects which complete ten years irrespective of whether they have approached the Commission or not for such determination.

64. This order disposes of all the above mentioned Original Petitions as well as Interim Applications filed thereunder.

This order is corrected and signed on this 5th day of August, 2014

Sd/-
(P.RAJAGOPAL REDDY)
MEMBER

Sd/-
(R.ASHOKA CHARJ)
MEMBER

Sd/-
(Dr.V.BHASKAR)
CHAIRMAN



ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION

4th Floor, Singareni Bhavan, Red Hills, Hyderabad 500 004

MONDAY DAY, THE 10th DAY OF FEBRUARY
TWO THOUSAND TWENTY

Present:

Sri Justice C.V. Nagarjuna Reddy, Chairman

Dr. P. Raghu, Member

Sri P. Rama Mohan, Member

O.P.No.75 of 2019

In the matter of

Determination of Variable Cost for the period from 01-04-2019 to 31-03-2024 in respect of the existing Biomass, Industrial Waste and Bagasse based plants

The Commission vide order dated 16-05-2014 in O.P. No. 32 of 2014, determined the indicative variable cost for Biomass, Industrial Waste and Bagasse projects for FY2014-15 to FY2018-19 with indicative fuel price escalation of 6% and actual fuel price escalation to be notified by the Commission before the start of each financial year starting from FY2015-16.

Accordingly, the Commission, vide SUO-MOTU orders dated 02-04-2015, 26-03-2016, 13-03-2017 and 15-03-2018 determined the Variable Cost for FY2015-16, FY2016-17, FY2017-18 & FY2018-19 respectively. The variable cost applicable for FY2018-19 is as given in the table below:

Financial Year	Biomass (Rs./Unit)	Bagasse (Rs./ Unit)	Industrial Waste (Rs./ Unit)
2018-19	4.81	3.07	4.81

As the tariff is to be fixed for the period from FY2019-20 to FY2023-24 and in the absence of any information being available in tweaking with the above tariff, the Commission proposed to continue the same variable cost approved for FY2018-19 for Biomass, Industrial

Waste and Bagasse projects, for future years i.e. from FY2019-20 to FY2023-24 and accordingly issued draft orders on 22-03-2019 to the above effect. In response to the Commission's proposal given in its draft order dated 22-03-2019, various stakeholders including existing Biomass and Bagasse based plants have filed their submissions and objections. After finally hearing (on 20-12-2019) Sri K. Gopal Chowdary and Sri Challa Gunaranjan, learned counsels for some of the objectors and Sri P. Shiva Rao, Standing Counsel for the DISCOMs and having considered all the written and oral submissions, the Commission passed the following:

ORDER

The Commission has *SUO-MOTO* put up a draft order (Dt. 22-03-2019) on its website on 04-06-2019 in the matter of determination of Variable Cost for the period from FY2019-20 to FY 2023-24 inviting objections / suggestions in the above matter, with due justification supported by data and to be sent to the Commission on or before 15-04-2019. Simultaneously, the Commission has addressed letters to the (i) Principal Secretary to Government, GoAP, Energy, I&I Department (ii) Advisor for Power Sector, (iii) Chairman and Managing Director /Transmission Corporation of Andhra Pradesh Limited (APTRANSCO), (iv) Chairman and Managing Director / Eastern Power Distribution Company of A.P.Limited (APEPDCL), (v) Chairman and Managing Director / Southern Power Distribution Company of A.P.Limited (APSPDCL), (vi) Chief Executive Officer / AP Solar Power Corporation Ltd., (vii) Vice Chairman & Managing Director/ New and Renewable Energy Development Corporation of Andhra Pradesh (NREDCAP) and (viii) Chief Executive Officer / Managing Director, APSEEDCO, in the above matter seeking their views.

2. Thereafter, by letter dt. 04-04-2019 Commission addressed individual letters to 26 nos., Biomass / Bagasse / Industrial waste, Power Generators (as per the list furnished by the utilities), enclosing the draft order referred to above and seeking their views on the same. Thereafter, the matter was posted for public hearing on 29-06-2019, during which the following were present:

- a. Sri P. Shiva Rao, learned Standing Counsel for the utilities
- b. Sri Deepak Chowdary, learned counsel representing Sri Challa Gunaranjan, learned counsel for (i) M/s. SNJ Sugars and Products Limited (ii) M/s. CKR

Associates (iii) M/s. KCP Sugar and Industries Corporation Limited & (iv) M/s. Navabharat Ventures Limited

- c. Sri T.Krishna Kishore representing M/s. Sri Venkata Sridevi Power LLP
- d. Sri Lalam Raja Babu representing M/s. The Etikoppaka Co-operative Agricultural & Industrial Society Limited
- e. Sri Venkata Ramana Raju, Office Manager representing M/s. The Chodavaram Co-operative Sugars Limited
- f. Sri N. Janardhan, Manager representing Biomass Energy Developers Association

3. Written submissions were also filed on the draft order and the proposal contained therein by the following Biomass / Bagasse Power Generators:

- a. M/s. SNJ Sugars and Products Limited.
- b. M/s. Sree Venkata Sreedevi Power LLP.
- c. M/s. CRK Associates, Challa Gunaranjan.
- d. M/s. KCP Sugar and Industries Corporation Ltd.,
- e. M/s. Nava Bharat Ventures Limited.
- f. The Etikoppaka Co-operative Agricultural & Industrial Society Ltd.,
- g. The Chodavaram Co-Operative Sugars Limited.
- h. M/s. South Indian Sugar Mills Association, Andhra Pradesh.

The summary of the written submissions is noted below.

4. Biomass Developers / Generators: In the letter dt. 13-04-2019, it was claimed that the proposal to continue the variable cost of financial year 2018-19 for the next four years is against documented facts that the price of biomass fuel, cost of labour (handling) and the cost of transportation (the three parameters in the determination of fuel price escalation) increase almost every year. The Commission is requested to consider the following options:

- a. Provide 6% escalation rate over the base price of FY2018-19, as considered by the Commission to obtain the indicative variable costs in O.P. No. 32 of 2014.

- b. Provide normative escalation of 5% per annum for fuel cost as mentioned in regulation 44 (Fuel Cost) of CERC Terms and Conditions for Tariff determination from Renewable Energy Sources Regulations, 2017.
- c. Similar to what was done in 2014-15, undertake an exercise to determine the biomass fuel prices prevalent in the State for 2019-20 and consider it as the base fuel price for computation of variable cost for the period FY2020-21 to FY2023-24. This will address the variation between actual /prevalent biomass fuel prices and the computed fuel prices.
- d. Follow the option included by CERC via amendment to Regulation 44 to the 2012 Renewable Energy Tariff Regulations “Alternatively, biomass fuel price shall be decided annually by the appropriate Regulatory Commission through an independent survey which could be carried out by constituting a State level committee consisting of representatives of State Nodal Agency, State Government, Distribution Licensees, Biomass Power Producers Association and any other organization”.
- e. In the last 4 years due to multiple reasons the biomass fuel prices have escalated substantially, the prevalent market price being in the range of Rs.3600 to Rs.4000 /MT (copies of a few invoices are enclosed) as against the price determined by the Commission in its study report. Even considering the price of Rs.3600 / MT as the prevalent market price of ricehusk, the earlier order in O.P. No. 32 of 2014 considered the rate of Rs.2800/ MT for the FY2014-15, and accordingly, the price escalation is 28.6% where as in comparison, the variable cost of Rs.4.81 per unit for FY2018-19 represents only 12% increase over the variable cost of Rs.4.28 per unit for FY 2014-15. Hence, it is suggested that the Commission may take a fresh study to determine the relevant biomass fuel prices to decide the matter under consideration. In the same vein, it was represented that the proposal to continue the variable cost of 2018-19 for the next 4 years is extremely harmful to the biomass power industry which is already in dire straits and it was requested that the Commission may take a holistic view to ensure that the prices fixed reflect the biomass fuel prices in the State of Andhra Pradesh.

5. Bagasse Power Generating Units (Co-Generation):

- (I) South Indian Sugar Mills Association, AP: In their letter dt. 08-04-2019, represented that:

- a. Andhra Pradesh is the 6th largest sugar producing state in the country with an installed capacity to crush 90,000 MT of sugar cane per day. There are 18 manufacturing units in the private sector and 7 in the co-operative sector with a potential to generate 675 MW. However, only 12 units in the private sector and 2 in the co-operative sector have co generative facility aggregating to 154.30 MW.
- b. With regard to the proposals of the Commission made in the draft order, it is claimed that the Commission had adopted bagasse cost of Rs.1743.6 per MT for FY 2018-19 as against the market value of Rs. 2950 per MT. (Though, it is mentioned that invoice copy is attached, no such invoice is found attached).

(i) The Commission had issued a comprehensive order in O.P. No. 32 of 2014 in the matter of determination of Variable cost for the period from 01-04-2014 to 31-03-2019. This order has preferred to determine the fuel price escalation as per the fuel price indexation mechanism specified in the CERC RE Tariff Regulations and indicative fuel price escalation taken was 6%.

(ii) The wholesale price index (WPI) has grown by 11.2%, which shall be considered in fuel price escalation. Every year Central Government had been increasing sugar cane price by which bagasse price will increase.

(iii) CERC had also taken fuel price escalation of 5% in its FY:2019-20 generalised tariff order dated. 19-03-2019.

(iv) The Commission is requested to consider real market value of Bagasse or at least to consider 11.2% of fuel price escalation on 2018-19 APERC adopted Bagasse rate and revise the same every year from the FY2019-20.

(II) Navabharath Ventures Limited and KCP Sugars & Industries Corporation Limited:

In their letters dt. 15-04-2019 & 10-04-2019 respectively, they have made submissions which are generally identical (to the extent it relates to fuel cost of bagasse) to the ones filed by South Indian Sugar Mills Association, AP mentioned above. All of them

requested the Commission to determine the variable cost for bagasse cogeneration plants with due regard to ground realities and their submissions as above.

(III) SNJ Sugars and Products Limited:

The Commission vide its order dt.16-05-2014 in O.P. No. 32 of 2014, determined the indicative variable cost for Biomass, Bagasse and Industrial Waste projects for the financial year 2014-15 to 2018-19 (i.e. from 01-04-2014 to 31-03-2019) with indicative fuel price escalation of 6% and actual fuel price escalation to be notified by the Commission before the start of each financial year starting from FY2015-16.

The Commission issued orders determining the variable cost for the FY 2015-16 to 2018-19 without issue of notice and the unit price was reduced from Rs. 3.44 per unit for FY 2017-18 to Rs. 3.07 per unit for FY 2018-19.

They have a 20 MW cogeneration plant and over the years its cane procurement cost has increased from Rs.2394.54 per MT to Rs. 2950.00 per MT from FY 2014-15 to 2018-19 and bagasse prices have increased from Rs.1450 per MT to Rs. 3018 per MT from FY 2015-16 to 2018-19 due to demand from paper and plywood making industries. That the power charges for the industry are increasing from year to year as also line and Bay maintenance charges to the developers. The Cogeneration plants can work for 180 days but actually are working for 150 days. They are suffering due to high raw material cost, high cost of production and poor sugar prices. Hence, the Commission is requested to fix the variable cost for FY 2018-19 at Rs.3.44 with a minimum escalation of 8% per annum for FY 2019-20 to FY 2023-24 and also to revise the variable cost in O.P.No.32 of 2014 dated 16.05.2014 for FY2015-16 to FY2018-19.

(IV) Co-operative Sugar Factories:

The Chodavaram Co-operative Sugars Limited and the Etikoppaka Co-operative Agricultural & Industrial Society Limited, in their submissions dated.13-04-2019, 24-06-2019 and 26-06-2019 traced the history of their sugar units and cogeneration plants and the Power Purchase Agreement(s) entered into with the DISCOM and claimed that the tariff presently being paid by the AP Discoms for their bagasse based cogeneration plants is very less and not viable, as compared to tariff being paid to other non-conventional energy stakeholders. It was claimed that they have to pay Rs.0.25 per unit on captive consumption from cogeneration plants towards electricity duty, which is a huge financial burden. Further,

the cost of all inputs towards maintenance and repairs of boilers of the generation plants is increasing every year. The Chodavaram unit claimed that they purchase bagasse from other private parties and taking into consideration all the input costs including fuel cost, the cost of generation per unit works out to Rs.5.20 per unit and hence the Commission may determine variable cost at Rs.5.20 per unit to the bagasse cogeneration plants to enable them to sustain as a cooperative sugar factory. The Etikoppaka Unit claimed that the production of the bagasse has come down due to different reasons and to compensate the deficit they have to procure the same from other factories at rates varying from Rs.1400 to Rs. 1850 per MT. They also claimed that their power generation cost has increased over the years and it is now Rs.6.50 per unit. Being a small agro based industry providing livelihood to so many socio-economic backward people the present rate being paid per unit may be increased to sustain sugar industry and as cogeneration is the main source of additional income or at least pay the rate on par with biomass / industrial waste plants or continue the existing rate.

6. Pursuant to the various written submissions and objections filed by biomass / bagasse based generation plants and South Indian Sugar Mills Association, the APDISOCMs have filed the written submissions on 31-08-2019, the gist of which is as under:

a. APERC arrived at the variable cost in respect of Biomass & Industrial Waste projects as Rs.4.81 per unit and Bagasse Projects as Rs.3.07 per unit by considering the Actual Fuel Price of Rs.3196.4 /MT and Rs.1743.6/MT respectively in its order dated 15-03-2018 for the FY 2018-19. The Commission proposed to continue the same rates for FY 2019-20 to FY 2023-24.

b. The escalated fuel price in respect of Biomass & Industrial Waste projects and Bagasse projects for FY 2019-20 at the rate of 6% will be Rs.3388/ MT (1.06xRs.3196.4/MT for FY 2018-19) and Rs.1848/MT (1.06x Rs.1743.6/MT for FY 2018-19) respectively. However, the fuel price as adopted by CERC in its order dated 19-03-2019 for FY 2019-20 in respect of Biomass and Bagasse projects are Rs.3167.72/MT and Rs.1788.43/MT respectively. As the CERC determined fuel prices are less than that proposed by the Commission, CERC Fuel prices may be adopted.

7. In reply Sri K. Gopal Chowdary, learned Counsel representing Sree Venkata Sreedevi Power LLP has agreed with the DISCOM's view that the variable cost cannot be uniform for

all the 5 years and that it should be determined year on year based upon fuel price applicable for that year. He has however not agreed with the DISCOM's view that the CERC determined fuel price for Biomass projects for FY 2019-20 is justified on facts of the case, on the ground that the methodology of the CERC is not properly understood and applied.

He has argued that as per the CERC Regulation, 2012 applicable for the FY2012-17, the fuel price for each year is to be determined according to the indexation formula mentioned therein and on that basis CERC determined the biomass fuel price at Rs.2807.74 / MT for FY 2016-17. In the CERC Regulation, 2017 applicable upto FY 2019-20, the fuel price methodology was changed and 5% annual escalation was allowed from year on year. In order to arrive at the fuel price for the first year, i.e. 2017-18, the CERC applied the indexation formula to the fuel price for 2016-17 and arrived at Rs.2873.22 per MT for FY 2017-18. Thereafter that was escalated by 5% year on year for subsequent years. That was how the biomass fuel price of Rs.3167.73 per MT was arrived at for FY 2019-20.

He has further argued that the erstwhile APERC, while passing order dated 16-05-2014 in O.P. No. 32 of 2014 has determined the biomass fuel price for FY 2014-15 independent of CERC Regulation of 2012, and adopted CERC fuel price indexation formula for determination of fuel price year on year for determining the variable cost for each year. On that basis, this Commission determined the fuel price for FY 2018-19 at Rs. 3196 / MT. By properly applying the CERC methodology, transitioning from 2012 to 2017 Regulation, biomass fuel price for FY 2019-20 is to be computed, by applying the price indexation formula for the fuel price determined for FY2018-19, as already adopted by the Commission in O.P. No. 32 of 2014. Accordingly, biomass fuel base price for FY2019-20 comes to Rs.3423.63 per MT. The same price may be adopted, or such other amount following the same methodology and escalated at 5% every year as per CERC Regulation, 2017 upto FY 2023-24.

8. During the course of hearing, as per the directions of the Commission, the Officers of the Commission have verified the computation of biomass fuel price arrived by Sri K. Gopal Chowdary and found that by applying fuel price indexation formula to the fuel price determined by the Commission earlier for FY 2018-19 of Rs. 3196 per MT, the fuel price for FY 2019-20 would be Rs.3401.7 per MT. Such computation has been found to be in order by Sri K. Gopal Chowdary also.

9. Sri K. Gopal Chowdary has filed the computation of variable cost from FY 2012-13 to FY2019-20 in support of his earlier submissions.

10. At the time of final hearing, Sri P. Shiva Rao, learned counsel for the APDISCOMs has argued the case and filed written submissions as under:

(a) CERC Regulation issued on dt. 06-02-2012 in respect of the fuel cost for biomass and bagasse based projects for FY 2012-13 and subsequent years which should be arrived at either by applying escalation factor of 5% or based on fuel price indexation mechanism at the option of the developer.

(b) The Commission in its order date.16-05-2014 (O.P. No. 32 of 2014) has adopted the fuel cost indexation mechanism and determined the fuel cost from FY 2014-15 to FY 2018-19 accordingly.

(c) CERC in its subsequent RE Regulation 2017 date.17-04-2017, applicable for three (3) years has notified the fuel price for FY 2017-18 and indicated that the fuel price for subsequent years will be arrived at by applying normative escalation factor of 5% per year.

(d) It is observed that the fuel prices determined during the earlier period by APERC was very much on higher side when compared to the fuel prices allowed by CERC for the State of AP and particularly during the FY: 2014-15 to FY 2018-19 it has caused unjustified burden on APDISCOMs and consequently on end consumers. The fuel prices determined by CERC and APERC are tabulated below:

Financial year	Biomass		Bagasse	
	Fuel Cost Rs. Per tonne		Fuel Cost Rs. per MT	
	APERC	CERC	APERC	CERC
2014-15	2843	2751.2	1551	1553.27
2015-16	3056	2940.3	1667	1660.04
2016-17	2902.6	2807.74	1583.3	1585.19
2017-18	2930.3	2873.22	1598.4	1622.16
2018-19	3196.4	3016.88	1743.6	1703.27

(e) Pursuant to its Renewable Energy tariff Regulation 2017, the CERC in its order dated: 19-03-2019 has determined the tariff for Biomass and Bagasse Projects for

FY2019-20 by considering the fuel cost for the state of AP as Rs.3167.72/ MT and Rs.1788.43/MT respectively.

(f) The Hon'ble Supreme Court in a case between APTRANSCO Vs Sai Renewable Power Pvt Limited & others in Civil Appeal No 2926 of 2009 vide order dated: 08-07-2010 at para no. 52 (C) held as follows:

52 (c) Commission shall also re-examine that in addition to the above or in the alternative, whether it would be in the larger interest of the public and the State, to permit sale of generated electricity to third parties, if otherwise feasible.

(g) Further, the Commission in I.A. No. 22 of 2013 in RP No. 84 of 2003 in O.P. No. 1075 of 2000 held that if the Commission considers that if consumers interest is of primary concern, and in the process of such pursuit it may be desirable to allow the NCE developers for open access, in case the DISCOMs finds that the present tariff determined by Hon'ble APTEL orders is unjustified.

(h) The APDISCOMs are facing severe financial crisis and unable to pay the monthly power purchase bills which are pending to the tune of Rs.20,000 crores.

(i) As the fuel price adopted by CERC is less than the escalated Fuel Price of the APERC during FY:2014-15 to FY:2018-19, and due to that APDISCOMs have incurred heavy burden, and considering their said precarious financial position, the APDISCOMs request the Commission to adopt Fuel Price of Rs.3167.72/MT for Biomass & Industrial Waste and Rs.1788.43/MT for Bagasse Power Projects inline with CERC values and to arrive at the Variable Cost as Rs.4.77 per unit and Rs.3.14 per unit respectively, for FY 2019-20.

(j) Further, the Commission may arrive at the actual fuel price and actual Variable Cost year on year for the financial years starting from FY2020-21 to FY 2023-24, as was done earlier.

10. We have gone through the submissions, views and objections of the various stakeholders and the counsel for some of the objectors and the APDISCOMs on the proposal of the Commission dt.23-03-2019 for determination of variable cost for biomass, bagasse and industrial waste projects for the period from FY2019-20 to FY 2023-24.

11. **Biomass & Industrial Waste based Plants:** We find that, in respect of biomass based plants, the dispute / difference of opinion between APDISCOMs and the developers is

only in respect of determination of base fuel cost (consequent variable cost) for FY2019-20. There is no dispute with regard to determination of fuel cost year on year after FY2019-20; i.e., from FY2020-21 upto FY 2023-24 which has to be escalated at 5% every year as per CERC Regulation, 2017 dt.17-04-2017 on the base fuel cost, as distinct from the proposal made in the draft order to continue the same fuel cost through out the control period from FY2019-20 to FY2023-24.

12. In the light of the rival contentions of biomass developers and the APDISCOMs on the determination of fuel cost for FY 2019-20 the Commission needs to consider the following:

- (i) Whether the fuel price arrived at Rs.3196.4 per MT for FY2018-19, following the indexation mechanism adopted by the Commission for FY2015-16 to FY2018-19 as per its order in O.P. No. 32 of 2014 date.16-05-2014, should be modified to arrive at the fuel price for FY2019-20?

Or

- (ii) Whether adopt fuel price for biomass and industrial waste power projects at Rs.3167.72 / MT as determined by the CERC in its order date.19-03-2019 for the State of Andhra Pradesh as per its Regulation, 2017 for RE projects as requested / claimed by APDISCOMs?

13. Now let us examine each of the above alternatives as under:

Re: (i) & (ii) The main contention of Sri K. Gopal Chowdary, learned counsel is that CERC while issuing Regulation 2017 for RE projects followed its earlier regulation of 2012 and indexation fuel mechanism, but has not considered APERC determined fuel cost for FY2014-15, which was arrived at by an independent study by the Commission. On the other hand the DISCOMs argue that the purchase of power from biomass based plants entails high cost for the DISCOMs and hence the CERC determined fuel price as per its Regulation, 2017 being lesser, may be adopted for FY2019-20. We shall now examine these claims:

- (a) The APERC has independently determined the fuel cost for FY2014-15, and for subsequent years it followed the CERC suggestion of applying fuel indexation mechanism. What APERC determined is only for the control period FY2014-15

to FY2018-19 and hence the same cannot be extended automatically to subsequent control period in a routine manner.

(b) While issuing 2017 RE Regulation, CERC has considered all the relevant aspects, given opportunity to all the stakeholders to present their case, and determined the fuel cost State-wise. It is also necessary to highlight the fact that as per CERC Regulation 2017, it has determined the capital cost and fuel cost for each year and in its order dt. 19-03-2019 for FY2019-20 it has determined the fuel cost for all the States by a well analysed and reasoned order. No objections appeared to have been made in respect of Biomass based plants, as there was mention of only objections filed in respect of Bagasse based power plants in the CERC order dated 19.03.2019. In the same order there was clear mention of some orders of the State Commissions. Therefore, there is no basis to presume that CERC has not considered the fuel cost determined by APERC or other State Commissions in notifying 2017 Regulation for RE projects or its subsequent orders issued based on that Regulation.

(c) As each control period is independent, we need to approach the issue in a holistic manner. It is relevant to mention in this context that even as per APERC order dt.16-05-2014 in O.P. 32 of 2014 the fuel cost has come down for FY2015-16 and FY2016-17, though, it has increased again in FY 2017-18. Thus, it can be seen that the fuel cost varies from year to year depending on various factors including demand and supply. CERC in its RE regulation in 2012 has observed that fuel price for subsequent years shall be arrived at by increase of 5% every year or by adopting fuel price indexation mechanism at the option of the developer. The fuel price indexation mechanism was adopted by APERC in its order in O.P. No. 32 of 2014. This has the effect of either upward or downward revision of fuel cost for subsequent years as mentioned above. Now, CERC in its 2017 RE Regulation has prescribed 5% escalation increase every year for the fuel cost determined for FY2019-20. Hence, the CERC Regulation, 2017 which has taken into consideration all relevant aspects should be preferred and followed as it is realistic, and fair, besides being pragmatic and correct.

(d) In support of its contention that the Biomass fuel rates have increased from Rs.2800/MT in 2014-15 to Rs.3600/MT to Rs.4000/MT, during intervening

period, Sree Venkata Sreedevi Power LLP has filed copies of a few purchase invoices. However, they relate to FY2017-18 and 2018-19 (October 2017, November and December, 2018 only) and they do not represent a significant and representative sample for determining the fuel cost for the FY2019-20 under consideration as it is a small sample for specific period and the price varies quite frequently depending on the demand and supply and from year to year each year/each season and such business risks are necessarily to be borne by the developer.

(e) The DISCOMs have contended that they have paid higher fuel cost and corresponding higher unit price for the power for the period from FY2014-15 to FY 2018-19 compared to CERC determined fuel cost upto FY2018-19 (please see table in para 10(d) above). They also contended that they are in huge financial crisis with large number of bills pending for payment and accumulated financial liabilities and hence they cannot afford to pay higher tariff claimed by the developer, as the increase in fuel cost translates into higher unit price which ranges approximately from Rs.6.37 to Rs.7.01 for FY2019-20 based on the developers' claim and year of operation of the project. DISCOM's contention that the developers are free to sell the power to third parties is a relevant factor as the biomass power tariff is considerably high compared to tariff from other conventional and renewable energy sources and cannot be brushed aside.

(f) TNERC has in its order dt.28-03-2018 have also followed the Central Electricity Regulatory Commission's RE Regulation, 2017 in its order passed for FY 2018-19 determining fuel cost for RE projects including biomass and bagasse projects.

(g) The DISCOM's contention that the biomass based generator can go for open access, if they seek higher tariff, cannot be readily accepted as there are subsisting Power Purchase Agreements between the parties. (The decisions cited and relied upon by the DISCOMs do not help in its case). However, by mutual agreement, the parties are free to rescind the existing PPAs in the event, the developers find that the tariff determined by this Commission is not commercially viable and they intend to sell power in open market by availing open access.

Based on the above detailed analysis, the Commission concludes that the CERC determine fuel price of Rs.3167.72 / MT for biomass based plants is correct and needs to be adopted for computing variable cost for FY 2019-20. By doing so the variable cost comes out to Rs.4.77 per unit for FY2019-20. This fuel cost shall be escalated by 5% every year from FY 2020-21 to FY 2023-24.

14. The above fuel cost and variable cost determined for FY 2019-20 and subsequent years will equally apply for the Industrial Waste based power plants as they are treated on par.

15. **Bagasse Based plants:** The contentions raised by various stakeholders have been highlighted in para 5 above. Sri Challa Gunarajan, Counsel for some of the generators has requested that the same approach / method followed in the case of biomass plants may be followed for bagasse based plants as well. It tantamounts to seeking indexation of FY2018-19 fuel price determined by the Commission to arrive at the fuel cost for FY2019-20 as claimed by the biomass based plants and thereafter applying escalation of the fuel cost by 5% each year as per CERC Regulation, 2017 for RE projects.

The DISCOMs on the other hand have requested to adopt CERC determined fuel cost for bagasse plants which is Rs.1788.43 / MT for FY 2019-20 as per its Regulation, 2017. Thus, the issue is broadly the same as in the case of biomass based projects discussed above.

16. We have considered the various submissions filed and claims made by the bagasse based plants. However, we find that they cannot be accepted for the following reasons:

- a. CERC has considered all the relevant factors and determined the fuel cost for each State based on its 2017 Regulation for FY2019-20 with 5% escalation every year upto FY2023-24. The present control period is FY2019-20 to FY 2023-24 and hence the earlier determination of fuel cost by APERC in its order dt. 16-05-2014 in O.P. No. 32 of 2014 cannot be automatically extended to the next control period.
- b. In its order dt. 19-03-2019, CERC has clearly observed that only one objector, ie, SISMA has filed objections to revise upwards the bagasse fuel cost for Tamilnadu State. The CERC analysed the objections and suggestions received and took the view that bagasse being a by product which is generally used by the cogeneration plants is available with in the premises of sugar mills, and

there is no transportation cost incurred in its procurement. CERC also considered the data on the cost of bagasse for FY 2019-20 and found that bagasse cost and data for one month does not substantiate that the fuel price is valid for the full year. It was mentioned that there are suggestions from others that extending support for reduction of the price as bagasse is a by product in cane processing and its associated cost is already included in the cost of sugar. Hence, CERC did not accept the claim for upward revision of bagasse price. It has determined Rs.1788.43 / MT as bagasse price for FY2019-20 for Andhra Pradesh and a marginally higher price for Tamilnadu based on all the relevant factors.

- c. The analysis of CERC discussed above, equally applies in the context of the present claims of the bagasse based plants who are before the commission seeking determination of bagasse fuel cost higher than that determined for FY2018-19 at Rs.1743.6 / MT and the corresponding unit price of power of Rs.3.07. As mentioned earlier, the bagasse cogeneration plants have filed a few invoices for FY2017-18 and 2018-19 where the cost per MT was shown @ Rs.1425 to Rs.2025. An occasional increase in price cannot be the yardstick for determining the fuel cost for the whole year, more so as substantial part of bagasse is from its own sugar plants. Further, the price determined by the CERC at Rs.1788.43 / MT for FY 2019-20 is higher than average market price mentioned above and thus can be clearly adopted as fuel cost for FY2019-20. Hence, we accept the claim of APDISCOMs and adopt this amount as the fuel cost for FY2019-20 and escalate the same by 5% every year upto FY2023-24 as per CERC Regulations, 2017.

Adopting the fuel price at Rs.1788.43 / MT for bagasse for FY2019-20 the unit price of power will be Rs.3.14 per unit.

17. To conclude, based on the detailed analysis and reasons given above, the Commission modifies the proposal made in the draft order and accordingly the fuel price of bagasse is determined at Rs.3176.72 / MT for FY2019-20. The same applies for Industrial based plants as well. The fuel cost for bagasse based plants is determined at Rs.1788.43 / MT for FY 2019-20. The same will be escalated at 5% every year upto FY2023-24 as per CERC Regulation 2017, which we have accepted as correct and adopted in this order. This applies

1686997/2023/PP COR

to all the above three categories of RE power plants. Accordingly, the tariff payable to biomass based projects (and Industrial Waste projects) and bagasse based cogeneration projects for the period from FY2019-20 to FY2023-24 is determined as given in the table below:

	FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24
Biomass / Industrial Waste (Rs./Unit)	4.77	5.01	5.26	5.52	5.80
Bagasse (Rs./Unit)	3.14	3.30	3.47	3.64	3.82

The matter under consideration is decided accordingly as above.

This order is corrected and signed on this the 10th day of February, 2020

Sd/-
P. Rama Mohan
Member

Sd/-
C.V.Nagarjuna Reddy
Chairman

Sd/-
Dr. P. Raghu
Member



ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION
Vidyut Niyantrana Bhavan, Adjacent to 220/132/33/11 KV AP Carbides SS,
Dinnedevarapadu Road, Kurnool - 518 002, Andhra Pradesh.
Phones: 08518 - 294823,24,25,26

THURSDAY, THE FIFTH DAY OF SEPTEMBER
TWO THOUSAND AND TWENTY FOUR

:Present:

Justice C.V. Nagarjuna Reddy, Chairman
Sri Thakur Rama Singh, Member
Sri P.V.R.Reddy, Member

SUO MOTU ORDER 1 of 2024

In the matter of

*Determination of Variable Cost for the period from 01-04-2024 to 31-03-2029 in
respect of the existing Biomass, Industrial Waste and Bagasse based plants*

1. Introduction:

In its previous order on the subject matter in O.P. No. 75 of 2019, the Andhra Pradesh Electricity Regulatory Commission (APERC) determined the variable costs for power generation projects having Long Term PPAs with APDISCOMs using Biomass, Industrial Waste, and Bagasse based fuels for the period from April 1, 2019 to March 31, 2024. The annual escalation of variable cost as determined by the Commission was 5% for that period. This order has not been contested in any court and has been accepted by all relevant stakeholders. The year wise VC determined for Biomass/Industrial

Waste & Bagasse plants for the period FY 2019-24 is shown in the Table below.

TABLE: 1

Year Wise Approved Variable Cost

Financial year	Biomass/Industrial waste(Rs./Unit)	Bagasse (Rs./Unit)
FY 2019-20	4.77	3.14
FY 2020-21	5.01	3.30
FY 2021-22	5.26	3.47
FY 2022-23	5.52	3.64
FY 2023-24	5.80	3.82

2. Variable Costs for the Control Period covering FY 2024-29.

Suo-motu proceedings.

As part of fulfilling the regulatory requirement of determining Variable Costs to the Biomass/Industrial Waste and Bagasse based power projects for the time period covering FY 2024-29, this commission on 26th March- 2024, suo-motu initiated proceedings and issued a draft order proposing the continuation of the variable costs determined for FY 2023-24 in OP NO. 75 of 2019, into the next control period (FY 2024-25 to FY 2028-29). This proposal was based on a preliminary assessment that market conditions and input fuel costs which are the primary drivers of VC had not changed sufficiently to warrant a major revision. Stakeholders were invited to submit their objections or suggestions 15th April-2024.

Engagement of Stakeholder & Consultation Process:

Commission addressed individual letters to 26 identified Biomass, Bagasse, and Industrial Waste power generators located in the State 4th April, 2024, to elicit their specific views on the draft order.

Further the Commission has been engaged extensively with following key stakeholders to gather their views on the proposed variable cost structure through a letter dated 27.03.2024, including:

- Principal Secretary to Government, GoAP, Energy, I&I Department
- Advisor for Power Sector
- Chairman and Managing Director / APTRANSCO
- Chairman and Managing Director / APEPDCL
- Chairman and Managing Director / APSPDCL
- Chief Executive Officer / AP Solar Power Corporation Ltd.
- Vice Chairman & Managing Director / NREDCAP
- Chief Executive Officer / Managing Director, APSEEDCO

Views and Objections received in brief:

In response to the draft order and the public notice issued by the Commission, two developers and AP DISCOMs have submitted their views/Comments and they are briefed as under.

i) 3F Industries Limited, Tadepalligudem, Andhra Pradesh,

They utilise industrial waste and biomass as fuels, but due to increased costs and scarcity of these fuels post-COVID, they are facing viability issues. They expressed concerns about the proposed uniform VC rate of FY 2023-24 for the entire period of next five years without any escalation and not considering actual increase in fuel prices.

They stated that the actual fuel prices being higher than those considered by the Commission and requested a revision of the variable cost to at least

Rs. 8/- from 2024-25 onwards. M/s 3 F requested for yearly determination of variable costs rather than a uniform rate for five years.

ii) Redan Infrastructure Pvt Ltd Gangavaram, Chittoor District.

They highlighted the significant increase in demand for biomass and industrial waste due to industrialization, leading to higher fuel costs. Additionally, they mention the rise in diesel and petrol prices, resulting in increased transportation costs for fuel collection from a radius of 75 to 100 km. M/s Redan noted that operational and maintenance expenses have also risen, coupled with a lower Plant Load Factor (PLF) averaging around 70%. In light of these factors, they respectfully requested the Honourable Commission to consider an annual variable cost escalation of 15% based on the costs approved for FY 2023-24 for the next control period.

iii). Public Hearing:

APERC issued a public notice on 25.05.2024 regarding holding of public hearing on 12.06.2024. During the hearing, the representative from M/s 3F Sri. Ch.V.S. Prasannanjaneyulu, presented his views. He reiterated the challenges in sourcing affordable Rice Husk and other fuels, emphasising the need for revising the proposed variable cost. Further the APERC directed APDISCOMs to submit the remarks on the objections filed by objectors, Viz, 3F industries Limited and M/s.Redan Infrastructure Pvt. Ltd within 4 weeks.

iv). Objections/Views submitted by APDISCOMs:

In response to the directions of APERC, objections raised by certain developers and the views expressed in the public hearings by different stakeholders, the APDISCOMs have submitted their objections/views on 24th July 2024. Salient points of their submission are as under.

On the objection raised by M/s 3 F Industries Limited regarding **Fuel Cost & Mix**, APDISCOMs emphasised that the fuel mix for Biomass/Industrial Waste generators includes various sources, such as Juliflora, Rice Husk, and Agricultural Residues. They argued that the cost of Rice Husk, as presented by 3F Industries, does not fully reflect the cost of the overall fuel mix. APDISCOMs referenced previous Commission orders and Central Electricity Authority (CEA) reports, advocating for a balanced mix of fuels to determine the average fuel cost, ensuring that the variable cost is not disproportionately influenced by fluctuations in the price of any single fuel type.

Regarding Redan Infrastructure's request for an **annual escalation rate of 15%** APDISCOMs argued that the CERC's RE Tariff Regulation 2024 set an annual escalation rate of 3.45% and may please be considered.

APDISCOMs further stated that the Hon'ble Commission may be pleased to continue the earlier proposal as per the draft order dated 26.03.2024 for continuation of existing Variable Cost or consider the fuel price and its escalation as fixed by CERC in its RE tariff Regulation 2024 dated 12.06.2024 as was ordered in OP No 75 of 2019.

The variable cost array as arrived by APDISCOMs for FY:2024-25 to FY:2028-2029 duly considering fuel cost and its escalation as fixed by CERC in its 2024 regulation by retaining all other parameters as per earlier VC order of this Hon'ble commission in OP NO 75 of 2019 dated 10.02.2020, is shown in the following Table.

TABLE 2:**Proposed Variable Cost by APDISCOMs.**

Financial year	Biomass/Industrial waste(Rs./Unit)	Bagasse (Rs./Unit)
FY 2024-25	6.00	3.95
FY 2025-26	6.21	4.09
FY 2026-27	6.42	4.23
FY 2027-28	6.64	4.37
FY 2028-29	6.87	4.52

Commission's Analysis and Decision:

APDISCOMs requested for continuation of earlier methodology of CERC approved fuel price and escalation with technical norms of Station Heat Rate (SHR) and Auxiliary Consumption (AC) as per the previous order.

The request of the two Industrial Waste based plant developers, one M/s 3F that for FY 2024-25 the variable cost can be Rs 8.00/Unit for FY 2024-25 with escalation and other M/s Redan that escalation factor be 15%, can not be accepted as they are on higher side.

The variable costs are essential to the tariff framework and required to be compensated to the power developers to meet the operating expenses and mirror the fluctuating expenses of fuel (including transportation) and technical parameters such as SHR & AC. APERC is committed to ensuring these costs are equitable, effectively balancing the interests of power producers with prevailing market conditions.

At present, the Hon'ble CERC notified the Central Electricity Regulatory Commission (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations, 2024 vide order dated: 12.06.2024. This regulation provides a detailed framework for calculating fuel costs,

escalation rates and other important parameters based on State wise characteristics, terms and conditions necessary for determination of RE tariffs.

The methodology used by CERC involves comprehensive market analysis, including trends in supply and demand, inflation rates, and transportation costs. These factors ensure that the set prices reflect realistic and fair market values.

In view of the reasons stated supra, this Commission is inclined to adopt the CERC regulation -2024 for determination of VC for Biomass/Industrial Waste and Bagasse based power generating plants for the control period FY 2024-29. By adopting these rates and methods as outlined in CERC regulation APERC aligns with national standards with state wise customisation and ensures consistency in regulatory practices across jurisdictions. It is expected that adoption of these figures from the CERC order enhances transparency and provides a robust basis for APERC's pricing model.

Final Determination of Variable Costs: Cost Determination

After a thorough review of all stakeholder inputs and in accordance with the guidelines set forth by the Central Electricity Regulatory Commission (CERC) in their Regulation dated June 12, 2024, adopting the price per MT arrived at by CERC, the final variable costs for FY 2024-25 have been meticulously calculated. These calculations apply to the CERC's stipulated annual escalation rate of 3.45%, reflecting adjustments based on current economic indicators such as inflation and market trends in fuel supply and

demand. This method ensures that our pricing structure remains aligned with national standards and fair market practices.

Detailed Calculation of Year Wise Variable Costs

1. Biomass/IndustrialWaste:

Parameters considered for FY 2023-24:

Fuel Cost for Biomass/IndustrialWaste Project (FC): Rs 3983/MT

Station Heat Rate (SHR): 4200 Kcal/Kwh

Gross Calorific Value (GCV): 3100 Kcal/Kg.

Auxiliary Consumption: 10%

Formula for Variable Cost = $\text{SHR} \times \text{FC} / (\text{GCV} \times (1 - \text{Aux}))$

Annual Fuel Cost escalation: 3.45%.

2. Bagasse Based Cogeneration Plants:

Parameters considered for FY 2023-24:

Fuel Cost for Bagasse based Co-Gen Project (FC): Rs 2249/MT

Station Heat Rate (SHR): 3600 Kcal/Kwh

Gross Calorific Value (GCV): 2250 Kcal/Kg.

Auxiliary Consumption: 8.5%

Formula for Variable Cost = $\text{SHR} \times \text{FC} / (\text{GCV} \times (1 - \text{Aux}))$

Annual Fuel Cost escalation: 3.45%.

Based on the above parameters and escalation rate the trajectory of allowable Variable Cost for Biomass/Industrial Waste and Bagasse based generating plants in the state of Andhra Pradesh for the control period covering FY 2024-29 is shown in the Table below:

Table 3:

Approved Variable Cost for the Control Period FY 2024-29

Financial year	Biomass/Industrial Waste (Rs./Unit)	Bagasse (Rs./Unit)
FY 2024-25	6.00	3.93
FY 2025-26	6.20	4.07
FY 2026-27	6.42	4.21
FY 2027-28	6.64	4.35
FY 2028-29	6.87	4.50

These rates are set to undergo annual adjustments at the same escalation rate throughout the control period as above, ensuring consistency and predictability for all stakeholders.

All stakeholders, including power producers and APDISCOMs, are directed to adhere to these rates, effective from April 1, 2024, to March 31, 2029.

14. Conclusion: Summary and Future Outlook

The Commission emphasises the critical importance of maintaining a balanced approach between the needs of power producers and the broader consumer base. By standardising variable costs, the Commission aims to ensure sustainability and fairness in the energy sector.

The OP shall accordingly stand disposed of.

Sd/-
P.V.R. Reddy
Member

Sd/-
Justice C.V. Nagarjuna Reddy,
Chairman

Sd/-
Thakur Rama Singh
Member

To,
CHIEF GENERAL MANAGER(PPA/LEGAL)
Corporate Office,
APPC, C
Vidyut Soudha,
Vijayawada

Respected sir,

Sub: Power Purchase Agreement (PPA) Renewal requested - Reg
Ref: Our PPA dated:21-01-2003,Amended 24-09-2004,23-10-2004

O/o. Chief General Manager
Power Purchase/APPCC
APTRANSCO
Inward No. 1559
21 AUG 2025
GM/PP1
GM/PP2
GM/Legal
DEE(T)
CGM/PP

We would like to bring to your kind notice that our company is an agro-based company and has been serving the farming community for the past eight decades. Lately, many of the sugar factories in the state are closed due to non-availability of raw material, i.e sugarcane due to several factors. There is a need to uplift the said industry there by farming community as sugarcane is a good commercial crop. We at our Vuyyuru unit used crush 10 Lakh M.T of cane during the season but unfortunately going to crush only 3 Lakh M.T for the ensuing season 2025-26.

We have an incidental Cogeneration facility to produce 12 MW power/electricity from agricultural residue during the season which is a renewable source of energy. We entered P.P.A with the Electricity Board in the year 2003 and we have been supplying electricity continuously all these years to APCPDCL though we are facing hurdles. Our P.P.A is expiring on 25-12-2025, which is enclosed for your ready reference.

Our crushing season would be from December 2025 to March 2026 during which we would be receiving our crop from farmers and would generate renewable energy. We request you to kindly Renew the Power Purchase Agreement on the same grounds for a further period to enable us to supply power to the grid.

Your action of renewing the Power Purchase Agreement for a further period from 26-12-2025 would not only help us Export Power to Grid but also would help the farming community in and around the area. This act on your part would be highly appreciated by all the farmers and we would be thankful to your good offices.

With Best Regards,

Y. Sita Ram Reddy
UNIT HEAD

GENERAL MANAGER
Legal/APPCC
To,
DGM,
APGENCO. RE Projects
CDL PGCIL. RE-Wind.
IPPE-I Exchange
Co-ordination Operations
EE Legal
PMSGNBS IPPE-II

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Ph : 044 - 2855 5171 to 5176, 2852 5181, Fax : 044 - 2854 6617, E-mail : general@kcpysugar.com

Factories at : Sugar, Distillery, CO₂, Bio-Fertilizer and Calcium Lactate Units at Vuyyuru - 521 165, Krishna District, Andhra Pradesh
: Sugar Factory Lakshampuram - 521 131, Krishna District, A.P. Ph : 08671-222046 and 222426 Fax : 08671-222640.



K.C.P. SUGAR AND INDUSTRIES CORPORATION LTD.



An ISO 9001:2015, 14001:2015 & 45001:2018, FSSC 22000 Certified Company
Main Road, Vuyyuru - 521 165, Krishna District, Andhra Pradesh.
☎ : 08676-232001/02, Fax : 08676-232640, E-mail : kepsug@kpsugar.com

To,
CHIEF GENERAL MANAGER(PPA/LLEGAL)
Corporate Office,
APPCC, Vidyut Soudha,
Vijayawada

Dt:01-12-2025

Dear sir,

Sub: Power Purchase Agreement (PPA) Renewal requested - Reg

In continuation to the discussions at your good offices on 18-11-2025, we would like to bring to your notice that we had submitted all the relevant data requested by your good offices through mail communication and would submit the following information.

1. The price of Rs. 4.50 per unit is calculated based on the variable costs only without including any fixed costs.
2. A.P.E.R.C also fixed the price of unit rate based on the variable cost for bagasse-based cogeneration plants.
3. Though our bagasse selling price is much higher when compared to the APERC's bagasse price we are ready to accept a lesser price of Rs. 4.50 per unit.
4. Our previous P.P.A is for 6 MW incidental cogeneration and out of which we are supplying an average of 2.5 MW to the grid.
5. We may have an assured quantity of 3.2 Lakh M.T of sugarcane for this season, 4.5 Lakh M.T for the 2026-27 season and we are progressing towards reaching our full capacity of 8-10 Lakh M.T per season.
6. We assure you that we would supply at least 2 MW more during the peak hours i.e from (6.00 PM to 10.00PM) when compared to the previous crushing seasons as instructed by the authorities.

Keeping all the above facts into consideration we request you kindly renew our P.P.A at the earliest with said tariff for another 20 years and permit us to export power to the grid with other terms remaining unaltered.

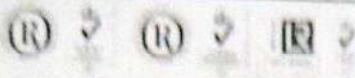
With Best Regards

Y. Sita Ram Das
UNIT HEAD

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Factories at : Sugar, Distillery, CO₂, Bio-Fertilizer and Calcium Lactate Units at Vuyyuru - 521 165, Krishna District, Andhra Pradesh
: Sugar Factory Lakshmipuram - 521 131, Krishna District, A.P. Ph : 08671-222046 and 222426 Fax : 08671-222640.
CIN : L15421TN1995PLC033198



K.C.P. SUGAR AND INDUSTRIES CORPORATION LTD.



AN ISO 9001:2015, 14001:2015 & 45001:2018, FSSAI 22000 Certified Company
Main Road, Vuyyuru - 521 165, Krishna District, Andhra Pradesh.
☎ : 08676-222040, Fax : 08676-222426, E-mail : kcp@kcpisugarc.com

To,
Mr. G.S.S PRAVEEN CHAND
Member Convenor, JMD (Hr & Legal)
APPCC,
Vidyuth Soudha, Gundala
Vijayawada.

Dt:19-12-2025

Dear sir,

Sub: Power Purchase Agreement (PPA) Renewal requested - Reg

In continuation to the discussions and communications had with your good offices, we would like to bring to your notice that we had submitted all the relevant data requested by your good offices through mail communication and would submit the following for your perusal.

1. Our existing P.P.A is for 6M.W and is valid till 25-12-2025.
2. We started our crushing operations on 08-12-2025 and has been supplying power to the grid from our bagasse-based cogeneration plant.
3. We had applied for renewal of P.P.A and it is under process.
4. We request you to kindly permit us to supply power to the grid on the same grounds from our incidental cogeneration plant of 6 MW till the P.P.A gets renewed.

Keeping all the above facts into consideration we request you kindly renew our P.P.A at the earliest for another 20 years and permit us to export power to the grid till our P.P.A gets renewed.

Your consideration on the said matter is highly appreciated not only from the industry but also from all the farming community.

With Best Regards

Y. Sita Ram Das
UNIT HEAD



C.C: Chief General Manager, APPCC/ Chief General Manager, APERC

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Sugar Factory Lakshimpuram - 521 131, Krishna District, A.P. Ph : 08671-222040 and 222426 Fax : 08671-222640.



ANDHRA PRADESH CENTRAL POWER DISTRIBUTION CORPORATION LIMITED
Corporate office, Vidyut Nilayam, ITI Road, Vijayawada -520008

From
The Chief General Manager
Projects
Corporate Office
APCPDCL, Vijayawada.

To
The Secretary
APERC, Vidyut Niyantana Bhavan
Adjacent to 220/132/33/11 KV
Carbides Sub Station
Dinnedevaram Road
KURNOOL – 518002, A.P.

Lr.No.CGM/PROJ/GM-PP&RAC/EE/APCPDCL/F.KCP/E.357219, Dt: 29-12-2025

Sir,

Sub: APCPDCL - PP – Request of M/s KCP Sugar and Industries Corporation Ltd for renewal of PPA for a further period of 20 years after expiry of PPA – In-principle approval Requested – Reg.

- Ref: 1. Lr from KCP Sugar and Industries Corporation Ltd Dt. 13.08.2025
2. Lr.No.CGM/PP&Legal/GM/PP/DGM/RE-Projects/F.KCP /D.No.116/2025, Dt.03.09.2025.
3. Lr from KCP Sugar and Industries Corporation Ltd., Dt.10.09.2025.
4. Lr.No.CGM/PP&Legal/GM/PP/DGM/RE-Projects/F.KCP /D.No.45/2025, Dt.17.10.2025
5. Lr from KCP Sugar and Industries Corporation Ltd Dt.01.12.2025.
6. APPCC MOM, dated:10.12.2025.
7. Lr from KCP Sugar and Industries Corporation Ltd Dt.19.12.2025.

APCPDCL on behalf of APDISCOMs hereby submit that M/s. KCP Sugar and Industries Corporation Ltd., vide reference 1st cited has requested for renewal of PPA for a further period of 20 years after expiry of PPA from 26.12.2025 for their 12 MW Plant located at Vuyyur (V) & (M), Krishna District.

In this connection, the following points are herewith submitted for perusal of Hon'ble APERC.

- i. APTRANSCO has entered into a PPA with M/s.KCP Sugar and Industries corporation limited on 21.01.2003 for procurement of power from 20 MW Bagasse based power plant for a period of 20 years from COD at the tariff as determined by APERC from time to time. The PPA was got approved by the Hon'ble Commission.
- ii. Subsequently, the PPA was amended on 24.09.2004 due to modifications as directed by APERC. Later, the PPA was again amended on 23.10.2004 due to proposal of generator for implementation of 20 MW projects in two phases i.e 12 MW in 1st phase and 8 MW in 2nd phase. The details of phase wise capacities are indicated below:

1st phase:
During Season and off-season: Export of power to grid for sale to APTRANSCO is 6 MW.

2nd phase:
During Season: Out of 19.00 MW generated, 2.15 MW is for Auxiliary Consumption, 6.85 MW is for Captive Consumption and 10 MW is for export to grid for sale to APTRANSCO.
During Off-Season: Out of 11.40 MW generated, 0.95 MW for Auxiliary Consumption, 0.20 MW Captive Consumption and 10.25 MW for export to grid for sale to APTRANSCO.
- iii. Later, the generator had established only one unit of 12 MW capacity and Commercial Operation Day (COD) of 12 MW was declared on 26.12.2005. However, the generator had not

established other unit of 8 MW capacity due to their financial constraints.

- iv. The tariff of Rs.2.25 per unit with 5% annual escalation considering 1994-1995 as base year was paid to the developer upto 31.03.2004 as per the APERC order dated 20.06.2001.
- v. The Generic applicable tariff with effect from 01.04.2004 fixed by APERC in its order dated 20.03.2004 for Bagasse based projects for first 10 years of operation was finally revised by APERC vide order dated 22.06.2013 after due legal proceedings before various fora and subsequently, fixed the FC for next 10 years of operation by APERC vide order dated:05.08.2014. Variable cost is being fixed by APERC for every 5 years control period from 01.04.2004.
- vi. The Generic tariff determined by APERC applicable for Bagasse based projects are tabulated as follows:

Year of Operation	Fixed Cost Rs./Unit	Tariff determined by APERC	Financial year	Variable Cost Rs./Unit	Tariff determined by APERC
1 st	1.92	As per APERC Order dated 22.06.2013	2004-05	1.31	As per APERC Order dt:22.06.13
2 nd	1.88		2005-06	1.38	
3 rd	1.84		2006-07	1.44	
4 th	1.8		2007-08	1.52	
5 th	1.77		2008-09	1.59	
6 th	1.73		2009-10	1.67	As per APERC order dt:06.08.13
7 th	1.7		2010-11	1.75	
8 th	1.67		2011-12	1.84	
9 th	1.6		2012-13	1.93	
10 th	1.16		2013-14	2.03	
11 th	1.18	As per APERC order dated 05.08.2014	2014-15	2.73	As per APERC order dt:16.05.14
12 th	1.22		2015-16	2.93	
13 th	1.27		2016-17	2.78	
14 th	1.32		2017-18	2.81	
15 th	1.37		2018-19	3.07	As per APERC order dated 10.02.2020
16 th	1.43		2019-20	3.14	
17 th	1.49		2020-21	3.30	
18 th	1.55		2021-22	3.47	
19 th	1.62		2022-23	3.64	
20 th	1.7		2023-24	3.82	As per APERC order dated 05.09.2024
			2024-25	3.93	
			2025-26	4.07	
			2026-27	4.21	
			2027-28	4.35	
			2028-29	4.50	

Note: APERC order dated 22.06.2013 & 06.08.2013 is under contest before Supreme Court. Based on the directions of Supreme Court dated: 16.12.2013, the tariff was paid from the date of order and 50% differential arrear amounts were also paid pursuant to SC order 13.03.2014.

- vii. The PPA is expiring by 25.12.2025

- viii. The article 7 of the PPA is stipulated as follows:

"This Agreement shall be effective upon its execution and delivery there of between parties hereto and shall continue in force from Commercial Operation Date (COD) and until the

twentieth (20th) anniversary that is a period of twenty years from the Commercial Operation Date (COD). This agreement may be renewed for further such period of time and on such terms and conditions as may be mutually agreed upon the parties, 90 days prior to the expiry of the said period of 20 years, subject to consent of APERC".

- ix. After completion of 20 years PPA tenure, if APDISCOMs desires to procure power from this project, the same shall be based on the mutual consensus only.
- X. As per the existing APERC orders, the tariff being paid to the developer is Rs.5.77 per unit (Rs.4.07 VC for FY 25 -26 + Rs.1.70 FC for 20th year of operation). The VC as determined by APERC upto for FY 2028 -29 is as indicated in the aforesaid table.
- xi. Subsequently, M/s.KCP Sugar and Industries Corporation Limited was requested vide this office letter dated 03.09.2025 to communicate the offered tariff for taking further necessary action on the request of the generator.
- xii. In response, the generator vide reference 3rd cited has submitted their proposed tariff as Rs 5 per unit duly stating as follows:
- a. *Sugarcane crop is a powerful crop which is good source for renewable energy as incidental co-generation of electricity is being carried out through the crushing season. Farming community would envisage good returns for their production with this commercial crop. Hence, there is every need to encourage this industry.*
- b. *Off late, due to several factors, all the sugar industries particularly in Andhra Pradesh have closed their operations except 2-3 Nos. One of which is our industry.*
- c. *Offered a tariff of Rs.5 per unit of power export to the grid with other terms remaining unaltered.*
- xiii. Subsequently, a meeting was convened on 18.11.2025 with the generator for negotiation of tariff. During the meeting, the generator was requested to reduce the tariff to below **Rs. 4.5 per unit** and explore the ways to supply total generated power to grid **during peak hours** by reducing captive consumption and requested to furnish the block wise generation and forecasting particulars.
- xiv. In response, the generator vide reference 5th cited has furnished the following:
- a. Furnished the Hourly generation particulars for the season period of 2024-25 (i.e. from 14.12.2024 to 28.02.2025) along with forecasting particulars for the season period of 2025-26 (i.e. from 14.12.2025 to 28.02.2026).
- b. The price of Rs. 4.50 per unit is calculated based on the variable costs only without including any fixed costs. APERC also fixed the price of unit rate based on the variable cost for bagasse-based cogeneration plants. Though the bagasse selling price is much higher when compared to the APERC's bagasse price. Hence, proposed a price of Rs. 4.50 per unit.
- c. Assured to supply at least 2 MW more i.e total 4 MW during the evening peak hours (4 hours) when compared to the previous crushing seasons as instructed by the authorities.
- d. In this connection, it is to submit that in similarly placed Bagasse based power plant of "The Chodavaram Sugars Cooperative Sugars Limited", the Hon'ble APERC in its order dated 01.10.2024 in OP NO 16 of 2024 approved continuation agreement for procurement of power

for a further period of 20 years at a fixed price of **Rs.4.50** per unit during the entire tenure of PPA.

- XV. It is observed from the last five years generation particulars that the generation availability from December to February of every year is around 4 MU during season. And this generation will help APDISCOMs as these are power deficit months. During season, the generator would consistently supply the power unlike other RE projects namely Wind & Solar.
- XVI. In this connection, it is to submit that as per the direction issued by APERC vide order dated: 13.12.2017 in respect of 41 PPAs, APDISCOMs shall not enter into any PPA without prior approval of APERC.
- XVII. Further, during the APPCC meeting held on 10.12.2025 vide reference 6th cited, it was opined to enter PPA for renewal of PPA in line with M/s Chodavaram Cooperative sugars Private Ltd.
- XVIII. Presently, M/s KCP sugar and Industries Corporation Limited vide reference 7th cited has requested to permit to supply power to grid till the PPA gets renewed duly stating that their crushing operations started on 08.12.2025 as the plant is incidental cogeneration project.

In light of the above submissions, this Hon'ble commission is requested to accord approval for procurement of 6 MW power from M/s KCP sugar and Industries Corporation Limited, 12 MW Bagasse based power Plant with effect from 26.12.2025 for a further period of 20 years at fixed tariff of **Rs.4.50 per unit** and also for entering into continuation PPA with M/s KCP sugar and Industries Corporation Limited accordingly.

Yours faithfully

K LINGA MURTHY
CHIEF GENERAL MANAGER
PROJECTS
APCPDCL, VIJAYAWADA



ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION
Vidyut Niyantrana Bhavan, Adjacent to 220/132/33 kV AP Carbides SS,
Dinnedevarapadu Road, Kurnool - 518 002, Andhra Pradesh.
Phones: 08518 - 294823,24,25,26

Letter: APERC/Tariff/Consultant/E.E-952/D.No.30. Date: 28.01.2026.

Sir,

APCPDCL Sub	
Corp. Office: VJA	
Dir/Tech	Ref:
Dir/Roj	
Dir/Fin	
Law Officer	
	CMD

APERC - Renewal of PPA with KCP Sugar and Industries Corporation Ltd. -
Directions-Issued-Reg.

(1) APCPDCL letter Lr.No.CGM/PHOJ/GM-PP&RAC/EE/APCPDCL/F.KCP/ E.357219,
Dated: 29.12.2025.

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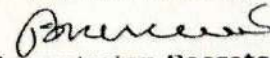
Vide reference (1), APCPDCL, on behalf of the APDISCOMs, has sought renewal of the existing Power Purchase Agreement (PPA) with KCP Sugar and Industries Corporation Ltd. for procurement of power from its 12 MW bagasse-based cogeneration plant located at Vuyyuru, Krishna District, for a further period of 20 years beyond the expiry of the present PPA on 25.12.2025. Article 7 of the PPA provides for the renewal of the Agreement, subject to the Commission's consent.

In this regard, the DISCOMS are directed to file an appropriate petition before the Commission to take a decision after following the due regulatory process, as the matter involves not only the renewal of PPA but also the fixation of Tariff.

However, given that the crushing season has commenced, the generation from KCP will help APDISCOM during the power deficit months. Therefore, the DISCOMs may procure power from KCP during the interim period at a tariff of Rs. 4.50 per unit, subject to the Commission's final decision.

(By Order of the Hon'ble Commission)

Yours faithfully,


Commission Secretary (I/c)

To

The Chairman & Managing Director/APCPDCL/Vijayawada.

Copy to:

The Chairman & Managing Director/APSPDCL/Tirupati.

The Chairman & Managing Director/APEPDCL/Visakhapatnam.

The Special Chief Secretary/Energy Department/GoAP.