

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

**Present : Sri. T. M. Manoharan, Chairman
Sri. K. Vikraman Nair, Member
Sri. S. Venugopal, Member**

Petition No. O.P. 04 of 2016

In the matter of- approval of PPA to be entered into by Rubber Park India (P) Limited with K.S.E.B.Ltd. for additional power of 2200kVA at 110kV (over and above contract demand of 4500kVA as per PPA dated 24/03/2015)

Petitioner : Managing Director,
Rubber Park India (P) Limited,
Valayanchirangara,
Ernakulam – 683556

Respondent : Kerala State Electricity Board Ltd.,
Thiruvananthapuram

Order dated 17/02/2016

1. The Managing Director, Rubber Park India (P) Limited (RPIPL) has filed a petition before the Commission on 29-12-2015, seeking approval of the draft Power Purchase Agreement (PPA) to be entered into with K.S.E.B.Ltd., for additional power of 2200kVA at 110kV (over and above contract demand of 4500kVA as per PPA dated 24/03/2015).

Background

2. Government of Kerala, vide notification No. G.O(P) No. 20/2003/PD dated 17.06.2003 , had granted licence to M/s. RPIPL, for distribution of electricity, within the specified area of Rubber Park, Valyanchirangara.
3. M/s RPIPL, entered into a PPA with K.S.E.B.Ltd on 23.08.2003 for a contract demand of 250 kVA at 110 kV for a period of 20 years from 05.07.2003. The

contract demand was enhanced to 450 kVA with effect from 14.03.2005, to 2000kVA from 08.06.2006 and 3000 kVA from 31.03.2009. During May 2010, RPIPL requested K.S.E.B.Ltd for additional power of 1500 kVA, totalling the demand to 4500 kVA which was granted by K.S.E.B.Ltd, and was later withdrawn by K.S.E.B.Ltd unilaterally, stating that they did not have surplus power to cater the requirements of other distribution licensees at that point of time. Aggrieved with this action, M/s. RPIPL filed a petition before the Commission as O.P.No. 36 of 2012. While disposing of the petition on 22.04.2013, the Commission, issued the following directions, viz,

- a. The Contract demand of M/s. RPIPL shall deemed to have been raised to 4500 kVA from the date on which the draft agreement was received by K.S.E.B.Ltd, i.e. 25.05.2010 and directed to enter into a new PPA by both the parties.
- b. The excess demand charges claimed shall be refunded as & when M/s. RPIPL withdraws litigation against K.S.E.B.Ltd. and clears all the legitimate amount due to K.S.E.B.Ltd.
- c. M/s. RPIPL shall relocate the metering system within 6 months.-

M/s RPIPL had submitted that they withdrew the W.P.(C) No. 13454 of 2011, filed before the Hon. High Court of Kerala. and cleared all the arrears due to K.S.E.B.Ltd and initiated steps to modify the metering system. Based on the request of the petitioner, the Commission extended the time limit for relocating the metering equipment up to December 2014. The petitioner had filed a petition before the Commission seeking approval of the Power Purchase Agreement (PPA) to be entered into with K.S.E.B.Ltd, for additional power of 1500 kVA, totalling the contract demand to 4500 kVA, which K.S.E.B.Ltd. had granted in May 2010. The Commission disposed of the petition vide order dated 31.10.2014 by approving the PPA mutually agreed between the petitioner and M/s K.S.E.B.Ltd for a period of 20 years from 17.06.2003 being the date of effect of distribution license granted to M/s RPIPL by the Govt. of Kerala.

4. The Managing Director, RPIPL, vide the petition dated 29-12-2015 has submitted the draft Power Purchase Agreement (PPA) to be entered into with K.S.E.B.Ltd., for availing power to the additional extent of 2200 kVA at 110kV level, totalling the demand to 6700kVA, for a provisional period of 1 year from the date of signing the agreement.

Analysis and Decision of the Commission

5. The Commission has scrutinised the draft PPA and decided to approve the same with the following modifications/ changes.
- a. Art 1.1.1 – may be modified as “Act” means Electricity Act 2003, as amended from time to time.
 - b. Art 1.1.2 - “with the approval of the Commission” may be added at the end of the line.
 - c. Article 1.1.8 - The definition of Grid Code may be modified as “Grid Code: means Kerala State Electricity Grid Code 2005 as amended and revised from time to time.”
 - d. Article 1.1.12 – The word “accounting” may be modified as “quantifying”.
 - e. Art 2.2 - “with the approval of the Commission” may be added at the end of the line.
 - f. Article 3.4 – The words ‘or decrease’ may be deleted, in the 1st line.
 - g. Article 3.6 – The word “equipments” shall be replaced with “equipment”.
 - h. Art 5.6 - “ as amended or revised from time to time” may be added at the end
 - i. Article 6.0 – The word “regulations” after “Kerala State Electricity Grid Code, 2005 (KSEGC 2005)” may be deleted.
 - j. Article 7.2 – In the 4th line the words “/principles” may be added after the word “tariff philosophy”.
 - k. Article 7.3 – In the 1st line the words “/principles” may be added after the word “tariff philosophy”.
 - l. Article 8.4 – reference to kWh is not necessary. Hence may be deleted.
 - m. Article 8.8 – The following may be added at the end “In case of any default of payment, RPIPL is liable to pay interest at twice the bank rate for the number of days of delay.”
 - n. Article 8.13 - “, only with the approval of the Commission” may be added at the end of “ The disconnection of supply in default of payment shall be as per section 56 of the Act”.
 - o. Article 11 – The clause on Dispute Resolution may be modified as follows :
“All differences or disputes between the parties arising out of or in connection with this agreement shall be mutually discussed and

amicably resolved within 90 days. In the event that the parties are unable to resolve any dispute, controversy or claim relating to or arising under this agreement, as stated above, the same shall be referred to the Commission”

p. KSEB and Board are to be replaced with K.S.E.B.Ltd., wherever it appears in the agreement.

6. Regarding the articles 8.9 to 8.12 of the draft PPA on payment security mechanism, the following observation of the Commission may be noted,

- (i) Article 8.9 of the PPA provides for opening and maintaining an irrecoverable revolving unconditional Letter of Credit (LC) in favour of KSEB Ltd with a public sector / scheduled commercial bank at Thiruvananthapuram as backup security. The value of LC shall be 1.05 times the average billing demand of previous 12 months and shall be enhanced based on the monthly electricity bill amounts which may increase due to increase in consumption or due to revision in tariff.
- (ii) Further, Article 8.12 of the PPA provides that, RPIPL shall at all times maintain with KSEB Ltd an amount equivalent to two months electricity charges based on average on average monthly consumption as payment security. 50% of the security shall be furnished in the form of cash, or Demand Draft and, Bank Guarantee for an equal amount shall be furnished from a nationalized bank. The security shall be reviewed and revised after every twelve months based on the average electricity bill amount for that period. The Bank charges shall be paid by RPIPL. Interest for the security deposit maintained by RPIPL with KSEB Ltd shall be payable by KSEB Ltd to RPIPL at Bank Rate as defined in Kerala Electricity Supply Code, 2014, in the first quarter of each financial year.
- (iii) Thus, the Article 8.9 and article 8.12 of the PPA stipulates for double security mechanism, i.e., one in the form of LC equivalent to 1.05 times the average billing demand and the second one in the form of security deposit equivalent to two months electricity charges. The Commission is of the opinion that, any one of the security mechanism shall be sufficient. Further, the bank charges for maintaining the LC and also the bank charges for providing bank guarantee for 50% of the security deposit are the expenses of the RPIPL and hence the same may reflect in the ARR and BST

applicable to RPIPL. Further, the KSEB Ltd has also to provide interest at bank rate for the security deposit with KSEB Ltd in the form of cash or demand draft, which is an expense of the KSEB Ltd.

- (iv) Considering these factors, the petitioner RPIPL and the respondent KSEB Ltd may mutually discuss and arrive at a consensus on the issue, and modify the PPA accordingly. If KSEB Ltd insists for double security mechanism as provided in the draft PPA and the RPIPL agree for the same, the cost of providing the double security mechanism shall be allowed through the ARR of the RPIPL.

Orders of the Commission:

7. The draft PPA submitted by the Petitioner M/s RPIPL, duly initialled by both the petitioner, M/s RPIPL and the respondent K S E B Ltd is hereby approved with modifications as given under paragraph 5 and the suggestions as given under paragraph-6 above .
8. This agreement shall remain valid for a period of 1 year from the date of signing the agreement.
9. A copy of the PPA entered between the parties shall be submitted to the Commission for records.
10. Petition is disposed of accordingly.

Sd/-

K. Vikraman Nair
Member

Sd/-

S. Venugopal
Member

Sd/-

T.M.Manoharan
Chairman

Approved for issue

Sd/-

Santhosh Kumar. K.B
Secretary