

KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM

Present : Shri T K Jose, Chairman
Shri B Pradeep, Member

OP No.01/2024

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 (APPCL) for banking of power during the period from 1st January 2024 to 15th April 2024 for managing the power deficit during the months.

Petitioner : Kerala State Electricity Board Limited

Order dated 17.01.2024

1. M/s Kerala State Electricity Board Limited (hereinafter referred as KSEB Ltd or petitioner) filed a petition on 04.01.2024, with the following prayer;

“grant approval for entering into an agreement for banking of power with the traders M/s. Arunachal Pradesh Power Corporation Pvt Ltd for banking of power during the period from 1st January 2024 to 15th April 2024 for managing the power deficit from Jan 2024 to April 2024 and return period from 16th June 2024 to September 2024.”

Trader	Source	Basis	Quantum & Supply period	Return Period	Return percentage(%)	Trade margin (Ps/unit)
			(MW)			
Arunachal Pradesh Power Corporation Pvt Ltd (APPCL)	PSPCL	Firm	200 MW RTC 1st January'24 to 31st March'24 and 150 MW RTC from 1st to 15th April	50 MW RTC 16th to 30th June'24 and balance quantum(RTC) 1st July'24 to 30th September '24	105	3

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

- (1) Due to the inadequate monsoon, significant rise in electricity demand and challenges in acquiring power from the market, KSEB Ltd has invited the tender for banking of power from 01-01-2024 to 30-09-2024 to meet the expected power deficit during summer 2024 and to manage the expected energy surplus during Monsoon 2024. The details are given below;

Supply Period			Return Period					
Month	Duration (hrs)	MW	Period	Duration (Hours)/ Max MW Return possible				
				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
Jan 24	RTC	300	15.06.2024 to 30.06.2024	400	400	400	50	400
Feb 24	RTC	300	01.07.2024 to 10.07.2024	500	500	600	60	500
March 24	RTC	300	11.07.2024 to 31.07.2024	600	600	600	70	600
April 24	RTC	300	01.08.2024 to 31.08.2024	600	600	600	70	600
May 24	RTC	300	01.09.2024 to 30.09.2024	600	600	600	50	600

The last date of submission of bid was extended twice, however, no offers were received before the extended stipulated date.

- (2) KSEB Ltd further submitted that, in order to resolve the critical power situation in the State in the coming summer, KSEB Ltd has decided to explore all available offers/sources to ensure firm power during the coming summer months. KSEBL had earlier entered into SWAP arrangement with M/s Arunachal Pradesh Power Corporation Pvt Ltd (APPCPL) and returned the power in time. Since KSEBL has promptly returned the power, KSEBL received various SWAP offers from M/s. APPCPL and decided to explore the possibility of entering SWAP arrangement with M/s. APPCPL.

M/s APPCPL vide its letter dated 01.12.2023 submitted an offer for supplying 200MW RTC firm power for January 2024 to March 2024 and 150MW RTC power from 1st to 15th April 2024, with return period from 16th June 2024 to September 2024 with the trading margin of 3 paise/unit and return percentage of 105%. In the meantime offers were also received from M/s Instant Ventures Pvt Ltd, M/s Shubheksha Advisors and M/s UPPCL.

- (3) The details of the offers received for banking of power is given below.

Trader	Source	Basis	Duration	Offered Quantum	Supply Period	Return Period	Return Duration	Trade margin (Ps/unit)
				(MW)				
Arrangement 1								
Arunachal Pradesh Power Corporation Pvt Ltd (APPCPL)	PSPCL	Firm	RTC	200	Jan-24	16th June to 30th September 2024	RTC	3
				200	Feb-24			
				200	Mar-24			
				150	1st to 15th April			
Arrangement 2								

Arunachal Pradesh Power Corporation Pvt Ltd (APPCPL)	PSPCL	Day ahead/As and when available /required	RTC/ Any time slot between 00.00 to 24.00 Hrs	Upto 300	Jan-24	16th June to 30th September 2024	RTC	3	
					Feb-24				
					Mar-24				
					Apr-24				
					May-24				
Instant Ventures Pvt Ltd	BYPL (Lol not furnished)	Firm	00.00 to 04.00 Hrs & 20.00 to 24.00 Hrs	100	Jan-24	01.06.2024 to 15.06.2024 & 01.09.2024 to 15.09.2024	00.00 to 04.00 Hrs & 20.00 to 24.00 Hrs	2	
			RTC	50	Feb-24				
Shubheksha Advisors	Arrangement 1								
	PSPCL	As and when available	Any time slot between 00.00 to 24.00 Hrs	Upto 410	Dec-23	1st July to 30th September 2024	RTC	4	
					Jan-24				
					Feb-24				
					Mar-24				
Arrangement 2									
HPPC (Lol not furnished)	Firm	RTC	Upto 410	Dec-23	1st July to 30th September 2024	RTC	4		
				Jan-24					
				Feb-24					
				Mar-24					
UPPCL					Oct 23 to March 2024	May to September 2024	19.00 to 05.00 Hrs		

- (4) Out of the above offers, the offer of M/s APPCPL (Arrangement 1) with Lol of PSPCL is most favourable to KSEBL compared to other offers, since the firm RTC power of 200MW was offered by them from January to March 2024 and 150MW firm RTC power offered from 1st April 2024 to 15th April 2024.

KSEBL had requested to M/s APPCPL for some more quantum of firm power up to May'24 and to shift the SWAP return from 16th June'24 to 1st July'24. However, M/s APPCPL informed that the supply quantum offered to KSEBL is final and suggested to return at least 50 MW power during the 2nd fortnight of June 2024 and the remaining quantum uniformly distributed in the balance period i.e. from 1st July 2024 to 30th September 2024. The final banking schedule with M/s APPCPL is given below;

Trader	Source	Basis	Quantum & Supply period	Return Period	Return percentage(%)	Trade margin (Ps/unit)
			(MW)			
Arunachal Pradesh Power Corporation Pvt Ltd (APPCPL)	PSPCL	Firm	200 MW RTC 1st January'24 to 31st March'24 and 150 MW RTC from 1st to 15th April	50 MW RTC 16th to 30th June'24 and balance quantum(RTC) 1st July'24 to 30th September '24	105	3

- (5) KSEB Ltd submitted that, considering the forthcoming election, shortage in availability of power through market and huge power deficit forecasted in the LGB, KSEB Ltd has decided to issue provisional LoA to the M/s APPCPL with the condition that LOA subject to the approval of Commission.
- (6) KSEB Ltd further submitted that as per Regulation 78 of the Tariff Regulation, 2021 approval of the Commission is required for short-term power procurement agreement or arrangement by way of exchange of energy under banking transactions.

Hence, KSEB Ltd requested the approval of the Commission for entering into an agreement for banking of power with the traders M/s. Arunachal Pradesh Power Corporation Pvt Ltd for banking of power during the period from 1st January 2024 to 15th April 2024 for managing the power deficit from Jan 2024 to April 2024 and return period from 16th June 2024 to September 2024.

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 1st January 2024 to 15th April 2024 for managing the power deficit from Jan 2024 to April 2024 and return period from 16th 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, 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) 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, KSEB Ltd shall get the prior approval of the Commission for the short-term power purchase also in advance as far as practicable.

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 1400MW 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 markets.
 - (ii) KSEB Ltd proposed to meet a part of the shortage through banking transactions and invited the tender on 31.10.2023 for procurement of power through banking arrangement for the period from 01.01.2024 to 30.09.2024. However, no offers were received, even though the last date of bid was extended twice.
 - (iii) Considering the critical power situation in the State in the upcoming summer period KSEB Ltd had decided to explore the possibility to have firm power during the coming summer months. KSEBL had earlier entered into SWAP arrangement with M/s Arunachal Pradesh Power Corporation Pvt Ltd (M/s APPCPL) for the supply of 150MW RTC power during November 2023, 50MW RTC power in December 2023 and 100MW RTC power from 1st to 15th March-2023. In earlier years also KSEBL have banking arrangement with APPCPL and other traders, and KSEBL had promptly returned the power.

KSEBL submitted that, it had received various offers for banking arrangement of power from January 2024 to April-2024, and its summary is given under paragraph 2(3) above.

KSEBL further submitted that, out of the above offers, the offer of M/s APPCPL given as 'arrangement-1' in paragraph 2(3) above, for supplying 200MW RTC firm power from January to March 2024 and 150MW RTC firm power through banking seems to be advantages to the State. Further, the KSEBL has to return the power from 16th June 2024 onwards @50MW RTC power from 16th June to 30th June 2024 and balance quantum uniformly from 1st July 2024 to 30th September 2024.

7. The Commission has examined the proposal of KSEBL to have banking transaction with M/s APPCPL, for supplying 200MW RTC power from January to March 2024 and 150MW RTC power from 1st April 2024 to 15th April 2024. The return period is from 16th June 2024 to 30th September 2024, @50MW RTC power from 16th June to 30th June 2024 and balance quantum uniformly from 1st July 2024 to 30th September 2024.

The trading margin offered is 3 paise per unit. As per the Regulation 8(1)(e) of the Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading licence and other related matters) Regulations, 2020, the maximum trading margin permissible for banking transaction is 7 paise per unit. Hence the trading margin offered in the proposed banking transaction is within the ceiling rate of trading margin fixed by Central Commission.

The return percentage is 105% of the banked energy. The delivery point is at regional periphery of the exporting utility during supply as well as return of the banked power.

All open access charges beyond delivery point shall be borne by the importing utility.

8. Considering the anticipated power shortages in the State, and to limit the cash outflow for the purchase of power and also for the optimum utilisation of the anticipated surplus power in the coming monsoon months, the Commission decided to approve the proposed banking transaction, as detailed below.

Trader	Source	Basis	Quantum & Supply period	Return Period	Return percentage(%)	Trade margin (Ps/unit)
			(MW)			
Arunachal Pradesh Power Corporation Pvt Ltd (APPCPL)	PSPCL	Firm	200 MW RTC 1st January'24 to 31st March'24 and 150 MW RTC from 1st to 15th April	50 MW RTC 16th to 30th June'24 and balance quantum(RTC) 1st July'24 to 30th September '24	105	3

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

The Commission decided to ratify the action of the KSEBL to draw power from the banking transaction from 01.01.2024 in anticipation of the approval of this Commission.

Order of the Commission

9. 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 1st January 2024 to 15th April 2024 for managing the power deficit from Jan 2024 to April 2024 and return period from 16th June 2024 to September 2024 as per the provisions of Electricity Act-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-8 above.
 - (2) Ratify the action of KSEBL to draw power from the said banking transaction with effect from 01.01.2024.

The petition is disposed of. Ordered accordingly.

**Sd/-
T K Jose
Chairman**

**Sd/-
B Pradeep
Member**

Approved for issue

Sd/-
C R Satheesh Chandran
Secretary