

Before the Karnataka Electricity Regulatory Commission, Bangalore

Dated 27th November, 2015

Present:

1. Sri M.K. Shankaralinge Gowda - Chairman
2. Sri H.D. Arun Kumar -Member
3. Sri D.B. Manival Raju –Member

ORDER

In the matter of 'Determination of Tariff for Bagasse based Co-generation plants during off season' and 'Draft guidelines of for monitoring use of coal for power generation in co-generation projects during off-season for the purpose of determination of Tariff for Bagasse based Co-generation Plants during Off-season using Coal as fuel'.

Preamble:

Sri Chamundeswari Sugars Limited vide their letter dated 24.01.2012, had submitted that bagasse based cogeneration facilities are functioning at lower capacity as compared to their installed capacity during off-season due to irregular cane supply and other factors and that this additional capacity could be put to use by being allowed to operate during off-season using coal as fuel so as to mitigate the power crises faced by the State. Further, it was submitted that they could generate 80 units of electricity/MT of cane which could be paid at the PPA rates as per the tariff determined by the Commission and the power exported in excess of the above could be paid a higher tariff of Rs 6.00 to Rs 6.50 per unit considering the cost of the coal. It was also requested that REC benefits should be allowed for power supplied at PPA rate. Accordingly, the company had requested the Commission to consider the above proposals and to lay down rules and regulations to facilitate operation of the cogeneration plants during off-season.

The Commission in the light of the above representation, decided to issue a 'Discussion paper on Utilisation of bagasse based cogeneration plants during off season using coal as fuel' seeking comments from interested persons. The said discussion paper was issued on 19.12.2012. The comments received from stakeholders were taken note of by the Commission and it decided to float a discussion paper indicating the parameters for determination of variable cost for use of the coal, after considering that there was a need for further discussion on the issue of allowing bagasse based cogeneration plants to operate during off-season using coal as fuel.

Accordingly, a discussion paper on 'Determination of Tariff for Bagasse based Co-generation plants during off season' inviting comments, suggestions and views from stake holders was issued on 25/28-11.2013. A public hearing in the matter was also held on 14.02.2014.

One of the main submissions made by the developers of cogeneration plants was that they would incur additional capital expenditure for coal storage, transport, feeder arrangement and Electro Static Precipitators to the tune of about Rs. 50 Lakhs/MW and such additional cost has to be compensated in the tariff that is determined.

Further, a clarification was sought by the Commission on renewable energy status of bagasse based cogeneration plants using the coal. The Ministry of New and Renewable Energy (MNRE), Government of India, had clarified that, while it has no objection for operating grid connected bagasse based cogeneration plants using coal as fuel during off-season without losing their RE status, the Commission may consider placing the mechanism for monitoring the number of days of operation during off-season for calculation of the coal based tariff. Considering the clarification, the Commission had decided to issue 'Draft guidelines of for monitoring use of coal for power generation in co-generation projects during off-season for the purpose of determination of Tariff for Bagasse based Co-generation Plants during Off-season using the Coal as fuel' inviting views, comments and suggestions from the stakeholders and the same was issued on 30.03.2015. The Commission also held a public hearing in the matter on 28.05.2015.

The Commission also had sought clarification from the Karnataka State Pollution Control Board (KSPCB) on the following:-

- i) Whether as per the prevailing rules/regulations, bagasse based co-generation plants could be allowed to use 100% coal during off-season for power generation?
- ii) If so, what are the norms to be followed by such plants with respect to the pollutants arising out of such plants using coal?

The KSPCB vide their reply dated 13.10.2015 has clarified that, as per the Environmental Impact Assessment Notification 2006 (of Government of India), Biomass based (agro waste/ non-hazardous municipal waste) co-generation power plants are permitted to use 15% of auxiliary fuel such as coal/ lignite/ petroleum products and if the bagasse based co-generation power plant propose to use 100% coal as fuel during off-season, such units are considered as Thermal power plants and require prior Environmental Clearance as per schedule-I, SI No.1(d) of EIA Notification-2006 from MOEF, Govt. of India/ SEAC, Govt. of Karnataka, as the case may be, depending on the capacity of the plant.

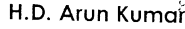
The Commission, having noted all the aspects relating to the issue is of the considered opinion that the adverse impact on the environment by operation of bagasse based cogeneration plants using coal as fuel outweighs the benefit from their power generation during off-season. The Commission, therefore, decides not to make any changes in the existing norms for the operation of bagasse based cogeneration plants.


Hence, the following order:

ORDER

The existing norms for Bagasse based Co-generation plants permitting them to use 15% of coal and the tariff as determined by the Commission from time to time such plants, treating them as renewable energy source shall continue. Any Bagasse based Co-generation plants using coal beyond 15% after complying with the prevailing environmental laws and regulations, however, may file appropriate application before the Commission for determination of tariff as per law.


M.K. Shankaralinge Gowda
Chairman


H.D. Arun Kumar
Member


D.B. Manival Raju -
Member