

**BEFORE THE HARYANA ELECTRICITY REGULATORY COMMISSION
BAYS No. 33-36, SECTOR-4, PANCHKULA- 134112, HARYANA**

Case No. HERC/PRO-24 of 2019

Date of Hearing : **08.05.2019**

Date of Order : **08.05.2019**

In the Matter of

Application under section 86(1) (b) and section 63 of the Electricity Act, 2003 for the approval of the Hon'ble Commission and adoption of tariff for quantum of 23.5 MW (RTC) discovered in NIT-76 floated for procurement 120 MW (RTC) non-solar RE power limited up to 600 MUs from 1st April, 2019 to 31st October 2019 on short term basis through tariff based competitive bidding process as per guidelines for procurement of power by distribution licensees through Tariff based bidding process on short-term (i.e. for a period of more than one day to one year) issued by Ministry of Power, Government of India dated 30.03.2016.

Petitioner

Haryana Power Purchase Centre (HPPC)

Present On behalf of the Petitioner

1. Shri Vikas Kadian, XEN/HPPC
2. Shri Randhir Singh, AEE/HPPC

Quorum

Shri Jagjeet Singh, Chairman
Shri Pravindra Singh Chauhan, Member

ORDER

Brief Background of the Case

1. The present petition has been filed by Haryana Power Purchase Centre (HPPC) seeking adoption of tariff discovered through bidding for procurement of non-solar RE Power, for the period from 01.05.2019 to 31.10.2019, at rate ranging from Rs. Rs. 5.1/kwh to Rs. 5.5/kwh and issuance of Letter of Intent (LoI) to the successful bidders.
2. Haryana Power Purchase Centre (HPPC) has submitted as under:-
 - i. That the Petitioner represents the State Distribution Licensees, namely, Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited (Haryana DISCOMs) in the purchase of power from

Generating Companies including renewable and non-conventional sources.

- ii. That HPPC is undertaking the instant power procurement for fulfilling the non-solar RPO target set by the Commission to the Haryana Utilities.
- iii. That in the tariff Order passed by the Commission from time to time, the Haryana DISCOMs has been mandated to purchase power to meet the Renewable Purchase Obligation. In this regard, the Commission has notified HERC (Terms and Conditions for determination of tariff for Renewable Energy Sources, Renewable Purchase Obligation and Renewable Energy Certificate) Regulation, 2017.
- iv. That the HERC in its tariff Order for FY 2018-19 dated 18.11.2018, envisaged the expected energy consumption for the FY 2018-19 as 38232 MUs. Extrapolating the energy consumption and expected availability of power from non-solar projects in the forthcoming years, the requirement of non-solar RPOs has been worked out as under:

Financial Year (FY)	Energy consumption	Non-solar RPO targets	Likely Non-solar RPO targets	Back-log	Total targets	Maximum MU to be received from existing non-solar projects	Short-fall (-) / Surpluses (+)	Expected procurement wind power from SECI (250MW, 350 MW & 2590 MW)	Net expected Short-fall (-) / Surplus (+)
	(MUs)	(%)	(MUs)	(MUs)	(MUs)	(MUs)	(MUs)	(MUs)	(MUs)
1	2	3	4	5	6	7	8	9	13
18-19	38232	3	1147	987	2134	670	-1514	0	-879
19-20	40862	3	1226	879	2105	670	-1435	835	-600

That from the above, non-solar RPO shortfall of about 600 MUs has been anticipated during the FY 2019-20.

- v. That the Agenda for purchase of 600 MUs non-solar RE power to meet the expected short fall of non-solar RE power from 01st April, 2019 to 31st October, 2019 under short term arrangement through e-reverse auction based competitive bidding process (DEEP Web-portal) was put up before 48th SCPP meeting held on 06.10.2018, and SCPP has decided as under:

“SCPP considered the agenda and approved to float the NIT on short term basis for power procurement of 600 MUs (RTC basis) of Non-Solar RE power from 1st April, 2019 to 31st October, 2019 through DEEP Web-portal to fulfill the shortfall of RPO targets.”

- vi. That the NIT-76 was floated for procurement 120 MW (limited upto 600 MUs) non-solar RE power for short term basis from 1st April 2019 to 31st October 2019 to meet the non-solar RPO targets as per the guidelines for short term procurement of power by distribution licensees through tariff based bidding process under the provision of section 63 of Electricity Act 2003 issued by the central Government vide resolution dated 16th May 2012.
- vii. That the last date for submission of bids (i.e. 06.02.2019) including EMD was extended twice (i.e. upto 13.02.2019 first and subsequently to 25.02.2019), due to inadequate response. In spite that only two number bidders namely, Ms Tata Power Trading Company Ltd. (TPTCL) & M/s. Manikaran Power Limited (MPL) submitted their bids against the NIT. Thereafter, the non- financial technical bids of the NIT were opened on 26.02.2019 as scheduled.
- viii. That the financial bids of bidder firms were opened as per NIT schedule on 28.02.2019 followed by e-reverse auction (e-RA). The Initial Price offered (IPO) and the price after results of e-RA are placed at, respectively. Month wise final quantum and rate evolved in the NIT against the required quantum (i.e. 120 MW) are tabulated as under:

Name of Bidder	Quantum as per NIT MW(RTC)	Manikaran Power Limited (MPL)		Tata Power Trading Company Limited (TPTCL)	
Source of Power		Choudhary Power Projects Pvt. Ltd. J&K (Small Hydro)		Kanchanjunga Power Company Pvt. HP (Small Hydro)	
Month		Quantum (MW)	Rate in Rs./kWh	Quantum (MW)	Rate in Rs./kWh
Apr-19	120	18	5.5	6	5.14
May-19	120	19	5.5	6	5.14
Jun-19	120	21	5.5	6	5.1
Jul-19	120	21	5.5	6	5.1
Aug-19	120	23	5.5	6	5.1
Sep-19	120	14	5.5	6	5.12
Oct-19	120	7	5.5	6	5.12

That the bids for average quantum of 23.5 MW only received against required quantum of 120 MW RTC. M/s Manikaran Power Limited (MPL) offered quantum from 7 MW to 23 MW (average quantum 17.5 MW) @ Rs.5.50/kWh and Ms Tata Power Trading Company Ltd. (TPTCL) offered 6 MW @ Rs. 5.10 to Rs.5.14 (average Rate Rs.5.117/-kWh) for the period from 1st April, 2019 to 31st October, 2019. The average rate discovered under the NIT worked out as Rs. 5.402/kWh.

- ix. That in pursuance to response against NIT-76, it was decided to float a fresh NIT for the remaining quantum i.e. 97 MW (RTC) non-solar RE

power limited up to 490 MUs from 1st April, 2019 to 31st October, 2019 on short term basis through e-reverse auction based competitive bidding process. Accordingly, another NIT i.e. NIT-78 was floated to meet the balance quantum. However, even after extension in bid submission period; none of bidder responded to the NIT-78. Accordingly, the NIT -78 was dropped.

x. That following analysis has been carried out to ascertain the reasonability of rates offered by the bidders in the NIT-76:

a) Price discovered in recent tenders for non-solar power (short-term) available on DEEP web portal:

Sr. No.	Utility	State	Month of Bid	Bid Quantum	Period of Supply	Rate (Rs./kWh)
1	PSPCL	Punjab	Jan-19	Upto 410 MW	15 Jan'19 - 31 Mar'19	Upto 5.60/-
2	WBSEDCL	West Bengal	Feb-19	Upto 1019 MW	22 Feb'19 - 31 Oct'19	Upto 5.11/-
3	NDMC	Delhi	Feb-19	Upto 184 MW	Mar'19 - Oct'19	Upto 5.50/-
4	UPCL	Uttarakhand	Feb-19	Upto 25 MW	Apr'19 - Mar'20	Upto 5.15/-

b) IEX Price for the last year during respective proposed months of NIT-76 after adding the cost of renewable energy certificates (REC):

Month	IEX Avg. Price (Rs./KWh)	REC Purchase Cost (Rs./KWh)	Net Cost (Rs./KWh)
May-18	5.03	1.5	6.53
Jun-18	3.98	1.5	5.48
Jul-18	3.52	1.5	5.02
Aug-18	3.36	1.5	4.86
Sep-18	4.69	1.5	6.19
Oct-18	5.73	1.5	7.23
Average Price (Rs./KWh)			5.88

c) Tentative rate of High Cost power plant to be schedule by HPPC:

Name of the Month	Average Rate of RE Power under NIT-76 (Rs./ kWh)	Rate of REC (Rs./kWh)	Effective rate of RE Power (Rs./ kWh)	Tentative rate of high cost power plant to be scheduled (Rs./ kWh)
May, 2019 to October, 2019	5.402	1.50	3.902	3.89 to 3.92

The average rates discovered under NIT-76 (i.e. Rs. 5.40/kWh) are at Haryana periphery, which includes transmission charges (POC) and transmission loss of inter-state for conveyance of power which together sums up approximate to Rs.0.60/kWh.

d) Average Power Purchase (APPC) of Discoms & RPO Cost:

As per HERC Order on ARR, the APPC of Discoms for FY 2018-19 is Rs. 3.74/kWh (excluding transmission charges). The non-solar RE Certificates (RECs) are trading at Rs.1.5/kWh. Therefore, the equivalent

cost of non-solar RE power (excluding transmission charges) shall be Rs. 5.24/kWh (i.e. Rs 3.74 + Rs 1.5). On considering the inter-state transmission charges & losses i.e. approximately Rs. 0.60/kWh, the equivalent cost of non-solar RE power comes to Rs. 5.84/kWh (i.e. Rs. 5.24 +Rs. 0.60).

- xi. That in view of the above, the bids/offers of M/s Manikaran Power Limited (MPL) for non-solar RE power with quantum ranging from 7 MW to 23 MW (Average quantum 17.5 MW) @ Rs.5.50/kWh and Ms Tata Power Trading Company Ltd. (TPTCL) for quantum of 6 MW @ Rs. 5.10 to Rs.5.14 (Average Rate Rs.5.117/kWh) for the period from 1st May 2019 to 31st October 2019 may be considered for adoption of tariff discovered in the NIT-76.
- xii. That the validity of bids under NIT-76 is three months from the date of e-RA (i.e. upto 27.05.2019). Further, as per the MoP guidelines approval of HERC shall be required before placing LOI to the selected bidders being the rates offered in the NIT-76 more than the average power purchase cost (APPC) notified by the HERC in the ARR/ tariff Order of Discoms for the FY 2018-19 i.e. Rs 3.74/kWh (without transmission charges).
- xiii. That the above provision as per the MoP/Gol guideline for short term power procurement, for award of contract after compilation of NIT process is reproduced as under:-

“If the quantum of power procured and tariff determined are within the blanket approval granted by the Appropriate Commission in Annual Revenue Requirement (ARR) of the respective year, then the same will be considered to have been adopted by the Appropriate Commission. In all other cases, the Procurer(s) shall submit a petition to the Appropriate Commission for adoption of tariff within 2 days from the date of signing of PPA. Appropriate Commission should communicate the decision within 7 days from the date of submission of petition.”

- xiv. That the following prayers have been made:-
 - a) To adopt the tariff discovered in the NIT-76 for procurement of non-solar RE power and allow HPPC to issue LOI to M/s Manikaran Power Limited (MPL) for non-solar RE power with quantum ranging from 7 MW to 23 MW (Average quantum 17.5 MW) @ Rs.5.50/kWh and Ms Tata Power Trading Company Ltd. (TPTCL) for quantum of 6 MW @ Rs. 5.10 to Rs.5.14 (Average Rate Rs.5.117/kWh) for the period from 1st May 2019 to 31st October 2019.

- b) Pass such further order or order(s) as may be deemed necessary and fit in the circumstances of the case.

Proceedings in the Case

3. The case was heard on 08.05.2019, wherein the Petitioner i.e. HPPC reiterated the contents of its Petition, which for the sake of brevity has not been reproduced herein.

Commission's Analysis and Order

4. The Commission heard the arguments of the HPPC as well as perused the written submissions filed in the matter.
5. The Commission observes that after due deliberations and discussions, it had already decided the similar, vide its Order dated 06.01.2017, in case no. HERC/PRO-2 of 2017, wherein at para 24 of the Order the following was held:-

"In order to appreciate the entire bidding process and the tariff discovered thereto regarding procurement of short term non Solar RE Power, the Commission afforded an opportunity to the Petitioner for presenting the case in person. Accordingly, the case was heard on 6.1.2017. Upon hearing the Petitioner the Commission Orders as under:-

- a. *Admittedly, during the months of January, February and March, the State has surplus power availability ranging from about 500 MW to 1400 MW. Thus, there is no requirement for procurement of any additional power. In case power is procured in these months including from RE sources, it would lead to further backing down of HPGCL's power plants figuring lower down the merit order. Resultantly, the key parameters i.e. SHR, Auxiliary Energy Consumption, Specific Fuel Oil Consumption etc. of the power plants shall get distorted adding to the cost of generation and financial losses thereto.*
- b. *In the above mentioned circumstances, the obvious trade – off for arriving at a reasoned decision is to compare least cost option between purchasing REC at the floor price of Rs.1.50/Unit and purchasing short – term non solar RE Power @ Rs. 4.99/Unit plus the associated cost of backing down / under – drawing power from the Grid.*
- c. *In the given circumstances the Commission is of the considered view that the REC route for fulfilling RPO obligation is the least cost option for the Discoms.*

In view of the above the procurement of Non-solar RE Power offered by M/s PTC India Ltd. & M/s Tata Power Trading Company Limited, 5 MW each at the rates Rs.4.99 is not approved. Further, as the Commission has not approved the rate discovered through competitive bidding the issue of signing of PPA with the proposed firms does not arise."

6. Similarly, the Commission observes that the Petitioner in the present petition has not shown any shortage of power during the period from May to October, 2019. Rather, the purchase of power is intended to comply with the Non-Solar RPO. Further, no new facts are shown to have emerged since the date of

passing of the ibid Order by the Commission. The Commission has considered the comparison done by HPPC between the average power purchase cost of DISCOMs for FY 2018-19 i.e. Rs. 3.74/kWh (excluding transmission charges) and the non-solar RE Certificates (RECs) cost of Rs.1.5/kWh, wherein, HPPC has arrived at the conclusion that the equivalent cost of non-solar RE power (excluding transmission charges) is Rs. 5.24/kWh (i.e. Rs 3.74 + Rs 1.5) and on considering the inter-state transmission charges & losses i.e. approximately Rs. 0.60/kWh, the equivalent cost of non-solar RE power is Rs. 5.84/kWh (i.e. Rs. 5.24 +Rs. 0.60). The Commission observes that average variable cost of DISCOMs has been approved at Rs. 2.51/unit for the FY 2018-19 vide Order dated 15.11.2018 in case no. HERC/PRO-83 of 2017 and HERC/PRO-85 of 2017. In the surplus power scenario, the purchase of further power by HPPC will result in the displacement of existing power with average variable cost of Rs. 2.51/unit, since the fixed cost is payable even during the backing down. Average power purchase cost of Rs. 3.74/unit considered by HPPC includes fixed cost also, which is not correct to arrive at any logical decision. Thus, the correct trade off between the REC and the power proposed in the instant petition is by comparing the average cost of power proposed i.e. Rs. 5.402/unit and Rs. 4.01/unit (Rs. 2.51/unit + Rs. 1.50/unit).

7. In the view of the above discussions, the Commission decides that in the surplus, power scenario, the REC route for fulfilling RPO obligation is the least cost option for the Discoms and accordingly declines to adopt the tariff discovered in the bidding as proposed by HPPC, for procurement of non-solar RE power and to issue LOI to M/s Manikaran Power Limited (MPL) & Ms Tata Power Trading Company Ltd. (TPTCL).
8. The petition is accordingly disposed of as dismissed.

This order is signed, dated and issued by the Haryana Electricity Regulatory Commission on 08th May, 2019.

Date: 08.05.2019
Place: Panchkula

(Pravindra Singh Chauhan)
Member

(Jagjeet Singh)
Chairman