Comment 1	23-09-07 2:58pm
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Comments: 8.75 MW Wind Power Project by Taurian Iron & Steel Company Private Limited in District Sangli, Maharashtra, India.

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Investment Barrier:

The PP / consultant has mentioned investment barrier; to start with since there are few subheads under investment barrier, it would have been better if the investment analysis is carried out with its clear comparison with the benchmark set out by the state electricity regulatory commission in the tariff order of year 2003 for all group 3 installations.

The consultant is harping upon higher capital investment for the subject project without considering the following important information associated with the project

- No fuel cost, not even royalty (which is payable in the form of water royalty for hydro projects) thus practically speaking the net exported electricity forms the basis of revenue stream
- Preferential tariff of INR 3.50/kWh with annual escalation of INR 0.15/kWh.
- A long term firm power purchase agreement of 13 years from the date of implementation of project.
- State electricity utility to purchase electricity from renewable energy sources under the present renewable purchase obligation (RPO).

Also please refer to the MERC tariff order of 2003 (Annexure to the main order), where the state electricity utility (MSEB) has submitted the actual generation of data for the district of Sangli (where the subject project has been carried out) for both previous installations and new installations. The tables from the MSEB submissions are copied below: (Actual generation of year 2000 – 01)

Actual generation of 2002 -03

The last columns are depicting PLF of the projects. It would be worthy to note that only 1 project in each group is operating at a PLF of less than 20%.

Thus for this project it’s advisable to carry out the financial analysis with sensitivity analysis up to 35.99% PLF, and probability analysis of project for performance beyond 20% PLF.

Last and most important the argument of conventional plant as an alternative to this project:

- A conventional plant would not be eligible for 80% accelerated depreciation (the DOE may check / reconfirm)
- As per the submissions of consultant a conventional plant will have a PLF of 80%, thus the required equivalent capacity would be 25% of this project (which operates at 20% PLF) which means an installed capacity of about 2.20 MW. The DOW will agree that for 2.2 MW installed capacity the available option would be diesel / naptha as there is no possibility of having access to gas at the time of placing purchase orders for wind project with manufacturer. To my information the cost of generation from naptha / diesel / furnace oil will be close of INR 6.00 / kWh which is higher than the cost of production through wind (DOE may please ask the consultant to calculate levellized cost of generation) and thus wind becomes the most profitable option for this project and hence becomes the part of baseline. The DOE may take a decision beyond this stage.

Availability Based Tariff:

The existing PPA between the PP and state electricity utility is firm for 13 years with annual escalation. DOE may please suggest if the arguments / submission of consultant have any meaning over here?

Also the DOE may please take a look at the present Renewable Purchase Obligation as well as electricity deficit in the state of Maharashtra.

ICRA / CRISIL Rating:

The consultant seems to have used the crisil report as per his own convenience. The DOE may confirm the following facts:

- In various previous projects from Maharashtra, it has been stated that the state electricity utility (MSEB) delays the payments by 90 days from the date of invoicing; thus the PP could have used additional working capital requirement in the financial analysis for this project to take care of the delay of 90 days.
- Two reports have been referred, but the table of only 1 report is reproduced; DOE may please note that in the 2nd report the status of state electricity utility has improved significantly. It is also confirmed that the Dabhol station has started operating in the state (was closed earlier) and the state government is making timely payments to them.
- The consultant / PP has clean forgot the alternate option of selling the electricity to private utility in the state (Reliance) which is also bound to procure power from renewable sources of energy under the present RPO. In case they think that the MSEB (state utility) is not making payments, they can always move out.
- In addition to this, not only Relinace (which is a electricity utility company); the state electricity regulatory commission of Maharashtra permits a 3rd party sale in the state. The argument is thus totally baseless.

Operational Risk

Right of Way

The details furnished clearly indicate that the project has serious stakeholder consultation issue. I urge the DOE to please check if a proper news paper advertisement was given in the local news papers of the Sangli disctrict or regional news papers of Maharashtra and the details of stakeholder meeting beyond this news paper advertisement. Also the people present in the meeting from all 4 villages where installations have been carried out.

This kind of behaviour from the local population can be only observed if stakeholders are not taken into confidence and the so called NOC has been obtained by the head of village governing councils through some relationship?

The project thus therefore does not completes the stakeholder consultation requirements as set out by the UNFCCC CDM EB.

Grid related problem:

A total absurd argument of the consultant. Just a simple comment – was this disturbance had an impact only on wind power projects? and how many times this has happened in past?

Regulatory Barrier:
I think, the consultant is a day dreamer. The DOE may please check the following:

- Duration of PPA in all 8 states with wind potential in India and the answer will come on its own and if in other states wind projects are happening then why in this world there is a need to point fingers on Maharashtra which is paying the highest tariff in India.

The consultant is talking about the behavior of independent power producers. The opportunity available to the PP was of 2.2 MW (looking at the argument made on page 16 for equivalent power production) – Can the consultant elaborate on the details of IPPs in the state for investment in 2.2 MW capacity using conventional fuel for sale to EB.

CDM benefit sharing with the utility:

There have been many registered projects in the state till date; the DOE may please check if any revisions in the PPA are being carried out for them?

Also the MERC notice (which is referred in the arguments is dated 12 Dec 2005). The notice clearly states

- It will be applicable if the project is registered as a CDM project
- The sharing with be on equitable basis (i.e. 50:50)

The consultant may please explain the facts which he could not understand from the notification?

The revision in tariff in the MERC notification has been talked so that the flow of money should not be bi-directional that PP pays to state utility (for CDM revenue sharing) and the state utility pays to PP (for payment against procurement of electricity) instead the procurement tariff will be adjusted equivalent to 50% of CDM revenue.

Above all, to reiterate, state government has still not asked for any sharing to the already registered projects in the state.

Section E of the PDD

I urge the DOE to please take a look at the NOC and the stakeholder issues to this project (as stated in the PDD). The DOE may take a decision accordingly.