

KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM

Present: Shri. Preman Dinaraj, Chairman

Petition No. OP 56/2019

In the matter of : Petition filed by M/s Hydro Power, Kothamangalam for approval of the draft Power Purchase Agreement (PPA) duly initialed by both petitioner and KSEB Ltd for 50 KW (25 KW x 2) Deviar Micro Hydro Electric Project at own land in Neriamangalam, Idukki District

Petitioner : M/s Hydro Power Ltd, Kothamangalam
Petitioner represented by : Shri. Ajay Abraham, Chief Executive Officer

Respondent : Kerala State Electricity Board Limited
Respondent represented by : Shri. K.G.P Nampoothiri, EE, KSEB Ltd.

Daily Order dated 16.06.2020

1. M/s Hydro Power, Kothamangalam, on 16.07.2019, filed a petition before the Commission for approval of draft Power Purchase Agreement (PPA) duly initialed by the petitioner and the Respondent, KSEB Ltd for 50 kW (25 kW x 2) Deviar micro hydro electric power project (DMHEP) commissioned by the petitioner in his own land in Neriamangalam, Idukki district, Kerala. The prayers of the petition are.
 - a. *Approve the initialed power purchase agreement for 50 kW (25 kW x 2) micro hydro electric power project commissioned by the petitioner in own land in Neriamangalam, Idukki district, Kerala.*
 - b. *Approve the term of the Agreement for 10 years from the date of Commercial Operation, and*
 - c. *Determine a reasonable tariff for the project considering*
 - i. *High per unit cost of operation and installation for micro hydel plants as compared to high head large projects.*
 - ii. *Benefits obtained by KSEBL to meet the Renewable Power Obligation other than solar power, which generates only in the day time when the power supply is in abundance for the state.*
 - iii. *Other benefits and constraints as mentioned in the request letter attached as annex 9*
 - d. *Approve payment for energy already generated from the project and supplied to the KSEB Ltd grid before CoD.*

e. Pass such other order or orders as this Hon'ble Commission may wish to pass for doing substantial justice in the matter and to uphold the provisions of the Act of 2003

2. The summary of the petition filed by M/s Hydropower Ltd are,
 - (i) The installed capacity of the plant is only 50 kW. As per the MNRE classification, the hydro projects installed capacity upto 100 kW is categorized under micro hydel.
 - (ii) The project was connected to the grid on 05.07.2016, and declared CoD w.e.f 23.11.2017.
 - (iii) The petitioner, in future, wish to consume the power generated for own business through CPP model for a future endeavor. Hence, the term of PPA is proposed as 10 years
 - (iv) The draft PPA initialed by both KSEB Ltd and M/s Hydro Power is submitted along with the petition. Vide para 10.2 of the draft PPA, it is mentioned that the agreement between M/s Hydropower and EE, Minor Irrigation, Idukki will form an integral part of the draft PPA.
 - (v) As per the Article 5.4 of the draft initialed PPA, the tariff for the power generated from the project shall be 'project specific tariff as determined by the Commission or generic tariff determined by the Commission, whichever is lower.

3. The Commission admitted the petition as OP No 56/2019 and forwarded copy of the petition to KSEB Ltd for their comments. KSEB Ltd vide its letter dated 09.06.2020 recommended to approve the draft initialed PPA submitted by the petitioner and also agreed to limit the term of the PPA to 10 years as proposed by the petitioner. Regarding the tariff of the project, KSEB Ltd submitted as follows;

"On the tariff of the project, it is submitted that as per the draft PPA, the tariff of the project shall be project specific tariff as determined by Hon'ble Commission or generic tariff notified by Hon'ble Commission, whichever is lower. The petitioner has not filed details for determining project specific tariff. It is requested that project specific tariff subject to the ceiling of generic tariff applicable for SHPs commissioned in the year 2017-18 (CoD on 23-11-2017) may be fixed for the project."

4. Commission conducted hearing on the petition on 10.06.2020 through video conference. Sri. Ajay Abraham, Chief Executive Officer, M/s Hydropower presented the petition on behalf of the petitioner. Sri. K.G.P Namboothiri, Executive Engineer, presented the counter argument on behalf of the respondent KSEB Ltd.

5. The summary of the issues presented by the petitioner is given below.
 - (i) Being a micro hydel project, the capital cost of the project is comparatively higher than small hydro project.

- (ii) The project was implemented using local man power and materials and also using own funds. Hence it is not possible to produce tax invoices for all project components.
 - (iii) Though the project is having 50 kW capacity only, minimum man power has to be deployed for operation and maintenance of the project. Hence the O&M cost of the project may be allowed at least Rs 5.00 lakh/annum.
 - (iv) At present the project is operating only for one shift due to the financial difficulties for meeting the expenses. Accordingly, the actual CUF of the project so far is only in the range of 10 to 15%. However, the Commission may determine the tariff of the project with the CUF of 25%.
 - (v) Though electricity is injected into the grid since July, 2016, KSEB Ltd is yet to make any interim payment. The petitioner further clarified that, since the tariff for the interim payment also yet to be decided, the petitioner not raised any invoice for the electricity supplied to KSEB Ltd. Hence the petitioner requested for an interim payment till such time the Commission determine the tariff for the project.
6. The representative of KSEB Ltd submitted that, as a promotional measure and also to meet the RPO, KSEB Ltd decided to purchase the electricity from the project at the 'project specific tariff to be determined by the Hon'ble Commission or the generic tariff, whichever is lower'. KSEB Ltd agreed to limit the term of the PPA as 10 years.
7. During the hearing, the Commission clarified that, the project specific tariff cannot be determined without the details and supporting details of the actual cost incurred for the project including tax invoices and other supporting details. The generic tariff is the upper ceiling tariff, and the same cannot be made applicable merely on the reason that the details of the capital cost incurred for the project is not available. Further the initialed PPA between M/s Hydropower and KSEB Ltd., Clause 5.4 clearly mentions that the tariff "shall be project specific tariff as determined by the Commission or generic tariff notified by the Commission, whichever is lower". Hence the Commission is duty bound to ensure that the tariff is determined accordingly. Since there has been no payment made to the power injected to the KSEB Ltd. grid, the Commission can examine the issue of approving an interim tariff, subject to the recommendation of KSEB Ltd., and its acceptance by M/s Hydropower.
8. Based on the deliberations during the hearing and the available documents, the Commission hereby issue the following directions to the petitioner M/s Hydropower and the respondent KSEB Ltd for immediate compliance,
- (i) The petitioner shall submit the details of the actual cost of the project with supporting documents including tax invoice and audit certificates.

- (ii) KSEB Ltd may, if they so desire, propose a provisional tariff for making interim payment, till the Commission determine final tariff for the project.

Sd/-
Preman Dinaraj
Chairman

Approved for issue,

Secretary