

KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM

Present: **Shri. S. Venugopal, Member**
Shri. K. Vikraman Nair, Member

Petition No. OP 33/2019

In the matter of : Petition filed by KSEB Ltd for seeking approval for sale of power to Chhattisgarh State Power Distribution Company Limited and transactions under banking during 2018-19 under KSERC (Conduct of Business) Regulations, 2003

Petitioner : KSEB Ltd

Petitioner represented by : Shri. Bipin Sankar, Deputy CE, TRAC
Shri K G P Nampoothiri, EE, TRAC
Smt. Sangeetha S EE, Commercial
Smt. Latha S V, AEE, TRAC
Smt. Meena C, AEE, TRAC

Order dated 28.05.2019

1. KSEB Ltd filed a petition before the Commission with following prayers.
 - (1) Approval for execution of Power Sale Agreement with Chhattisgarh State Power Distribution Company Limited and
 - (2) Approval for engaging traders, NVVN and TPTCL for carrying out banking transactions on behalf of KSEBL and concluding the banking transaction with Rajasthan Urja Vikas Nigam Ltd.
2. The summary of the petition filed by KSEB Ltd is given below.
 - (1) The Commission vide the letter dated 22.10.2018 has directed KSEB Ltd the following.
 - (i) The Commission permitted KSEB Ltd to carry out the sale of surplus power during the remaining months of 2018-19 through competitive bidding route.
 - (ii) KSEB Ltd may also consider inviting sale bids through the DEEP portal introduced by MoP for sale of surplus in future.
 - (iii) KSEB Ltd shall file proper petition before the Commission for approval of the sale of surplus power for the remaining months with all details along with supporting documents.

KSEB Ltd filed the petition in compliance of the directions of the Commission as above.

- (2) In order to sell the surplus power available with KSEB Ltd, it had participated in the tenders invited by Chhattisgarh State Power Distribution Limited, UP Power Corporation Ltd, Maharashtra State Electricity Distribution Company Limited and Bihar State Power Holding Company Limited, in DEEP portal, and the details are given below.

Serial No	Utility	Period	Timings (in hrs)	Quantum (MW)	IPO /e-rate
1	UPPCL	01.10.2018 to 31.10.2018	00:00 Hrs to 06:00 Hrs	100	4.49
2	MSEDCL	01.10.2018 to 15.10.2018	06:00 Hrs to 17:00 Hrs	100	5.49
3	- do-	16.10.2018 to 31.10.2018	06.00 Hrs to 17.00 Hrs	100	5.49
4	- do-	1.11.2018 to 15.11.2018	06.00 Hrs to 17.00 Hrs	100	5.49
5	- do-	16.11.2018 to 30.11.2018	06.00 Hrs to 17.00 Hrs	100	5.49
6	- do-	01.12.2018 to 15.12.2018	06.00 Hrs to 17.00 Hrs	150	5.49
7	- do-	16.12.2018 to 31.12.2018	06.00 Hrs to 17.00 Hrs	150	5.49
8	CSPDCL	01.09.2018 to 30.09.2018	00:00 Hrs to 06:00 Hrs	200	4.50
9	CSPDCL	01.10.2018 to 31.10.2018	00:00 Hrs to 07:00 Hrs	150	4.50
10	CSPDCL	01.11.2018 to 30.11.2018	6:00 Hrs to 10:00 Hrs	200	6.00
11	CSPDCL	01.11.2018 to 30.11.2018	10:00 Hrs to 13:00 Hrs	149	5.00
12	BSPHCL	01.11.2018 to 15.11.2018	00:00 Hrs to 06:00 Hrs	50	6.50

- (3) Though KSEB Ltd was successful in 12 tenders, Letter of Acceptance (LOA) is received only from CSPDCL and the details are given below.

Serial no.	Period	Timings(in hrs)	Quantum(MW)	eRA rates (Rs/unit)
9	01.10.2018 to 31.10.2018	00:00 Hrs to 07:00 Hrs	150	4.09
10	01.11.2018 to 30.11.2018	06:00 Hrs to 10:00	200	5.16
11	01.11.2018 to 30.11.2018	10:00 Hrs to 13:00	149	4.37

- (4) KSEB Ltd accepted the LOA. As per the MoP guidelines, KSEB Ltd is required to submit Contract Performance Guarantee (CPG) in the form of BG issued by any Nationalized/Scheduled Bank within 7days from the date of selection of successful Bidder, for an amount calculated at Rs.2Lac per MW per month (30days, 24hours and same shall be reduced on pro-rata basis) of contract period or part thereof. Accordingly, KSEBL executed CPG of Rs. 1.94333 Cr. CSPDCL established LC on 29-09-2018 and the supply of power from KSEB Ltd to CSPDCL as per their LoA dated 30-08-2018 commenced from 01-10-2018 onwards.

(3) Action taken by KSEB Ltd for sale of surplus power through banking arrangements.

- (i) KSEB Ltd has been taking steps to sell the surplus power on day ahead basis, however the average market clearing price in the IEX during July 2018 was Rs 3.47/unit only. Further, the price discovered in the DEEP portal also not very attractive.
- (ii) Though KSEB Ltd have surplus power during off-peak periods and normal hours, it have to meet the peak demand by scheduling power from CGS and IPPs. Further, KSEB Ltd faces power shortages during the period of coal shortages and outages of the machines of CGS and IPPs.
- (iii) Considering these issues, KSEB Ltd assessed the possibility of banking the surplus power available with them during normal period and off-peak hours with other utilities having requirements of power excluding the 'peak hours', with getting back the power during peak hours or during summer seasons in Kerala.
- (iv) Considering the risk of getting the banked power in the case of forward banking transactions, KSEB Ltd had decided to engage a well established and experienced power trading company having valid trading license from CERC, so that,
 - (a) The selected Trader(s) can arrange banking of surplus power on behalf of KSEB Ltd by participating in the banking tenders floated by other Utility over a period as well as through MoU route also, which will give KSEB Ltd more opportunities for banking.
 - (b) The financial risk involved in forward banking of power from KSEB Ltd is taken care, since the selected trader is entrusted to ensure the timely return of power banked from KSEB Ltd, from any alternate source as well as by arranging proper payment security mechanism like CPG from other Utility or by the trader themselves.
 - (c) More flexibility in aligning with the requirements of counterpart Utilities will be available with KSEB Ltd.
- (v) KSEB Ltd invited EoI from well established and experienced power trading company having valid trading license from CERC for banking surplus power available with KSEBL during the year 2018-19 from August-2018 to December-2018, and to get return the power from

March-2019 to June-2019, including the peak hours of August 2018 to December-2018.

- (vi) KSEB Ltd had followed the two part tendering process for selecting the traders for banking arrangements, including technical and financial bids. The traders who qualified in the Technical bids is ranked based on the quoted trading margin.
- (vii) The following traders participated in the bids invited by KSEB Ltd.
- NTPC Vidyut Vyapar Nigam Ltd- NVVN
 - Tata Power Trading Company Ltd- TPTCL
 - GMR Energy Trading Ltd- GMRETL

Out of the above, the bid offered by M/s GMR Energy Trading Ltd was rejected since it does not meet the bid conditions. NVVN and TPTCL having category-1 trading license from CERC and also more than 10 years' experience in trading of electricity.

- (viii) The trading margin submitted by NVVN and TPTCL is given below.

Sl.No.	Name of the Trader	Quoted Trading Margin in Annexure -IV
1	NTPC Vidyut Vyapar Nigam Ltd - NVVN	0.47 paise/kWh (L1)
2	Tata Power Trading Company Ltd - TPTCL	0.99 paise/kWh (L2)

KSEB Ltd further submitted that, both NVVN and TPTCL are well established and experienced trading companies having category-1 license from CERC. Hence KSEB Ltd has requested TPTCL to match the L1 trading margin, so that more opportunities are open for banking the surplus power available with KSEB Ltd.

As requested by KSEB Ltd, TPTCL offered to match with the L1 trading margin of Rs 0.47/unit.

Accordingly, since both the traders matched the L1 rate, and based on marks given in item No. 1 to 3 of the eligibility criterion, NVVN ranked first and TPTCL the second.

- (ix) KSEB Ltd further decided that, the total offered quantum of surplus to be divided between NVVN and TPCL in the ratio of 60:40, evenly for all time blocks specified in the EoI, at a trading margin of 0.47 paise/kWh.

- (x) Based on the LOA issued, both the traders participated in the banking tenders floated by Rajasthan Urja Vikas Nigam Ltd. (RUVNL) as detailed below:

Supply of Power to RUVNL

Upto 1000 MW (can also be increased by 25%)	01-11-2018 to 28-02-2019	6.00 to 11.00 hrs at Regional Periphery
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Return from RUVNL

01-05-2019 to 31-08-2019	RTC	Return % to be quoted
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- (xi) Both NVVN and TPTCL had turned out to be successful in the banking tenders floated by RUVNL and Lols were issued to NVVN and TPPCL is give below:

LoI issued to TPTCL :

Supply from KSEB Ltd to RUVNL			Return of Banked energy from RUVNL to KSEB Ltd	
Months	Quantum MW	Period (hrs)	Months	Return % and time period
01-11-2018 to 15-11-2018	60	06-11	May'19 to June'19	RTC @102% of banked energy
16-11-2018 to 30-11-2018	40			
01-12-2018 to 15-12-2018	20			
16-12-2018 to 31-12-2018	30			

The delivery point is the Regional periphery of the Exporting Utility for both supply and return period.

LoI issued to NVVN :

Supply from KSEB Ltd to RUVNL			Return of Banked energy from RUVNL to KSEB Ltd	
Months	Quantum MW	Period (hrs)	Months	Return % and time period
01-11-2018 to 15-11-2018	90	06-11	May'19 to June'19	RTC @102% of banked energy
16-11-2018 to 30-11-2018	60			
01-12-2018 to 15-12-2018	30			
16-12-2018 to 31-12-2018	45			

The delivery point is the Regional periphery of the Exporting Utility for both supply and return period.

3. The Commission conducted hearing on the petition on 12.03.2019. Sri. Bipin Sankar.P, Deputy Chief Engineer, KSEB Ltd presented the petition. During the hearing the Commission sought clarifications on the following.

(i) Whether M/s CSPDCL had make payments for the energy sold as per the LOA dated 30.08.2018.

KSEB Ltd clarified that, it had received the full payments from M/s CSPDCL for the energy sold as per the LOA dated 30.08.2018.

(ii) Why KSEB Ltd had decided to engage traders for the banking transactions, instead of directly enter into contract with power utilities for the same.

KSEB Ltd explained that,

(a) The traders can easily identify the utilities who are interested in purchasing power through banking.

(b) The traders can ensure timely return of the power banked by KSEB Ltd, even if the utilities may be failed to return the power on their own reasons.

(c) The traders only can provide CPG for the entire banked quantum of power, as an assurance for getting back the banked power.

(iii) Whether the trading margin @ Ps 0.47/unit is applicable while supplying the power as well as while getting back the banked power?

KSEB Ltd clarified that, the trading margin is payable only once, while availing the power by KSEB Ltd.

(iv) What is the rationale in fixing the settlement rate @Rs 4.00/unit for CPG?

KSEB Ltd submitted that, the average cost of power purchase and average rate in the power exchanges during the period of banking was less than Rs 4.00 per unit.

The Commission pointed out that, as per the swap agreements, the period of return of the banked power is from 1st May 2019 to 30th June 2019. As per the trend of electricity price in the power exchanges during the past, the energy rate in the power exchanges may likely to be more than Rs 4.00 per unit. Hence, KSEB Ltd shall ensure the return of the banked power in the months of May 2019 and June 2019, instead of gaming by the traders

by selling the power at the rate higher than the settlement rate of Rs 4.00/unit specified for CPG.

Analysis and Decision

4. The Commission examined in detail, the petition filed by KSEB Ltd for approving the power sale agreement with M/s Chhattisgarh State Power Distribution Company Limited and the banking arrangements with the traders M/s NVVN and M/s TPTCL as per the provisions of the Electricity Act, 2003.
5. KSEB Ltd has participated in the purchase bids floated by the distribution utilities in the DEEP portal of the MoP, GoI. KSEB Ltd had explained the criterion adopted for quoting rates for sale of surplus power in the DEEP portal. The guidelines for procuring power for short-term basis using National e-bidding portal was notified by the MoP in Central Government vide the notification No. 23/25/2011-R&R dated 30th March 2016. The purchasing utilities as well as the selling utilities, who were participating in the DEEP portal has to follow the guidelines issued by the Central Government on 30th March 2016 for procurement of power for short-term.

KSEB Ltd had sold the surplus power to M/s Chhattisgarh State Power Distribution Company Limited (CSPDCL), from 01.10.2018 to 30.10.2018, by participating in the tenders floated by M/s CSPDCL through DEEP portal introduced by Ministry of Power for facilitating the purchase of power by DISCOMS on short-term basis. Further, during the hearing held on 12.03.2019, KSEB Ltd clarified that, it had received the entire payments for the energy sold to M/s CSPDCL. Considering these facts, the Commission decided to approve the sale of surplus power with M/s CSPDCL as detailed in paragraph 2(3) above.

6. The Commission has also examined the banking arrangements made for the sale surplus power to the Rajasthan Urja Vikas Ltd (RUVNL) through the traders M/s NVVN and M/s TPTCL. KSEB Ltd already banked the surplus power during 06:00 hrs to 11:00 hrs, from 01.11.2018 to 31.12.2018. As per the LoA and power swap agreements, the power banked shall get back on RTC basis (0:00 hrs to 24:00 hrs) from 01.05.2019 to 30.06.2019.

As detailed under paragraph 3 above, KSEB Ltd had answered to the queries raised by the Commission. The Commission noted that, the settlement rate provided in the CPG is only Rs 4.00/unit, which may be less than the anticipated power exchange rate in the forthcoming months of May 2019 and June 2019. Hence KSEB Ltd shall ensure the return of the banked power through the traders during May 2019 and June 2019 itself.

Order of the Commission

7. The Commission, has examined in detail, the petition filed by KSEB Ltd for approving the power sale agreement with M/s Chhattisgarh State Power Distribution Company Limited from 01.10.2018 to 30.11.2018 and the banking arrangements with Rajasthan Urja Vikas Nigam Ltd (RUVNL) through the traders M/s NVVN and M/s TPTCL from 01.11.2018 to 31.12.2018, and ordered as follows.

- (1) Approves the Power Sale Agreement with M/s Chhattisgarh State Power Distribution Company Limited, as detailed below.

Serial no.	Period	Timings(in hrs)	Quantum(MW)	eRA rates (Rs/unit)
1	01.10.2018 to 31.10.2018	00:00 Hrs to 07:00 Hrs	150	4.09
2	01.11.2018 to 30.11.2018	06:00 Hrs to 10:00	200	5.16
3	01.11.2018 to 30.11.2018	10:00 Hrs to 13:00	149	4.37

- (2) Approves the banking arrangements with M/s Rajasthan Urja Vikas Nigam Ltd (RUVNL) through the trader M/s TPTCL with a trading margin of Ps 0.47/unit, as detailed below.

Supply from KSEB Ltd to RUVNL			Return of Banked energy from RUVNL to KSEB Ltd	
Months	Quantum MW	Period (hrs)	Months	Return % and time period
01-11-2018 to 15-11-2018	60	06-11	May'19 to June'19	RTC @102% of banked energy
16-11-2018 to 30-11-2018	40			
01-12-2018 to 15-12-2018	20			
16-12-2018 to 31-12-2018	30			

The delivery point is the Regional periphery of the Exporting Utility for both supply and return period.

- (3) Approves the banking arrangements with M/s Rajasthan Urja Vikas Nigam Ltd (RUVNL) through the trader M/s NVVN with a trading margin of Ps 0.47/unit, as detailed below.

Supply from KSEB Ltd to RUVNL			Return of Banked energy from RUVNL to KSEB Ltd	
Months	Quantum MW	Period (hrs)	Months	Return % and time period
01-11-2018 to 15-11-2018	90	06-11	May'19 to June'19	RTC @102% of banked energy
16-11-2018 to 30-11-2018	60			
01-12-2018 to 15-12-2018	30			
16-12-2018 to 31-12-2018	45			

The delivery point is the Regional periphery of the Exporting Utility for both supply and return period.

Petition disposed off.

Sd/-

**K. Vikraman Nair
Member**

Sd/-

**S. Venugopal
Member**

Approved for issue

Sd/-

**G. Jyothichudan
Secretary**