



**TELANGANA ELECTRICITY REGULATORY COMMISSION**  
**'Vidyut Niyantran Bhavan', G.T.S. Colony, Kalyan Nagar, Hyderabad 500 045**

**O. P. No. 22 of 2024**

**Dated 22.10.2024**

**Present**

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

**Power Purchase Agreement (PPA) entered into between Southern Power Distribution Company of Telangana Limited (TGSPDCL), Northern Power Distribution Company of Telangana Limited (TGSPDCL) and Telangana State Power Generation Corporation Limited (TGGENCO) for extension of validity of the PPA against RTS-B (62.5 MW) from 01-04-2024 to 03-06-2024 (i.e., for a period of 63 days) and KTPS-V (500 MW) from 01-04-2024 to 31-03-2029 (i.e., for a period of 5 years)**

**ORDER**

**Background:**

1. Common PPA dated 22.12.2009 was entered between erstwhile APDISCOMs with APGENCO of united Andhra Pradesh for all the thermal and hydel stations which were commissioned between the years 1956 to 2004 and the said PPA was expired on 31.03.2019.
2. Subsequently, a PPA dated 17.09.2019 was entered between TSDISCOMs and TSGENCO for 100 % of sale of power to TSDISCOMs for all thermal and hydel stations owned and operated by TSGENCO which were commissioned between the years 1956 to 2004 and submitted proposals to TSERC for consent of the Commission. The list of stations given below:

Sl. No.	Name of the Generating station	Installed capacity (MW)	Validity of PPA
1	KTPS- ABC	420	31.03.2020
2	KTPS Stage -V	500	31.03.2024
3	RTS -B	62.5	31.03.2024
4	N' Sagar HES (Main power house & left canal)	875.6	31.03.2029
5	SLBHES	900	31.03.2029
6	Small Hydel (Singur, Pochampad, Nizam Sagar & Palair HES)	54	31.03.2029
7	Mini Hydel (Peddapalli HES)	9.16	31.03.2029

3. The Commission after careful consideration and duly following the public consultation process accorded consent to the above proposals vide order dated 06.08.2021 in O.P No.16 of 2021 (Suo-Motu) subject to certain amendments to PPA, based on above orders, TSDISCOMs have entered into 1<sup>st</sup> amendment to PPA on 22.12.2021 and submitted copies to the Commission for record purpose.

4. From the above stations, 2 stations i.e., KTPS-Vth stage RTS- B agreements periods were expired by 31.03.2024.

#### **Present Proposal of TGSPDCL**

5. TGSPDCL vide its Lr.No.CE (IPC)/DE (IPC)/ADE(EV)/F.TGGENCO/D.No.894/24, dated 01.10.2024 on behalf of TGDISCOMs filed the petition seeking consent for draft 2<sup>nd</sup> amendment to PPA dated 17.09.2019 entered by TGDISCOMs with TGGENCO on 28.03.2024 for extending the validity period of 2 Nos. TGGENCO Thermal Stations KTPS-V (500 MW) for a period of 5 years i.e. from 01.04.2024 to 31.03.2029 and RTS -B (62.5 MW) for a period from 01.04.2024 to 03.06.2024. Main points of the petition are as follows:

- i) The Petition is being filed by the Distribution Companies of Telangana i.e., TGDISCOMs (TGSPDCL & TGNPDCL) under Section 86(1)(b) of the Electricity Act 2003 seeking consent/approval of the TGERC for 2<sup>nd</sup> amendment to PPA dated 17.09.2019 entered by TGDISCOMs with TGGENCO on 28.03.2024 for extending the validity period of 2 Nos TGGENCO Thermal Stations KTPS-V (500 MW) for a period of 5 years i.e., from 01.04.2024 to 31.03.2029 and RTS-B (62.5 MW) for a period from 01.04.2024 to 03.06.2024.

## **Admission of the Proposal and Regulatory Process**

6. The Commission has taken the proposal of TGDISCOMs on record and decided to decide the matter through public consultation process and assigned O.P.No.22 of 2024

## **Regulatory provisions for approval or consent of PPA by the Commission**

7. 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.

***Section 21(4) of the Telangana Electricity Reform Act, 1998 (Act 30 of 1998) r/w the Telangana Gazette No.130 dated 1<sup>st</sup> June, 2016 and G.O.Ms.No.45, Law (F), 1<sup>st</sup> 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.

... ..

## **Notification calling for suggestions/objections/comments**

8. The Commission has issued Notice dated 04-10-2024 inviting suggestions/objections/comments on the proposals of TGSPDCL from all the stakeholders and

public at large, with the last date for filing of suggestions/objections/comments as 18-10-2024. The PPA along with its amendments were placed on the website of the Commission ([www.tserc.gov.in](http://www.tserc.gov.in)). The Notice issued is enclosed at **Annexure-I**.

### **Response to Notice**

9. In response to the above Notice, suggestions/objections have been received from One (1) stakeholder viz., Sri M.Venugopala Rao.

10. TGDISCOMs has submitted replies on the suggestions/objections raised by the stakeholder. The Commission has concluded all the suggestions/objections raised by the stakeholder and responses of the TGDISCOMs issue-wise hereunder.

#### **Issue 1:**

##### ***Stakeholders' submission***

10.1 As per Article 6 of the PPA, its validity may be extended, by another agreement on or before the expiry of this agreement, on such terms and for such further period of time the parties may mutually agree subject to pri consent of TGERC. Seeking Consent of the Commission for extending the validity of agreement period of RTS-B and KTPS-V through a letter is, obviously to bypass the due regulatory process of the commission. TGDISCOMS have decided to terminate the PPA by 3.06.2024. As per applicable terms and conditions of PPA, which is valid upto 31.03.2025, what action is taken by the DISCOMS on failure of TGGENCO to generate and supply power from RTS-Band whether both of them have signed agreement for terminating the PPA for the station and if so, with what conditions, is not explained in the subject petition.

##### ***TGDISCOM replies***

10.2 TGDISCOMS have entered draft 2<sup>nd</sup> amendment to PPA with TGGENCO on 28-03-2024 as per Article 6 of the PPA before expiry of the agreement. As it is a draft amendment, TGDISCOMS or TGGENCO can modify the PPA. TGDISCOMS have no intention of bypassing any regulatory process of the Hon'ble commission.

#### **Issue 2:**

##### ***Stakeholders' submission***

10.3 The DISCOMS have to justify need for procurement of power from KTPS-V for the period proposed to be extended.

***TGDISCOM replies***

- 10.5 TGDISCOMS demand is increasing year on year, in view of the increasing demand it is necessary to plan the procurement of power in advance for meeting the increase in demand and also reliable power is necessary to meet the demand during peak hours. TGGENCO is the one of the generator supplying reliable power.

**Issue 3:**

***Stakeholders' submission***

- 10.6 In their submissions on Retail Supply Business MYT for the 5<sup>th</sup> control period, both SPDCL and NPDCL have projected surplus power, need for procurement of power from KTPS-V during the same period becomes questionable and unwarranted. Backing down of abnormal quantum of surplus power and paying fixed charges for the same, the consumers will be saddled with avoidable burdens of thousands of crores of rupees. Continuation to PPA for procuring power from this station for another five years would continue to impose this avoidable burden proportionately on the consumers.

***TGDISCOM replies***

- 10.7 In the Retail Supply Business MYT for the 5<sup>th</sup> Control Period 2024-2029, TGSPDCL and TGNPDCL gave availability including power from KTPS-V station. TGDISCOMS will always plan to meet their peak demand with reliable source of power. In view of this continuation of PPA for procuring power from KTPS-V station for another five years is necessary, as TGGENCO is reliable source of power. However, there will be surplus power during certain blocks in certain months and not constant through out the year. Fixed charges are paying as per the prevailing TGERC regulation by considering plant availability factor of the station.

**Issue 4:**

***Stakeholders' submission***

- 10.8 proposed in the petition, and giving consent to the same would be tantamount to penalizing the consumers for the failures of the commission and omission of the power-that-be. As such it is not a simplistic issue of just extending term of

the said PPA for this purpose. The Hon'ble commission should have decided to conduct public hearing on the subject petition.

***TGDISCOM replies***

10.9 In the purview of the Hon'ble commission

***Commission's view on all the Issues***

10.10 The assertion that seeking consent from the Commission for extending the validity of the PPA is the necessity of ensuring continued power supply for consumers. While Article 6 allows for the extension of the PPA through mutual agreement, the complexities of energy supply and demand necessitate timely decisions that prioritize reliability over procedural technicalities.

10.11 Regarding the termination of the PPA by the TGDISCOMs, it's essential to understand that the decision to extend or amend agreements must be made in the best interest of the consumers, especially in light of any shortcomings in power generation. If there are concerns about the performance in generating and supplying power from RTS-B for economic, safety and environmental operation from 03.06.2024, it should not impede to do so and the termination agreement and its conditions does raise questions. The focus should be on finding solutions that maintain reliability for consumers while addressing any contractual or operational issues between the parties involved.

10.12 While it is indeed important for the Discoms to justify the need for procuring power from KTPS-V. The decision to extend procurement from KTPS-V should also consider the historical performance of the plant and its role in supporting the grid during peak demand periods. The Discoms should have evaluated the overall energy landscape, including anticipated demand spikes and the potential risks associated with relying on strategic planning to secure the best outcomes for all the sources of power supply. Ultimately, the justification for this procurement goes beyond immediate needs—it's about safeguarding energy stability for consumers and ensuring that the energy supply is resilient against future uncertainties.

10.13 In response to the claims made by TSDISCOMs regarding surplus power in their submission on the Retail Supply Business MYT for 5<sup>th</sup> control period, it is essential to consider the broader context of energy demand and supply dynamics. While a surplus may be projected, the variability of demand due to

seasonal changes and unforeseen circumstances can render these projections unreliable. Relying solely on surplus figures without accounting for potential spikes in demand could lead to energy shortages, which would ultimately harm consumers more than fixed charges would. Furthermore, continuing the Power Purchase Agreement (PPA) for KTPS-V imposes an avoidable burden and the necessity of maintaining a reliable energy supply in the interest of the consumers. Fixed charges associated with the PPA can be viewed as a form of insurance against future shortfalls. It is crucial to ensure energy stability, which sometimes necessitates maintaining capacity even when not fully utilized. The long-term benefits of reliability and stability in energy supply may outweigh the short-term costs, providing consumers with assurance and preventing potential financial losses from outages or insufficient supply. Therefore, the decision to procure power from KTPS-V should be reassessed not only on current surplus projections but also on future demand considerations and overall energy security for consumers.

10.14 While extending the Power Purchase Agreement (PPA) for KTPS-V is a necessary step to ensure energy reliability and stability, complexities of energy supply management require a proactive approach, and continuing with KTPS-V can provide the necessary capacity to meet future demand, especially in times of uncertainty. The Commission views that extension of the PPA is not merely about prolonging an agreement; it is about securing a dependable energy source that can prevent potential shortages and disruptions.

10.15 Conducting public hearings is important for transparency, but it should not delay the critical need for a stable energy supply. The Commission must balance immediate consumer concerns with the long-term objective of ensuring a reliable and adequate energy infrastructure, which may involve extending the PPA despite the challenges.

10.16 In view of the above, the Commission deems it appropriate to accord consent PPA amendment for extension of KTPS-V and RTS-B.

11. With the above observations, the Commission hereby accords consent to TGSPDCL for draft 2<sup>nd</sup> amendment to the Power Purchase Agreement (PPA) entered into between Southern Power Distribution Company of Telangana Limited (TGSPDCL), Northern Power Distribution Company of Telangana Limited (TGSPDCL)

and Telangana State Power Generation Corporation Limited (TGGENCO) for extension of validity of the PPA against RTS-B (62.5 MW) from 01.04.2024 to 03.06.2024 (i.e., for a period of 63 days) and KTPS-V (500 MW) from 01.04.2024 to 31.03.2029 (i.e., for a period of 5 years). TGSPDCL is directed to submit fair copy of the 2<sup>nd</sup> Amendment to the PPA, for record.

***This order is corrected and signed on this the 22<sup>nd</sup> day of October 2024.***

<b>Sd/-</b> (BANDARU KRISHNAIAH) MEMBER	<b>Sd/-</b> (M. D. MANOHAR RAJU) MEMBER	<b>Sd/-</b> (T. SRIRANGA RAO) CHAIRMAN
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**Annexure-I  
Notice**



**TELANGANA ELECTRICITY REGULATORY COMMISSION**  
Vidyut Niyantaran Bhavan, G.T.S. Colony, Kalyan Nagar, Hyderabad 500 045  
**NOTICE**

**O.P.No. 22 of 2024**

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1. TGDIscoms have submitted proposals before the Telangana Electricity Regulatory Commission (TGERC) for consent of draft 2<sup>nd</sup> amendment to Power Purchase Agreement dated 17.09.2019 entered between Telangana Power Generation Corporation Limited and TGDIscoms for extending the validity of agreement period of RTS-B (62.5 MW) for the period from 01.04.2024 to 03.06.2024 and KTPS-V (500 MW) for the period from 01.04.2024 to 31.03.2029.
2. The TGDIscoms have requested the Commission to accord consent to the above mentioned Amendment PPA.
3. Copies of the proposals along with the related documents are uploaded on the Commission's website [www.tgerc.telangana.gov.in](http://www.tgerc.telangana.gov.in).
4. 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 18.10.2024 by 5.00 P.M.

Commission Secretary  
Telangana Electricity Regulatory Commission  
Vidyut Niyantaran Bhavan, G.T.S. Colony, Kalyan Nagar,  
Hyderabad 500 045  
E-mail id: [secy@tserc.gov.in](mailto:secy@tserc.gov.in)

**COMMISSION SECRETARY**

## Annexure-II

### List of stakeholders who submitted written suggestions and comments

Sl. No.	Name of the Stakeholder
1)	Sri. M. Venugopala Rao, Senior Journalist & Convenor, Centre for Power Studies, H.No.1-100/MP/101, Monarch Prestige, Journalists' Colony, Gopanpally, Serlingampally Mandal, Hyderabad – 500 032

