

# ANDHRA PRADESH ELECTRICITY REGULATORY

## (Terms and Conditions for Tariff determination for Wind Power Projects) Regulations, 2015, Dated: 31-07-2015

Sl. No.	Description	Summary
1.	<b>Control Period</b>	4 – Years (w.e.f 31-07-2015)
2.	<b>Applicability</b>	These Regulations shall apply to the wind power projects to be commissioned within the State of Andhra Pradesh for generation and sale of electricity wholly or partly to the Distribution licensees within State of Andhra Pradesh subsequent to the date of notification of these Regulations.
3.	<b>Tariff Period</b>	25 Years
4.	<b>Tariff Structure</b>	The tariff for wind power projects shall be single part tariff consisting of the following cost components: (a) Return on equity; (b) Interest on loan capital; (c) Depreciation; (d) Interest on working capital; (e) Operation and Maintenance expenses
5.	<b>Tariff Design</b>	Levellized Tariff is calculated by carrying out levellization for 'useful life' considering the discount factor for time value of money.
6.	<b>Discount Factor</b>	The discount factor considered for this purpose is equal to the weighted average cost of capital on the basis of normative debt-equity ratio (70:30).
7.	<b>Despatch Principles</b>	1. All Wind Power Projects shall be treated as 'MUST RUN' power plants and shall not be subjected to 'Merit Order Despatch principles' (MOD). 2. The sum of generation capacity of the plants connected at the interconnection point to the transmission or distribution system is 10 MW and above and interconnection point is 33 kV and above, such Wind Power Generation Plants shall be subjected to scheduling and despatch code.
8.	<b>Capital Cost</b>	600 Lakhs / MW
9.	<b>Debt Equity Ratio</b>	70:30
10.	<b>Loan and Finance Charges</b>	Loan Tenure – 10 Years For the purpose of computation of tariff, the normative interest rate shall be considered as average State Bank of India (SBI) Base rate prevalent during the first six months of the previous year plus 300 basis points.
11.	<b>Depreciation</b>	1. The Salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the Capital Cost of the asset. 2. The depreciation rate for the first ten years of the Tariff Period shall be 7% per annum and 1.33% for the remaining useful life of the project from 11th year onwards.
12.	<b>Return on Equity</b>	1. The value base for the equity shall be 30% of the capital cost. 2. The normative Return on Equity shall be 16% with MAT/income tax as pass through.
13.	<b>Interest on Working Capital</b>	Interest on Working Capital shall be computed at the interest rate equivalent to the average State Bank of India Base Rate prevalent during the first six months of the previous year plus 350 basis points.

14.	<b>Operation and Maintenance Expenses</b>	8.57 lakhs / MW (O&M Cost for the 1 <sup>st</sup> Year) Normative O&M expenses allowed during first year of these Regulations (i.e. FY 15-16) shall be escalated at the rate of 5.72% per annum over balance of the control period.
15.	<b>Rebate</b>	<ol style="list-style-type: none"> <li>1. For payment of bills of the generating company through letter of credit, a rebate of 2% shall be allowed.</li> <li>2. Where payments are made other than through letter of credit within a period of one month of presentation of bills by the generating company, a rebate of 1% shall be allowed.</li> </ol>
16.	<b>Sharing of Clean Development Mechanism (CDM) Benefits</b>	<ol style="list-style-type: none"> <li>1. 100% of the gross proceeds on account of CDM benefit is to be retained by the project developer in the first year after the date of commercial operation of the generating station;</li> <li>2. In the second year, the share of the beneficiaries shall be 10% which shall be progressively increased by 10% every year till it reaches 50%, where after the proceeds shall be shared in equal proportion, by the generating company and the beneficiaries.</li> </ol>
17.	<b>Taxes and Duties</b>	The taxes and duties levied by the Government shall be allowed as pass through on actually incurred basis.
18.	<b>Subsidy or Incentive by the Government</b>	The Commission shall take into consideration any incentive or subsidy offered by the Central or State Government, including accelerated depreciation (AD) benefit, if availed by the generating company, for the Wind Power Projects while determining the tariff under these Regulations.
19.	<b>Capacity Utilization Factor</b>	23.5%