

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

**PRESENT: Sri.K.J.Mathew, Chairman
Sri.Mathew George, Member**

December 13, 2011

In the matter of

**Determination of Tariff for Wind Mill Project of Capacity 0.6 MW located at KER
444 and KER 445 at Agali submitted by KITEX Limited**

Petition No. OP 25 /11 and OP 26 /11	KITEX Limited, Kizhakkambalam, Alway	Petitioner
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ORDER

1. Background

1.1 Kitex Ltd, Kizhakkambalam, Alway has filed two petitions dated 20-08-11 for determination of tariff for Wind Energy Projects of Capacity 0.6 MW each for the two locations one location is with identification No KER 444, (sanctioned to M/s Sarjan Realities Limited vide Proceedings of ANERT A.O. Nos 1026/WPC/ANERT/07 dated 22-09-08) and Transferred to the name of M/s Anna Aluminium Company Private Limited vide Order No A.O. No 560/WPC/ANERT/10 dated 07-05-2010. The said location was further transferred by M/s ANNA ALUMINIUM to KITEX Limited. On the ground of Governmental Procedural delay, Suzlon Energy Limited on behalf of KITEX Ltd filed a writ petition before Hon High Court of Kerala praying for exemption from name transfer on which the Hon High Court was pleased to pass an interim order. The second location is with identification No. KER 445, Sanctioned to M/s Sarjan Realities

Limited vide Proceedings of ANERT A.O. Nos 281/WPC/ANERT/08 dated 15-03-08 and Transferred to the name of M/s Anna Aluminium Company Private Limited vide Order No A.O. No 560/WPC/ANERT/10 dated 07-05-2010. This said location also was further transferred by M/s ANNA ALUMINIUM to KITEX Limited. In this case also, on the ground of Governmental Procedural delay, Suzlon Energy Limited on behalf of KITEX Ltd filed a writ petition before Hon High Court of Kerala praying for exemption from name transfer on which Hon High Court was pleased to pass an interim order.

1.2 These sites are not yet transferred by ANERT in the name of M/s KITEX Ltd from M/s Anna Aluminium Company Private Limited. But as per IA No 7069/2011 in WP(C) No 29124/2010 dated 10-06-2011 filed by M/s Suzlon Infrastructure Services Ltd on behalf of M/s Kitex Ltd, Kizhakkambalam, Alwaye , Hon High Court of Kerala directed KSEB through an interim order to execute PPA in respect of Wind Turbine Generators having identification No KER 444 and KER 445 without awaiting transfer of technical clearance from ANERT pending disposal of the writ petitions. As a prelude to enter into PPA with KSEB M/s Kitex Ltd has applied for approval of the tariff for the Wind Turbine Generator at locations KER 444 and KER 445

2. Prayer

- (1) The energy produced from their wind energy projects is to be purchased by KSEB at Rs 3.64/Unit (Levelized Tariff) for 20 years from date of signing the PPA.
- (2) To condone from producing name transfer sanction from ANERT (Nodal Agency) as sanctioned by Hon High Court vide Order No IA 7069/2011 in WPC No 29124/2010 dated 10/06/2011.

3. Hearing of petition.

Both the petitioners were heard in the hearing held on 22-11-11

3.1 Petitioners' contentions

3.1.1 The petitioner pointed out during the hearing conducted on 22-11-11 that the Commission has fixed the project cost as Rs 4.45 Crore/MW in 2006. If 5% inflationary adjustment is brought yearwise, the capital cost shall be Rs 4.2 Crores in 2007, Rs 4.85 Cr/MW in 2008, Rs 5.09 Cr/MW in 2009 and Rs 5.35 Crore in 2010. If a 5% flat increase

in project cost is taken into consideration for 4 years, then also project cost would have been Rs 4.62 Crore/MW. As per CERC, Normative Capital Cost of Wind Energy Projects is Rs 5.15 Cr/MW for the year 2009-10 and that too subject to adjustment over the Control Period, The project cost in Kerala is high. So it is only natural that the developers assume that the Hon Commission has already taken into consideration the benefits such as accelerated depreciation benefit or GBI while determining the tariff since the Commission has taken a reduced project cost for estimation of cost of energy generated.

3.1.2 As per CERC Norms the return on investment Pre Tax is 19% per annum for the first 10 years and weighted average return on ROE is 22%. As per KSERC Regulation it is 14%. To attract investors in the field of Renewable Energy, the ROE should not be less than 19%.

4. Commissions Analysis

4.1 Kitex Ltd, Kizhakkambalam, Alwaye has filed two petitions dated 20-08-11 for determination of tariff for Wind Energy Projects of Capacity 0.6 MW each at location Nos 444 and 445 described above in para 1.1.

4.2 These sites are not yet transferred by ANERT in the name of M/s KITEX Ltd from M/s Anna Aluminium Company Private Limited. But as per IA No 7069/2011 in WP(C) No 29124/2010 dated 10-06-2011 filed by M/s Suzlon Infrastructure Services Ltd on behalf of M/s Kitex Ltd, Kizhakkambalam, Alwaye, Hon High Court of Kerala directed KSEB through an interim order to execute PPA in respect of Wind Turbine Generators having identification No 444 and 445 without awaiting transfer of technical clearance from ANERT pending disposal of the writ petition. As a prelude to enter into PPA with KSEB M/s Kitex Ltd is applying for approval of the tariff for the Wind Turbine Generator at locations 445 and 446.

4.3 The energy produced from their wind energy projects is to be purchased by KSEB at Rs 3.64/Unit (Levelized Tariff) for 20- years from date of signing the PPA. The procedure for fixation of tariff as per KERALA STATE ELECTRICITY REGULATORY COMMISSION (POWER PROCUREMENT FROM RENEWABLE SOURCES BY DISTRIBUTION LICENSEE) (FIRST AMENDMENT) REGULATIONS, 2008 is

“ (6) The Commission shall follow the following procedure in approving tariff of individual Wind and SHP projects.

- (i) The applicant for setting up individual renewable energy projects shall file tariff petition before the Commission along with the prescribed fee.
- (ii) The Commission shall approve the same if the proposed rate is equal to or less than the levelized tariff approved as per Annex I and Annex II of the principal regulation”.

The Preferential Tariff approved by the Commission for Wind Power Plants vide KERALA STATE ELECTRICITY REGULATORY COMMISSION (POWER PROCUREMENT FROM RENEWABLE SOURCES BY DISTRIBUTION LICENSEE) (SECOND AMENDMENT) REGULATIONS, 2008 dated 22-11-2010 is Rs 3.64/ Unit for 20 years. Hence the tariff applicable for all Wind Energy Projects commissioned after 22-11-2010 shall be Rs 3.64/Unit

4.4 Preferential tariffs are a commonly used policy instrument for the promotion of renewable electricity production. The term feed-in tariff can be used in the context of a minimum guaranteed price per unit of produced electricity as approved by the Regulator, to be paid to the producer. Regulatory measures are usually applied to impose an obligation on electricity utilities to pay the (independent) renewable energy power producer a price as specified by the Regulator. The level of the tariff is commonly set for a number of years to give investors security on income for a substantial part of the project lifetime. Many different adaptations of the instrument are applied. However, the level of the tariff need not have any direct relation with either cost or price, but can be chosen at a level to motivate investors for green power production. Considering various factors including front loading, Commission has fixed a preferential tariff of Rs 3.64/Unit for a period of 20 years for all Wind Energy Projects which are commissioned after 22-11-2010. Hence Commission cannot consider any tariff higher than this, through the petitioner has a presented a calculation sheet indicating a higher rate based on capital cost.

5. Orders of the Commission

(1) The Preferential Tariff approved by the Commission for Wind Power Plants vide KERALA STATE ELECTRICITY REGULATORY COMMISSION (POWER PROCUREMENT FROM RENEWABLE SOURCES BY DISTRIBUTION LICENSEE)

(SECOND AMENDMENT) REGULATIONS, 2008 dated 22-11-2010 viz. Rs 3.64/ Unit for 20 years, shall be applicable for the WEP at locations KER 444 and 445. The rates approved are without considering subsidy / incentive offered by Central/ State Government including accelerated depreciation availed by generating companies. Details of subsidies/incentives if any availed by the Wind Power Generators shall be disclosed to the Commission and the rate Rs 3.64/Unit shall be adjusted appropriately.

2. The fixation of tariff at Rs 3.64/Unit for locations KER 444 and KER 445 is subject to decision on transfer of ownership in the name of M/s. KITEX Limited in WP 29124/10 of the Hon High Court of Kerala..

**Sd/-
Mathew George
Member**

**Sd/-
K.J.Mathew
Chairman**

Approved for Issue

**Sd/-
Secretary**