

Punjab State Electricity Regulatory Commission

Notification

The 23rd October, 2012

No. PSERC/Secy/Regu.75, In exercise of powers conferred under Sections 86 (1) (b) and 181 of the Electricity Act, 2003 and all other powers enabling the Commission in this behalf, the Punjab State Electricity Regulatory Commission hereby makes the following Regulations for Power Purchase and Procurement Process of Licensee in the State.

1. Short Title and Commencement

- (i) These Regulations may be called Punjab State Electricity Regulatory Commission (Power Purchase and Procurement Process of Licensee) Regulations, 2012.
- (ii) These Regulations shall apply to all inter/intra State purchase and procurement of power by the Licensee(s) in the State of Punjab.
- (iii) These Regulations shall come into force from the date of their publication in the official gazette of the Government of Punjab.

2. Definitions

- (1) In these Regulations, unless the context otherwise requires:-
 - (i) "Act" means the Electricity Act, 2003 (36 of 2003);
 - (ii) "Bidding Guidelines" means the Guidelines for determination of tariff by bidding process for procurement of short/long term power by Distribution Licensee(s) issued by the Ministry of Power, Government of India under Section 63 of the Act;
 - (iii) "CERC" means the Central Electricity Regulatory Commission constituted under Section-76 of the Electricity Act, 2003 or its successors;
 - (iv) "Commission" means the Punjab State Electricity Regulatory Commission;
 - (v) "Conduct of Business Regulations" means the Punjab State Electricity Regulatory Commission (Conduct of Business) Regulations 2005 as amended from time to time;

- (vi) "Current Year" means the financial year in which the power procurement plan is filed by the Licensee;
 - (vii) "Ensuing Year" means the financial year immediately following the current year;
 - (viii) "Licensee" means a person who has been granted a distribution licence under the Act and shall also include a deemed Licensee;
 - (ix) "Long term procurement of power" means procurement of electricity for a period exceeding one year ;
 - (x) "Previous Year" means the financial year immediately preceding the current year;
 - (xi) "Power Purchase Agreement (PPA)" means the agreement entered into between the Procurer(s) and the Seller pursuant to which the Seller shall supply power to the Procurer(s) as per the terms and conditions specified therein;
 - (xii) "Procurer(s)" means the Distribution Licensee(s), or the representative of the Licensee(s) authorized by the Distribution Licensee(s) to perform all tasks of procurement in accordance with these regulations;
 - (xiii) "Short term procurement of power" means procurement of electricity for a period less than or equal to one year;
 - (xiv) "Unscheduled interchange (UI)" in a time block for a generating station or a seller means the difference between the actual generation and the scheduled generation and for buyers means its total drawl minus its total scheduled drawl;
 - (xv) "Year" means financial year beginning 1st April and ending on 31st March of following year.
- (2) Words and expressions occurring in these Regulations and not expressly defined herein shall bear the same meaning as in the Act.

3. Scope and Extent of Application

- (i) Section 86 (1) (b) stipulates that the State Commission shall regulate electricity purchase and procurement process of Distribution Licensee 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.

- (ii) The Regulations framed as per requirement stated in Sub-Regulation 3 (i) above are to be followed by the Distribution Licensee(s):
 - a) While preparing short/long term forecasting of demand (MW), energy requirement (MU) and availability;
 - b) While formulating short/long term Power Procurement Plan to meet its obligations as distribution licensee;
 - c) While making short/long term power procurement.

4. Procedure for Assessment of Demand and Energy Requirements

The Distribution Licensee(s) shall be responsible for making an assessment of demand and energy requirements of electricity for next one year and for next ten years. The Plan for next year and for 10 years shall be on monthly basis. The demand and energy requirements shall be worked on peaking capacity (MW) and energy basis (MUs).

(1) Long Term Forecasting of Demand (MW) and Energy Requirement

The Distribution Licensee(s) shall be responsible for making assessment of demand (MW) and energy requirement for next 10 years on monthly basis. The forecast shall include the unrestricted demand and energy requirement of all categories of consumers. The assessment shall be based on historical data, load requirement projections in accordance with the business plan and forecasted impact of implementation of efficiency improvement programmes including but not limited to T&D loss reduction initiatives and DSM programmes.

While making forecast, licensee(s) shall also take into consideration the following along with other relevant factors –

- (i) The Distribution Licensee(s) shall estimate the current demand levels and energy requirement for peak and off-peak hours for all categories. The seasonal variation in demand & energy requirement due to various factors including paddy and non-paddy seasons etc should be taken in to account;
- (ii) Overall economic growth projections;
- (iii) Likely impact of implementation of DSM Regulations;

- (iv) Projected efficiency gains due to implementation of T&D loss reduction initiatives and other improvement programmes;
- (v) The analysis must also consider the impact of the provisions of the Act and possible movement of consumers to open access and captive generation;
- (vi) The Distribution Licensee (s) shall also be guided by the methodology adopted in the latest Electric Power Survey of Central Electricity Authority (CEA) for the State.

(2) Short Term forecasting of Demand and Energy Requirement

The Distribution Licensee shall be responsible for making assessment of demand and energy requirement for the next year on a monthly basis. While making forecast, licensee(s) shall also take into consideration the following along with other relevant factors-

- (i) For each month, both restricted and unrestricted forecast shall be made for peak as well as for off-peak periods of the day. The seasonal variation in demand & energy requirement due to various factors such as paddy and non-paddy seasons etc should be taken in to account.
- (ii) Weather forecast;
- (iii) Overall economic growth projections;
- (iv) Likely impact of implementation of Demand Side Management (DSM) Regulations;
- (v) Projected efficiency gains due to implementation of T&D loss reduction initiatives and other improvement programmes;
- (vi) The analysis must also consider the impact of the provisions of the Act and possible movement of consumers to open access and captive generation;
- (vii) The maintenance schedule of own generating units, Bhakra Beas Management Board (BBMB), Central and other Power Plants etc. shall also be kept in view;
- (viii) The Distribution Licensee (s) shall also be guided by the methodology adopted in the latest Electric Power Survey of Central Electricity Authority (CEA) for the State.

5. Procedure for Assessment of Availability

(1) Long Term Assessment of Availability

The Distribution Licensee(s) shall be responsible to make assessment of the availability of power and energy from different sources for peak and off-peak periods of the day for all the months of the year for next 10 years. The assessment of availability shall be based on the following, among other relevant information and inputs:-

- (i) Existing share of power from plants including generating plants owned and/or operated by the Distribution Licensee(s), BBMB, Central Sector and other sources of power;
- (ii) Forecast of energy and capacity availability from plants with exclusive long term contracts with the Distribution Licensee(s);
- (iii) New generating stations due for commissioning and expected share of the licensee(s);
- (iv) Banking of power;
- (v) Uprating of existing power plants;
- (vi) Phase out of old stations or extended period of maintenance/ renovation;
- (vii) The Distribution Licensee (s) shall also be guided by the methodology adopted in the latest Electric Power Survey of CEA for the State.

(2) Short Term Assessment of Availability

The Distribution Licensee(s) shall be responsible to make assessment of the availability of power and energy from different sources for peak and off-peak periods of the day for all the months for the ensuing year. The assessment of availability shall be based on the following, among other relevant information and inputs:-

- (i) Availability of power from generation plants owned and operated by the Distribution Licensee(s), share of power from BBMB and Central Sector plants and other sources;
- (ii) Forecast of energy and capacity availability from plants with exclusive long term contracts with the Distribution Licensee(s);
- (iii) New generating stations likely to be commissioned during the ensuing year & share of the licensee(s) ;
- (iv) Banking power arrangements;

- (v) Maintenance schedules of generating stations owned or operated by the licensee(s), BBMB, Punjab Energy Development Agency (PEDA) (NRSE Plants); and Central Sector Plants;
- (vi) Maintenance schedule of transmission system of the Transmission/Distribution Licensee(s);
- (vii) Non availability of capacity due to extended period of maintenance/renovation of old generating plants;
- (viii) Transmission constraints in the network feeding the state;
- (ix) The Distribution Licensee (s) shall also be guided by the methodology adopted in the latest Electric Power Survey of CEA for the State.

6. Criterion for making Assessment of Availability

For making the assessment of availability for 10 years rolling plan, the following criteria shall be adopted for Peak Demand (MW) and Energy (MUs) calculations.

(1) Assessment on Peak Demand basis

- (i) In case of Hydro Power Plants, availability to be considered shall be subject to project specific hydrological constraints & variations and auxiliary consumption shall be taken as per CEA norms;
- (ii) In case of Thermal & Gas based Power Plants, Plant Availability Factor and auxiliary consumption shall be taken as per CEA norms;
- (iii) In case of Nuclear Power Plants, Plant Availability Factor shall be taken as per prevailing norms;
- (iv) In case of NRSE Power projects developed by PEDA, Plant Availability Factor and auxiliary consumption shall be taken as per norms applicable;
- (v) Inter State transmission losses for each month shall be taken as average of the corresponding month of the last year whereas Intra State transmission losses shall be taken as average of the last year.

(2) Assessment on Energy basis

- (i) Generation from existing Hydro Power Plants & share and/or royalty shall be taken as average of last 3 years actual generation;
- (ii) In case of new Hydro Power Plants availability shall be considered 100 % during June to September and for remaining months the availability shall be as per CEA norms;

- (iii) Generation from own existing Thermal Plants shall be taken as the average of all thermal units for three years whereas generation of existing Central Sector Thermal Plants shall be taken as same as the actual generation of all Thermal Plants during last year;
- (iv) In case of new Thermal and Gas based Power Plants, Plant Availability Factor and auxiliary consumption shall be taken as per CEA norms;
- (v) Generation from existing NRSE Plants developed by PEDA shall be taken as actual generation for the last year whereas for new plants, Plant Availability Factor and auxiliary consumption shall be taken as per norms applicable;
- (vi) In case of existing and new Nuclear Power Plants, availability of energy, Plant Availability Factor and auxiliary consumption shall be taken as per norms;
- (vii) Inter State transmission losses for each month shall be taken as average of the corresponding month of the last year whereas Intra State transmission losses shall be taken as average of the last year.

7. Power Procurement Plan

(1) Long-Term Power Procurement Plan

On the basis of demand/energy forecast and availability projections in accordance with provisions of these Regulations, the Distribution Licensee shall prepare a Power Procurement Plan for procuring balance power and energy. The long-term Power Procurement Plan shall be prepared by the Distribution Licensee(s) on the basis of the rolling plan for ten years. The plan shall be prepared on monthly basis as per the principles laid down earlier in the Regulations. Such a plan is useful for:-

- a) the development of new generating sources in the State;
- b) power purchase agreements with Central Generating Stations;
and
- c) power purchase agreements with other sources of power.

- (i) The long-term Power Procurement Plan shall be the least cost plan (least financial cost to the Distribution Licensee(s)], the ultimate objective being to make available secure and reliable power supply at economically viable tariffs to all consumers while satisfying power supply planning and security standards;
- (ii) The licensee(s) shall have to submit the following details for the past three years along with long-term power procurement plan:-
 - a) Month wise details (with year-wise totals) indicating power produced by generating stations owned or operated by the Distribution Licensee(s) or BBMB, Central Sector Generating Stations and other sources of power with whom long-term power purchase agreements have been entered into, short-term purchases of electricity in MU and expenses along with per unit cost;
 - b) Month-wise, category-wise energy sales to consumers and losses in its area of operation.
- (iii) The rolling plan shall be integral part of the ARR to be filed every year and Commission shall approve the same along with the tariff order. The first long term Power Procurement Plan shall be submitted by the licensee(s) along with the ARR for the year 2014-15.

(2) Short-Term Power Procurement Plan

Distribution Licensee(s) on the basis of demand/energy forecast and availability projections in accordance with provisions of these Regulation shall prepare a Power Procurement Plan for procuring balance power and energy for the next year. The short-term Power Procurement Plan presents assessment of availability and requirement of electricity for a period less than or equal to one year on a monthly basis. Such a plan is required to assess:-

- a) short-term power purchase agreements;
 - b) short-term spot trade;
 - c) Banking transactions.
- (i) The short-term Power Procurement Plan for purchase of power shall be the least cost plan [least financial cost to the Distribution Licensee(s)], the ultimate objective being to make available secure and reliable power supply at economically viable tariffs to all consumers while satisfying power supply planning and security standards;

- (ii) The short-term Power Procurement Plan shall cover different periods of the day (peak, off peak and seasonal) and take into account the following:-
 - a) Availability and Requirement worked out as per Regulation 4,5 &6 both on Peak Demand (MW) and Energy (MUs) basis;
 - b) Impact of the power purchase cost on the ARR for the ensuing year;
 - c) UI drawl shall be assumed zero;
 - d) The banking transactions;
 - e) Transmission constraints, if any
- (iii) This plan for the next year shall be submitted by 31st October and the Commission shall approve the same by 31st December of the same year. The approved plan shall become part of the subsequent tariff order. However, the first short term Power Procurement Plan, complete in all aspects, shall be submitted by the licensee(s) within 45 days from the date of notification of these Regulations and the Commission shall approve it within 30 days of the submission by the licensee.

8. Need for Additional Power

The Licensee(s) can make additional procurement of power up to 10% of the quantum approved in the Plan in case of any unforeseen circumstances such as non-availability of fuel, fall in hydro generation, unplanned/forced outage of power generating units or act of God such as failure or below normal monsoon etc which are beyond the control of the licensee(s) to meet its obligation under the Act on the conditions as may be approved by the Commission in the Plan. In case additional procurement of power beyond 10% of the quantum approved in the plan is necessitated due to conditions as referred above, the Distribution Licensee(s) shall demonstrate to the Commission's satisfaction that there is a need for such additional power which it intends to procure and shall seek the prior approval of the Commission. It may do this by referring to its most recent Power Purchase Plan approved by the Commission.

The Distribution Licensee(s) shall also specify any areas in which its fresh proposal departs from its most recent Power Purchase Plan and shall justify the departure. The Commission shall decide on the quantum of additional power requirement within 30 days of receiving request complete in all respect. In case of special circumstances, Commission may issue interim orders in overall public interest.

9. Approval of Power Procurement Plan by Commission

- (i) The Distribution Licensee(s) shall submit the short term Power Procurement Plan including the assessment of availability and requirement of electricity for the ensuing year to the Commission on or before 31st October each year (except the first short term Power Procurement Plan which shall be governed by Regulation 7(2)(iii) above). The Distribution Licensee(s) shall submit ensuing year plan on monthly basis and also the rolling long-term plan for next ten years along with ARR each year (except the first rolling Long Term Plan which shall be governed by Regulation 7(1)(iii) above), duly updating the long-term Power Procurement Plan submitted in the previous year as approved by the Commission, to take the latest developments into account;
- (ii) The Commission may call for such additional information or particulars or documents as the Commission may consider necessary for approving the power Procurement Plan;
- (iii) The Commission may, at its discretion, direct the licensee(s) to publish the main details of the power procurement plan with such particulars and in such manner as the Commission may direct, so as to enable any member of the public who desires to file objections, comments or suggestions, to do so, in the manner indicated in the Conduct of Business Regulations of the Commission. The Commission shall consider such representations before approval of the plan;
- (iv) The Commission may in case of shortage of supply of electricity, fix the minimum and maximum ceiling of tariff for purchase of electricity in pursuance of an agreement, entered into between a generating company and a licensee or between licensees, for a period not exceeding one year to ensure reasonable prices of electricity as per Section 62 of the Act;

- (v) The Commission shall communicate its approval of the short-term Power Procurement Plan by 31st December and long-term plan along with the tariff order (except the first Power Procurement Plan which shall be governed by Regulation 7(1)(iii) & 7(2)(iii) above);
- (vi) The Commission may issue any interim order on the request of the licensee for procurement of power in case of emergent situation in overall public interest. However, the Commission shall dispose off the application/petition of the licensee for additional procurement of power as defined in clause 8 within 30 days.

10. Criterion for Power Purchases

- (i) The Distribution Licensee(s) shall effect power purchase or enter into long term or short-term power purchase agreements or arrangements in accordance with the Power Procurement Plan approved by the Commission;
- (ii) While effecting power purchase, the Distribution Licensee(s) shall adhere to the principle of least cost plan (least financial cost to the Distribution Licensee), the ultimate objective being to make available secure and reliable power supply at economically viable tariffs to all consumers while satisfying power supply planning and security standards.
- (iii) The Commission may, from time to time, specify criterion for Power Purchase from hydro, co-generation & renewable generating stations. The criterion shall, inter alia, consider any policy directive of State Government, Commission directives on power purchase, allocation including temporary allocation and diversion of power from different sources, generation from conventional and NRSE energy sources.
- (iv) There shall be mechanism of consultation among STU, Transmission Licensee, generating companies and Distribution Licensee(s) & SLDC for formulating Power Procurement Plan. The Distribution Licensee(s) shall make the assessment of availability and requirement of electricity in consultation with the State Government, all concerned generating companies, Transmission Licensees, Northern Regional Power Committee, National/ Regional Load Despatch Centre(s), Central Electricity Authority and other concerned entities;

(v) Reactive Power Import/Export

The Distribution Licensee(s) shall endeavour not to import reactive power from the Northern Grid. Requirement of reactive compensation in the State power system to be provided by Transmission and Distribution Licensee and generating Companies will be finalised in Consultation with NRLDC/SLDC.

11. Short-Term Power Procurement Procedure

- (i) After approval of the short term Power Procurement Plan by the Commission, Distribution Licensee(s) shall procure required power through transparent open competitive bidding in accordance with the Guidelines dated 15.5.2012 issued by Ministry of Power, Government of India, as amended from time to time, for short term procurement of power under section 63 of the Act or through power exchange or bilateral banking arrangements. The Distribution Licensee(s) shall be free to procure power as per Power Procurement Plan approved by the Commission from any source for meeting short-term demand of power by adopting transparent bidding as per the guidelines of the (MOP) Ministry of Power, Government of India referred above and in such case the licensee need not to approach the Commission for prior approval but shall intimate about the initiation of such procurement process. These Guidelines shall be binding on the procurer [Distribution Licensee(s)]. In case there is any deviation from these Guidelines, the same shall be with the prior approval of the Commission. The Commission shall decide on the modifications to the bid documents within a reasonable time not exceeding 60 days;
- (ii) In case of emergency condition arising due to outage of a generator etc. which necessitates emergency procurement of power, efforts shall be made to carry out such emergency purchases through Power Exchange;

- (iii) For additional procurement of power up to 10% over and above the quantum approved by the Commission in the Power Procurement Plan, the licensee(s) need not to approach the Commission for prior approval provided such procurement is as per the conditions as may be approved by the Commission in the Plan. For additional power over and above this limit, licensee(s) shall seek the prior approval of the Commission;
- (iv) Within 15 days from the date of entering into an agreement or arrangement of short term procurement, the Distribution Licensee(s) shall provide full details of such agreement or arrangement including quantum, duration, supplier detail, procedure adopted for supplier selection and any other detail as may be required by the Commission;
- (v) Licensee(s) shall submit monthly return to the Commission on the Performa as may be specified by the Commission giving all the details of procurement/sale carried out during the month.

12. Long-term Power Procurement Procedure

- (i) Tariff Policy issued by Central Govt. shall be basic guiding principle for any long term power procurement;
- (ii) Unless otherwise approved by the Commission by a general or special order, long-term power purchase or procurement by the Distribution Licensee(s) shall be done through a competitive procurement process;
- (iii) The Competitive Procurement Process shall be as per the Guidelines dated 19th January, 2005, as amended from time to time, for Determination of Tariff by Bidding Process for Procurement of Power by Distribution Licensee issued by Ministry of Power, Govt. of India under the provisions of Section 63 of the Act. These Guidelines shall be binding on the procurers [Distribution Licensee(s)]. In case there is any deviation from these Guidelines, the same shall be with the prior approval of the Commission. The Commission shall decide on the modifications to the bid documents within a reasonable time not exceeding 60 days;
- (iv) The rate of power purchase in cases of generating companies, which are not covered under the process of competitive bidding as per Section 63 of the shall be determined by the Commission under Section 62 of the Act subject to the provisions in Tariff Policy;

- (v) Any long-term power purchase arrangements made through MOUs and PPAs with the generating companies by the Distribution Licensee(s) prior to the issue of these Regulations will not come under the purview of these Regulations till their validity;
- (vi) All power purchase for a period of more than one year and less than 10 years will be treated at par with long-term power purchase.

13. Power Purchase Arrangements or Agreements

Any new long term power purchase arrangement or agreement and amendments to existing PPA entered into by Distribution Licensee(s), shall be subject to prior approval of the Commission under section 86 of the Act, in respect of:-

- (i) Necessity;
- (ii) Reasonability of cost;
- (iii) Promoting efficiency, economy, equitability and competition ;
- (iv) Conformity with regulations for investment approval;
- (v) Conformity with requirements of quality, continuity and reliability of supply;
- (vi) Conformity with safety and environmental standards;
- (vii) Conformity with criterion of power purchase as laid down by the Commission;
- (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.

14. Intervention in the Procurement Process

- (i) Once the Distribution Licensee(s) have begun to implement a procurement process in accordance with these Regulations, the Commission shall not intervene except on the grounds -
 - a) of mala fide or improper conduct ; and/or
 - b) the manner in which the Distribution Licensee(s) is conducting the procurement process differs materially from its proposal as approved by the Commission; and
 - c) on other reasonable grounds.

- (ii) These provisions are without prejudice to the Commission's right to investigate and take appropriate action on credible information of malpractice becoming available to it;
- (iii) Any investigation of a procurement process will be initiated by a notice of inquiry and conducted in accordance with the Commission's Conduct of Business Regulations. The Distribution Licensee(s) shall not enter into any commitment to procure power or act upon such a commitment pending the outcome of such investigation;
- (iv) If the Commission determines that the procurement process was unsatisfactory and not in line with these Regulations, the Commission may order the Licensee(s) to take necessary corrective steps, including requiring it temporarily to suspend the procurement process, or to cancel it and declare the results null and void;
- (v) If the results of the procurement process are declared null and void, the Distribution Licensee(s) shall so notify to the public and bidders;
- (vi) Nothing in these Regulations shall prevent the Commission from investigating or taking such other action, as it deems appropriate, with respect to a completed power purchase agreement in the exercise of its responsibilities under the Act.

15. Power to Remove Difficulties

If any difficulty arises in giving effect to any provisions of these Regulations, the Commission may by general or specific order, do or undertake or direct the Distribution Licensee to do or undertake things which in the opinion of the Commission are necessary or expedient for removing the difficulties.

16. Power to Amend

The Commission may at any time, vary, alter, modify or amend any provisions of these Regulations.

BY ORDER OF THE COMMISSION

SECRETARY TO THE COMMISSION