

**ANNUAL REPORT
ON
REGULATORY COMPLIANCE
FOR
2008-2009**



REPORTER OF COMPLIANCE
M.P.POWER GENERATING COMPANY LTD
9th BLOCK , BASEMENT, SHAKTI BHAWAN, JABALPUR

**ANNUAL REGULATORY COMPLIANCE REPORT OF MPPGCL FOR THE
FINANCIAL YEAR 2008-09
(Period from 1st April'08 to 31st March '09)**

In pursuance with various directives and Guidelines for Regulatory Compliance Regulations, 2005, the Annual status of compliance of various directives of MPERC in respect of MPPGCL for the financial year 2008-09 is prepared.

This report is broadly structured in four sub groups as elaborated below:-

1. Petitions already submitted to Hon'ble Commission. during April 2008 to March, 2009.
2. Petitions becoming due in near future.
3. MIS related matters.
4. Other important issues.

It is further to submit that directives of Hon'ble Commission which has already been complied by the utility earlier and reported to the Hon'ble Commission have been excluded from this report to avoid redundancy of the facts. Accordingly Clause No. 3.17, 3.31, 3.44, 3.50, 3.89, 5.1.1, 5.1.6, 5.1.12, 5.1.18, 5.2.2, 5.2.4, 5.2.5, 5.2.6, 5.2.7, 5.2.8, 5.2.11, 5.2.13 have been excluded from this report.

1. **Petitions already submitted to Commission** :- MPPGCL has submitted following petition to the Hon'ble Commission. The status of each of the petitions is also submitted briefly against each of them hereunder. The summary details are as under :-

(i) True up petition of Tariff Order for FY 07.

Petition submitted by MPPGCL on	21 st July'08
Petition No. admitted by Hon'ble Commission	56/2008
Technical validation	24 th Feb. '09
Public hearing held on	24 th March '09
No. of objections received	One
Reply submitted to consumer	One
Supplementary information required by Hon'ble Commission	Received & replied
Order by Hon'ble Commission	Dated 17.6.09

(ii) True up petition of Tariff Order for FY08.

Petition submitted by MPPGCL on	26.12.2008
Petition No. admitted by Hon'ble Commission	Awaited from Commission
Technical validation	Under process
Public hearing held on	---
No. of objections received	---
Reply submitted to consumer	---

Supplementary information required by Hon'ble Commission	---
Order by Hon'ble Commission	---

(iii) **Regulations on MPERC (Terms & Conditions for determination of Generation Tariff) for control period from 1st April, 2009 to 31st March, 2012**

Comments/suggestions submitted on 31st December, 2008 by MPPGCL and Notification issued by Commission on 8th May, 2009. The petition is under preparation and shall be submitted to MPERC by July'09 end.

2. Petitions becoming due in near future :-

The following petitions are becoming due on which the utility has started its preparation as elaborated below :-

(i)	Tariff Petition of 500 MW Unit V of SGTPS, Birsinghpur.	Petition submitted by MPPGCL on 23 rd March '09 Technical validation under progress
(ii)	Tariff petition of 210 MW unit No.5 ATPS Chachai for infirm power.	Petition submitted on 20.6.2009.
(vi)	Tariff Petition of Madhikheda Unit III	Final Project cost data awaited from Hydel project office.
(vii)	Investment Plan	Detailed report for R&M schemes for STPS Complex already submitted to MPERC. Report finalized and administrative approval accorded by BoD MPPGCL on 17 th June'09. Approval being sought from GoMP for taking up work under R&M.
(v)	Business Plan	Business Plan is being prepared with DFID support and expected to be ready by Oct.'09 end.

3. MIS related issues –

The Commission directed MPPGCL to submit MIS in the following manner :-

FORMAT NO.	SUBJECT/INFORMATION	PERIODICIT Y	SUBMISSION
Gen-1	Power Station-wise Generation Target Vs. Actual	Monthly	Quarterly
Gen-2 (Revised)	Power Station wise Coal consumption target Vs. Actual	Monthly	Quarterly
Gen-3	Power Station wise status of Weight-o-meter and weigh bridges.	Monthly	Quarterly
Gen-4	Power Station wise Fuel cost target Vs. Actual	Monthly	Quarterly
Gen-5	Power Station wise Man	Monthly	Quarterly

	Power sanctioned Vs. Actual		
Gen-6	Power Station wise Pollution parameters and details of outages.	Monthly	Quarterly
MPSEB-1	MPSEB Performance (Partly pertaining to Genco)	Quarterly	Quarterly

The above MIS Reports are being submitted regularly. The latest MIS submitted for quarter ending March'09. The data for quarter June '09 is awaited. Hon'ble Commission have recently revised the MIS formats. The information is now being sent in these revised formats. As there was some delay in furnishing the information of March'09 to Hon'ble Commission, utility has been advised to expedite the MIS information from sites and submit the same within scheduled time limit period to Hon'ble Commission in future.

4. MIS Key parameters –

The commission directed to submit the information monthly in the specified format. This MIS contains the details of performance parameters as well as financial parameters. The status of performance parameters is already included in the MPSEB-1 format mentioned above. Additionally, in this report the Commission desires the details of loan on monthly basis. Since mechanism was not in place, this information was not available. This issue was taken up with concerned offices and now, the agreement for loan transfer to MPPGCL has been finalized with PFC. Therefore, efforts are being made to gather the requisite information regarding PFC loans and utility shall submit the details to Hon'ble Commission from end July, 2009 onwards regularly.

5. Display of information on website –

The Commission directed MPPGCL to display the following information on MPPGCL website (www.mpgenco.nic.in) The information is being updated regularly.

- i. Display of Annual Performance Standards of Genco.
- ii. Display of Actual Monthly Availability & Capacity Index of Thermal & Hydel Power Stations respectively.
- iii. Display of Monthly Key Parameters of Genco.
- iv. Display of reasons for deviation in actual maintenance schedule.
- v. Display of information of ROC – “Consolidated Regulatory Compliance Report of ROC submitted to MPERC.”
- vi. Display of month wise breakdown details.

Other Important issues –

6. Ferguson's Report :-

For improvement in coal practices, Hon'ble Commission got a study conducted from M/s. Fergusons. The recommendation of M/s. Fergusons were also made available to the utility. The utility also made its representation before Hon'ble Commission pointing out the difficulty in accepting the report in to-to. The changes as directed by Hon'ble Commission were acceptable to the

utility and based on it, MPPGCL has already implemented most of the recommendations. However, for implementation of remaining recommendation, the utility has placed order on the consultant, M/s. Delolite. The firm have taken up the work at sites.

The Hon'ble Commission have reviewed the status on these issues in Joint meeting held on 15th May'08 at their Bhopal office. As directed by the Commission M/S Delolite have prepared a comprehensive manual, a final copy of which has already been submitted to the Commission. Now as directed by Commission, the instructions have been issued for implementation of accounting practice w.e.f. 1st April, '09. However, utility have informed that the implementation will require the computerization of processes. For this computerization works, consultant M/s. Delolite is preparing RFQ documents for appointment of software consultant. Now as directed by Hon'ble Commission recently, the utility is preparing time bound implementation plan.

7. Implementation of recommendations of NTPC at SGTPS, Birsinghpur :-

The utility has formed a cell to implement the recommendations given by NTPC team during their visit to SGTPS, Birsinghpur Power Station, in the time bound manner. Regarding implementation of recommendation detailed report prepared by the utility has already been sent to Hon'ble Commission vide letter No. 462 dated 24.10.08

To implement the recommendations of NTPC and to involve them for improving the performance of Power Stations, a joint programme named "Partnership in Excellence" has been launched on 20th June'09. As per this programme NTPC shall carry out gap analysis and prepare performance improvement plan for all the MPPGCL Thermal Stations.

8. NTPC visit to STPS, Sarni:-

NTPC visited STPS, Sarni and given various recommendations to improve performance of Unit No. 7 (210 MW). The recommendation of NTPC and its implementation in AOH of Unit No. 7 (17-09-2008 to 04-10-2008) has already been sent to Hon'ble Commission vide No. 4622 dated 24.10.08. This activity has also now been merged with programme "Partnership in Excellence" which is to be conducted jointly with NTPC.

8. Balancing and settlement code 2009:-

Draft Code has been released by the Commission on 1.6.09. It is proposed to implement this code from 1st July 2009. With the implementation of this code weekly accounting and settlement of Energy, UI charges and reactive energy charges shall be done. For implementation of this code, mock billing has already undertaken. However, for monitoring the data at Power Stations, requisite software needs to be installed. Due to this reasons, the utility has separately requested for extension of time limit by two months i.e. upto Sept.'09.

10. Metering & Accounting :-

As per procedure laid down, joint metering is being under taken regularly by MPPGCL and TRANSCO/DISCOM and being certified by SLDC for billing and accounting. State Energy Account is also being issued by SLDC on monthly basis regularly.

Main ABT meters for installation at interface points between GENCO and TRANSCO (procured by TRANSCO) have since been supplied, installed and commissioned and have been operationalized. Further, order has been placed by the utility for procurement of ABT compliance meters for installation as consumer meters and Energy accounting and audit meters. These meters have also now been supplied.

11. Billing and Payment :-

Based on the certified Availability Factors and Capacity index and Energy Meter reading issued by SLDC/TRANSCO, MPPGCL prepares energy bills in accordance with terms and conditions of Generation Tariff Regulations and tariff order FY 07. These bills are being issued to Commercial department of TRADCO on 7th day of each following month for arranging payments as per Power Purchase Agreement and provisions of MPERC Regulations and tariff order. This practice is being followed uninterruptedly during FY 2007-08 & 08-09 also as per "Generation Tariff Orders" for continuation of Tariff for respective years.

Commission's visit to Satpura TPS –

Hon'ble Commission reviewed the status of implementation of recommendations given in respect of visit of Commission 's Chairman to Satpura TPS on 15th May, 2008 at Bhopal. As directed, the utility has been advised to consider deployment of additional scrutiny arrangements such as dog squads, Installation of close circuit TV in critical areas. The utility has also been advised to impart proper training and ensure capacity buildings of officers and sub-ordinates staff. For this purpose, the utility is preparing a training calendar keeping in view, the training needs of individual officers, practicing inter change of ideas with power utility companies like NTPC, undertaking theme based training programme. Under the DFID consultancy support, the consultant, M/s. Earnest & Young are also supporting utility in this area. The detailed compliance report in this respect has recently been sent to Hon'ble Commission vide No. 456 dated 21.10.08.

Transit and Stacking loss:-

MPPGCL have submitted a request letter to the Hon'ble Commission requesting that the transit and stacking losses presently being permitted by the Hon'ble Commission are very stringent and need to be relooked. The utility has further requested the Commission vide its letter No. 07-03/Coal/2417 Jabalpur dated 16th Aug.07 to get a study conducted by an expert agency (3rd party) so as to ascertain the present level of transit and stacking losses and their controllability. The

utility further submitted that the transit and stacking losses are season dependent and therefore requested to get the study conducted at least for one year. The utility reported that the Commission, in the presentation made on implementation of Ferguson's report, have also expressed its consent to get the study conducted.

The matter was further taken up with the Commission by the Utility on 16th May 2008 at CMD level meeting wherein the Hon'ble Commission was again requested to relook the limits of allowable transit and stacking losses. It was brought to the notice of Commission that FSA with coal companies has a element of surface moisture (June to Sept.9%, Oct. to May 7%) which does not contribute to any value addition to calorific value. On the contrary, it takes away heat from the system. The loss on this account need to be compensated.

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MPPGCL : JABALPUR

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STATUS OF COMPLIANCE OF MPERC DIRECTIVES
GIVEN IN GENERATION TARIFF ORDER FOR FY- 07 TO FY- 09

(Ref: :MPERC Letter No.945 dated 17.4.2006 and MPPGCL Lr.No. 228 dated 27.04.2006 & No. 543 dated 30.10.06)

(As on 30th June. 2009)

Sl. No.	Clause No.	Direction	Status of compliance as conveyed to MPERC and updation as on date
1	5.1.9	<p>Data Based Management and Management Information System :- The Commission in its Generation Tariff Order for FY06 has already directed the Generating Company to prepare a time bound programme / action plan and apprise the Commission on the implementation of the action plan. The Commission has also directed MPPGCL to complete the task by 30/09/2006</p>	<p>Compliance status reported to MPERC under Sl.No. 8 of statement vide MPPGCL letter No. 228 dated 27.4.06 and letter No. 542 Dated 28.10.2006.</p> <p>A scheme of Rs.28 Crores has since been approved by BoD of MPPGCL as well as GoMP. PFC have also agreed to finance the scheme upto Rs.22 Crores and has been consented by MPPGCL. MoA has been signed on 12.12.07 DFID provided support in preparation of Technical specification. The implementation is being planned in phases.</p>
2	5.2.1	<p>Improvement in Performance of Generating Units:- The Commission again directs MPPGCL to carry out necessary R&M works for improving the performance of its generating units. MPPGCL may consider phasing out these units if it feels that these units have over lived their economic life and investment in R&M may not yield the desired results. The Company is required to submit its proposal in this regard to the Commission with a detailed cost benefit analysis within three months of this order. (Paragraph 5.4 of Generation Tariff Order for FY06)</p>	<p>The compliance of the directive has been submitted to MPERC vide MPPGCL letter no.368 dt. 28.07.2006. The BoD of MPPGCL have also considered this proposal and approved the proposal for retirement of Amarkantak PH-1. CEA has also given their approval. However, M.P.Govt. approval is awaited.</p>
3	5.2.3	<p>Energy Audit :- The Commission further directs the MPPGCL to carry out energy audit in its thermal plants regularly and based on this audit determine SHR phase wise for all stations. MPPGCL shall provide reasons for the observed differences in values determined on the basis of this audit and actual coal consumption. The Company is also required to determine SHR separately for all stations after discounting the energy generated and coal assumed to be fed in the boilers during the period when its weight-o-meters are non functional. The Company shall submit above reports quarterly and shall place the data on its website. The Commission shall arrange to review the position through a consultant and by taking up the scrutiny suo moto through a petition. (Paragraph 5.29 of Generation Tariff Order for FY06)</p>	<p>The Energy Audit of ATPS, Chachai & SGTPS, Birsinghpur has been got conducted through M/s ERDA, Vadodara and for STPS, Sarni through CPRI.</p> <p>Firms has submitted their recommendations. Station Heat rate and other parameters are calculated in line with the recommendation issued. The quarterly report was being submitted regularly as directed.</p> <p>Now in April'09, Hon'ble Commission have revised the formats and advised to send report every month instead of quarterly basis. Reports are being prepared accordingly by utility. Utility has been advised to expedite the submission of report.</p>
4	5.2.9	<p>Detailed Capital Expenditure Plan:- The Commission directs that the Capital expenditure plan along with the financing plan for the tariff period commencing from FY07 may be submitted before the Commission for its approval. The Commission in the event of the Company not complying with this direction shall disallow additional depreciation and interest on loan borrowed for funding the capital expenditure. (Paragraph 7.8 of Generation Tariff Order for FY06)</p>	<p>The compliance of the directive has been submitted to MPERC vide MPPGCL letter no.368 dt. 28.07.2006. The detailed reports for (R&M) schemes for Satpura Complex already submitted to MPERC. Report finalised and administrative approval accorded by BoD., MPPGCL on 17th June'09. Action being taken for approval from GoMP for taking up work under (R&M) Scheme by utility.</p>
5	5.2.10	<p>Power Station wise Accounting Statements:- The Company is advised to treat each power station as a strategic business unit and should prepare a separate Balance Sheet and profit and loss account for all its SBUs. The Commission also directs MPPGCL to pay attention to strengthening its accounting functions by coding its accounting policies and inducting trained accounting professionals. The accounting function needs to be fully computerized so that the requirements of the Companies Act of publishing half yearly accounting reports and finalising the financial statements within six months of the close of the financial year can be met. (Paragraph 7.9 of Generation Tariff Order for FY06)</p>	<p>The present status of compliance has been reported to MPERC vide MPPGCL l. no. 295 dt 15-06-2006. The Company is in primary stage of developing the accounting frame work. The preparation of separate balance sheet and profit and loss account for each Power Station (SBU) is a difficult task to achieve without full computerization of Accounting functions. The Company is in the process of taking up a broad based MIS project, which may take up to two years time for implementation.</p> <p>On insistence by Hon'ble Commission during CMD level meeting</p>

6	5.2.12	<p>Station wise Cost Identification :- The Commission directs the Company that in future all tariff petitions must have station wise cost identification and segregation based on their individual Balance Sheet and Profit & Loss account. Each petition must have subsections devoted to each of its stations. The Company must provide detailed reasons for these projections and segregations especially for cost item like interest liability. In the absence of these details the Commission shall draw adverse inference and the costs may be accordingly reduced. (Paragraph 7.11 of Generation Tariff Order for FY06)</p>	<p>held on 16-05-08, the status was further examined and efforts are being made to provide station wise balance sheet for FY 2010.. Regarding publishing of half yearly accounts, it is submitted that there is no such requirement in Companies Act to publish half yearly accounts. The requirement is applicable to those Companies whose shares are listed in the stock exchanges as per the listing agreement with the stock exchange under SEBI Act.</p> <p>Same as in para 5.2.10</p>
7	5.2.14	<p>Setting up Coal Washeries System:-The generation company shall explore the possibility of setting up of Coal Washeries System for their Thermal power stations. The cost benefit analysis in this regard shall be submitted to the Commission before October 2006 failing which the Commission shall consider revising the SHR and other performance parameters to bring these to the prevailing level of similar stations where washeries and beneficiation has resulted in improved performance. (Paragraph 7.13 of Generation Tariff Order for FY06)</p>	<p>The status of compliance reported to MPERC vide MPPGCL letter No. 542 dated 28.10.2006. In a follow up action, BoD of MPPGCL in its meeting held on 19.5.07 have decided that a senior level Committee be formed by CMD to study cost benefit analysis based on the report of washed coal being used in NTPC/MAHA.-GENCO and submit the report to BoD within 45 days. The said committee has submitted its report which is under scrutiny at present.</p>

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