

Before

UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

Petition No. 27 of 2017

In the matter of:

Petition seeking approval of the Commission for advance banking of power to Punjab State Power Corporation Ltd. under banking arrangement by Uttarakhand Power Corporation Ltd.

In the matter of:

Uttarakhand Power Corporation Ltd.

... Petitioner

CORAM

Shri Subhash Kumar Chairman

Date of Order: June 20, 2017

This Order relates to the Petition filed by Uttarakhand Power Corporation Ltd. (hereinafter referred to as "UPCL" or "Petitioner" or "Licensee") seeking approval of Draft Power Banking Agreement (PBA) to be executed by it with Punjab State Power Corporation Ltd. (hereinafter referred to as "PSPCL") under a banking arrangement.

1. Petitioner's Submissions

- 1.1. UPCL had filed the Petition seeking approval of the Commission on the draft Banking Agreement for advance banking of the surplus power of 700.8 MU from the month of June to September 2017 which will be received back during the month of December 2017 to March 2018 under Regulations 81(1) and 82 of UERC Tariff Regulations, 2015 read with Section 86(1)(b) of the Electricity Act, 2003.
- 1.2. The Petitioner submitted that as per the provisions of the Electricity Act, 2003 read with provisions of UERC (Conduct of Business) Regulations, 2014 and Distribution and Retail Supply License, the Petitioner is required to get the approval of the Commission on the banking arrangement to be entered into with the PSPCL.
- 1.3. The Petitioner submitted that the Commission in its tariff order for FY 2017-18 had

directed it to bank the surplus energy during the month of April, 2017 to September, 2017 and withdraw the same in the month of October, 2017 to March, 2018. The Petitioner further submitted that the plan has shifted to June, 2017 to September, 2017 for advance banking and withdrawing the same from the month of December, 2017 to March, 2018 due to the change in its availability and requirement.

- 1.4. The Petitioner invited the tender for the same in which 3 bidders participated namely M/s GMRETL (on behalf of BYPL, BRPL and GKEL), M/s PTC India Ltd. (on behalf of TPDDL) and M/s Punjab State Power Corporation Ltd. The Petitioner further submitted that after the detailed consideration on the various offers received, the offer of Punjab State Power Corporation Ltd. was considered as most suitable among all the offers and consequently LoA was issued to Punjab State Power Corporation Ltd. for advance banking from June to September 2017 and for taking it back from the month of December 2017 to March 2018 by the Petitioner.
- 1.5. The Petitioner submitted that in order to ensure consistent electricity supply to its consumers, best way to utilize the surplus power and for further cheaper arrangement of power in deficit position, the Petitioner after evaluating the proposals has proposed to enter into a Banking Agreement with Punjab State Power Corporation Ltd. In addition to above and with the view to manage the additional surplus power, if any, both the parties have agreed upon for banking on day ahead basis and return of the same from October 2017 to March 2018 on the same terms & conditions.
- 1.6. The Petitioner also submitted that as per the proposal of Punjab State Power Corporation Ltd. they are bound to return 110.8% (approx.) of the banked power to UPCL during the months of December 2017, January 2018, February 2018 and March 2018. Since the net energy received by the Punjab State Power Corporation Ltd. under Banking Agreement works out to be 700.80 MU at regional periphery in Northern region and they are bound to return 110.8% of 700.80 MU which works out to be 778 MU of energy to UPCL during the month of December 2017 to March 2018, however, the actual and final quantum of banked power will be known after the month of September 2017 and, accordingly, the returnable power can be ascertained and taken back. Such clause has already been incorporated in the Draft Banking Agreement. The banking of power will be the most cost-effective arrangement, i.e. Advance banking of power for the utilizing of surplus power and further

the same power will be taken back in the winter season, i.e. December 2017 to March 2018 when UPCL is in deficit. Moreover if the said arrangement is not considered then the Petitioner will have to procure power from the power exchange/short term power procurement which may be a needlessly expensive proposition and will consequently burden the consumers unduly.

2. Commission's Views & Decisions

2.1. Legal Requirement for approval of PPA

2.1.1. A power banking agreement is a legal document incorporating operational, technical & commercial provisions to be complied in accordance with the relevant rules & regulations.

2.1.2. Regulation 81 (1) of the UERC Tariff Regulations, 2015 provides that power purchase/banking/trading agreements as approved by the Commission shall be considered to determine the power purchase cost of the distribution licensee. Further, Section 86(1)(b) of the Electricity Act, 2003 stipulates that one of the function of the Commission is to 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.

2.1.3. The Commission vide its Tariff Order dated 29.03.2017 directed the Petitioner to bank the surplus energy during the month of April, 2017 to September, 2017 and withdraw the same in the month of October, 2017 to March, 2018. The relevant extract of the said Tariff Order is as follows:

*"However, as per the Commission's projection as against the energy requirement of 14166.67 MU, the total estimated energy available from firm sources is 14385.45 MU leaving an overall surplus of 218.78 MU. However, as per month wise requirement and energy availability the monthly deficit works out to 899.35 MU during winter months and the total monthly surplus works out to 1118.12 MU for summer months. **The Commission directs the Petitioner to bank the surplus energy during the month of April 2017 to September 2017 and withdraw the same in the month of October 2017 to March 2017.** The balance 218.78 MU of power can be banked for the next financial year FY 2018-19.*

The Petitioner should put in sincere efforts to suffice its requirement of power during deficit period/lean hydro generation period from the surplus energy available during the high hydro generation period through appropriate banking arrangements/agreements."

2.1.4. Accordingly, in accordance with the requirement of the Act, Regulations and Order referred above, UPCL is required to seek approval of the draft Power Banking Agreement proposed to be entered by it from the Commission.

2.2. Commission's Analysis of the PBA and Order on the same

2.2.1. The draft Power Banking Agreement is to be entered into between UPCL and PSBCL for supply of 700.8 MUs from UPCL to PSBCL during June' 2017 to September, 2017 and supply of 778 MUs from PSBCL to UPCL during December, 2017 to March, 2018.

2.2.2. The draft PBA submitted by UPCL has been examined in light of the relevant rules & regulations. The Commission observed that certain clauses in the draft PBA submitted by UPCL are inconsistent with the provisions of the Act/Regulations. Such observations have been discussed in the subsequent sub-Paras. UPCL is required to take note of the same and incorporate necessary corrections in the draft PBA while executing it with the project developers.

- a) Para 1 of the draft PBA provides the day on which PBA is brought into effect. The place for dates has been left blank. The above mentioned Para needs to be corrected and completed while the final PBA is being signed.
- b) With regard to Clause 7(i) of the draft Power Banking Agreement, insert the word "shall" in the last line after "and the final bill". Further, it appears that the Para 7, i.e. "Settlement of Energy Shortfall" has been segregated based on the period of settlement. The Commission has observed that the point (ii) under the head of Day basis settlement pertains to monthly settlement. Accordingly, the same is to be mentioned under the head of "Monthly Settlement". The Commission observed that in the 1st line of clause (I) under the head of "Settlement at the end of Agreement, i.e. March, 2018, of Para 7, the Petitioner has inadvertently mentioned the word "enable" instead of "unable". The same needs to be corrected.

Accordingly, the Para 7 shall be read as:

"7. SETTLEMENT OF ENERGY SHORTFALL

Since it is a banking arrangement, all effort will be made by UPCL/PSPCL to settle through the transfer of energy only. The contracted quantum shall be at the delivery point i.e. at Regional Periphery including CTU injection POC losses of injecting utility and accordingly all settlement shall be at delivery point.

DAY BASIS SETTLEMENT

This exchange of bilateral power between PSPCL and UPCL is supposed to be a cashless transaction. However, if delivered energy deviate from scheduled energy, the same shall be billed at average deviation settlement/UI rate of that duration on provisional basis. The bill shall be raised by the PSPCL/UPCL on weekly basis and the surcharge @ 1.25%/month shall be levied on day to day basis on outstanding amount beyond due date and the final bill shall be adjusted after issuance of REA account of deviation settlement/UI energy.

MONTHLY BASIS SETTLEMENT

If for any day, energy is not scheduled, excluding only Force Majeure events (with sufficient evidence of force majeure) then utility/bidder may arrange power from exchange or any other means and the bill on monthly basis with a penalty of Rs. 2/kWh over and above the exchange rate shall be charged.

SETTLEMENT AT THE END OF AGREEMENT i.e. March, 2018

I. *If PSPCL finds it unable to return entire bank power during the normal returning period, the balance quantity shall be return during the immediate succeeding months after the return period on the mutual consents by both the parties.*

Alternatively,

In case of quantum of power returned by PSPCL to UPCL is more than or equal to 99.5% and less than 100% of power returnable by PSPCL, the differential energy will be settled at the rate of Rs. 4.00/kWh and in case of quantum of power returned by PSPCL is less than 99.5% of the quantum returnable by PSPCL, PSPCL shall pay for the entire shortfall energy at the rate of Rs. 5.00/kWh.

II. *In case the quantum supplied by PSPCL is more than quantum supplied by UPCL, then UPCL will pay for such energy at the rate of Rs 2.50/kWh.*

All efforts will be made by PSPCL/UPCL to settle through the transfer of energy only."

- c) The date in the clause needs to be corrected and duly filled while signing the PPA.
3. UPCL is directed to take note of the above observations/corrections/modifications pointed-out in the PBA and carry out the same in the PBA and submit the amended/supplementary PBA to the Commission within 15 days of the date of the Order.
4. Ordered accordingly.

(Subhash Kumar)
Chairman