



TELANGANA STATE ELECTRICITY REGULATORY COMMISSION
5th Floor, Singareni Bhavan, Red Hills, Lakdi-ka-pul, Hyderabad 500 004

O. P. No. 56 of 2021
(Suo Moto)

Dated 17.11.2021

Present

Sri T. Sriranga Rao, Chairman
Sri M. D. Manohar Raju, Member (Technical)
Sri Bandaru Krishnaiah, Member (Finance)

In the matter of according consent to the draft amendment to Power Purchase Agreement entered into between Northern Power Distribution Company of Telangana Limited and M/s. AAAL Power Private Limited for procurement of power from its 2 MW hydel power plant at Velichala (V), Chintakunta (M), Karimnagar District for a period of 5 years from 02.10.2021 to 01.10.2026

ORDER

Background:

1. The erstwhile Transmission Corporation of Andhra Pradesh Limited (APTRANSCO) has entered into a Power Purchase Agreement (PPA) dated 24.07.2001 with M/s. Saraswathi Power and Industries Private Limited for sale and purchase of power from its 3 MW hydel power plant located at Velichala (V), Chintakunta (M), Karimnagar District. Out of the contracted capacity of 3 MW, only 2 MW got commissioned on 02.10.2001 and had been in operation during the tenure of the PPA. The tenure of PPA is twenty (20) years from COD and was completed on 01.10.2021. The Article 7 of the PPA stipulates that the PPA may be renewed for such further period of time and on such terms and conditions as may be mutually agreed upon by the parties, 90 days prior to the expiry of twenty (20) years.
2. The Bulk supply undertaking and power purchase undertaking of APTRANSCO was transferred to the then four Distribution Companies of undivided Andhra Pradesh

vide G. O. Ms. No. 58, Energy (Power-III) Department dated 07.06.2005, and allocated the capacity from the said power plant to Northern Power Distribution Company of Andhra Pradesh Limited (presently Northern Power Distribution Company of Telangana Limited or TSNPDCL).

3. The said PPA was amended (first amendment) on 05.01.2021 for effecting the transfer of the project from M/s. Saraswathi Power and Industries Private Limited to M/s. AAAL Power Private Limited w.e.f. 01.06.2020 after receiving the approval of the Commission for necessary amendment on 07.11.2020.

Present Proposal of TSNPDCL

4. TSNPDCL vide its Lr. No. CGM (IPC & RAC) / GM (IPC & RAC) / DE / ADE(IPC) / F. No. 43 / D. No.300 / 2, dated 20.09.2021 submitted that M/s. AAAL Power Private Limited vide letter dated 04.05.2021 had offered to supply power @ Rs. 2.15 per unit (fixed price without escalation) for further period of five (5) years from 02.10.2021 to 01.10.2026. In consideration of the proposal of M/s. AAAL Power Private Limited, the draft 2nd Amendment to PPA entered with M/s. AAAL Power Private Limited on 16.09.2021 for extension of PPA for further period of five (5) years i.e., from 02.10.2021 to 01.10.2026 at a tariff of Rs. 2.15 per unit without escalation (inclusive of all taxes, levies and duties etc.) duly amending the articles 2.1, 2.2 & 7 of the PPA as given hereunder and the same was submitted for consent of the Commission.

Table 1: Amendments to PPA proposed by TSNPDCL

Sl. No.	Article No.	Existing	Amendment (New)
1.	2.1	All the Delivered Energy at the interconnection point for sale to APTRANSCO will be purchased at the tariff provided for in Article 2.2 from and after the date of Commercial Operation of the project. Title to Delivered Energy purchased shall pass from the company to the APTRANSCO at the Interconnection point.	All the Delivered Energy at the interconnection point for sale to TSNPDCL will be purchased at the tariff provided for in Article 2.2 from 02.10.2021 to 01.10.2026. Title to Delivered Energy purchased shall pass from the company to the TSNPDCL at the Interconnection point.

Sl. No.	Article No.	Existing	Amendment (New)
2.	2.2	<p>The Company shall be paid the tariff for the Energy delivered at the interconnection point for sale to APTRANSCO at Rs.2.25 paise per unit with escalation at 5% per annum (with 1994-95 as base year and to be revised on 1st April of every year up to the year 2003-2004. Beyond the year 2003-2004, the purchase by APTRANSCO will be decided by Andhra Pradesh Electricity Regulatory Commission. There will be further review of purchase price on completion of ten years from the date of commissioning of the project, when the purchase price will be reworked on the basis of Return on Equity, O&M expenses and the variable cost.</p>	<p>The Company shall be paid the tariff for the Energy delivered at the interconnection point for sale to TSNPDCL at fixed levelized tariff of Rs.2.15 per unit (inclusive of all taxes, levies & duties etc.) for the period of 5 years from 02.10.2021 to 01.10.2026. Any other additional claims for payment of MAT/IT/Water royalty charges etc., would not be paid. The energy delivered shall be eligible for meeting the RPPO by TSNPDCL.</p>
3.	7	<p>This Agreement shall be effective upon its execution and delivery thereof between parties hereto and shall continue in force from the Commercial Operation Date (COD) and until the twentieth (20th) anniversary that is for a period of twenty years from the Commercial Operation Date (COD). This</p>	<p>This Agreement shall be effective upon its execution and delivery thereof between parties hereto and shall continue in force further period of 5 years from 02.10.2021 to 01.10.2026 subject to the approval/consent of TSERC and this Agreement may be renewed for such further period of time and on such terms</p>

Sl. No.	Article No.	Existing	Amendment (New)
		<p>Agreement may be renewed for such further period of time and on such terms and conditions as may be mutually agreed upon by the parties, 90 days prior to the expiry of the said period of twenty years subject to the consent of the APERC. Any and all incentives /conditions envisaged in the Articles of this Agreement are subject to modification from time to time as per the directions of APERC, Government of Andhra Pradesh and APTRANSCO.</p>	<p>and conditions as may be mutually agreed upon by the parties, 90 days prior to the expiry of the said period subject to the approval/consent of TSERC for further renewal/extension.</p>

Admission of the Proposal and Regulatory Process

5. The Commission has taken the proposal of TSNPDCL on record, examined with reference to the legality i.e., in the context of the provisions of the Electricity Act, 2003, APER Act, Policy, provisions under applicable Regulations and sustainability of the clauses in the PPA and decided to finalise the approval or consent of the 2nd amendment to PPA through public consultation process and assigned O. P. No. 56 of 2021 (Suo Moto).

Regulatory provisions for approval or consent of PPA by the Commission

6. The following are the Regulatory provisions in the matter of approval or consent of arrangement (PPA) for the purchase of electricity by a distribution licensee from any person or Generating Company and determination of tariff by the Commission.

Section 21 (4) of the Telangana Electricity Reform Act, 1998 (Act 30 of 1998) r/w the Telangana Gazette No.130 dated 1st June, 2016 and G.O.Ms.No.45, Law (F), 1st June, 2016 [Restrictions on licensees and Generating Companies]

(4) A holder of a supply or transmission licence may, unless expressly prohibited by the terms of its licence, enter into arrangements for the purchase of electricity from, -

- (a) the holder of a supply licence which permits the holder of such licence to supply energy to other licensees for distribution by them; and
- (b) any person or Generating Company with the consent of the Commission.

... ..

Section 86 (1) (b) of the Electricity Act, 2003 [Functions of State Commission]

(b) 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.

... ..

(e) promote cogeneration and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution licensee;

... ..

Section 62 (1) (a) of the Electricity Act, 2003 [Determination of Tariff]

(1) The Appropriate Commission shall determine the tariff in accordance with the provisions of this Act for-

- (a) supply of electricity by a generating company to a distribution licensee:

... ..

Notification calling for suggestions / objections / comments

7. The Commission has issued Notice dated 20.10.2021 inviting suggestions/ objections / comments on the proposals of TSNPDCL from all the stakeholders and

public at large, with the last date for filing of suggestions/objections/comments as 11.11.2021. The PPA along with its amendments were placed on the website of the Commission (www.tserc.gov.in). The Notice issued is enclosed at **Annexure-I**.

Response to Notice

8. In response to the above Notice, no suggestions/objections/comments have been received.

Commission's analysis and decision

9. Section 86 (1) (e) of the Electricity Act, 2003 mandates promotion of generation from renewable sources of energy by providing suitable measures for sale of electricity. Section 86 (1) (e) also mandates the Commission to specify RPPO, to be met from renewable sources of energy. The procurement of power from this 2 MW hydel power plant of M/s AAAL Power Private Limited is easing TSNPDCL in fulfilling its Non-Solar RPPO obligation. With the consumer sales registering a positive growth year-on-year thereby the requirement of energy from renewable sources increases, for fulfilling the RPPO, especially non-Solar RPPO, in procuring power TSNPDCL has to tie-up with new non-solar renewable sources apart from continuing from the existing sources. Taking into consideration the mandate of the Electricity Act, 2003 to promote renewable sources of energy, the Commission deems it fit to consider TSNPDCL's proposal for procurement of 2 MW from hydel power plant of M/s AAAL Power Private Limited for the period from 02.10.2021 to 01.10.2026.

10. The Electricity Act, 2003 specifies two routes namely, (i) the determination of tariff under section 62 and (ii) the tariff discovery route through competitive bidding under section 63. The Commission has been given discretionary powers either to choose section 62(1)(a) to give approval to the PPA, or to direct the distribution licensee to resort to competitive bidding process as per the Tariff Policy read with section 63. The Commission has to take a view, on a case-to-case basis, bearing protection of consumer interest in hindsight. Therefore, it is well within the powers of the Commission to decide on the tariff proposed for the extended period of the PPA with the generic tariffs as approved by the Commission as the benchmark.

11. The tariff payable for purchase of power under the PPA was governed by the Commission's Orders issued from time to time. In the said Orders, the tariff viz., fixed

cost (in Rs. / kWh) of mini hydel power projects had been determined for 1-25 years of operation. The hydel power project of M/s AAAL Power Private Limited has completed 20 years of operation and the extension of PPA is now being sought for a further period of 5 years. The determined tariff for mini hydel power plants for 21-25 years of operation is as under:

Table 2: Approved tariff for mini hydel power plants for 21-25 years of operation

Year of operation	Approved tariff* (Rs./kWh)
21	3.17
22	3.31
23	3.46
24	3.62
25	3.80

* *Exclusive of Income Tax and Minimum Alternate Tax*

12. The tariff of Rs. 2.15 per unit (fixed price without any escalation and inclusive of taxes, levies and duties etc.) as proposed for the extended period of PPA is lower than the tariff determined by the Commission in exercise of powers vested in it under Sections 62 (1) read with Section 86 (1) (a), (b), & (e) of the Electricity Act, 2003. Therefore, the Commission is satisfied that the mutually agreed tariff for the extended period of PPA is a reasonable price for purchase of electricity by TSNPDCL from M/s. AAAL Power Private Limited 2 MW hydel power plant at Velichala (V), Chintakunta (M), Karimnagar District for further period of five (5) years from 02.10.2021 to 01.10.2026.

13. The Commission has gone through the clauses of PPA and amendments thereof and opines that the proposed amendments to Articles 2.1, 2.2 and 7 the PPA are in order however, with regard to Article 7 the Commission decides that the same shall be substituted as *“This Agreement shall be effective upon its execution and delivery thereof between parties hereto and shall continue in force further period of 5 years from 02.10.2021 to 01.10.2026 and this Agreement may be renewed for such further period of time and on such terms and conditions as may be mutually agreed upon by the parties, 90 days prior to the expiry of the said period subject to the approval / consent of TSERC for further renewal / extension.”* Further, as the project capacity commissioned and in operation is 2 MW as against the original contracted

capacity of 3 MW, the relevant Articles of the PPA need to be amended suitably to reflect the same. The Commission does not find the need to discuss the remaining Articles of PPA, as the same had been approved earlier.

14. In view of the above, the Commission hereby accords consent to 2nd Amendment to the PPA dated 16.09.2021 entered into between TSNPDCL and M/s. AAAL Power Private Limited for procurement of power from its 2 MW hydel power plant at Velichala (V), Chintakunta (M), Karimnagar District for a period of 5 years from 02.10.2021 to 01.10.2026 at a tariff of Rs.2.15 per unit without escalation and inclusive of all taxes, levies and duties etc.

15. TSNPDCL is directed to submit fair copy of the 2nd Amendment to the PPA, for record.

This Order is corrected and signed on this 17th day of November, 2021.

Sd/- (BANDARU KRISHNAIAH) MEMBER	Sd/- (M.D.MANO HAR RAJU) MEMBER	Sd/- (T.SRIRANGA RAO) CHAIRMAN
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//CERTIFIED COPY//

Annexure-I Notice



TELANGANA STATE ELECTRICITY REGULATORY COMMISSION
5th Floor, Singareni Bhavan, Red Hills, Lakdi-ka-pul, Hyderabad 500004

NOTICE

1. TSNPDCL viz., Northern Power Distribution Company of Telangana Limited (TSNPDCL) has submitted proposals before the Telangana State Electricity Regulatory Commission (TSERC) for consent of Power Purchase Agreement entered with M/s AAAL Power Private Limited purchase of power from 2 MW Mini Hydrel Plant on Kakatiya Canal situated at Velichala (V) Chintakunta (M), Karimnagar district for extension of agreement period for 5 years i.e., from 02.10.2021 to 01.10.2026.

The TSNPDCL has requested the Commission to accord consent to the above mentioned PPA.

2. Copies of the proposals along with the related documents are uploaded on the Commission's website www.tserc.gov.in. Suggestions/Objections/Comments in the subject matter are invited from all stakeholders and public at large, so as to reach the following address on or before **11.11.2021 by 5.00 P.M.**

Commission Secretary [FAC]
Telangana State Electricity Regulatory
Commission 5th Floor, Singareni Bhavan,
Red Hills, Lakdi-ka-pul, Hyderabad 500004
E-mail id: secy@tserc.gov.in


COMMISSION SECRETARY [FAC]

DATE: 20.10.2021