



Southern Power Distribution Company of Telangana Limited
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From
The Chief General Manager (IPC),
TSSPDCL, Corporate Office,
6-1-50, Ground Floor, Mint Compound,
Hyderabad – 500 063.

To,
The Commission Secretary,
TSERC, 5th Floor,
Singareni Bhavan, Red Hills,
Hyderabad.

Lr No.CGM (IPC)/SE(IPC)/F. NTPC/D. No 191 /2022, dt: 10 -05-2022.
Sir,

Sub:- TSSPDCL -RE projects - Submission of replies to the
Objections/Comments raised by Shri. Venugopal Rao - Hon'ble
Commissioner consent to the PUAs and supplementary PUAs entered
with NTPC for procurement of 1692MW solar power under CPSU
Scheme - Regarding.

Ref:- 1) Mail dated 20.04.2022.

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In reference to the mail cited above, the replies to the
Objections/Comments raised by Shri. Venugopal Rao in the matter of
according consent to the Power Usage Agreements (PUAs) and supplementary
PUAs entered with NTPC for procurement of 1692MW solar power are herewith
submitted as Annexure I to this letter.

Encl: As above.

Yours faithfully,

Chief General Manager (IPC)

Copy to:
The Chief General Manger /IPC/TSNPDC/ Hanmakonda/Warangal.

ANNEXURE 1

Statement of objections of Sri M. Venugopala Rao and replies of TSDISCOMs														
Sl. No.	Crux of objection	Reply												
1.	Instead of submitting Agreements immediately after signing, DISCOMs submitted them after execution of power units is nearing completion or completed	It may kindly be noted that TSDISCOMs have prayed for consent of Hon'ble TSERC soon after signing the Power Usage Agreements, duly submitting the agreement copies, as detailed below: <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Aggregated capacity</th> <th style="text-align: center;">Date of signing of PUA</th> <th style="text-align: center;">Date of request for consent</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">400 MW</td> <td style="text-align: center;">30.12.2019</td> <td style="text-align: center;">29.01.2020</td> </tr> <tr> <td style="text-align: center;">923 MW</td> <td style="text-align: center;">13.03.2020</td> <td style="text-align: center;">27.03.2020</td> </tr> <tr> <td style="text-align: center;">369 MW</td> <td style="text-align: center;">26.11.2020</td> <td style="text-align: center;">15.04.2021</td> </tr> </tbody> </table>	Aggregated capacity	Date of signing of PUA	Date of request for consent	400 MW	30.12.2019	29.01.2020	923 MW	13.03.2020	27.03.2020	369 MW	26.11.2020	15.04.2021
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2 & 3	No indication of public hearing	Not in the scope of TSDISCOMs												
4	With the approved availability of Solar & non-solar power in RST order 2022-23, procurement of 1692 MW Solar power is not required under RPPO mandate	The RPPO Regulation prescribes the minimum percentages to be met from the Renewable sources. However, the proposed solar procurement would not only help TSDISCOMs meet the load but will also result in reducing the average power purchase cost.												
5	DISCOMs need not be apprehensive about meeting RPPO targets likely to be imposed and take decisions to enter into long-term PPAs	Taking the growing demands of the State into consideration and to meet the additional demand of the Lift Irrigation Projects, DISCOMs have been concluding the agreements to ensure 24 Hr uninterrupted power supply to all the categories of the consumers in the state, including the Agricultural consumers. Besides it is also necessary to take into consideration the proportionate increase in RPPO requirement in line with growing loads. As such, TSDISCOMs entered into PUAs for procurement of 1692 MW Solar power for fulfilling the RPPO requirements and also for meeting the increasing demand. It is pertinent to submit that such procurement at a tariff below Rs.3.00/Kwh would result in reducing the overall power purchase cost.												
6	Addition of proposed 1692 MW Solar power from NTPC (which cannot meet peak demand) would lead to backing down of Thermal power and payment of fixed charges. If it meets peak demand, to what extent the proposed purchases under short-term arrangement can be reduced need to be explained by DISCOMs	The growing demand especially from LI loads and facilitation of continuous reliable 24 Hrs supply resulted in the grid becoming more dynamic. As such, it is necessary to estimate the loads more crucially and get prepared by way of long term as well as short term planning. Taking this into consideration the present procurement is proposed which will enable to meet the growing demand. In order to honour the must-run status of these Solar plants, even if Thermal power is backed down in merit order despatch would help TSDISCOMs in reducing the overall power purchase cost as the higher Variable Thermal cost generators can be backed down.												
7	Whether Commission has considered requirement of purchase of 2171.87 MU under short-term purchase after taking into availability of 1692 MW Solar power? If did not considered, the availability of surplus power would increase.	Out of 1692 MW, capacity of around 199.72 MW has been early commissioned as on date and the rest of capacity is proposed to be commissioned from April 2022 till October 2022. The present procurement of Solar power is envisaged to not only to meet the growing demand but also to reduce the average power purchase cost. The availability of surplus power due to purchase of this additional solar power would be only momentary and facilities for sale of such excess power in the open market through GTAM/GDAM can also be availed by DISCOMs.												
8	Whether solar power which becomes surplus during the periods of non-operation of LISs can be supplied to other consumers, without backing	The operation of grid which is dynamic in nature purely depends on the load at a particular time. The proposed solar procurement is not alone to meet the LI loads but also for meeting other industrial & agricultural loads. Efforts are made to flatten the peak load by way of shifting the LI loads.												

	down thermal power.	However, in case of momentary surplus power, to honour the must run status of the Solar plants, higher Variable Cost (greater than Rs.3/Kwh) Thermal plants would be backed down.
9	DISCOMs reply to Commission's query whether thermal power stations will be backed down to purchase RE power are at their best with generalities.	It is submitted that taking into consideration growing load requirements, TSDISCOMs proposed for procurement of this 1692 MW Solar power at cheaper tariffs. As established earlier, decision for backing down of Thermal stations depends on the grid dynamics.
10	Comparison of solar tariff with pooled cost is not rational. Attempts should be made for procurement of solar power through real competitive biddings and not on bidding conducted by other parties such as SECI	The proposed solar power procurement at a tariff from Rs 2.69/Kwh to 2.86/Kwh would help in reducing the overall power purchase cost. It is pertinent to submit that the as per the CPSU Scheme SECI was appointed as the authorized agency for conducting bidding in accordance with the guidelines issued by MNRE/MoP. It is relevant to submit that the factors like cost of land, radiance have bearing on the tariff discovered in the competitive bidding. Taking into cognizance that the bid processes have been conducted in line with standard bidding guidelines, CERC deemed it fit to adopt the ceiling usage charges under section 63 of EA Act, 2003 in respect of 1692 MW capacity under Tranche I & II
11	The contentions of DISCOMs is contrary to factual position that the tariffs for solar power discovered through competitive bidding in the country came down to as low as Rs 2 per Kwh	It is submitted that the tariff discovered through Competitive Bidding process is dependent on various factors/parameters such as, location of the plant, cost of land, radiance thereby CUF, Central/State policy, levy of taxes & duties at the time bidding, whether park concept (where necessary infrastructure is readily available) or individual solar generators etc., Also, tariff discovered is time specific, whereby tariff discovered during a particular period of time is difficult to be compared with later discovered tariffs. The PUAs for the present procurement were signed in 2019 & 2020.
12	There is no clarity of levy of ISTS Transmission charges & losses since the PUA clearly specifies that ISTS/STU charges and losses, cross subsidy charges, RLDC & SLDC, forecasting fee etc, to be borne by DISCOMs. Getting supply of solar power outside state goes contrary to prudent stand DISCOMs taken earlier in favour of distributed solar power	In accordance with the MoP order dated 23.11.2021, waiver of inter-state transmission charges is applicable for the Solar, Wind, Hydro PSP and BESS projects commissioned upto 30.06.2025. A copy of the said order is enclosed herewith for ready reference. It was further clarified in the order that the ISTS losses are waived for the projects whose bidding was completed upto 15.01.2021. In light of the said MoP orders, ISTS transmission charges & losses are exempted for the present procurement of 1692 MW Solar power. And levy of RLDC/SLDC fee is inline with any other procurement. The advantages of distributed generation nearer to load centres cannot be denied. But, in view of higher land cost and non-availability of land in the state of Telangana, it would be challenging to discover tariffs below Rs.3/Kwh.
13	MNRE arrogated to itself the authority to get the competitive bidding conducted by SECI as per its terms & conditions, leaving no scope for NTPC to take decisions and actions independently.	The Ministry of Power, Government of India, vide orders dated 05.03.2019, has conveyed sanction of the President for implementation of Central Public Sector Undertaking (CPSU) Scheme Phase-II (Government Producer Scheme) for setting up 12,000 MW grid-connected Solar Photovoltaic (PV) power projects by the Government Producers with Viability Gap Funding (VGF) support for self-use or use by Government /Government entities, either directly or through Distribution Companies (DISCOMs) as per the provisions of the scheme. SECI was appointed on behalf of MNRE for conducting Bidding on VGF basis, for selection of Government producers for implementing the Scheme. Taking into cognizance that the bid processes have been conducted in line with standard bidding guidelines, CERC deemed it fit to adopt the ceiling usage charges under section 63 of EA Act, 2003 in respect of 1692 MW capacity under Tranche I & II.
14	Out of 12000 MW under	Taking the growing demands of the State into consideration

	CPSU scheme, what prompted Govt of Telangana to opt for 1692 MW especially when the said power is not required neither under RPPO nor for meeting fluctuating demand. The benefits of economies of scale are not reflected in tariffs.	and to meet the additional demand of the Lift Irrigation Projects taken up by the State Govt, DISCOMs have concluding the agreements to ensure 24 Hr uninterrupted power supply to all the categories of the consumers in the state, including the Agricultural consumers. The present procurement of solar power not only helps meet the demand during daylight but also enables DISCOMs to cut down the average power purchase cost. Being set up under 'make in India' concept, the DISCOMs are saved from extra burden on account of levy of Basic Customs Duty.																																								
15	A period of 4 years is provided for adding 12,000 MW under CPSU scheme, which provides undue benefit to the bidders to quote old higher rates and actually use latest technology with lower rates.	Total capacity of 12,000 MW is envisaged under CPSU Scheme Phase-II, which is proposed to be added in 4 years period ie., from FY 2019-20 to FY 2022-23. The total capacity is segregated into tranches and bidding is conducted separately for each tranche. As such, the period of implementation differs from tranche to tranche. As such the apprehension of quoting higher rates and using latest technology with lower rates is not true. Further, it is also to be taken into consideration that since the PUA ensures for supply of minimum energy, DISCOMs can be ensured of that energy.																																								
16 (a)	No justification for different periods of SCODs	It may be kindly noted that the PUAs were signed in three different phases; the SCOD is dependent on the RfS of bidding document. The bidding was conducted tranche wise and the RfS varies from bid to bid.																																								
16 (b)	It is not clear when the supply of power from projects would commence and is unrelated to requirement of solar power	The details of SCOD and revised SCOD (granted in view of Covid-19 pandemic) of the proposed plants is as submitted below: <table border="1" data-bbox="546 997 1195 2008"> <thead> <tr> <th>NTPC Solar PV Station</th> <th>Date of PUA</th> <th>SCOD</th> <th>Revised SCOD</th> </tr> </thead> <tbody> <tr> <td>Devikot, Jaisalmer, Rajasthan – 150MW</td> <td>30.12.2019</td> <td>29.09.2021</td> <td>28.08.2022</td> </tr> <tr> <td>Kolayet, Bikaner, Rajasthan – 250MW</td> <td>30.12.2019</td> <td>29.09.2021</td> <td>28.08.2022</td> </tr> <tr> <td>Shambu-ki-burj, Bikaner, Rajasthan – 300MW</td> <td>13.03.2020</td> <td>12.08.2021</td> <td>25.10.2022</td> </tr> <tr> <td>Nokhra, Bikaner, Rajasthan – 300MW</td> <td>13.03.2020</td> <td>12.08.2021</td> <td>28.08.2022</td> </tr> <tr> <td>Fatehgarh, Jaisalmer, Rajasthan – 296MW</td> <td>13.03.2020</td> <td>12.08.2021</td> <td>27.04.2022</td> </tr> <tr> <td>Devikot Village, Jaisalmer, Rajasthan – 90 MW</td> <td>13.03.2020</td> <td>12.08.2021</td> <td>19.08.2022</td> </tr> <tr> <td>Kawas, Surat (D), Gujarat – 56MW</td> <td>26.11.2020</td> <td>24.12.2021</td> <td>24.06.2022</td> </tr> <tr> <td>Gandhar, Bharuch(D), Gujarat – 20MW</td> <td>26.11.2020</td> <td>09.11.2021</td> <td>09.05.2022</td> </tr> <tr> <td>Navalakkapatti, Ettayapuram Taluk, Tuticorin, TN – 230MW</td> <td>26.11.2020</td> <td>19.02.2022</td> <td>19.08.2022</td> </tr> </tbody> </table>	NTPC Solar PV Station	Date of PUA	SCOD	Revised SCOD	Devikot, Jaisalmer, Rajasthan – 150MW	30.12.2019	29.09.2021	28.08.2022	Kolayet, Bikaner, Rajasthan – 250MW	30.12.2019	29.09.2021	28.08.2022	Shambu-ki-burj, Bikaner, Rajasthan – 300MW	13.03.2020	12.08.2021	25.10.2022	Nokhra, Bikaner, Rajasthan – 300MW	13.03.2020	12.08.2021	28.08.2022	Fatehgarh, Jaisalmer, Rajasthan – 296MW	13.03.2020	12.08.2021	27.04.2022	Devikot Village, Jaisalmer, Rajasthan – 90 MW	13.03.2020	12.08.2021	19.08.2022	Kawas, Surat (D), Gujarat – 56MW	26.11.2020	24.12.2021	24.06.2022	Gandhar, Bharuch(D), Gujarat – 20MW	26.11.2020	09.11.2021	09.05.2022	Navalakkapatti, Ettayapuram Taluk, Tuticorin, TN – 230MW	26.11.2020	19.02.2022	19.08.2022
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16 (c)	Whether SCODs of the plants were declared as shown in the agreements? DISCOMs have been deprived of real	As submitted in the above, the SCODs of the plants have been revised in view of the approval accorded by MoP taking into consideration shortage of domestically manufactured Solar PV Cells and Covid-19 pandemic.																																								

	competitive tariffs which have come down to as low as Rs 2 per Kwh	It is submitted that the tariff discovered through Competitive Bidding process is dependent on various factors/parameters such as, location of the plant, cost of land, radiance thereby CUF, Central/State policy, levy of taxes & duties at the time bidding, whether park concept (where necessary infrastructure is readily available) or individual solar generators etc., Also, tariff discovered is time specific, whereby tariff discovered during a particular period of time is difficult to be compared with later discovered tariffs.
16 (d)	DISCOMs would have taken power from NTPC as and when the later's plants started generation & supply.	DISCOMs consent for entering into agreements with NTPC is based on the forecasting the load requirements. Unless arrangement been made for usage of proposed solar power by way of Agreements, construction & commissioning of the plants does not take place.
16 (e)	DISCOMs are not expected to enter into long-term PPAs for purchase of RE/NCE based on presumed requirement of same in future and unrelated too RPPO order in force.	DISCOMs have concluded the PUAs taking the growing demands of the State into consideration and to meet the additional demand of the Lift Irrigation Projects and also to ensure 24 Hr uninterrupted power supply to all the categories of the consumers in the state, including the Agricultural consumers. The present procurement of solar power not only helps meet the demand during daylight but also enables DISCOMs to cut down the average power purchase cost.
17	One of the two arrangements viz., revolving LC or default ESCROW agreement is enough. These will add to the costs to be borne by the consumers	The Payment security mechanism in the PUAs is standard clause and is common for all the agreements.
18	Short supplies of Solar power below the agreed CUF would be paid @ 25% usage charges. It shall be atleast to cover the difference to purchase additional power from other sources	The said clause is inline with the CPSU Scheme guidelines and the RfS approved by MNRE/MoP
19	In case of short supply of solar power, DISCOMs have to purchase RECs @ Rs.1 per unit; however NTPC would pay only @ 75% Usage charges	TSDISCOMs are comfortably meeting the RPPO % mandated by TSERC. The proposed procurement is not only for meeting the load requirements but also helps DISCOMs for reducing the overall power purchase cost.
20	Excess generation over and above the max CUF shall be purchased @ 75% usage charges. It is not clear in the PUAs that solar power can be backed down in case of grid constraints and no compensation is payable	Payment of 75% Usage charges for the generation above maximum CUF specified in the respective agreements is inline with the CPSU scheme & standard bidding guidelines issued by MoP. It is submitted that article 3.6 of the PUA clearly stipulates that no solar power shall be backed down except for cases where the back down is on account of events like consideration of grid security or safety of any equipment or personnel or such other conditions.
21	NTPC does not incur any additional expenditure for generating solar power above agreed max CUF. Therefore it is absurd to demand 75% Usage charges.	Payment of 75% Usage charges for the generation above maximum CUF specified in the respective agreements is inline with the CPSU scheme & standard bidding guidelines issued by MoP.
22	The related terms & conditions in the agreements connected to payment for excess generation above max CUF shall be amended ensuring payment of incentive of 25 paise per Kwh without any tariff	

23	DISCOMs submitted that they are purchasing power to promote make in India scheme at the cost of consumers of power in the state	Make in India concept is one among the various advantages envisaged by DISCOMs with the proposed procurement of 1692 MW Solar power under CPSU Scheme. Since the scheme mandated use of domestically manufactured solar cells and modules, levy of BCD can be avoided.
24	Purchasing power on the ground of "saving on power costs" is untenable because the tariffs incorporated are higher compared to tariffs discovered in the country and compared to benefits of decentralised distribution of solar power.	With exemption from levy of ISTS Transmission charges and losses, the procurement of this 1692 MW Solar from ISTS projects is as good as procurement of power within the state. With increasing land cost in the state of Telangana, which is a major factor determining the tariff, discovering tariffs below Rs. 3/Kwh would be challenging. As such DISCOMs are benefitted in both the ways, viz., availing power at competitive tariff and thus enabling to reduce the average power purchase cost.
25	DISCOMs to give details of requirement of power, availability under existing PPAs & anticipated PPAs for current year and next four years	As directed by the Commission, the details power procurement plan and load generation balance for the ensuing 10 years were submitted to the Hon'ble Commission.
26	Contention of adding green portfolio to sources of power sounds hollow, when it is not required to meet demand or when its cost is burdensome or when it is not required to fulfil the RPPO obligations	The following advantages are envisaged by the DISCOMs through the proposed procurement of 1692 MW Solar power under CPSU Scheme : (a) Not only help meet the load requirements but also fulfil RPPO ; (b) Saving on power purchase costs by aiming to reduce the overall average power purchase costs ; (c) Promoting "Make in India" concept and thus avoiding levy of BCD which impacts the tariff ; (d) Adding green portfolio in line with the huge targets envisaged by Govt of India ;
27	The Hon'ble Commission may reject consent to the subject PUAs or in case inclined to accord approval, may incorporate the amendments suggested	In the scope of Hon'ble TSERC
28	These Agreements may be termed as Power Purchase Agreements as per the standard practise.	Central Public Sector Undertaking (CPSU) Scheme Phase-II (Government Producer Scheme) is designed for setting up of grid connected Solar PV projects by the Government Producers with Viability Gap Funding (VGF) support for self-use or use by Government/ Government entities, either directly or through Distribution Companies (DISCOMs). Since the scheme intends for self use by Government entities either directly or through DISCOMs, the agreements are termed as Power Usage Agreements and the tariff as Power Usage charges.


Chief General Manager (IPC)