ORDER

OF THE

WEST BENGAL ELECTRICITY REGULATORY COMMISSION

IN CASE NO. PPA-116 /21-22

IN REGARD TO THE APPLICATION SUBMITTED BY THE DAMODAR VALLEY CORPORATION (DVC) FOR APPROVAL OF POWER SALE AGREEMENT EXECUTED ON 20.08.2021 BY AND BETWEEN DVC AND SOLAR ENERGY CORPORATION OF INDIA LIMITED (SECI) FOR PURCHASE OF 200 MW ASSURED PEAK RE POWER IN TERMS OF REGULATION 7.4 OF THE WEST BENGAL ELECTRICITY REGULATORY COMMISSION (TERMS AND CONDITIONS OF TARIFF) REGULATIONS, 2011 AS AMENDED

PRESENT:
SRI SUTIRTHA BHATTACHARYA, CHAIRPERSON
SRI PULAK KUMAR TEWARI, MEMBER

DATE:30.05.2022

Facts in brief:

1.0 The Damodar Valley Corporation (DVC) submitted an application vide letter dated 30.12.2021 for approval of Power Sale Agreement (PSA) executed on 20.08.2021 by and between Solar Energy Corporation of India Limited (SECI) and DVC for purchase of 200 MW Assured Peak Renewable Energy (RE) Power from Inter State Transmission System (ISTS) connected RE Projects with storage for a period of 25 years. DVC vide letters dated 12.04.2022 and 12.05.2022 has submitted additional information regarding proportionate usage of such power in West Bengal and Jharkhand area along with justification of their power requirement. The Commission admitted the application in Case No. PPA – 116/21-22.

2.0 The application of DVC read with the Power Sale Agreement dated 20.08.2021 and additional information inter-alia state the following:

2.1 SECI has been identified by the Government of India (GOI) as the nodal agency for implementation of the scheme for setting up of 'ISTS connected Wind, Solar and Wind- Solar Hybrid Power Projects' issued by the Ministry of New and Renewable Energy, GOI and shall be acting as an 'Intermediary Procurer'. SECI has implemented a scheme to procure 1200 MW power generated from ISTS connected RE Projects with assured peak supply (ISTS-VII) under the provisions of Request for Selection (RfS) dated 01.08.2019 on a long-term basis from the Renewable Power Developer (RPD) selected through competitive bidding. Accordingly, SECI has entered into a Power Purchase Agreement with the RPD for 900 MW ISTS connected RE Projects with storage to be developed by the project developer.

DVC vide letter dated 12.05.2022 has stated that the storage will be through 'Pumped Storage Plant'.

2.2 DVC has agreed to purchase 200 MW of such 'Assured Peak RE Power' from SECI and has entered into a Power Sale Agreement with SECI on 20.08.2021 for a period of 25 years from the scheduled commissioning date of the project.

DVC has submitted that the power will be utilized proportionately in the DVC supply area in West Bengal and Jharkhand. Through additional submission vide letter dated 12.04.2022, DVC estimated utilization of 29.91 MW in West Bengal area. Subsequently, vide letter dated

12.05.2022, DVC submitted that 289.82 MU is to be utilized in the state of West Bengal based on the sales ratio for the West Bengal region.

2.3 The tariff discovered through competitive bidding comprises of Peak Tariff and Off-Peak Tariffs for energy supplied during Peak and Off-Peak period respectively at the rates tabulated below:

Period	Tariff	Remarks
Peak	Rs. 6.12 / kWh	DVC shall choose any 6 hours within the specified 11 peak hour window [Morning peak hours between (& including) 05:30 Hrs. up to 09:30 Hrs. and Evening Peak Hours between (& including) 17:30 Hrs. up to 00:30 Hrs. (day-2)]
Off Peak	Rs. 2.88 / kWh	For other than selected peak hours

In addition to the above, a trading margin of Rs. 0.07 per kWh is payable to SECI for the entire term of the agreement.

2.4 The power shall be delivered by the power developer at its interconnection point with Inter State Transmission System (ISTS). DVC has submitted in terms of Ministry of Power, Government of India notification dated 21.06.2021, no inter-state transmission charge will be levied on transmission of solar electricity through ISTS for sale of power by the projects to be commissioned within 30.06.2025 for 25 years from the date of commissioning of the project. In terms of power sale agreement, if the commissioning of project gets delayed beyond 30.06.2025 or any extended date thereof notified by Government due to reasons attributable to the RPD, the transmission charge will be borne by RPD.

2.5 DVC submitted that, the 'Assured Peak RE Power' shall help them to achieve the Renewable Purchase Obligation target compliance as per the regulatory guidelines.

It is also submitted that at present there is about 660 MW demand – supply gap considering the present power availability position of DVC and with journey towards supply at 11 kV level, the gap will widen. Thus, the 200 MW power will also help DVC to manage their peak demand.

2.6 DVC further submitted that, SECI shall approach CERC for getting approval of the PSA along with adoption of tariff determined under the competitive bidding process.

2.7 In view of above, DVC has prayed before the Commission to approve the said PSA dated 20.08.2021.

3.0 The Commission had directed DVC to publish the gist of their application as approved by the Commission under the provisions of the Tariff Regulations. DVC, accordingly had published the gist of the application in (i) the "Bartaman", (ii) the "The Telegraph", (iii) the "Ananda Bazar Patrika" and (iv) the "The Times of India" on 17.02.2022 inviting suggestions and objections on their petition to be submitted within 14 (fourteen) days of publication of the gist. No suggestion and objection has been received by the Commission within the stipulated time-period.

Point of determination:

4.0 Clause (b) of sub-section (1) of section 86 of the Electricity Act 2003 inter-alia specifies that, while discharging its function, the State Commission shall 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. Further, in terms of Regulation 7.4.1 of the Tariff Regulations, prior approval of the Commission is required for every agreement or arrangement for power procurement by a licensee entered into after 09.02.2007, except for short term procurement.

Observations of the Commission:

5.0 **Requirement of power procurement:**

5.1 The Commission being guided by the Tariff Policy, noted that the Ministry of Power (MoP) vide Order dated 14.06.2018 has specified the long-term growth trajectory of Renewable Purchase Obligation in terms of paragraph 6.4 (1) of the Tariff Policy, 2016. The Commission observes that DVC has proposed to purchase 289.82 MU of 'Assured Peak RE Power' at estimated CUF of 38.5%. The figure 289.82 MU is derived as 42.96% of 674.52 MU (by applying CUF of 38.5% on 200 MW) as sales share of West Bengal. On analysis, it is observed that DVC is lagging far behind the target thus set by the MoP, GOI since they could only achieve 0.9% of Solar RPO in FY 2021 - 22. Thus, this PSA will help DVC to improve its RE portfolio. From the submitted load- generation balance and peak and off-peak variation, it is observed that the assured peak power will also help DVC to manage their peak demand.

6.0 **Price of power purchase:**

6.1 The Commission observes that the discovered Off-Peak Tariff of Rs. 2.88 per kWh is well below the average power purchase cost of Rs. 3.59 per kWh and thus, stand-alone economic as compared to the purchase from coal based thermal power stations as approved by the Commission in the Tariff Order dated 05.05.2022 of DVC. Though, the Peak Tariff of Rs. 6.12 per kWh is higher than the average power purchase cost, it will help DVC meet its deficit at peak period. Further, such peak period price is lower than the evening peak renewable price of power exchange (Rs. 6.37 /kWh discovered in power exchange (IEX) during FY 2021 – 22). Thus, the Commission finds that the overall tariff for purchase of 'Assured Peak RE Power' is reasonable and will help DVC to manage its load pattern as well as RPO requirements.

6.2 In addition to the above, a trading margin of Rs. 0.07 per kWh which has been mutually agreed between DVC and SECI is payable to SECI for the entire term of the agreement. However, the Commission observes that the trading margin has been mutually agreed in consonance with Regulation 8 (1) (d) of CERC Trading License Regulations subject to the proviso specified in the regulation. Therefore, in case of failure of SECI to provide the conditions specified in the said regulations, the trading margin shall be limited to Rs. 0.02 per kWh as specified in the Regulation 8 (1) (d) and 8 (1) (f) of the CERC Trading License Regulations.

6.3 It is noted that, SECI being the nodal agency is acting as 'Intermediary Procurer'. SECI will purchase power from the renewable power developers through competitive bidding. It is also observed from the application that the procurement process is under Section 63 of the Electricity Act 2003 and SECI is selling such power at discovered price to different States including DVC. Therefore, Central Electricity Regulatory Commission (CERC) is the Appropriate Commission to adopt the instant discovered tariff under Section 63 of the Electricity Act 2003. The same has also been mentioned in Article 2.1.2 of the Power Sale Agreement executed by and between DVC and SECI.

7.0 The Commission also observes that no inter-state transmission charge will be levied on transmission of electricity generated from solar and wind sources through ISTS for sale of power by the projects to be commissioned within 30.06.2025 for 25 years from the date of commissioning of the project as per the notification of the Ministry of Power dated

21.06.2021. Since, the scheduled commissioning date is 18 months from the effective date of PSA, thus no ISTS charges is applicable.

8.0 In view of the above, the Commission concludes the followings:

(i) The 'Assured Peak RE power' will help DVC to improve its RE portfolio as well as help them to manage their peak demand.

(ii) The price being discovered following the competitive bidding guidelines issued by the Government of India under section 63 and subject to adoption of the tariff by CERC is stand-alone economic and is beneficial for end consumers.

(iii) No ISTS charges for the above 'Assured Peak RE power' is expected to be paid.

Considering the above conclusions, the Commission issues the following order.

Order:

9.0 The Commission after considering the above facts and in order to promote procurement of renewable energy by DVC to fulfil their obligation and further keeping in mind clause (e) of sub-section (1) of section 86 of the Act, approves the Power Sale Agreement dated 20.08.2021 executed by and between DVC and SECI for purchase of 200 MW 'Assured Peak RE Power' with storage by DVC from SECI for a period of 25 (twenty-five) years to the extent utilized in West Bengal and for meeting the RPO compliance. The tariff is however subject to adoption of the tariff by the Central Electricity Regulatory Commission in terms of section 63 of the Electricity Act, 2003.

10.0 The Commission also directs DVC to comply with the provisions of applicable law regarding scheduling as per the provisions of intra-state ABT, State Grid Code, etc.

11.0 The petition is thus disposed of.

12.0 A copy of the order shall be posted in the website of the Commission.

13.0 DVC shall download the copy of the order from the website of the Commission and act on it. Certified copy of the order, if applied for, be given to the parties on completion of

formalities laid down in the West Bengal Electricity Regulatory Commission (Conduct of Business) Regulations, 2013, as amended and on submission of necessary fees.

Sd/-
(PULAK KUMAR TEWARI)
MEMBER

Sd/-
(SUTIRTHA BHATTACHARYA)
CHAIRPERSON

Dated: 30.05.2022

Sd/-
SECRETARY