

HYDRO POWER SCENARIO IN MAHARASHTRA & PRIVATE SECTOR PARTICIPATION, EFFECTS ON MAHAGENCO AND END CONSUMERS

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INSTALLED CAPACITY OF MAHAGENCO

SR. No.	POWER STATION	UNITS & SIZE(MW)	INSTALLED CAP.(MW)
A	THERMAL POWER STATIONS		
1	KORADI 6 TO 10	2x210 + 3x660	2400
2	NASIK 3 TO 5	3x210	630
3	BHUSAWAL 3 TO 5	1x210 + 2x500	1210
4	PARAS 3 & 4	2x250	500
5	PARLI 4 TO 8	2x210+ 3x250	1170
6	K'KHEDA 1 to 5	4x210 + 1x500 MW	1340
7	CHANDRAPUR 3 TO 9	2x210 + 5x500	2920
	MAHAGENCO THERMAL		10170
B	GAS TURBINE POWER STATION		
	URAN G.T.	4x108	432
	W.H.R. 1&2	2x120	240
	MAHAGENCO GAS		672
C	HYDRO POWER STATIONS		
	KOYNA HYDRO	St I&II- 4x70 + 4x80, St III- 4x80, St. IV-4x250 & Koyna Dam foot- 2x18	1956
	SMALL HYDRO		374
	GHATGHAR PUMP STORAGE	2x125	250
	MAHAGENCO HYDRO		2580
D	SOLAR		180
	MAHAGENCO TOTAL (A+B+C+D)		13602



SMALL HYDRO POWER STATIONS OPERATED BY MAHAGENCO ON LEASE FROM WRD

Sr. No.	Name of Power Station	Units & Capacity (MW)	Installed Capacity (MW)	Remark
1	Vaitarna	1 X 60	60	Lease period over, to be handed over to WRD as per Govt. of Maharashtra GR No. HPP 2021/P No. 105 HP dated 16/11/2021
2	Bhatghar	1 X 16	16	
3	Tillari	1 X 66	66	
4	Bhira Tail Race	2 X 40	80	
5	Eldari	3 X 7.5	22.5	Lease period over, to be handed over to WRD as per Govt. of Maharashtra GR No. HPP 2021/P No. 105 HP dated 16/11/2021
6	Paithan	1 X 12	12	Lease period over, to be handed over to WRD as per Govt. of Maharashtra GR No. HPP 2021/P No. 105 HP dated 16/11/2021
7	Vaitarna Dam Toe	1 X 1.5	1.5	
8	Pawana	1 X 10	10	
9	Panshet	1 X 8	8	
10	Kanher	1 X 4	4	
11	Varasgaon	1 X 8	8	
12	Bhatsa	1 X 15	15	
13	Dhom	2 X 1	2	
14	Ujjani	1 X 12	12	
15	Manikdoh	1 X 6	6	
16	Dimbhe	1 X 5	5	
17	Surya	1 X 6	6	
18	Warna	2 X 8	16	
19	Terwanmedhe	1 X 0.2	0.2	
20	Dudhganga	2 X 12	24	
21	Radhanagari	4 X 1.2	4.8	Owned by MAHAGENCO but, non operative at present
22	Veer	2 X 4.5	9	Already handed over to WRD
	Koyna Hydro			
1	Koyna Stage III	4 X 80	320	
2	Koyna Dam Foot Power House	2 X 18	36	Lease period over, to be handed over to WRD as per Govt. of Maharashtra GR No. HPP 2021/P No. 105 HP dated 16/11/2021



STATE HYDEL POLICY FOR DEVELOPMENT OF SMALL HYDRO POWER PROJECTS

- The policy specifically designed for private sector participation
- State Govt. has come up with two nos. of GRs
 1. GR No Pvt. 1204/(160/2004)/HP dated 15/09/2005
 2. GR No. HPP 2021/P No. 105 HP dated 16/11/2021
- The policy applicable to hydro power projects up to 25 MW installed capacity
- The policy encourages participation of both Captive Power Producers (CPPs) & Independent Power Producers (IPPs)



MAIN COMPONENTS OF THE PRIVATISATION POLICY

- The hydro power stations, whose lease period of 35 years is over shall be transferred back to the state Water Resource Department (WRD) for operations after renovation & modernisation through private sector participation
- New hydro power potential sites will also be identified & open for private sector participants to develop. Such sites shall be handed over to private developers on BOT basis for about 30 years.
- WRD will receive annual lease amount from the developer in return
- MAHAGENCO has been kept away from the bidding process on account of provisions in the qualifying requirement. The main reason being the Company has no experience in erection & commissioning of hydro power stations



FACTUAL INTERPRETATION OF THE POLICY

- The two GRs of the state govt. in relation with the privatisation policy primarily speaks of development of new hydel power & harnessing of potential sites
- The sites which have already been developed should not come under the gamut of privatisation policy
- WRD has been getting annual lease amount from for all the hydro power stations being operated by MAHAGENCO towards the recovery of the capital investment made by them
WRD has also been receiving ROE from MAHAGENCO over the lease period



FACTUAL INTERPRETATION OF THE POLICY

- As per MERC, WRD is not supposed to get any lease amount after the expiry of the lease period of MAHAGENCO, the reason being the capital cost of the project has been recovered along with ROE during the lease period
- Technically, after the lease period is over, ownership of such hydro power stations should be transferred to MAHAGENCO
In most other states hydro power stations are owned by the state gencos
- The need assessment of R & M activities of the hydro power stations, whose lease period is over should be first done e.g. efficiency, generation cost of generation, wear & tear etc.
Accordingly, R & M should be carried out because this capital expenditure is going to affect the cost of generation.
- Expiry of lease period cannot be the only criterion for R & M



FACTUAL INTERPRETATION OF THE POLICY

- MAHAGENCO also makes capital expenditure on hydel projects based on the need. The life of such projects is automatically enhanced much beyond 35 years due to timely maintenance, R & M activities
- R & M of hydro power projects, whose lease is over cannot necessarily be the need of the hour
- Instead the ownership of such hydro power stations can be thought of to be handed over to MAHAGENCO
- Or if WRD still expects getting lease amount beyond 35 years, MAHAGENCO management should think of offering such an amount coterminous with the private developers
- This will ensure that MAHAGENCO at least retains those hydro power stations, which are already with the Company, if not new addition is made

EFFECT OF PRIVATISATION ON MAHAGENCO

- If all the hydro power stations are handed over to WRD one by one after expiry of the lease period, MAHAGENCO will be extinct in hydro power generation in the state by 2032 to 2035

Further, MAHAGENCO is not allowed to participate in the bidding process of R & M of such power stations on account of QR by WRD

- The new privatisation policy must be implemented for the new hydro power projects, if MAHAGENCO has to sustain in hydel power sector



HOW END USER WILL BE AFFECTED

- As MAHAGENCO has already reimbursed the capital cost to WRD during the lease period & also carries R & M as & when required, it can continue to generate electricity at a much cheaper rate
- On the other side, private developers will initially make capital investment without any need assessment, pay rent to WRD etc. , their cost of generation has to be on much higher side as compared with MAHAGENCO
e.g. Veer HPS has already been transferred to WRD & the developer has got a sanction of Rs. 3.75/- as per unit rate by MERC as against Rs. 0.75/- by MAHAGENCO.
Again, in the last 10 years or so Veer HPS has not generated enough as compared with the time with MAHAGENCO causing a huge potential generation loss
- On the other side, private developers will initially make capital investment without any need assessment, pay rent to WRD etc. , their cost of generation has to be on much higher side as compared with MAHAGENCO



**EXEMPTION FROM
DISTRIBUTION LICENCE TO
AURANGABAD INDUSTRIAL
TOWNSHIP LIMITED**

- Section 12 of the EA 2003 mandates licence for distribution of electricity.
- Section 13 empower the Commission to exempt local body from requirement of licence on the such recommendation received from the Government.
- The Govt. of Maharashtra (GoM) vide letter dated 15 January 2019 has recommended MERC that Aurangabad Industrial Township Limited (AITL) be treated as Local Authority and be exempted from requirement of distribution licence under Section 13 of the EA 2003.
- Accordingly, AITL had filed a Petition in Case No. 29 of 2019 on 1 February, 2019 before the MERC seeking exemption of Distribution Licence for Shendra-Bidkin Industrial Area (Aurangabad Industrial City (AURIC)) in pursuance of recommendation of the Government of Maharashtra (GoM) under Section 13 of Electricity Act, 2003 (EA).



MERC VIDE ORDER DATED 8 MAY 2019 HAS RULED AS FOLLOWS:

- Govt.'s recommendations under Section 13 of the EA 2003 are not binding on the Commission. It is an enabling provision which gives discretionary power to the Commission to grant or reject the exemption of Licence.
- Section 13 provides two aspects to be considered while granting the exemption of Licence, first being the exemption of Licence - the same needs to be in accordance with the national policy formulated under section 5 and secondly it has to be in public interest.
- Rural electrification is not limited to ensuring the electricity supply to households, rather it covers the other requirements of industries, health care, information technology as a part of rural development. This broader intent of the rural electrification is fulfilled either by exemption of Licence or supply through franchisees.
- 'Public Interest' is served by both the entities i.e MSEDCL and AITL. However, on the scale of equity and fairness, public interest of developing an integrated industrial township can not be superior to the subsidizing and the subsidized electricity consumers of rest of the state who can not be burdened with additional cost due to cross subsidy surcharge getting lost in the AITL area.



- Prima facie AITL though eligible for consideration for exemption for grant of Distribution Licence as recommended by Government of Maharashtra, the aspect of Public Interest needs to be balanced between the two government entities.
- Arrangement to be a franchisee of the MSEDCL would provide AITL with the same envisaged autonomy as it has petitioned for. In fact, it would be more convenient for AITL to source its requirement in bulk from MSEDCL, as it will not be required to comply with the regulatory provisions applicable to a Distribution Licensee.

With above ruling, MERC rejected GoM's recommendation to exempt ATIL from requirement of distribution licence and instead directed ATIL to become franchisee of MSEDCL.



- Above Order of the MERC was challenged before the APTEL. Vide its judgment dated 30 June 2021, APTEL has set aside MERC Order with following observations:
- MERC ought to have given full effect to the recommendation of Government of Maharashtra without taking into account extraneous and irrelevant circumstances like alleged outflow of consumers.
- Appeal allowed. Directed MERC to grant the exemption from grant of distribution licence as provided under Section 13 of the Act to the ATIL within two months from the date of the order.



- Accordingly, in compliance with APTEL Judgment, MERC vide Order dated 3 September 2021 granted exemption of licence to ATIL and further directed as follows:
 - File a separate Petition within 2 months proposing conditions for licence exemption for notified area.
 - Timeframe for submission ARR and Tariff Petition, establishment of CGRF etc. and adhering to these timeframes be made the condition of the Licence exemption Notification to be issued to AITL.



THANK YOU !

