

**PUNJAB STATE ELECTRICITY REGULATORY COMMISSION**  
SITE NO. 3, BLOCK B, SECTOR 18-A, MADHYA MARG, CHANDIGARH

**Petition No. 39 of 2023**  
**Date of Order: 22.08.2023**

Petition for approval of the Procurement Process of Punjab State Power Corporation Limited and the Power Purchase Agreements (PPAs) for procurement of surplus power upto – (i) 8.45 MW from the 14 MW Bagasse based Co-generation Power Plant of Batala Co-operative sugar Mills Limited and (ii) 20.06 MW from the 28.05 MW Bagasse based Co-generation Power Plant of Gurdaspur Co-operative Sugar Mills Limited.

AND

In the matter of: Punjab State Power Corporation Limited, The Mall, Patiala  
147001.

....Petitioner

Vs.

1. Batala Cooperative Sugar Mills Limited G.T.Road Batala to Gurdaspur, Tehsil Batala, District Gurdaspur- 143505, Punjab.
2. Gurdaspur Cooperative Sugar Mills Limited, Paniar, P. Box No.- 27, Gurdaspur.
3. Punjab State Federation of Cooperative Sugar Mills Ltd., Plot No. 53, Opposite Bassi Cinema, Phase 2, S.A.S. Nagar, Mohali 160055.
4. Punjab Energy Development Agency, Solar Passive Complex, 1 & 2, Sector-33D, Chandigarh-160020.

.....Respondents

Commission: Sh. Viswajeet Khanna, Chairperson  
Sh. Paramjeet Singh, Member

Batala  
Cooperative: Sh. Vikas Singh, Advocate

Gurdaspur  
Cooperative: Sh. Vikas Singh, Advocate

Punjab State  
Federation: Sh. Vikas Singh, Advocate

PEDA: Sh. Munish Thakur, Advocate  
Sh. Sunil Chaudhary, Advocate

## ORDER

1. PSPCL has filed the present petition for approval of its procurement process under Section 86(1) (b)&(e) of the Electricity Act, 2003 read with PSERC (Power Purchase And Procurement Process of Licensees) Regulations, 2012; Regulation 46 of PSERC (Conduct Of Business) Regulations, 2005; and PSERC (RPO and Its Compliance) Regulations, 2011. The submissions of PSPCL are summarized as under:

1.1 The Petitioner, Punjab State Power Corporation Limited (**PSPCL**) is undertaking the generation and distribution of electricity in the State. It has been procuring power from various sources (apart from generation of electricity by PSPCL itself at its generating station) to meet the power supply requirements for maintaining the distribution and retail supply of electricity in the State of Punjab.

1.2 The Government of Punjab has issued 'NRSE Policy 2012' for promotion of renewable energy, wherein it has been observed that:

***“ 2.3 Biomass/Agro residue:***

*Punjab is primarily an agrarian economy and holds tremendous potential for energy generation from agro- residues like Cotton stalks, Paddy Straw, Paddy Husk etc. It is proposed to achieve a*

*target of 600 MW power generation in this sector by 2022. Also the existing industries like Sugar, Paper and others have still an estimated unexploited potential of about 500MW of co-generation.”*

Further, in December, 2022, the Commission has notified the PSERC (RPO and its compliance) Regulations, 2022 prescribing for progressive RPO targets starting from 27% for FY 2023-24.

1.3 In consonance with the above, PSPCL is proposing to enter into PPAs, at the Fixed Tariff of Rs. 3.50/kWh without escalation for the tenure of 25 years, with the following Non-Conventional Generating Companies: -

- (i) The Batala Co-operative Sugar Mills Limited (Batala CSM) for purchase of surplus power up to 8.45 MW from its 14 MW Bagasse Based Co-generation Power Plant;
- (ii) The Gurdaspur Co-operative Sugar Mills Limited (Gurdaspur CSM) for purchase of surplus power up to 20.06 MW from its 28.50 MW Bagasse Based Co-generation Power Plant.

1.4 The relevant factual background is as under:

- a) On 29.10.2020, PEDDA while apprising PSPCL about the modernization/upgradation of (a) Batala CSM's Sugar Plant; (b) Gurdaspur CSM's Sugar Plant; and (c) Gurdaspur CSM's Distillery, intimated that the Punjab State Federation of Cooperative Sugar Mills Limited (Sugarfed) had requested PEDDA to arrange for a meeting for the unanimous decision to be taken by all the parties related to signing of its Implementation Agreements/PPAs with PEDDA/PSPCL.

- b) No consensus could be reached in the meeting held on 04.12.2020 between the representatives of PSPCL, Sugarfed and PEDDA. Another meeting was held on 18.01.2021, wherein after successful deliberations, it was unanimously agreed that the surplus power from the abovementioned plants would be procured by PSPCL at the fixed tariff of Rs. 2.50/kWh for a period of 25 years.
- c) However, on 27.01.2023, the Department of Co-operation, Government of Punjab wrote to PSPCL, seeking revision of the agreed fixed tariff of Rs. 2.50/kWh on account of the projects becoming commercially unviable.
- d) Thereafter, on 01.03.2023, a Meeting was held between the Additional Chief Secretary (ACS), Co-operation, Punjab; the Principal Secretary, Power, Punjab; and the representatives of PSPCL and Sugarfed. The relevant extracts of the said Minutes of Meeting is as under: -

*“After taking into consideration the financial position of both the Sugarfed & PSPCL, it was unanimously decided to fix power tariff at Rs. 3.50/unit for export of Surplus power from the Cogeneration plants at Batala & Gurdaspur Cooperative Sugar Mills subject to its approval by PSERC. The Generating Company shall be required to bear the cost of transmission and all equipment needed to evacuate power from the interconnection point to the PSPCL/PSTCL grid sub-station. PEDDA, Sugarfed and PSPCL will take further necessary action regarding agreements etc., to be signed*

*between them. Chief Secretary, Punjab also directed MD, Sugarfed to change the design of the boiler so that it can use other Bio-Mass also, as limited bagasse is available in Sugar Mills. Moreover the Sugar Mills work for only few months, which make Cogeneration expensive and non-viable. Costing of the Cogeneration plants are also to be checked.”*

- e) On 25.04.2023, the Gurdaspur CSM wrote to PSPCL, informing that the funds for the up-gradation of the distillery were yet to be approved by the Government of Punjab/NCDC New Delhi and the same would take around 13 more months. On account of the same it was requested that the signing of the Draft PPA in respect of the procurement of surplus power from the Gurdaspur Distillery be postponed till the approval of the financial sanctions. However, the Implementation Agreement had been entered into between PEDA and Batala CSM and between PEDA and Gurdaspur CSM respectively, on 26.05.2023.

1.5 The salient features of the said arrangements that are yet to be executed are as under:

- a) The duration of the agreement is 25 years from the date of commissioning of the project.
- b) The tariff for the purchase of power has been fixed at Rs. 3.50/kWh (without any escalation) for the entire tenure of PPA i.e. 25 years.
- c) The SCOD of the Project is 1 year from the signing of the PPA. Further, the maximum extension that can be granted for the extension of the SCOD by PSPCL is 6 months.

- d) Bagasse is the main fuel to be used by the generating companies. Further, the generator is mandated to use only non-conventional energy sources. The violation of the same by the generator entitles PSPCL to revise the tariff or terminate the PPA. Further, occasional checks could be conducted by the PSPCL/ PEDDA for ensuring the use of non-conventional source of energy.
- e) By affidavits dated 25.04.2023, the Sugar Mills have submitted that they shall not avail any financial assistance from the MNRE and further, no financial assistance in form of Accelerated Depreciation benefit, CDM subsidies etc. has been availed by them. In case the generators avails any financial assistance, the same would be passed onto PSPCL on proportionate basis.
- 1.6 It has been submitted that the tariff of Rs 3.50/kWh is commensurate with the market rates prevalent and is economical when compared with the generic tariffs determined by CERC and GERC. Also, HERC vide Order dated 21.03.2022, has specified the fuel cost for Bagasse based Co-generation Projects for Control Period from FY 2022-23 as Rs. 3.50/kWh.
- 1.7 The capacity to be contracted with the aforesaid two Non-Conventional Generating Stations with total contacted capacity of upto 28.50 MW (approx.) would enable PSPCL to fulfill its RPO as prescribed by the Commission.
- 1.8 In the facts and circumstances mentioned above, it is prayed that the Commission may be pleased to:
- (i) *Declare that the procurement of surplus power from Batala Cooperative Sugar Mills Limited (8.45 MW), stands approved in*

*the facts and circumstances mentioned hereinabove on the tariff terms and conditions contained in the draft PPA;*

*(ii) Declare that the procurement of surplus power from Gurdaspur Cooperative Sugar Mills Limited (20.06 MW), stands approved in the facts and circumstances mentioned hereinabove on the tariff terms and conditions contained in the draft PPA;*

*(iii) Pass such further order or orders as this Hon'ble Commission may deem just and proper in the circumstances of the case.*

2. After considering the averments made in the petition, petition was admitted vide Order dated 19.07.2023, with directions that notice be issued to the respondents, who may file reply to the petition within two weeks with a copy to PSPCL and PSPCL may file its rejoinder, if any, to the reply(s) filed by the respondents within one week thereafter. PSPCL was also directed to justify the adoption of the MoU route, 'Necessity' and 'Reasonability of Cost' of the proposal and whether these Cogeneration plants are being developed by the state co-operative department or outsourced to the private parties.
3. In the hearing held on 11.08.2023, the Ld. Counsel appearing for the Respondent No. 01 to 03, submitted that these Co-gen plants are being developed by the State co-operative department and will not be outsourced to the private parties. Ld. Counsel for PSPCL submitted that MoU route was preferred as the proposed rates are not only competitive but almost similar to the one already approved by the Commission in the Petition No. 04 of 2023. Counsel for PEDDA submitted no objections in allowing the petitioner's pleas.

#### 4. Analysis and Decision of the Commission

The Commission has examined the submissions made in the Petition as well as by the respondents and the documents adduced on the record. The petition is for approval of PSPCL's power procurement process from intra-State RE Sources. The Commission observes that Section 86(1)(b) of the Electricity Act mandates the Commission to regulate electricity purchase and procurement process of the distribution licensees including the price at which electricity shall be procured for distribution and supply within the State. Further, PSERC (Power Purchase & Procurement Process of Licensee) Regulations' 2012 specify that the same shall be subject to prior approval of the Commission in respect of:-

*“(i) Necessity;*

*(ii) Reasonability of cost;*

.....

*(viii) Conformity with policy directives of the State Government and policies issued by the Government of India viz. National Electricity Policy, Tariff Policy, long term and short term power procurement guidelines.”*

Accordingly, the Commission proceeds to analyse the same as hereunder:

##### **a) ‘Necessity’ and ‘Conformity with the Govt. Policies’**

PSPCL has submitted that it proposes to enter into a long term power procurement arrangements with the Co-gen plants being developed by the State co-operative department to fulfil its RPO targets prescribed by the Commission and in consonance with the



Government of Punjab 'NRSE Policy 2012' for promotion of renewable energy, wherein it has been observed that:

*“Punjab is primarily an agrarian economy and holds tremendous potential for energy generation from agro- residues like Cotton stalks, Paddy Straw, Paddy Husk etc. It is proposed to achieve a target of 600 MW power generation in this sector by 2022. Also the existing industries like Sugar, Paper and others have still an estimated unexploited potential of about 500MW of co-generation.”*

The Commission observes that, as per the projections submitted by PSPCL in its ARR for FY 2023-24, it still has a shortfall in the mandated RPO Compliance. The gap may increase further in view of the increasing targets specified for subsequent years. As such, PSPCL's proposed arrangements for RE procurement can be considered to be fulfilling the criteria of "Necessity/Conformity with the Govt. Policies.

**b) Reasonability of Cost**

It has been submitted that the proposed rate is commensurate with the market rates prevalent and is economical when compared with the tariffs determined by CERC/other States and is almost similar to the one approved by the Commission in the Petition No. 04 of 2023. The Commission observes that, the tariff of Rs. 3.50/kWh for the Bio-mass based Co-gen plant of M/s Om Sons stands already approved in Petition No. 04 of 2023. Herein also, the projects are mandated to use other bio-mass along with the primary fuel of bagasse as decided in the meeting dated 01.03.2023 held between the parties to agree upon the impugned tariff.

In view of the above, the Commission allows PSPCL's proposal of a power purchase arrangement for procurement of surplus power up to 8.45 MW and 20.06 MW from the Bagasse/Bio-mass based Co-generation Power Plants of Batala Co-operative Sugar Mill Limited and Gurdaspur Co-operative Sugar Mill Limited respectively, at the fixed tariff of Rs. 3.50/kWh without escalation for a tenure of 25 years. The Commission also wishes to point out that it does not approve the draft terms and conditions of the PPAs, which are to be decided by the contracting parties with mutual consent.

The petition is disposed of as per the above observations/directions.

Sd/-  
(Paramjeet Singh)  
Member

Sd/-  
(Viswajeet Khanna)  
Chairperson

Chandigarh  
Dated: 22.08.2023