

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

**Petition No.10 of 2014  
Date of Order: 24.03.2014**

In the matter of:           Petition under Section 62 and 86 and other applicable provisions of the Electricity Act, 2003 for supply of electricity to PSPCL from 2nos. of 1MW each demonstration solar power projects being set up by PEDA in the State of Punjab.

AND

In the matter of:           Punjab Energy Development Agency (PEDA), Plot No.1-2, Sector 33-D, Chandigarh (U.T.)-160034.

Versus

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

Present:                    Smt.Romila Dubey, Chairperson  
                                  Shri Virinder Singh, Member  
                                  Shri Gurinder Jit Singh, Member

**ORDER**

Punjab Energy Development Agency (PEDA) filed this petition before Punjab State Electricity Regulatory Commission (Commission) under Section 62 and 86 of the Electricity Act, 2003 (Act) for supply of electricity to Punjab State Power Corporation Limited (PSPCL) from two demonstration solar projects of 1 MW each to be set up by PEDA at village Wadala Verum (Amritsar) and village Nag Kalan (Amritsar).

2.       PEDA submitted that it is the State Nodal Agency for implementation of the New and Renewable Sources of Energy (NRSE) Policy on behalf of the Govt. of Punjab. It is also entrusted with the job of setting up demonstration projects based on latest NRSE technologies with or without support of Central / State Government to propagate and percolate such technologies by the prospective developers. PEDA submitted that it has been setting up micro-hydel, waste to energy and solar demonstration plants which are running successfully and based on their performance, similar projects were set up in the State through private investment.

PEDA submitted that during a meeting on 05.03.2013, it was directed to consider setting up of one project of 1 MW capacity as a demonstration solar project under net metering mechanism for agriculture pump-sets at 66 KV substation of PSPCL where vacant land was available. PSPCL listed out five substations at Adda Dhakha (Ludhiana), Manochahal (Tarn Taran), Nangal (Ropar), Sur Singh Wala (Tarn Taran) and Udhanwal (Gurdaspur). These sites were visited by officers of PEDA and two sites of Manochahal and Sur Singh Wala were shortlisted.

PEDA further submitted that after considering various parameters like availability of shadow free land, its orientation, access and availability of agriculture load, project proposal was put up to State Govt. for consideration and approval. The proposal remained under discussion on various points like benefits, investment pattern, viability, feasibility of energy accounting in view of variable and seasonal demand of agriculture pump sets etc. PEDA submitted that the usage of surplus land of PSPCL and Panchayat land was also considered. Finally, the Govt. approved setting up of two demonstration projects at villages Wadala Verum and Nag Kalan in Amritsar where Panchayat land is available on lease. PEDA also submitted that these projects shall be technology demonstration projects.

PEDA further submitted that Detailed Project Reports (DPRs) for the projects were prepared employing latest Solar PV Crystalline Technology conforming to IEC 61215 or equivalent BIS specifications. PEDA also submitted that to optimize and maximize the generation / capacity utilization factor, the PV modules will be fitted with manual seasonal tilt adjustment system and to cope with partial outages / breakdowns, two step-up transformers will be utilized so that at least 50% generation continues after isolating the system under break down. PEDA submitted that copies of DPRs and E-Tender were also sent to PSPCL.

PEDA further submitted that based on the approval accorded by the State Govt. and the funding already arranged (without any subsidy from Government of India), it issued the E-Tender inviting bids from the prospective developers for setting up the projects alongwith operation and maintenance services for 10 years. The due date for opening of technical bids was 21.02.2014. PEDA submitted that though the project cost as per DPR is ₹ 8.0 crore per MW, actual cost shall be determined through competitive bidding. The capital cost for land, which is very high even in the rural areas of Punjab has not been considered and only annual lease charges will be payable to the concerned Panchayat.

PEDA further submitted that the power generated from these projects will be fed to the local grid through existing 11 KV feeders to meet the partial AP demand of the substation. The net metering mechanism will account for the agriculture consumption of the feeder emanating from the grid and the solar power injection permitting grid support for the excess / shortfall between the generation and consumption. PEDA submitted that the Power Purchase Agreement (PPA) is proposed to be signed before 31.03.2014.

PEDA further submitted that during a meeting held with PSPCL on 31.01.2014, the matter of signing of PPA was discussed wherein PSPCL indicated its inability to sign PPA without the approval of the Commission.

3. PEDA has prayed to :

- a) approve the supply of electricity generated by two demonstration solar power projects, each of 1 MW capacity, being set up by PEDA to PSPCL at the tariff as per Commission's Order dated 25.06.2013 in Petition No.37 of 2013 (Suo-Motu) for FY 2013-14 at ₹ 8.75 per kWh;
- b) grant any other relief as deemed fit.

4. The petition was taken up for admission on 04.03.2014 and was admitted. The Commission directed PSPCL vide Order dated 04.03.2014 to file reply by 14.03.2014 with advance copy to PEDA.

5. PSPCL in its reply dated 14.03.2014 has submitted that it has no objection to the procurement of electricity from the said projects, which are demonstration projects for feeding electricity in the local grid at 11 KV substation(s) to meet the AP demand of the substation. PSPCL further submitted that the tariff for the projects ought to be ₹7.20 per kWh, which is the lowest tariff discovered in the competitive bidding process conducted by PEDA in FY 2013-14 for 1-4 MW projects, which was based on reverse bidding (discount on the generic tariff for that year). PSPCL has submitted that the above tariff would be fair to PEDA, to the other project developers who had participated in the bidding process and to consumers of the State. PEDA should not be at an advantage compared to any other project developer who had participated in the competitive bidding process.

PSPCL has further submitted that in the competitive bidding process, arranging land and its cost was the responsibility of the bidder whereas in the present case, land is available to PEDA on lease without payment of any capital cost and therefore, in the circumstances, it would be just and fair to allow tariff of ₹7.20 per kWh which is the

lowest discovered tariff in the competitive bidding process for 1-4 MW category solar PV projects.

6. PEDA and PSPCL argued the case before the Commission on 18.03.2014 and after hearing the same, the Commission decided to close further hearing and reserved the Order vide Order dated 19.03.2014.

7. The Commission notes that PEDA is in the process of setting up two demonstration solar PV projects of 1 MW each with the approval of the State Government. The electricity to be generated will be injected in the local grid at the 11 KV substation(s) to meet the AP demand partially and the electricity consumption would be measured through net metering mechanism. PSPCL has no objection to the proposal of PEDA except for its observations on tariff to be granted. As against grant of tariff of ₹8.75 per kWh prayed for by PEDA, PSPCL has submitted that the tariff for these projects should be ₹7.20 per kWh, which is the lowest tariff discovered in the competitive bidding process undertaken by PEDA in the recent past for category 1-4 MW solar PV projects, wherein project developers were required to offer discount on the generic tariff of ₹8.75 per kWh determined by Central Electricity Regulatory Commission as also this Commission, for FY 2013-14. The Commission notes that PSPCL has further averred that this tariff would be just and fair to PEDA, project developers who participated in the competitive bidding process and the consumers of the State.

8. The Commission is mandated under the Electricity Act, 2003, National Electricity Policy and the Tariff Policy to promote generation of electricity from renewable sources of energy, adopt suitable promotional measures for encouraging higher generation from renewable energy sources and determine preferential tariff for such projects. Keeping in view the provision in para 6.4 (2) of the Tariff Policy notified by Ministry of Power, Govt. of India on 06.01.2006 which provides that procurement of electricity from renewable sources of energy for future requirements shall be done, as far as possible, through competitive bidding under Section 63 of the Electricity Act, 2003., the Commission in its Orders for generic tariff i.e. Orders dated 19.07.2012 and 25.06.2013 had observed as hereunder:

*“Accordingly, the Commission decides that if tariff based competitive bids are invited for purchase of electricity from RE Power Projects and the per unit tariff offered by the lowest bidder is less than the aforementioned tariff, a petition shall be filed by the procurer for consideration and adoption of tariff by the Commission under Section 63 of the Electricity Act, 2003. The Commission further decides that till such time tariff based competitive bidding is resorted to,*

*bidding may be carried out on the basis of discount to be offered by the prospective bidders on the generic tariffs determined by the Commission in this Order, which would be the maximum/ceiling tariff for the purpose.”*

9. PEDDA initiated the competitive bidding process for 300 MW solar PV projects on the basis of discount to be offered on the generic tariff of ₹8.75 per kWh for FY 2013-14. The Commission in its Order dated 14.11.2013 in Petition No.52 of 2013 approved the procurement of electricity by PSPCL from the solar energy generators at the tariff discovered in the said competitive bidding process conducted by PEDDA. As brought out above, the lowest tariff discovered was ₹7.20 per kWh for 1-4 MW category solar PV projects. The Commission is of the considered opinion that having discovered the tariff in the competitive bidding process based on discount to be offered on the generic tariff, the generic tariff cannot ordinarily be granted except in case(s) where merit and circumstances warrant otherwise. The Commission is of view that PEDDA has no locus standi to pray for grant of generic tariff for its said projects. Furthermore, the Commission cannot ignore the interest of the consumers of the State. Accordingly, the Commission is inclined to agree with the averments of PSPCL for granting the tariff of ₹7.20 per kWh discovered in the aforementioned competitive bidding process for the two solar PV projects of 1 MW each being set up by PEDDA.

10. In view of the discussion above, the Commission allows the supply of electricity, generated by the two solar PV projects of 1 MW each to be set up by PEDDA, to PSPCL at a tariff of ₹7.20 per kWh, which would also help PSPCL to meet the shortfall in RPO compliance. The Commission considers it just and fair to all the stakeholders. This tariff would be applicable provided the PPA is signed on or before 31.03.2014 and the entire capacity covered in the PPA is commissioned on or before 31.03.2015, in line with Regulation 8 of the Central Electricity Regulatory Commission (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations, 2012 adopted by the Commission in its Order dated 19.07.2012 in Petition No. 35 of 2012 (Suo-Motu). The PPA between PSPCL and PEDDA would be commensurate with the approval granted by the Commission in its Order dated 03.12.2013 in Petition No. 52 of 2013 filed by PSPCL. Further, in line with the aforementioned Regulations, per unit reduction in tariff for any incentive or subsidy offered by the Central or State Government including accelerated depreciation benefit if availed by PEDDA, will be worked out by PSPCL and the tariff reduced to that extent. Also, sharing of CDM Benefits will be as per the *ibid* Regulations.

Further, PEDDA will construct / bear the expenditure for the 11 KV lines to be erected for evacuation of power from these two solar PV projects, which would be in line

with the terms and conditions laid down by PEDA for the bidders in the aforementioned competitive bidding process.

The petition is disposed of accordingly.

**Sd/-  
(Gurinder Jit Singh)  
Member**

**Sd/-  
(Virinder Singh)  
Member**

**Sd/-  
(Romila Dubey)  
Chairperson**

**Chandigarh  
Dated: 24.03.2014**