

**JOINT ELECTRICITY REGULATORY COMMISSION FOR THE STATE OF GOA  
AND UNION TERRITORIES GURUGRAM**

CORAM

Shri M.K. Goel, Chairperson

**Petition No: 51/2021**

**Date of Hearing: 05.08.2021**

**Date of Order: 09.09.2021**

**In the matter of:**

Petition for approval of the Hon'ble Commission for purchase of wind power of capacity 100 MW from ISTS connected power projects of MNRE through M/s. SECI and to adopt the price as determined through competitive bidding process and to ratify the action taken for signing of power sale agreement with M/s SECI, in anticipation of approval by Hon'ble Commission.

**And in the matter of:**

The Electricity Department,  
Government of Puducherry (EDP)

.....Petitioner

**Present**

**For the Petitioner**

1. Shri T. Chanemougam, Superintending Engineer, Electricity Department, Puducherry

**ORDER**

The Petitioner through this petition sought the Commission's approval for the power sale agreement (PSA) executed between SECI and EDP on 5<sup>th</sup> Feb 2019

The Commission heard the Petitioner in detail during the hearing dated 5<sup>th</sup> Aug 2021 and gave directions to provide additional information within four days. The said information by the Petitioner was submitted on dated 9<sup>th</sup> August 2021. The same is taken on record.

The Petitioner has advanced his arguments in detail. The same are as under: -

1. That with the objective to comply with the RPO and as advised by Ministry of New and Renewable Energy, Government of India, during the meeting held under the chairmanship of the Secretary, MNRE, for reviewing the progress of master plan for meeting the energy demand of the UTs through Renewable Energy, the Electricity Department of Puducherry, has requested M/s SECI for allocation of 100 MW Wind power from the ISTS connected Renewable Energy power projects being developed under various MNRE Schemes.
2. That SECI has offered 100 MW of Wind Power under 1200 MW ISTS connected wind power project Tranche-V of MNRE Scheme, to the petitioner for fulfilling the RPO compliance requirement.
3. That EDP has signed the PSA with M/s SECI for purchase of 100 MW of Wind Power on 5<sup>th</sup> Feb 2019.

4. That SECI had floated RfS for setting up of 1200 MW ISTS -connected Wind Power Projects vide RfS No. SECI/C&P/WPD/1200 MW/T5/RfS/062018 dated 30.06.2018 (Tranche V) along with subsequent amendments and clarifications.
5. That in response to the above tender notice the following bidders were considered for opening of financial bids: -

SNo.	Bidder Name	Capacity (MW)
1.	Alfanar Company	300
2.	Ecoren Energy India Pvt. Ltd.	175
3.	Adani Green Energy Limited	300
4.	Sitac Kabini Renewables Limited	300
5.	ReNew Wind Energy (Karnataka Two) Private Limited	300
6.	Torrent Power Ltd.	115
7.	Srijan Energy Systems Private Limited	200
	Total	1690 MW

6. That the shortlisted bidders based on the financial bid evaluation report, were confirmed for e-Reverse Auction. The final result of e-Reverse Auction is as given below: -

SNo.	Bidder Name	Capacity won after e-RA (MW)	Final Tariff (INR/kWh)
1.	Torrent Power Ltd.	115	2.76
2.	Adani Green Energy Limited	300	2.76
3.	Alfanar Company	300	2.77
4.	Sitac Kabini Renewables Limited	300	2.77
5.	Ecoren Energy India Pvt. Ltd.	175	2.77
	Total	1190	

7. That the offer of 100 MW of wind power has been made by SECI from the 300 MW ISTS connected wind power plants being set up by Sitac Kabini Renewables Limited.
8. Further, that the price of the wind power offered for 100 MW is Rs. 2.77 per Kwh plus the trading margin of Rs. 0.07 per Kwh, aggregating to Rs. 2.84 per Kwh for twenty-five years.
9. That the tariff for wind power has been adopted by CERC under Sec 63 of the Act vide its order in the matter of Petition No.379/AT/2019 dated 6<sup>th</sup> December, 2019.
10. That the wind power plant being set up by the developers has been awarded by SECI through competitive bidding process and the plant will be put into commercial operation before June 2023. The wind energy purchased from this project will be utilised towards compliance of its RPO under Non-solar categories. Therefore, the project should qualify for waiver of interstate transmission charges and losses on transmission of the renewable energy up to the peripheral grid of the Electricity Department, Puducherry.
11. That the power from the project is likely to be made available at the periphery of UT of Puducherry by 28.02.2022 (Modified SCOD).
12. That the necessary administrative approval vide GO. Ms. No. 05 dated 25.01.2019 of the Government of Puducherry has been obtained for purchase of 100 MW of wind power through M/s SECI and for signing the Power Sale Agreement with M/s SECI, New Delhi.

13. That the cost of solar and wind power offered including trading margin levelized for twenty-five years are much less than that of present average power purchase cost i.e., Rs. 3.89/Kwh (2021-22). Therefore, purchasing physical power towards RPO compliance, rather than purchase of Renewable Energy Certificates from Exchange would be cheaper and economical.
14. That the availability of RE Power at the periphery, equal quantum of thermal/conventional power from the CGS power plant having higher variable cost will be surrendered on real time basis.
15. The petitioner further submitted that there would be a saving of Rs 0.92/Kwh for 100 MW wind power as per the following details:

For Allocation of 100 MW wind power mapped from M/s Sitac Kabini Renewables Limited.

SL. No.	Particular	Charges/Unit																				
<b>I</b>	<b>Existing Scenario</b>																					
A	APPC (Excluding RPO Cost and Transmission Charges)	3.89																				
B	REC	1.00																				
C	Total Cost for purchasing including Renewable	4.89																				
<b>II</b>	<b>On receipt of 100 MW Wind Power from SECI</b>																					
D	Wind Power Cost (including Trading Margin)	2.84																				
E	Surrendered Fixed Cost of Thermal Power	1.13																				
	<table border="1"> <thead> <tr> <th>Source</th> <th>Power surrendered in Million units</th> <th>Total Cost incurred in surrendering power (FC) (Rs. Cr.)</th> <th>INR/Unit</th> </tr> </thead> <tbody> <tr> <td>NLC TPSII Stg.II</td> <td>92</td> <td>10.03</td> <td>1.09</td> </tr> <tr> <td>RSTPS Stg. III</td> <td>83</td> <td>6.91</td> <td>0.83</td> </tr> <tr> <td>PPCL</td> <td>77</td> <td>11.55</td> <td>1.50</td> </tr> <tr> <td>Total</td> <td>252</td> <td>28.49</td> <td>1.13</td> </tr> </tbody> </table>		Source	Power surrendered in Million units	Total Cost incurred in surrendering power (FC) (Rs. Cr.)	INR/Unit	NLC TPSII Stg.II	92	10.03	1.09	RSTPS Stg. III	83	6.91	0.83	PPCL	77	11.55	1.50	Total	252	28.49	1.13
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<b>F</b>	<b>Total Cost RE procurement through SECI (D+E)</b>	3.97																				
3	Net Saving (C-F)	0.92																				

Fixed Cost Details

SNo.	Plant Details	INR/Unit
1.	NLC TPSII Stg. II	1.09
2.	RSTPS Stg. II	0.83
3.	PPCL	1.50

16. That the M/s SECI is undertaking the purchase of power from wind power developer under the PPA (for 25 years) for sale of the procured power to the Buying entity (ED-Puducherry) under the PSA, in its capacity as intermediary procurer and is entitled to consideration, namely trading margin of INR 0.07 /kWh payable by the petitioner (buying entity) i.e., ED-Puducherry.

That upon hearing the arguments advanced by the petitioner during hearing on date 05.08.21 and written statement dated 9<sup>th</sup> Aug 2021, the Commission observed that the Central Commission is empowered under Section 79 (j) of the Electricity Act, 2003, to fix the trading margin in respect of Inter-State trading of electricity if considered necessary.

That, on 02.01.2020, the Central Commission had notified Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading licence and other related matters) Regulations, 2020 [Trading license Regulations, 2020]. The aforesaid regulations repealed the Trading Margin Regulations, 2010.

That the Chapter-IV of the Trading License Regulations, 2020 deals with Trading Margin. The relevant provisions of the Trading License Regulations, 2020 have been reproduced as under;

*6. Applicability of Trading Margin:*

*Trading margin shall be applicable to the following transactions undertaken by the Trading Licensee:*

.....

*(b) Transactions under long term contracts (where period of the contract of the Trading Licensee with either the seller or the buyer or both is more than one year);*

*8. Trading Margin:*

*(1) Trading Licensee shall comply with the trading margin as given below:*

.....

*(d) For transactions under long term contracts, the trading margin shall be decided mutually between the Trading Licensee and the seller:*

*Provided that in contracts where escrow arrangement or irrevocable, unconditional and revolving letter of credit as specified in clause (10) of Regulation 9 is not provided by the Trading Licensee in favour of the seller, the Trading Licensee shall not charge trading margin exceeding two (2.0) paise/kWh.*

That the Central Commission in a subsequent decision dated 28.02.2020, in Petition No.382/AT/2019 filed by SECI for adoption of tariff for Tranche-VII Wind Scheme, has considered the aspect of trading margin in light of the Trading License Regulations 2020, inter-alia, as under:

*27. SECI has prayed to adopt the trading margin of Rs. 0.07/kWh. Regulation 8(1)(d) of the Trading Licence Regulations provides as under:*

*"8(1)(d) For the transactions under long-term contracts, the trading margin shall be as mutually decided between the Trading licensee and the seller:*

*28 The above provision gives choice to the contracting parties to mutually agree on Trading Margin for long-term transaction. Accordingly, the Commission cannot adopt any Trading Margin. The Petitioner shall be governed by the above provisions of the Trading Licence Regulations. In view of the above, the prayer of SECI to adopt the Trading Margin is decided accordingly.*

That the Hon'ble Appellate Tribunal in the recent decision dated 27.02.2020 passed in Appeal Nos. 368, 369, 370, 371, 372 and 373 of 2019 in the matter of Ayana Ananthapuramu Solar Private Limited-vs-Andhra Pradesh Electricity Regulatory Commission & Ors, while considering the issue of trading margin in context of a similar PSA executed between SECI and Andhra Pradesh Discoms has held as under:

*70. It is also seen from the reply of AP Discoms that APERC (Intra-State Electricity Trading) Regulations of 2005 have not provided any trading margin for long term transactions. The Judgment of CERC dated 20.11.2019 above, actually says that trading margin regulation gives freedom and choice to the contracting parties to mutually agree on trading margin for any kind of trading transaction, subject to the ceiling whenever applicable. There are no trading margin regulations of the State of Andhra Pradesh Regulatory Commission for long*

*term transactions. Therefore, the only reliance that can be placed is on the mutually agreed upon terms which are spelt out as rights and obligations of the parties under PSA. Therefore, in the light of the PSA indicating Rs.0.07 as trading margin and in the absence of any Regulations that are applicable to the case on hand, we are of the opinion that trading margin of 7 paise per kWh has to be paid. The PSA between AP Discoms and NTPC/SECI is the final binding document which speaks about tariff and also trading margin on the transaction of sale of power to AP Discoms.*

The parties i.e. SECI and ED-Puducherry had voluntarily agreed to and accepted the trading margin of Rs.0.07/kWh when they entered into the PSA dated 05.02.2019.

That in terms of the above, the trading margin of Rs.0.07/kWh as mutually agreed between the parties in the contract i.e., PSA, is applicable and payable by the ED-Puducherry to SECI

The Commission has examined in depth the arguments advanced by the Petitioner. It has also carefully examined the PSA along with additional information filed by the petitioner. It has also examined the relevant provisions of the Electricity Act, 2003 rules and regulations made thereunder.

The Commission has noted that the Petitioner has entered into the power sale agreement (PSA) with M/s SECI for 100 MW wind power under 1200 MW ISTS Tranche-V. The said PSA was signed with M/s SECI on 05.02.2019 subject to final approval by the Commission. The Petitioner further submitted that they would pay tariff of Rs 2.77/kwh plus trading margin of Rs 0.07/kwh fixed.

The Commission further analysed that the petitioner has worked out a saving of Rs 0.92/Kwh for 100 MW wind power towards the procurement of the wind power through M/s SECI than the conventional power procurement. The APPC including REC Cost of the petition is Rs 4.89/Kwh. The average wind power cost (to be procured from SECI) is worked out to Rs. 2.84/kWh. In case, the wind power is procured from SECI then the power of 388.75 Mus will have to be surrendered and the impact of fixed cost towards surrender of conventional power is worked out at Rs. 1.13/Kwh for 100 MW, thereby, the cost of wind power (including fixed cost of surrendered power) will be 3.97(2.84+1.13) for 100 MW. It is further analysed that there will be a saving of Rs. 0.92/Kwh for 100 MW in case the wind power is procured by petitioner from SECI.

The Commission has further noted that the Petitioner has justified the purchase of the said 100 MW of wind power as it has submitted that it is fulfilling its RPO obligations by purchasing RECs through power exchange which, after considering the APPC price of power, turns out to be much more expensive than INR 2.84/kWh. The purchase of the said wind power will help in reducing the burden on Electricity Department Puducherry and also substantially help it in meeting its RPO obligations in future. This will also support the mission of the Government of India to have target installed capacity of 175 GW by 2022 and also comply with the directions of GOI, for meeting the power demand of UTs 100% percent through Renewable energy sources.

According to the petitioner, SECI has discovered the economical rate of wind power i.e. INR 2.84 for 100 MW per unit inclusive of 7 paise trading margin per unit which has been mutually agreed.

That the tariff discovered through competitive bidding process was adopted by the Central Electricity Regulatory Commission under Section 63 of the Electricity Act, 2003 by order dated 6<sup>th</sup> Dec, 2019 in Petition No. 379/AT/2019 of SECI for adoption of tariff for the 1200MW (Tranche V) Wind Power Projects.

The Commission accepts the arguments advanced by the petitioner in favour of purchasing of the said 100 MW wind power at a rate of Rs 2.77 per kWh plus trading margin of Rs. 0.07 per kWh.

The Commission feels that in order to fulfil its RPO obligations in near future the purchase of 100 MW wind power will be of advantage to the Petitioner and will contribute in making Union Territory of Puducherry 100% renewable energy powered Union Territory in future.

From the above provisions provided in the Electricity Act, 2003 particularly Section 86 1(b) it is clear that Commission's approval of the power purchase agreement is not only mandatory but without the said approval the power purchase agreements lack legal binding force.

Section 86 1(b) of Electricity Act, 2003 provides that (1) *The State Commission shall discharge the following functions, namely: -*

*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;*

The Commission noted that PPA was executed between the Petitioner and M/s SECI, New Delhi, for purchase of 100 MW Wind Power from ISTS connected wind power project on 5<sup>th</sup> Feb 2019 with a validity of 25 years from COD.


<b>Quantum of Power</b>	<b>Name of the Firm</b>	<b>Modified date of Commissioning</b>	<b>Tariff</b>	<b>Tenure</b>
100 MW of Wind Power	M/s SECI (SECI has signed the Power sale agreement with M/s Sitac Kabini Renewables (P) Ltd for procurement from 300 MW wind power plant)	28 <sup>th</sup> Feb 2022	<b>Rs. 2.84/kwhr</b> (Tariff of Rs. 2.77/kWh + trading margin of Rs. 0.07/kWh)	25 years

The Commission exercising the power as laid down under section 86 (1)(b), accords its approval to the said power sale agreement as detailed above.

The said power sale agreement for 100 MW of wind power executed between the Electricity Department Puducherry and SECI on dated 05.02.2019 placed on record before the Commission in petition number 51/2021 is an integral part of this order.

Ordered accordingly.

Sd/-  
(M.K. GOEL)  
CHAIRPERSON

Certified Copy  
  
(Rakesh Kumar)  
Secretary