



TAMIL NADU ELECTRICITY REGULATORY COMMISSION

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Press Note

Sub: Determination of tariff for procurement of bagasse based co-generation power

Tamil Nadu Electricity Regulatory Commission, after an extensive process of consultation spread over nine months with all the stakeholders, has enhanced the tariff for procurement of bagasse based co-generation power from **Rs.3.15 to Rs.4.38** / unit. The tariff was last fixed by the Commission three years ago. The installed capacity of bagasse based co-generation power in the country is 1034 MW. Tamil Nadu accounts for nearly half of the capacity, followed by Karnataka, Andhra Pradesh, Uttar Pradesh and Maharashtra.

2. The present tariff order is culmination of an elaborate statutory consultative process beginning with a round table conference of experts on 16-7-2008. The Commission circulated a consultative paper on 12-12-2008 for eliciting the views of the stakeholders. The State Advisory Committee considered the proposal on 26-2-2009 in terms of Section 88 of the Electricity Act 2003. A public hearing was organised by the Commission on 5-3-2009 in accordance with Section 64 of the Act.

3. Capacity utilization of bagasse based co-generation power has declined sharply during the last two years on account of steep increase in the cost of bagasse. The capacity utilization ranged from 10% to 74% during 2006-07 and from 13% to 63% during 2007-08. The capacity utilization during 2008-09 (upto January 2009) has been low, ranging from 4% to 48%. A major competitor for procurement of bagasse is paper mills, which are ready to pay higher price. The Commission has taken note of this competitive demand and has doubled the normative fuel cost at Rs.1000 / MT as against Rs.575 / MT of the last order.

4. As a matter of fact, the TNEB has moved a petition before the Commission seeking approval for procurement of power from co-generation plants at Rs.7.40 / unit. TNERC has determined the tariff for procurement of bagasse based co-generation power at **Rs.4.38** / unit, which is far lower than **Rs.7.40** / unit suggested by TNEB. The Commission has assumed capacity utilization of 55% for co-generation. The Commission has introduced two part-tariff system with a view to take care of the fluctuating cost of raw material. The two-part tariff system has been in vogue in Andhra Pradesh and Uttar Pradesh for quite sometime.

(R. Balasubramanian)
Secretary