



TAMIL NADU ELECTRICITY REGULATORY COMMISSION

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No. 06/2009
04-05-2009

Press Note

Sub: Determination of tariff for procurement of biomass-based 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 biomass power from **Rs.3.15 to Rs.4.50** per unit. The tariff was last fixed by the Commission on 15-5-2006 at Rs.3.15 per unit. The tariff of Rs.4.50 per unit is the highest in the country. Maharashtra and Andhra Pradesh closely follow the Tamil Nadu rate at Rs.4.28 per unit and Rs.4.26 per unit respectively.

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 biomass based power plants has declined sharply during the last two years on account of steep increase in the cost of biomass fuels. The capacity utilization, which ranged from 5% to 70% during 2007-08, declined to 3% to 48% during 2008-09. Other users of biomass fuel have been procuring bio fuels at a much higher price making it unviable for biomass based power plants. This deficiency has been addressed by the Commission by fixing the fuel cost at double the present rate of Rs.1000/- per MT. Yet another novel feature of this tariff order is introduction of two part tariff - a departure from the single part tariff of the previous order. The two part tariff provides for fixed cost and variable cost. Variable cost takes into account the variations in the cost of bio-fuel. Variable cost takes into account the variation from the cost of bio-fuel. The two part tariff order would cover both the existing and the prospective biomass power plants. The two part tariff system has been in vogue in Maharashtra, Andhra Pradesh and Rajasthan for quite sometime.

4. The installed capacity of biomass based power plants in the country is 683 MW. Tamil Nadu accounts for 147 MW. Andhra Pradesh and Chattisgarh have higher installed capacities than Tamil Nadu.

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