

**PUNJAB STATE ELECTRICITY REGULATORY COMMISSION
SCO NO. 220-221, SECTOR 34-A, CHANDIGARH**

**Petition No. 12 of 2018
Date of Order: 24.05.2018**

Present: Ms. Kusumjit Sidhu, Chairperson
Sh. S.S. Sarna, Member
Ms. Anjuli Chandra, Member

In the matter of: Petition for approval under regulation 86(1)(b) of the Electricity Act, 2003 for the Power Procurement plan on Short Term basis for the year 2018-19 read with the Public Notice issued by the Punjab State Electricity Regulatory Commission dated 23.10.2012.

AND

In the matter of: Punjab State Power Corporation Limited (PSPCL), The Mall, Patiala.
.....Petitioner

ORDER

The petition has been filed by PSPCL under Section 86(1)(b) of the Electricity Act, 2003 read with Clause 9 of Punjab State Electricity Regulatory Commission (Power Purchase and Procurement Process of Licensee) Regulations, 2012, for procurement of Short Term Power.

2. Submissions made in the petition are summarized as under:
 - i) PSPCL has re-assessed the power requirement for the State of Punjab for the period from 15th June, 2018 to 30th September, 2018 and has no other option but to go ahead for Short Term Power procurement in view of

the expected shortage, which is likely to occur despite the best efforts made by PSPCL to tie up the requisite quantum of power from long term sources. The reasons for short supply / availability of power are also beyond the control of PSPCL and are mostly related to non-availability of fuel, reduced availability of power from various sources etc.

- ii) The variable cost of generation from its own thermal generating stations is around ₹3.70/unit on actual basis, which is substantially higher than the rate of the power under short term power. The power under short term purchase during the year 2017-18 was available to PSPCL for ₹2.97/unit on an average. This additional quantum can be utilized to replace expensive generation from our own thermal generating stations.
- iii) PSPCL prayed to approve the proposal for purchase of 500 MW (1284 MU) power on short term basis for the period 15th June, 2018 to 30th September, 2018 through competitive bidding process by open tender and on Day ahead / real time basis up to transmission corridor limit to meet with the demand of power. Further, in case of outage of any project, the requisite additional procurement of power on actual basis may also be allowed.

3. Subsequently, PSPCL filed additional submissions vide Memo No. 6588/TR-5/890 dated 16.03.2018. While reiterating the submissions made in the petition, further submissions made are as under:

- i) At the time of submitting the ARR by PSPCL for the year 2018-19, it was envisaged that all the three units of TSPL and both units of GVK and all units of its own thermal stations will be available during the paddy season 2018 at 100% of its capacity. However, since last winter season 2017-18 it has been observed that due to technical snags these plants were not available in their full capacity, in view of the same, it has been considered at 80% of its full capacity during the forthcoming paddy season. In addition to this, after the recent decision of Punjab government regarding closure of all units of GNDTP, Bhatinda and 2 units of GGSSTP, Ropar w.e.f.01.01.2018, net in house generation capacity of Punjab state has reduced. Hence, this petition was submitted for allowing procurement of power on short term basis to plug demand availability gap.
- ii) In the mean time PSPCL has emerged as successful bidder for purchase of 300 MW RE power from HPSEBL and has received confirmation of the same. PSPCL is in process of finalizing advance banking arrangement of 300 MW power with MPPMCL. Also there are very likely chances that shortly PSPCL may be able to tie up additional banking arrangements with some other utilities. In view of above, PSPCL is likely to have sufficient arrangements to meet peak demand of paddy season 2018.
- iii) PSPCL still needs to explore possibilities of power

available at reasonable prices in open market. For this purpose, it has been planned to float a tender enquiry for procurement of power of 500 MW (RTC) for the period from 15th June 2018 to 30th September 2018 for exploring the market price. Power purchased on short term basis, can be utilized to replace expensive generation from our own thermal generating stations and other sources.

- iv) PSPCL requested to approve the proposal for purchase of power on short term basis through competitive bidding process by open tender and on Day ahead/real time basis up to transmission corridor limit as submitted in the petition.

4. The petition was admitted vide Commission's Order dated 05.04.2018. Observing that public interest at large is involved, the Commission directed PSPCL to issue public notice inviting suggestions / objections from public as required under Regulation 67 of the Punjab State Electricity Regulatory Commission (Conduct of Business) Regulations, 2005. PSPCL was required to submit the draft public notice to the Commission by 06.04.2018 for approval, to be published within three days, after approval of the Commission. The suggestions / objections from the public were required to be submitted within a period of 15 days. Petitioner was required to submit comments on the suggestions / objections received from the public within three days.

PSPCL was further directed to submit details of power purchased during FY 2017-18 specifying the information PPA wise, source from which power was bought, duration and purpose

as well as the financial benefit drawn from the same. PSPCL was also directed to submit the calculation of proposed purchase of 500 MW (1284 MU) power on short term basis for the period 15th June 2018 to 30th June, 2018, within a week. The petition was fixed for hearing as well as public hearing on 24.04.2018 and the general public was to be informed accordingly in the Public Notice to be published by the petitioner.

5. In compliance to the Commission's Order dated 05.04.2018, PSPCL issued public notice inviting objections in respect of the petition, which were published in the leading newspapers namely 'Punjab Kesari' (Hindi), 'The Tribune' (English) and 'Ajit' (Punjabi) on 05.04.2018 giving 15 days notice for submission of objections from the date of publication of the notice.

6. In response thereof, suggestions/ comments from the following two objectors were received:

- i) Nahar Fibres; Prop. Nahar Spinning Mills Ltd., Industrial Area-A, Ludhiana.
- ii) Mandi Gobindgarh Induction Furnace Association (Regd.), Grain Market, Mandi Gobindgarh.

7. The issues raised by the above objectors relevant to the petition, are summarized as under:

- i) PSPCL is required to submit the rolling long term plan for next 10 years updated each year along with ARR, but, has failed to submit the same with the ARR.
- ii) The figures submitted by PSPCL for power availability and demand to justify its claim for purchase of short term power during paddy 2018, are different from the

figures submitted in the ARR and petition for imposing regulatory measures, which needs scrutiny by the Commission.

- iii) As per demand cycle of Punjab, the PSPCL has to ensure maximum generation availability during paddy season through a specific provision in PPAs. Therefore, the Power Purchase Agreements with the TSPL and GVK need to be checked to ensure that these plants are available and generate 100% during paddy season. In case, IPPs are not available for full capacity, it will not be entitled for full capacity charge. PSPCL should project the saving in capacity charge and lower its ARR accordingly.
- iv) As the transmission corridor for short term open access of Punjab is restricted and if PSPCL purchases some power, there will be serious corridor problem for transfer of power.
- v) IMD has already forecasted the probability of monsoon over India as 97% of the long period average. Further, the gap in all 4 months is positive, whereas the proposal is to purchase 296 MU.
- vi) The rate of ₹3.70 for PSPCL owned generating stations needs to be verified. The purchase of short term power under advanced agreements has also risk factor such as advance payment for booking of corridors, penalty to be paid to the contracted sources in case off take of power falls below 90% etc. As such, the threshold rate of power to be purchased under short term should be

at least 50 paise less than that to ₹3.70 or any other figures determined by the Commission.

- vii) As two units of Ropar Thermal and four units of Bathinda Thermal have been retired and NRLDC is not likely to enhance the ATC/TTC limit, PSPCL may violate the ATC.

8. PSPCL submitted the requisite information in compliance to the Commission's Order dated 05.04.2018 vide Memo. No. 6668/TR-5/890 dated 18.04.2018 (received on 20.04.2018).

9. The petition was taken up for hearing as well as public hearing on 24.04.2018 wherein nobody appeared in the public hearing except the officers of PSPCL. The Commission observed that PSPCL has not filed any reply to the objections filed by the objectors in response to the public notice. PSPCL sought time for filing the reply to the said objections. It was further observed by the Commission that as per the additional submissions of PSPCL submitted vide Memo. No. 6588 dated 16.03.2018, PSPCL is likely to have sufficient arrangements to meet peak demand of paddy season 2018 but still it needs to explore the possibilities of power availability at reasonable prices in the open market. PSPCL submitted its reply vide Memo. No. 6668 dated 18.04.2018 stating that the rates discovered in the tender enquiry for procurement of power for the period during 15th June to 30th September 2018 are higher than its own, as well as tied up sources. Para No. 3.9.7 of the Tariff Order dated 19.04.2018 stipulates that in case of any exigency or for commercial considerations, PSPCL may go for purchase of short term power in a judicious and economical

manner, after following procedure as specified in regulations notified by the Commission and also resort to Demand Side Management practices to maintain its commercial viability. The Commission vide Order dated 30.04.2018 directed PSPCL to clarify whether it still wants to continue with the present petition and directed PSPCL to file a reply to the objections received in response to the public notice by 30.04.2018. The petition was fixed for hearing on 02.05.2018.

10. In compliance to the Order dated 30.04.2018, PSPCL filed the reply to the objections vide Memo No. 6735/TR-5/890 dated 27.04.2018 received on 30.04.2018. The submissions made therein, are summarized, as under:

- i) That no maintenance was allowed to TSPL and GVK in paddy season. In case, due to technical problems, they are not able to generate to full capacity in the paddy season, then providing quality supply of power to consumers of the State will be difficult. In the ARR, capacity charges of TSPL & GVK have been already projected as per their normative availability i.e. 80% of full capacity.
- ii) That NRLDC has enhanced the short term open access limit to 1720 MW for Punjab. There may be problem for transfer of power due to limited import capability of northern region; in that case purchase of power from within northern region will be preferred.
- iii) That arrangements for power procurement including transmission corridor booking etc. has to be made well in advance, all the weather predictions can be

considered well in time and accurately, continuously for a period of 3-4 months. On the spot planning of purchase of power leads to uncertainty of availability of power and risk of higher prices.

- iv) That the energy scenario indicates smooth and uniform demand / availability throughout the summer season i.e. ideal conditions. Shortfall has been indicated on basis of peak demand, as plan shall always be to cover full requirement, otherwise scheduled power regulatory measures will have to be adopted by PSPCL on regular basis. Further, in case of exigency, any shortfall will worsen the situation and lead to unscheduled power regulatory measures to be imposed on consumers of the state. In view of the above, for providing uninterrupted /quality supply of power to consumers of state, purchase of power is required.
- v) That PSPCL does not make any separate payments to the seller for corridor expenses, so any obligation arising out of it is not on the part of PSPCL. Further, chances of surrender of already booked corridor rarely occurs. PSPCL has sufficient other generation sources to back down or shut down quickly for a shorter period (within 72 hours) and then again start up as demand rises sharply during this season.
- vi) That NRLDC has already enhanced TTC/ATC limits of Punjab to 7000 MW/6400 MW. Regarding limitations on purchase of power due to limited simultaneous

import capability of northern region at 1031 MW, there may be a problem for transfer of power.

11. After hearing the parties on 02.05.2018 wherein PSPCL submitted that no further submissions are required to be filed, Order was reserved on 03.05.2018.

12. Commission's Observations and Findings

The Commission after considering the submissions/additional submissions made by PSPCL in the petition, objections raised by the objectors and replies thereof by PSPCL, observes and decides as under:

- i) PSPCL in Petition No. 66 of 2017 had submitted that it shall have surplus energy available from tied up sources from central generating stations and other sources. Subsequently, PSPCL in Petition No. 06 of 2018 in the matter of petition for regulatory measures to be taken for the Tariff Year 2018-19 and also in Petition No. 10 of 2018 in the matter for determination of additional surcharge has submitted that PSPCL is having surplus/adequate generating capacity available to meet with the entire demand of power of the consumers of PSPCL during the period. Now also, in its additional submissions made vide Memo No. 6588 dated 16.03.2018, PSPCL has submitted that it is likely to have sufficient arrangements to meet peak demand of paddy season of 2018.
- ii) As regards PSPCL's submission, that it needs to explore possibilities of power available at reasonable prices in the open market, it has emerged from the reply submitted by

PSPCL vide its Memo No. 6668 dated 18.04.2018, in compliance to the Order dated 05.04.2018 of the Commission, that the rates discovered in tender enquiry for procurement of power for the period during 15th June to 30th September 2018 are higher than its own as well as tied up sources.

- iii) Thus, the Commission is of the view that PSPCL has sufficient power availability during the period and there is no need to go for short term power procurement. Moreover, para no. 3.9.7 of the Tariff Order dated 19.04.2018 stipulates that in case of any exigency or for commercial considerations, PSPCL may go for purchase of short term power in a judicious and economical manner, after following procedure as specified in regulations notified by the Commission and also resort to Demand Side Management practices to maintain its commercial viability.

The petition is disposed of accordingly.

Sd/-

(Anjuli Chandra)
Member

Sd/-

(S.S. Sarna)
Member

Sd/-

(Kusumjit Sidhu)
Chairperson

Chandigarh

Dated: 24.05.2018