

KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM

Present : Shri T K Jose, Chairman
Adv. A.J Wilson, Member
Shri B Pradeep, Member

OP No.68/2023

In the matter of : Petition filed under Regulation 78 of the KSERC (Terms and Conditions for Determination of Tariff) Regulations 2021 seeking approval for entering into an agreement for banking of power with the traders M/s. Arunachal Pradesh Power Corporation Pvt Ltd (APPCPL) for banking of power during the period from November 2023 to March 2024.

Petitioner : Kerala State Electricity Board Limited

Order dated 27.12.2023

1. M/s Kerala State Electricity Board Limited (hereinafter referred as KSEB Ltd or petitioner) filed a petition on 31.10.2023, with the following prayer;

“grant approval for entering into banking transactions as submitted in the instant petition with M/s.Arunachal Pradesh Power Corporation Pvt Ltd for banking of power during the period from November 2023 to 15.03.2024, for managing the power deficit from November 2023 to March 2024 (except January 2024 & February 2024), and return period from June 2024 to September 2024.”

Supply from APPCPL-BYPL to KSEBL			Return from KSEBL to APPCPL-BYPL						Trading Margin (paise/kWh)	
Supply period	Duration	Quantum	Return period	Duration(Hrs)/Max MW return possible against each slot						Return(%)
	(Hrs)	(MW)		00.00 - 05.00	05.00 - 08.30	08.30 -18.30	18.30- 22.30	22.30 - 24.00		
Nov-23	RTC	100	11.06.24 to 10.07.24	250	50	100	50	250	100	2.9
1 st to 15 th March 2024	RTC	50		Additional Quantum						
Nov-23	RTC	50	11.06.24 to 30.06.24	70	26	25.985	0	70		
Dec-23	RTC	50	01.07.24 to 31.07.24	70	25	25	45	70		

1 st to 15 th March 2024	RTC	50	01.08.24 to 31.08.24	70	25	25	45	70		
			01.09.24 to 15.09.24	70	26	25.985	45	70		

2. Summary of the petition filed by M/s KSEB Ltd is given below:

- (1) M/s KSEB Ltd expected to have a power shortage ranging from 350MW to 700MW during the month September 2023 to May 2024, including summer period of 2024.
- (2) KSEB Ltd submitted that at present they are managing the power shortage by way of purchase from DAM, TAM and RTM. During the month of August the average payout on account of these transactions was of the order of Rs 8.00 crore to Rs 9.00 crore.
- (3) KSEB Ltd further submitted that the unprecedented increase in demand along with lesser availability of power have resulted in huge purchase of power by the utilities from the market. The huge power procurement has also resulted in steep rise in the average Market Clearing Price (MCP) in the Day Ahead Market (DAM) as well as Real Time Market (RTM). The MCP as on 18.08.2023 recorded at Rs.9.23/unit in DAM. Also, the demand in the summer months will increase considerably due to the forthcoming Lok Sabha election.
- (4) Hence as an optimistic and proactive measure, and to insulate the volatility in MCP and to obtain confirmed power and, also reduces the payout for power purchases, KSEBL has decided to float tenders for procuring power through 'SWAP' transaction.
- (5) KSEB Ltd has invited the tender from the utilities and traders for banking of power with KSEB Ltd from 01.09.2023 to 30.09.2024. The last date for submission of tender is 07.09.2023, 02:00 PM and opening of tender schedule is 03:00 PM on the same day. The Details are given below:

Supply Period			Return Period					
Period	Duration (hrs)	MW	Month	Duration (Hours)/ Max MW Return possible against each slot				
				00.00 to 05.00	05.00 to 08.30	08.30 to 18.30	18.30 to 22.30	22.30 to 24.00
Sept 23	RTC	500						
Oct 23	RTC	500	June 24	500	500	500	50	500
Nov 23	RTC	300	July 24	1500	1500	1500	250	1500
Dec 23	RTC	500						
March 24	RTC	200	Aug 24	900	900	900	350	900
April 24	RTC	500	Sept 24	950	950	950	450	950
May 24	RTC	500						

- (6) KSEB Ltd has received the two bids, with the following traders;

- (i) M/s Manikaran Power Limited (MPL)
 - (ii) M/s Arunachal Pradesh power Corporation Private Ltd (APPCPL).
- (7) KSEB Ltd submitted that M/s Manikaran Power Limited (MPL) offered 50 MW RTC power for November 2023 and 50 MW during December 2023 from 00.00 Hrs to 06.00 Hrs & 12.00 Hrs to 24.00 Hrs. Alternatively, they have also offered 50 MW RTC power for November 2023 and 50 MW RTC from 1st to 15th December 2023 with return 107.61% and trading margin 3 paise/kWh with confirmed Lol of BRPL which is the source utility
- (8) M/s APPCPL has offered four banking arrangements. However, the confirmed Lol from BSES Yamuna Power Ltd (BYPL) pertains only to the following arrangement.

Supply Period			Return Period		
Nov-23	RTC	100 MW	11th June to 10th July 2024	00.00 to 05.00	250 MW
1st to 15th March 2024	RTC	50 MW		05.00 to 08.30	50 MW
				08.30 to 18.30	100 MW
				18.30 to 22.30	50 MW
				22.30 to 24.00	250 MW

The return percentage quoting is 100% with a trading margin of 3 paise/kWh.

- (9) The delivery point in both the bids is the regional periphery of the exporting utility for both the supply and return period.
- (10) KSEB Ltd further submitted that, though as per the tender condition the swapping of power shall be from the month of September 2023 onwards, however both the bidders who participated in the bid has quoted the power from the month of November only.

Since the quantum offered were less and that also for a short period, KSEB Ltd has requested to both bidders to reduce the trading margin. In addition to that KSEB Ltd also requested to M/s Manikaran Power Ltd to reduce the return percentage.

- (11) In response to the request of KSEBL, M/s APPCPL has reduced the trading margin to 2.90 Paisa/unit and intimated willingness to supply an additional 62.50 MW RTC power for December 2023, with a 100% return by September 2024. The details are as follows;

Return Period for additional quantum in September 2024	
00 to 05	100 MW
05 to 08.30	25 MW
08.30 to 18.30	50 MW

18.30 to 22.30	78.13 MW
22.30 to 24	100 MW

- (12) However, M/s. Arunachal Pradesh Power Corporation Private Ltd (APPCPL) has not submitted the Lol from the utility for the additional offer.

However, in addition to the above, as per the request of KSEB Ltd, they have offered an additional 50 MW each for November 2023 and 1st to 15th March 2024, with the revision of the additional quantum offered for the December 2023 revised to 50 MW from 62.5 MW along with the Lol of the same from BYPL.

- (13) M/s Manikaran Power Limited (MPL) has reduced the return percentage to 107.31 from 107.61 but no reduction has been offered in trading margin. Since the offered return percentage and trading margin are higher and quantum offered is lesser, it was decided not to enter agreement with M/s Manikaran Power Limited (MPL).
- (14) After evaluation of bids received, KSEB Ltd has decided to issue provisional LOA to the M/s APPCPL with the condition that LOA subject to the approval of Commission.
- (15) KSEBL vide the letter dated 08.11.2023, submitted before the Commission that, considering the urgency in energy requirement, KSEBL has started to draw the power under banking arrangement with APPCL from 1st November 2023 onwards, in anticipation of the approval from the Commission.

Analysis and Decision of the Commission:

3. The Commission having examined in detail the petition filed by M/s KSEB Ltd for approval for entering into banking transactions with M/s Arunachal Pradesh Power Corporation Pvt Ltd (M/s APPCPL) for the period from November 2023 to March 2024 (except January 2024 & February 2024), and return period from June 2024 to September 2024, as per the provisions of the Electricity Act, 2003 and KSERC (Terms and conditions for Determination of Tariff) Regulations, 2021 (Tariff Regulation 2021), and decides as follows:
4. As per the provisions of Section 86(1)(b) of Electricity Act,2003, approval of the Commission is mandatory for purchase of power by the distribution licensee from generating companies or licensees or from other sources through agreement. The relevant portion of the Electricity Act,2003 is extracted below:

“Section 86. (Functions of State Commission): --- (1) The State Commission shall discharge the following functions, namely: -

- (a) *determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be, within the State:*

Provided that where open access has been permitted to a category of consumers under section 42, the State Commission shall determine only the wheeling charges and surcharge thereon, if any, for the said category of consumers;

(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;”

5. The Regulation 78 of the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2021 (hereinafter referred as Tariff Regulations, 2021) provide as follows;

“78. Short-term power procurement.–

(1) The distribution business/ licensee may, if it considers necessary undertake additional short-term power procurement to overcome any short-term deficiency in power requirement during the financial year, as per the short term power procurement plan approved by the Commission, in accordance with this Regulation.

.....

(3) The distribution business/ licensee may enter into a short-term power procurement agreement or arrangement under the following circumstances subject to the ceiling tariff approved by the Commission for this purpose: -

(i) where the distribution business/ licensee is able to source new short-term source of supply from which power can be procured at a tariff that reduces its approved total power procurement cost;

(ii) when faced with emergency conditions that threaten the stability of the distribution system or when formally directed to do so by the State Load Despatch Centre to prevent grid failure;

(iii) where the tariff for power procured under such agreement or arrangement is in accordance with the guidelines for short-term procurement of power by distribution licensees through tariff-based bidding process issued by the Central Government;

(iv) when there is a contingency situation and power purchase price is within the ceiling price as prescribed by the Commission in the distribution licensee’s ARR&ERC;

(v) procurement of short-term power through power-exchange; and

(vi) Procurement by way of exchange of energy under ‘banking’ transactions:

Provided that prior approval of the Commission and the ceiling rate; shall not be applicable to the short-term purchases under clause (ii).

Provided further that prior approval of the Commission is not required for short term purchases under clause (v) above, so long as the average rate is within the ceiling rate.”

(4) The Commission may stipulate the ceiling quantum and ceiling rate for purchase of power from short-term sources.

(5) As far as practicable, approval for all power purchases must be sought in advance. Where it is not practicable due to any contingency situation, the distribution licensee shall within fifteen days from the date of entering into an agreement or arrangement for short-term power procurement shall file a petition for approval of the Commission by filing full details of such agreement or arrangement, including quantum, tariff calculations, duration, supplier details, method for supplier selection, circumstances necessitating such a purchase and such other details as the Commission may require to assess that the conditions specified in this Regulation have been complied with:

Provided that where the Commission has reasonable grounds to believe that the agreement or arrangement entered into by the distribution business/ licensee does not meet the criteria specified in this Regulation, the Commission may disallow all such transactions from the annual revenue requirements, the net increase in the cost of power on account of such procurement apart from any other action that the Commission may initiate as per law against the distribution licensee.”

As per the Regulation 78(5) of the Tariff Regulation 2021, during the contingency situation, the distribution licensee is allowed a period upto fifteen days from the date of entering into an agreement to file petition for approval of such contracts with all supporting details. In the present case, the petition was filed before the Commission on 31.10.2023 and the start date of commencement of supply from the banking arrangement is from 1st November-2023 onwards.

6. The Commission examined the petition filed by KSEB Ltd for entering in to banking transactions as per the above provisions of the EA-2003 and Tariff Regulation 2021 and noted the following;
- (i) The State is having power shortage ranging from 350MW to 700MW during the year 2023-24 including summer months from March 2024 to May-2024. KSEB Ltd has been meeting a part of the power shortage by way of purchase from DAM, TAM and RTM at higher rates.
 - (ii) KSEB Ltd proposed to meet a part of the shortage through banking transactions and invited the tender on 23.08.2023 for procurement of power through banking arrangement with utilities and traders for the period from 01.09.2023 to 30.09.2024.
 - (iii) Two traders namely M/s Manikaran Power Limited (MPL) and M/s Arunachal Pradesh Power Corporation Private Ltd (APPCPL) had participated in the tender.
 - (iv) As detailed under paragraphs 2(7) and 2(13) above, since the return percentage and trading margin offered by M/s Manikaran Power Limited

(MPL) are higher and the quantum offered by M/s MPL is also less, KSEB Ltd had decided not to enter into an agreement with M/s Manikaran Power Limited (MPL).

7. Considering the power shortages prevailing in the State, and also to conserve water to the maximum extent in the reservoirs of KSEBL for meeting the higher demand of summer months by reducing the generation from its hydel plants, KSEBL has decided to enter into banking agreement with the trader M/s Arunachal Pradesh Power Corporation Pvt Ltd (APPCPL) and issued Lol to the trader on 16.10.2023. The details are given below.

Supply from APPCPL-BYPL to KSEBL			Return from KSEBL to APPCPL-BYPL						Trading Margin (paise/kWh)			
Supply period	Duration	Quantum	Return period	Duration(Hrs)/Max MW return possible against each slot						Return(%)		
	(Hrs)	(MW)		00.00 - 05.00	05.00 - 08.30	08.30 - 18.30	18.30- 22.30	22.30 - 24.00				
Nov-23	RTC	100	11.06.24 to 10.07.24	250	50	100	50	250	100	2.90		
1 st to 15 th March 2024	RTC	50										
Additional Quantum												
Nov-23	RTC	50	11.06.24 to 30.06.24	70	26	25.985	0	70				
Dec-23	RTC	50	01.07.24 to 31.07.24	70	25	25	45	70				
1 st to 15 th March 2024	RTC	50	01.08.24 to 31.08.24	70	25	25	45	70				
			01.09.24 to 15.09.24	70	26	25.985	45	70				

The delivery point is the regional periphery of the exporting utility for both the supply and return period.

8. KSEBL has further submitted that, considering the urgency of the energy requirement, the power flow from the banking arrangement has started from 1st November 2023 onwards in anticipation of the approval of this Commission.
9. The Commission, after examining the entire facts of the case in detail, decided to approve the banking transaction with M/s Arunachal Pradesh Power Corporation Pvt Ltd (APPCPL) as detailed in paragraph-7 above, and also decided to ratify the action of the KSEBL to draw power from the banking transaction from 01.11.2023 in anticipation of the approval of this Commission.

Order of the Commission

10. The Commission after examining the petition filed by M/s KSEB Ltd for getting approval for entering in the banking transaction for the period from November 2023 to March 2024 (except January 2024 & February 2024) as per the provisions of

EA-2003 and , KSERC (Terms and conditions for Determination of Tariff) Regulations 2021, hereby orders the following :

- (1) Approve the banking transaction with M/s Arunachal Pradesh Power Corporation Pvt Ltd (APPCPL) as detailed in paragraph-9 above.
- (2) Ratify the action of KSEBL to draw power from the said banking transaction with effect from 01.11.2023 for meeting urgent electricity requirement of the State.

The petition is disposed of. Ordered accordingly.

Sd/-
T K Jose
Chairman

Sd/-
Adv. A J Wilson
Member

Sd/-
B Pradeep
Member

Approved for issue

Sd/-
C R Satheesh Chandran
Secretary