

**KERALA STATE ELECTRICITY REGULATORY COMMISSION  
THIRUVANANTHAPURAM**

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

**OP No 64/2023**

In the matter of : Petition for determination of Project Specific Tariff and approval of PPA with KSEB Ltd for the 4 MW Mukkudam SHP project developed by M/s Mukkudam Electroenergy Pvt Ltd in Periyar basin in Idukki district.

Petitioner : M/s Mukkudam Electroenergy Pvt Ltd

Petitioner represented by : Shri. Rakesh Roy, Managing Director

Respondent : Kerala State Electricity Board Limited

KSEBL represented by : Shri M.P Rajan, Dy. Chief Engineer  
Sri. Ajithkumar, K.N, Executive Engineer  
Sri. Shine Raj, Asst: Executive Engineer

Date of the hearing : 29.12.2023, 11:00 AM, Court Hall of the Commission

**Interim Order dated 24.01.2024**

1. M/s Mukkudam Electroenergy Pvt Ltd (hereinafter referred as petitioner), on 14.11.2023 filed a petition before the Commission with the following prayers:
  - "1) *Admit this present Petition*
  - (2) *Approve the Draft Power Purchase Agreement, with necessary modifications of clauses 5.4, 6.4 & 6.5, initialled between the Petitioner and the Respondent for purchasing the entire energy generated from the project.*
  - (3) *Determine the project specific tariff for this project as per the prevailing norms of the commission*
  - (4) *Allow an interim tariff till the project specific tariff is determined and pass an order to the Respondent to make us payments on a monthly basis for the entire energy injected into the grid so as to enable the Petitioner to serve the interest to their lenders and also to meet the O&M expenses of the Power Plant.*
  - (5) *Pass any such further order or orders as this Hon'ble Commission may deem just and proper in the facts and circumstances of the case."*

2. Summary of the petition filed by the Petitioner is given below.

- (1) The Petitioner, M/s Mukkudam Electroenergy Private Limited is a company registered under the Companies Act, 2013. The petitioner has developed the Mukkudam Small Hydroelectric Project with installed capacity 4 MW at Panamkutty, in Periyar River basin in Idukki district and started injecting power to KSEBL grid from 21.10.2023.
- (2) In 2014, the petitioner had identified the project site of Mukkudam SHP and approached the State Government (GoK) and Energy Management Center (EMC) with a proposal for implementing a Small Hydroelectric Project. Subsequently, EMC had issued a consent letter on 20.11.2014 to the petitioner to conduct a detailed engineering study and prepare the Detailed Project Report (DPR) for the consideration of the Technical Committee, constituted by the Government.

The petitioner on 19.12.2015 submitted a Detailed Project Report (DPR) with installed capacity as 1 MW to the GoK and the Government accorded 'Administrative Sanction (AS)' on 09.03.2018.

- (3) The petitioner submitted the revised DPR with installed capacity of 4 MW in October 2020 to the GoK and the Government approved the same on 23.02.2021.
- (4) The Petitioner achieved financial closure with Indian Renewable Energy Development Agency (IREDA) Ltd., New Delhi on 03.09.2021 and with IFCI Venture Capital Funds Ltd, New Delhi on 26.11.2021.
- (5) The petitioner submitted that KSEB Ltd had issued provisional 'Letter of Comfort' vide dated 01.01.2022 regarding power procurement from Mukkudam SHP.
- (6) As per the request of the petitioner, a draft Power Purchase Agreement has been initialed between the petitioner and the respondent on 24.03.2023.
- (7) The Clause 5.4 of the PPA specifies the tariff of the power generated from the project. The relevant clause is extracted below;

*"5.4. Tariff for Power Generated from the project shall be lower of Project Specific Tariff or the tariff of any SHP commissioned in Kerala during 2021-22 or Mutually Agreed tariff."*

- (8) The petitioner submitted that for arriving a mutually agreed tariff, the Petitioner and the Respondent held three meetings on 24.04.2023, 26.09.2023 and 13.11.2023. Unfortunately, both the parties could not arrive on a Mutually Agreed Tariff.
- (9) The Petitioner entered into connectivity agreement with the respondent on **21.10.2023 and synchronized both the generating units (of 2 MW**

**each)** to the grid on the same day and has been injecting power since then.

- (10) The petitioner has requested to approve the draft initialled PPA with necessary modifications in the Clause- 5.4, 6.4 and 6.5 of the draft initialled PPA between the petitioner and respondent.

3. KSEB Ltd vide the Counter affidavit dated 26.12.2023 submitted the following;

- (1) The project was allotted to the petitioner as per the provisions of the Clause 7.3 of the Kerala Small Hydro Policy, 2012. Clause 7.3 of the policy specifies the case of projects identified by the private person on their land, the relevant portion is extracted below;

*“7.3 Small Hydro Power Projects identified by private persons on their own land will be assigned to the owner of the land subject to payment of the upfront premium specified below.”*

- (2) KSEB Ltd had expressed the willingness to procure the power at the lower of project specific tariff or the tariff of any SHEP commissioned in Kerala during the year 2021-22 or mutually agreed tariff, with following conditions;

- The developer has to limit the capital cost within regulatory norms reduced by the eligible MNRE grant/subsidy/Any other benefits.
- Tariff applicable to excess generation over designed energy must be as per KSERC regulation. In the event of any conditions not specified in the KSERC regulation, the relevant clauses of CERC regulation shall be applicable.
- The benefit of infirm power injected in to the grid by the developer prior to CoD shall be passed on to the consumer while determining the tariff as the tariff period is computed from date of CoD.

- (3) KSEB Ltd submitted that, they are not clear regarding the concern of the petitioner regarding the modifications of the PPA suggested by the petitioner.

4. The petitioner vide the additional submission dated 26.12.2023 submitted the following;

- (1) The Petitioner claimed the project-specific tariff of ₹5.14/kWh (with the benefit of accelerated depreciation) for the electricity generated from this project with total Capital Expenditure of ₹2979.76 Lakhs and PLF of 30.78%. However, the petitioner extended their willingness to supply the generated electricity at a discounted tariff of ₹4.75/kWh to the respondent, which the petitioner believes to be much sustainable to the Respondent.

- (2) The KSEB Ltd has already been procuring Small Hydro Power at ₹4.88/kWh through a PPA signed in May 2015 and this proposed tariff shall remain fixed for the entire 15 years of the PPA to be executed between the Petitioner and KSEB Ltd.
5. The Commission admitted the petition as OP No. 64/2023 and conducted the hearing on 29.12.2023. Shri. Rakesh Roy, Managing Director, Mukkudam SHP presented the petition on behalf of the petitioner. Shri. M.P. Rajan, Deputy Chief Engineer, Shri. Ajithkumar K.N, Executive Engineer and Shri. Shine Raj, Asst: Executive Engineer, appeared before the Commission on behalf of the respondent KSEBL. The summary of the deliberations during the hearing is given below.
- (1) The petitioner briefly presented the background of the petition and submitted that, though there were three rounds of discussion with the officials of KSEBL to arrive at a mutually agreed tariff, mutual consensus could not be reached on the issue.
- The petitioner submitted that the Commission may allow one month time to submit the details of the invoices and other particulars in support of the capital cost incurred for the project for determining the project specific tariff.
- The petitioner requested an interim tariff till the Commission determines the project specific tariff for the project.
- (2) KSEBL during the hearing submitted that, the petitioner has not submitted the details for claiming the capital cost of the project, which is essential for tariff determination.
- KSEBL further submitted that, though the project was synchronised with the grid on 21.10.2023, the CoD of the project is yet to be achieved.
- KSEBL does not have any objection to consider the prayer of the petitioner for an interim tariff for the power injected into the grid, however, the interim tariff may be determined at APPC rate.
- (3) The Commission based on the deliberations during the hearing on 29.12.2023, directed the petitioner M/s Mukkudam Electro Energy Pvt Ltd and the respondent KSEBL to have one more negotiation to arrive at a mutually agreed tariff and submit the outcome before the Commission, to take an appropriate decision on the tariff for the electricity generated and injected into the grid. The Commission further clarified that, the approval of the power purchase agreement (PPA) to be signed between the petitioner and KSEBL shall be decided only after the Commission approves the tariff of the project.
6. The petitioner M/s Mukkudam Electro Energy Pvt Ltd vide its letter dated 11.01.2024 submitted that, an online meeting was held with KSEBL on

09.01.2024 to discuss and finalise the mutually agreed tariff, but the parties could not reach a consensus on the same. The petitioner had offered to reduce the tariff @Rs 4.55/unit, but KSEBL is offering the tariff @Rs 4.00/unit only. The offered rate of the KSEBL is not acceptable to the petitioner.

7. The petitioner vide the letter dated 11.01.2024 further submitted that, the demand notice issued by the following lenders of the project, which is due for payment in the month of January 2024.
  - (1) Demand notice dated 10.01.2024 of the lender IREDA, requesting for the payment of the interest overdue of Rs 35.46 lakhs including liquidated damages.
  - (2) Demand notice dated 26<sup>th</sup> December 2023 for an amount of Rs 9,33,297/- issued by the lender IFCI Venture Capital Funds Limited.

The petitioner further submitted that, if they fails to clear the dues by the end of this month, the Mukkudam Project will fall into the Non-performing Asset (NPA) Category.

The petitioner has also submitted that, being a small company, they do not have any cash reserves left and are hence unable to serve the interest to the lenders and also to meet the O&M expenses of the power plant.

Hence the petitioner M/s Mukkudam Electro Energy Pvt Ltd prayed before this Commission to allow them an 'interim tariff' for the entire electricity supplied to KSEBL and direct KSEBL to make the payment on priority basis.

8. The Commission has examined the entire aspects including the deliberations of the subject matter during the hearing held on 29.12.2023 and also the submission of the petitioner vide the letter dated 11.01.2024, and decided as follows;
  - (1) Though the Commission has directed the petitioner M/s Mukkudam Electro Energy Pvt Ltd and the respondent KSEBL to discuss and finalise the mutually agreed tariff and submit the same before the Commission for approval, consensus on the same could not be reached between the parties.

Since the parties could not reach a consensus on a mutually agreed tariff, the Commission has decided to determine the project specific tariff of the project as per the provisions of the Electricity Act, 2003, and the norms and parameters as per the KSERC (Renewable Energy & Net metering) Regulations, 2020 and its amendments from time to time, and other relevant Rules and Regulations in force.

**In order to determine the project specific tariff, the petitioner shall submit all the necessary and sufficient details for determining the project specific tariff including the tax invoices for claiming the capital cost.**

- (2) The Commission has also examined the request of the petitioner to approve an interim tariff till the Commission determines the project specific tariff of the project.

The Commission noted that, during negotiation KSEBL had offered a tariff @Rs 4.00/unit as against the tariff @Rs 4.55/unit offered by the petitioner. The Commission also noted that, recently the Commission vide the Order dated 08.03.2023 in petition OP No. 65/2021 had determined the project specific tariff of the 4.5MW Arippara SHP of CIAL @ Rs 4.30/unit.

The average cost of power purchase approved by the Commission for the year 2023-24 vide the Order dated 25.06.2022 in petition OP No. 11/2022 is Rs 4.70/unit.

The Commission is of the considered view that, being a small entrepreneur who established the small hydel project, for supplying power to the State Power Utility KSEBL, they deserve proper encouragement and support. The Commission also noted the demand notice received by the petitioner from its lenders for payment in January 2024.

Considering the entire aspects in detail, the Commission has decided to approve an interim tariff @Rs 4.30/unit for making provisional payments to the electricity generated and supplied to KSEBL since the date of synchronisation of the project, on the condition that once the Commission approves the project specific tariff, it shall be applicable for the electricity generated and supplied to KSEBL from the date of synchronisation, and the provisional payments made shall be revised based on the final tariff.

9. Based on the deliberations during the hearing held on 29.12.2023, the petitioner M/s Mukkudam Electro Energy Pvt Ltd vide letter dated 11.01.2024, the Commission hereby approve the following for immediate compliance by the petitioner M/s Mukkudam Electro Energy Pvt Ltd and the respondent KSEBL.

- (1) The Commission had decided to determine the project specific tariff of the Mukkudam SHP for the electricity generated and supplied to KSEBL.

**In order to determine the project specific tariff, the petitioner shall submit all the necessary and sufficient details for determining the project specific tariff including the tax invoices for claiming the capital cost**, with a copy to the respondent KSEBL. The petitioner shall submit the details within one month from the date of this Order, failing which the Commission shall review the grant of interim tariff specified under (2) below, for the subsequent period.

- (2) Approve the interim tariff for the electricity generated and supplied to KSEB Ltd from the Mukkudam SHP-4MW @ Rs 4.30/unit, and KSEB Ltd shall make provisional payments for the electricity generated and

supplied to KSEB Ltd from the date of synchronisation of the project at this rate.

- (3) Once the Commission approves the project specific tariff for the Mukkudam SHP 4 MW, provisional payments made, if any, shall be revised at the project specific tariff, and the excess payment/ shortfall in payment, if any shall be adjusted in the future bills, without any claim on the belated payments by both the parties.

**Sd/-  
T K Jose  
Chairman**

**Sd/-  
Adv. A J Wilson  
Member**

**Sd/-  
B Pradeep  
Member**

Approved for issue  
Sd/-  
C R Satheesh Chandran  
Secretary