

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

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

OP No 67/2023

In the matter of : Petition under Regulation 78 of the KSERC (Terms and Conditions for Determination of Tariff) Regulations 2021 seeking approval for the agreement for banking of power with M.P. Power Management Company Limited (MPPMCL), wholly owned by the Government of Madhya Pradesh for banking of power during the period from September 2023 to January 2024 for managing the power deficit during RTC hours of September 2023 to October 2023.

Petitioner : Kerala State Electricity Board Ltd

Order dated 27.12.2023

1. Kerala State Electricity Board Ltd (hereinafter referred as KSEB Ltd or petitioner) on 29.09.2022 filed a petition before the Commission, seeking approval of the banking arrangement with M.P Power Management Company Ltd (MPPMCL), a wholly owned subsidiary of Government of Madhya Pradesh, during the period from September 2023 to January 2024, for managing the power deficit during RTC hours of September 2023 to October 2023.

Lol offered by M/s MPPMCL

Supply of Power	Period	Quantum (in MW)	Duration/Quantum (in MW)	Basis
MPPMCL Supply to KSEBL	13th September 2023 to 24th September 2023	Upto 200 MW	Upto 200 MW RTC and additional up to 100% of RTC quantum during 18:45 - 22:00 hrs, however maximum quantum shall not exceed 200 MW in any time block.	KSEB shall apply any quantum on DA/Contingency basis/Firm
	25th September 2023 to 31st October 2023	Upto 200 MW	RTC/Any time slot between 00:00-24:00	As & when available/ required Day Ahead /contingency basis.

KSEBL Supply to MPPMCL	January 2024	Return-105% of Banked Power	06:00 -18:00	Firm
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2. Summary of the petition filed by M/s KSEB Ltd is given below:

- (i) KSEB Ltd is expected to have a power shortage of around 700 MW round the clock and touching 1400 MW during peak hours of summer months for the period from September 2023 to May 2024.
- (ii) KSEB Ltd had been managing the shortage by way of purchase from DAM, RTM & TAM markets. During the month of August 2023, the average daily additional cost of power purchase from these sources was about Rs 8.00 crore to Rs 9.00 crore, which went up to Rs. 20 Cr on some days.
- (iii) In order to meet a part of the power shortages and also reduce the additional cost of power purchase, KSEBL had decided to purchase power through SWAP arrangements during the year 2023-24.
- (iv) Accordingly, KSEB Ltd has invited tender on 23.08.2023 from utilities and traders for banking of power with KSEBL during the period from 01.09.2023 to 30.09.2024, with requirement as follows

Supply Period		
Period	Duration (hrs)	MW
Sept 23	RTC	500
Oct 23	RTC	500
Nov 23	RTC	300
Dec 23	RTC	500
March 24	RTC	200
April 24	RTC	500
May 24	RTC	500

The return period for the above Swap transaction is from June 2024 to September 2024.

- (v) The last date of bid submission & opening was on 07.09.2023 at 2.00 pm & 3.00 pm respectively. Only two bids were received from the following firms, the details are given below.
 - (1) M/s Manikaran Power Limited (MPL) 50 MW RTC for November 2023 & 50 MW during December 2023 from 00.00 Hrs to 06.00 Hrs & 12.00 Hrs to 24.00 Hrs

(2) M/s Arunachal Pradesh Power Corporation Private Ltd (APPCPL) 100 MW RTC for November 2023 & 50 MW RTC during 1st to 15th March 2024.

- (vi) In the meanwhile, KSEBL has also invited a short term tender through DEEP portal on 21.08.2023 for the various quantum (150 MW for September, 100 MW for October and November) with opening date on 05.08.2023, 12 firms participated in the bids. The final rates derived through e-reverse auction varies from Rs. 6.95 per unit to Rs. 10.6 per unit. Further, the rate discovered in the medium-term tender floated on 07.06.2023 in compliance with the direction of the Commission is at the rate of Rs. 6.88 per unit. Since the rates derived on a short term and medium-term basis was very high, the matter has been taken up with Government of Kerala for appropriate decision. Further, due to high demand in southern region, the bid quantum in the power exchange were not getting cleared in the market and hence the power arrangement was essential for maintaining power system stability.
- (vii) KSEBL further submitted that, during this period, M.P. Power Management Company Limited (MPPMCL), vide its letter dated 08.09.2023 had agreed to enter into banking arrangement with KSEBL as follows for sale of the power available on day ahead basis.

Supply of Power	MPPMCL Supply to KSEBL	Quantum	Duration	Nature
		(in MW)		
MPPMCL to KSEBL	09th September 2023 to 31st October 2023	Upto 200MW	RTC, anytime between 00:00 to 24:00 hrs	Day ahead basis
KSEBL to MPPMCL	January 2024	105% of banked energy	06:00 -20:00	Firm Basis

- (viii) Subsequently, MPPMCL vide its letter dated 12.09.2023 has amended their offer as follows.

Supply of Power	MPPMCL Supply to KSEBL	Quantum (MW)	Duration	Nature
MPPMCL to KSEBL	13th Sep-2023 to 24th Sep-23	Upto 200MW	Upto 200MW RTC and additional upto 100% of the RTC quantum during 18:45 hrs-22:00 hrs, however maximum quantum shall not exceed 200 MW in any time block	Day ahead basis
	25th Sep-2023 to 31st Oct-23	Upto 200MW	RTC/ any time slot between 00:00 hrs to 24:00 hrs	As & when available / required Day ahead/ contingency basis

KSEBL to MPPMCL	January 2024	105% of banked energy	06:00 - 18:00	Firm
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As per the terms and conditions attached to the offer, the delivery point shall be at regional periphery.

- (ix) KSEB Ltd further submitted that, as per Lol, if KSEBL fails to return firm power equal to the 80% of the monthly (calendar month) energy, for which open access is initially granted, then KSEBL shall pay compensation at the rate Rs. 1/kWh for the difference (shortage) quantity to MPPMCL. While paying the compensation, KSEB would still have to return the returnable energy. The remaining returnable energy would be returned in the next month on mutual consent. Further, energy will be exchanged with energy only. If the energy is exchanged between MPPMCL and KSEBL in the desired proportion, no monetary transaction will take place. If any balance returnable energy, it shall be settled between parties in the following manner;

Sl No.	Return Power in % of Returnable	Settlement Rate for difference of Returnable & returned Energy	To be Paid by
1	99.5% to 100% of Returnable	Rs 6.00/kWh	KSEBL
2	Less than 99.5% of Returnable	Rs 7.00/kWh	KSEBL
3	More than Returnable	Rs 6.00/kWh	MPPMCL

- (x) KSEB Ltd submitted that, considering the high market rates, and the contingency faced due to shortage of power, the proposal is economically feasible when compared to high priced long duration contracts. As this banking arrangement doesn't involve traders, there is savings in terms of trading margin. Further, according to IMD predictions, monsoon 2023 could result in "below normal".
- (xi) KSEB Ltd further submitted that, due to the contingent requirement of power and the benefits of swap transaction, KSEBL accepted the Lol issued by MPPMCL.
- (xii) The Regulation 78(5) of the KSERC (Terms and Conditions for determination of Tariff) Regulations, 2021 stipulates the following:

"78 (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:

- (xiii) Hence, KSEB Ltd requested for the approval of the agreement made by KSEBL with M.P. Power Management Company Limited (MPPMCL), wholly owned by the government of Madhya Pradesh for banking of power during the period from September 2023 to January 2024 for managing the power deficit during RTC hours of September 2023 to October 2023.

Analysis and Decision of the Commission:

3. The Commission having examined in detail the petition filed by KSEB Ltd for approval of the agreement made by KSEBL with M.P. Power Management Company Limited (MPPMCL), wholly owned by the government of Madhya Pradesh for banking of power during the period from September 2023 to January 2024 for managing the power deficit during RTC hours of September 2023 to October 2023., as per the provisions of the Electricity Act,2003 and KSERC (Terms and conditions for Determination of Tariff) Regulations, 2021 (Tariff Regulation 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) *determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be, within the State:*

Provided that where open access has been permitted to a category of consumers under section 42, the State Commission shall determine only the wheeling charges and surcharge thereon, if any, for the said category of consumers;

- (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;”*

5. The Regulation 78 of the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2021 (herein after 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, during contingency situation, the distribution licensee is allowed a period upto fifteen days from the date of entering into an agreement to file petition for approval of such contracts with all supporting details.

6. The Commission examined the petition filed by KSEB Ltd for the approval of agreement for the banking transaction as per the above provisions of the EA-2003 and Tariff Regulation 2021. The Commission is also aware of the critical power situation prevailing in the State due to the failure of monsoon, increase in energy demand. The Commission is also aware of the high price of electricity in the short-term market including power exchanges and the additional cost incurred for procuring power from 'Day Ahead Market (DAM)', 'Real Time Market (RTM)' and 'Term Ahead Market (TAM)'.
7. The Regulation 78(3)(vi) provides for procurement of power through banking transactions. The Commission also aware that, by arranging power through banking transactions, KSEBL can contain its cash outflow to a greater extent.
8. In this background, the Commission has examined the following banking transactions entered into by KSEBL with the MP Power Management Company Limited (MPPMCL) for meeting the power requirement during the months of September-2023 and October-2023, with return of power during the month of January 2024. The details are given below.

Supply of Power	MPPMCL Supply to KSEBL	Quantum (MW)	Duration	Nature
MPPMCL to KSEBL	13th Sep-2023 to 24th Sep-23	Upto 200MW	Upto 200MW RTC and additional upto 100% of the RTC quantum during 18:45 hrs-22:00 hrs, however maximum quantum shall not exceed 200 MW in any time block	Day ahead basis
	25th Sep-2023 to 31st Oct-23	Upto 200MW	RTC/ any time slot between 00:00 hrs to 24:00 hrs	As & when available / required Day ahead/ contingency basis
KSEBL to MPPMCL	January 2024	105% of banked energy	06:00 - 18:00	Firm

The delivery point is at the regional periphery of the exporting utility during supply as well as return period.

9. KSEBL submitted that, due to the contingency, the licensee had issued Lol on 12.09.2023. KSEBL has also submitted the details of energy received under this transaction from 13th September 2023 to 10th October-2023. The details are given below.

Supply Period	Energy received from MPPMCL (MU)
13-09-2023	2.725
14-09-2023	2.725
15-09-2023	2.725
16-09-2023	2.725
17-09-2023	0.681
18-09-2023	2.725
19-09-2023	2.725
20-09-2023	2.725
21-09-2023	2.725
22-09-2023	2.725
23-09-2023	2.725
05-10-2023	2.725
06-10-2023	2.725
07-10-2023	2.725
08-10-2023	2.725
09-10-2023	2.725
10-10-2023	2.725
Total	44.281

As detailed above, KSEBL had received 44.281 MU in the months of September 2023 and October 2023 though the banking arrangement with MP Power Management Company Limited. KSEBL has to return 105% of the quantum received in the month of January 2024.

10. The Commission after careful examination of the banking transaction, decided to ratify the action of KSEBL entering into banking arrangement with M/s MP Power Management Company Limited for the period from September-2023 to January-2024 for meeting the power deficit in the months of September 2023 to October-2023.

Order of the Commission

11. 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 13.09.2023 to 31.10.2023 and January 2024 as per the provisions of EA-2003 and, KSERC

(Terms and conditions for Determination of Tariff) Regulations 2021, hereby orders the following;

- (1) Approves the banking transaction with MP Power Management Company Limited (MPPMCL) as detailed in paragraph- 8 above.
- (2) Ratify the banking transaction arrangement made by KSEBL with M/s MP Power Management Company Limited, wholly owned by Government of Madhya Pradesh for banking of power as detailed in paragraph-8 of this Order.

The petition is disposed of. Ordered accordingly.

**Sd/-
T K Jose
Chairman**

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

**Sd/-
B Pradeep
Member**

Approved for issue
Sd/-
C R Satheesh Chandran
Secretary