

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

Present : **Sri. T. M. Manoharan, Chairman**
Sri. K. Vikraman Nair, Member
Sri. S. Venugopal, Member

O.P. No. 23 of 2015

In the matter of purchase of additional 150 MW RTC power from
M/s. Maithon Power Limited by Kerala State Electricity Board
Limited

Petitioner : M/s. K.S.E.B.Ltd., Tvpm
Respondent :

Order dated 08 - 07- 2015

K.S.E.B.Ltd. has filed a petition before the Commission on 29-06-2015 for granting permission for procuring an additional 150 MW power from M/s. Maithon Power Limited, from June 2016 at the rates approved by the Central Electricity Regulatory Commission (CERC), in lieu of the 150 MW from the Reghunathpur Thermal Power Station (RTPS) of M/s. Damodar Valley Corporation (DVC). The petition has been filed as per K.S.E.R.C (Conduct of Business) Regulations, 2003 and has remitted a petition fee of Rs. 10,000/-

Background :

2. K.S.E.B.Ltd. had entered into a long term PPA with M/s. Damodar Valley Corporation (DVC) on 24th April 2014 for procuring 250 MW RTC power on long term basis for a period of 30 years at the tariff determined by CERC. The Commission has accorded in principle approval for the purchase vide Letter No. 500/C.Engg./DVC/2014 dt. 28-03-2014. The allocation to Kerala was 100 MW (10% of 1000 MW) from Unit no. 7 & 8 of Mejia Thermal Power Station (MTPS) and 150 MW (12.5 % of 1200 MW) from Unit No.1 and Unit No.2 of Reghunathpur Thermal Power Station (RTPS). The machines of Mejia TPS have started commercial operation in 2012. As intimated by M/s.DVC at the time of signing PPA, the Reghunathpur Thermal Power Station was tentatively scheduled for commissioning by March 2015. M/s. DVC vide letter no. Coml

/KSEB/15-16/793 dated 13th June 2015 has intimated K.S.E.B. Ltd. that the commissioning of RTPS is badly delayed. Even the tariff petition for RTPS has not been filed by DVC before CERC due to the delay in commissioning the project. The capital cost and tariff may be higher than the expected due to time and cost overrun. Hence DVC has offered 150 MW power from Durgapur TPS or Koderma TPS, which were already commissioned instead of from RTPS.

3. Earlier, the Commission vide letter no. 2158/ C.Engg./Maithon/2013 dated 26-12-2013 had accorded in principle approval to K.S.E.B.Ltd. for procurement of 150 MW power from M/s Maithon Power Ltd. in Jharkhand for a period of 30 years at the tariff determined by CERC. As per latest tariff approved by CERC, the average tariff (including FC and variable charges) for 2013-14 is about Rs. 3.25 per unit at Generator periphery and Rs. 3.68 per unit at Kerala periphery. K.S.E.B.Ltd. has submitted that the tariff likely to be determined by CERC for 2014-19 is expected to be within the range of tariff approved for 2009-14. This is as competitive as that of the tariff for power being procured through DBFOO basis, i.e. from Rs. 3.60 to Rs. 4.29 per unit at Kerala periphery.

4. M/s. Maithon Power Ltd. has intimated K.S.E.B.Ltd. on 11-06-2015 that an additional quantum of 150 MW power is available from the month of February 2016 for supply of power on long term basis. This additional quantum is released by way of surrendering 150 MW by one of their beneficiary out of the total tied up 300 MW with M/s. Maithon Power Ltd. It is submitted that since the offer is from the same Maithon Power Plant at CERC determined tariff, it is better than that derived through DBFOO basis.

5. K.S.E.B.Ltd. has sought permission of the Commission for procuring the additional quantum of 150 MW from M/s. Maithon Power Ltd. from February 2016, instead of 150 MW from the Reghunathpur TPS of DVC. In the submission by K.S.E.B.Ltd. there is no reference on the expenses likely to be incurred as penalty to M/s. DVC in backing out from the PPA already entered into by K.S.E.B.Ltd., as they have offered alternate 150 MW from Durgapur/ Koderma power plants or in lieu of the transmission LT A application.

The average tariff from Mejia TPS at gen. bus	: Rs. 3.93 per unit
The average tariff from Durgapur Steel TPS	: Rs. 4.04 per unit.
The average tariff from Koderma TPS	: Rs. 4.12 per unit

Considering transmission charges and losses, the average tariff from the DVC stations is expected as follows:

Mejia TPS	: Rs. 4.35 per unit,
Durgapur Steel TPS	: Rs. 4.47 per unit and
Koderma TPS	: Rs. 4.55 per unit.

Analysis and Decision:

6. K.S.E.B.Ltd. has entered into a PPA for procurement of 250 MW power with M/s DVC out of which 150 MW was from their Reghunathpur TPS #1 & #2 scheduled for commissioning by March 2015, at the tariff determined by CERC. K.S.E.B.Ltd. has also contracted 150 MW RTC power from M/s. Maithon Power Ltd for 30 years at the tariff determined by CERC. In principle approval was granted by the Commission considering the requirement of power and the tariff is being determined by CERC. Now, K.S.E.B.Ltd. has sought permission for procurement of additional 150 MW power from M/s. Maithon Power Ltd at the CERC approved tariff from June 2016, in lieu of 150 MW from M/s.DVC, as they have intimated that the commissioning of RTPS was badly delayed and tariff may be higher than expected due to cost overrun. The tariff fixed by CERC for the energy generated from the Maithon plant for the year 2013-14 is Rs. 3.25 per unit at generator periphery which is competitive as that of the tariff of Rs. 3.60 to Rs. 4.29 per unit discovered in DBFOO basis. Also the tariff of power offered by M/s. DVC from alternate power stations is higher by 0.67 to 0.87 per unit than the tariff of the additional quantum of 150 MW power offered by M/s. Maithon Power Ltd.

7. The Clause (b) of Section 86 of the Electricity Act, 2003 empowers the State Commission to *“regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the State.”*

8. Section 63 of the Electricity Act, 2003 stipulates that, *“the Appropriate Commission shall adopt the tariff, if such tariff has been determined through transparent process of bidding in accordance with the guidelines issued by the Central Government”*

9. Rule 8 of the Electricity Rules, 2005, {*made by the Central Government , in exercise of the powers conferred by Section 176 of the Electricity Act, 2003*} specifies that , *the tariff determined by the Central Commission for generating companies under clause (a) or (b) of sub section (1) of Section 79 of the Act shall not be subject to*

redetermination by the state commission. in exercise of the functions under clause (a) or (b) of sub section (1) of Section 86 of the Act, the State Commission may determine whether a distribution licensee in the State should enter into Power Purchase Agreement of procurement process with such generating companies based on the tariff determined by the Central Commission “

10. In view of the Rule 8 of the Electricity Rules, 2005 issued by the Central Government, the tariff determined by the Central Commission is acceptable to Kerala State Electricity Regulatory Commission and therefore the proposal submitted by K.S.E.B.Ltd. is approved subject to the following conditions:

- i.* K.S.E.B.Ltd. shall take all necessary and sufficient steps to ensure that this additional purchase of 150 MW power from M/s. Maithon Power Ltd., shall not entail in any payment of penalty or penal charges to M/s.DVC., on account of the existing Power Purchase Agreement and
- ii.* The purchase of power as per this proposal is in lieu of the power for which K.S.E.B.Ltd. had entered into agreement with M/s.DVC.

Orders of the Commission:

11. Permission is granted to K.S.E.B.Ltd. for the procurement of 150 MW power from M/s. Maithon Power Ltd., from the month of June 2016, subjected to following conditions:

- i.* K.S.E.B.Ltd. shall take all necessary and sufficient steps to ensure that this additional purchase of 150 MW power from M/s. Maithon Power Ltd., shall not entail in any payment of penalty or penal charges to M/s.DVC., on account of the existing Power Purchase Agreement and
- ii.* The purchase of power as per this proposal is in lieu of the power for which K.S.E.B.Ltd. had entered into agreement with M/s.DVC.

Sd/-
K. Vikraman Nair
Member

Sd/-
S. Venugopal
Member

Sd/-
T.M.Manoharan
Chairman

Approved for issue

Secretary