

## **BEFORE THE HON'BLE KERALA STATE ELECTRICITY REGULATORY COMMISSION**

**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.

### **KSEBL MOST HUMBLY STATES THAT:**

1. Kerala State Electricity Board Limited files the instant petition 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.
2. The load generation balance (LGB) for the period from September 2023 to May 2024 indicating a shortage of around 700 MW round the clock and touching 1400 MW during peak hours of summer months. The details of LGB is attached as Annexure I. The shortage is being managed by way of purchase from DAM, RTM & TAM markets. During August, the average daily payout on account of these transactions is of the order of Rs. 8 to 9 Crores, which went up to Rs. 20 Cr on some days. Hence Board decided to procure power by way of DEEP/SWAP at the earliest.
3. Further, the demand in many of the southern states and also in some parts of the country is also showing an increasing trend. Also, the all-India demand has also recorded a huge increase of 234.06 GW on 17.8.23 at 14.34 hrs. All India peak power demand met reached a record high on 239.978 GW on September 1, at 12:22 pm. Hence, it is anticipated that the demand in summer'2024 may show a huge hike to the order of 16 to 20%. Further observed that, due to the unprecedented increase in

demand along with the poor availability, due to the increased outage of units in both Central as well as Internal generating stations, decreased wind power, wet coal issues have resulted in huge purchase of power by the utilities from the market. The huge power procurement has resulted in steep rise in the average market clearing price in the Day Ahead Market as well as Real Time Market. The MCP on 18.8.23 recorded Rs.9.23/unit in DAM.

4. If the above trend continues, the daily pay outs for power purchase of KSEBL will cross the present 15Cr to 19Cr. Hence as an optimistic and proactive measure, to insulate the volatility in MCP and to obtain confirmed power, purchase of SWAP power or purchase through DEEP power is to be initiated to meet the deficit in LGB due to the reduction in hydel generation and to meet the increased demand. Accordingly, it was decided to purchase power through SWAP arrangement.
5. Tender has been invited on 23.08.2023 from utilities and traders for banking of power with KSEB Ltd during the period from 01.09.2023 to 30.09.2024 as follows

<b>Supply Period</b>		
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

6. The return period for the above Swap transaction is from June 2024 to September 2024.
7. The last date of submission of bid & opening was on 07.09.2023 at 2.00 pm & 3.00 pm respectively. Only two bids were received from the following firms and that too for only meager quantum and for short periods as furnished 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 1<sup>st</sup> to 15<sup>th</sup> March 2024 .

8. Further, Short term tender was invited 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 and 12 firms participated. The final rates offered after 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 KSERC is at the rate of Rs. 6.88 per unit.
9. Since the rates derived in short term and medium term are very high, the matter has been taken up with GoK for appropriate decision.
10. Further, it may be noted that, 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.
11. Hence considering the per day huge pay out flow & the uncertainty in the availability of power in market it was decided to tie up with MPPCPL.
12. MPPMCL (M.P. Power Management Company Limited), wholly owned by the government of Madhya Pradesh, has offered to supply power under banking arrangement as follows:

MPPMCL Supply to KSEBL	Quantum (in MW)	Time Slot	Nature
September 2023	200 MW	Anytime between 00: 00 to 24:00 hrs	Day Ahead Basis
	200 MW	01:00 to 06:00 hrs & 09:00 to 18:00 hrs	Firm Basis
KSEBL Supply to MPPMCL	Quantum (in MW)	Time Slot	Nature
December 2023 & January 2024	105% of Banked Power	06:00 -19:00	Firm Basis

A Copy of the offer is enclosed as Annexure - II

13. KSEBL decided to accept the following supply and return pattern of the above SWAP arrangement;

MPPMCL Supply to KSEBL	Quantum (in MW)	Time Slot	Nature
September 2023	200 MW	09:00 to 18:00 hrs	Firm Basis
KSEBL Supply to MPPMCL	Quantum (in MW)	Time Slot	Nature
January 2024 & February 2024	105% of Banked Power	06:00 -19:00	Firm Basis

14. However as per the LoI offered by MPPMCL on 12.09.2023, the supply and return period are as follows:

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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As per the Banking Letter of Intent offered by MPPMCL, delivery point in either case shall be at Regional Periphery. A copy of the LoI is enclosed as annexure III.

15. As per LOI, if KSEBL fails to return firm power equal to the 80% of the monthly (calender 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.

Any balance returnable energy 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

16. 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. Also, as per IMD predictions, Monsoon 2023 could end up with the country getting "below normal" or "lower side of normal rains".

17. Considering the contingent requirement of power and the benefits of swap transaction, KSEBL accepted the LoI issued by MPPMCL.
18. 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:*
19. The above arrangement was entered into by KSEBL considering the urgent requirement of power and contingencies faced by KSEBL as submitted in the instant petition. It is humbly requested that approval may kindly be granted for 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.

## Prayer

KSEBL humbly request Hon'ble Commission that approval may kindly be granted for 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.

**Chief Engineer (Commercial & Tariff)**