

No.N/28/10

**BEFORE THE KARNATAKA ELECTRICITY REGULATORY COMMISSION
BANGALORE**

Dated this 6th January 2011

1. Sri M.R. Sreenivasa Murthy	Chairman
2. Sri Vishvanath Hiremath	Member
3. Sri K. Srinivasa Rao	Member

Case No. RP 10/2010

Between

M/s. Doddannavar Brothers
No.68, Gilmar Hills, Hindwadi
BELGAUM – 590 011
(Represented by its Advocates Sri Shridhar Prabhu)

... Petitioner

Vs.

1. Bangalore Electricity Supply Company Limited
K.R. Circle
BANGALORE – 560 01
2. Mangalore Electricity Supply Company Limited
Paradigm Plaza, A.B. Shetty Circle
MANGALORE – 575 001
3. Gulbarga Electricity Supply Company Limited
Station Road
GULBARGA – 585 101
4. Hubli Electricity Supply Company Limited
Navanagar, P.B. Road
HUBLI – 580 029
5. Chamundeshwari Electricity Supply Corporation
No.927, LJ Avenue, New Kantharaja Urs Road,
Saraswathipuram
MYSORE – 570 01
(Represented by Assistant Law Officer, BESCOM)

... Respondents

1. This petition is filed by the petitioner for review of the orders of this Commission dated 11.12.2009 in the matter of determination of tariff in respect of renewable sources of energy.

2. We have considered the averments made in the Review Petition and the statement of objections filed by BESCOM and others. We have also heard the

counsel for the petitioner and Sri Sriranga as well as the Assistant Law Officer, BESCOM for the Respondents.

3. The only question that needs to be answered in this case is whether the petitioner has made out a case for review of orders of this Commission dated 11.12.2009 under Section 94 of the Electricity Act, 2003.

4. It is submitted by Sri Shridhar Prabhu, Counsel for the Review Petitioner that while determining the project cost, the Commission in its Tariff Order dated 11.12.2009 has not considered the project costs proposed by KPCL and KREDL even though one of them has actually set up the first wind project in Karnataka and the other one is a Government Nodal Agency for promoting Renewable Energy sources. Further, while the Commission has considered inflation factor for all renewable sources, the same has not been considered while fixing the project cost for wind energy plants. He has also submitted that this Commission has provided escalation in rates for cogen and biomass projects while denying the same to the wind projects. Therefore there is undue discrimination against the wind projects and this needs to be corrected. In addition, he has brought to the notice of the Commission during the hearing that this Commission was not right in relying upon the APERC's Order on NCE Projects while fixing the project costs as the said Order of APERC had relied upon a two years old order of MPERC.

5. We have looked into the order of this Commission, with reference to the points raised by the review petitioner.

6. While passing the order dated 11.12.2009 on the wind energy projects at Page 31, this Commission has taken into consideration the project cost norms proposed by CERC, KPCL, KREDL and Wind Electricity Producers and justifications given in support of their respective proposals and also all other relevant factors. After noting that the capital cost fixed in its 2006 Order for wind energy projects was Rs.4.25 crores per MW and if adjusted for inflation the same would work out to Rs.5.18 crores, the Commission has proceeded to record its decision as follows

“The Commission notes that except TNERC the cost approved by other Commissions is in the range of Rs.4 Crs to Rs.4.70 Crs. It may be noted that about 85% of the capital investments would account for plant and machinery cost. Since similar types of plant & machineries are used, the cost should not vary widely among the states especially when the same developers are involved in putting up the plants. Further in the last five years, there is technological advancement in the WEG, which has resulted in manufacturing of high capacity wind turbine generators

Considering the above aspects, the Commission is of the view that the cost per MW of Rs.4.70 Crs., as adopted by APERC in its recent order would be most reasonable. Hence, the Commission approves Rs.4.70 Crs/MW as the capital Cost including Transmission infrastructure costs”.

Therefore it cannot be said that the Commission has not considered the proposals of KPC and others, and the inflation factor, etc., while fixing the capital cost of wind projects.

7. As regards APERC Order, APERC has not only relied upon MPERC Order but has considered the other factors also while fixing capital cost. This Commission therefore has taken the APERC Order into account while fixing the capital cost, and we do not find any error in the decision of the Commission.

8. As regards grant of escalation, the wind projects cannot be treated on par with cogeneration and biomass plants, as there are no variable costs involved in wind projects (also in hydel projects). Therefore it cannot be accepted that there has been any discrimination against wind projects.

9. In the light of the foregoing discussion we hold that there are no apparent errors in the Order of the Commission dated 11.12.2009 which warrant review / modification. Accordingly we dismiss this review petition.

Sd/-
(M.R. SREENIVASA MURTHY)
CHAIRMAN

Sd/-
(VISHVANATH HIREMATH)
MEMBER

Sd/-
(K. SRINIVASA RAO)
MEMBER