

KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM

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

OP No.55/2019

In the matter of : Approval for Power Purchase Agreement between Cochin Special Economic Zone Authority (CSEZA) and KSEB Ltd for revising the contract demand of CSEZA from 10 MVA to 13 MVA

Applicant : Cochin Special Economic Zone Authority (CSEZA)

Order dated 04.11.2019

1. Cochin Special Economic Zone Authority (CSEZA), filed a petition before the Commission on 25.07.2019 for approval of Power Purchase Agreement (PPA) to be entered with KSEB Ltd for revising the contract demand to 13 MVA from existing 10MVA.
2. CSEZA is a Government owned Special Economic Zone under the Ministry of Commerce and Industry, Department of Commerce, Government of India. The Zone, comprising an area of 105 acres, is located at Kakkanad. CSEZA had entered into an agreement with KSEB on 23.4.2005 for a Contract Demand of 7.961MVA at 110KV for a period of 20 years from 18.3.2005 and had renewed the same on 18-06-2007 enhancing Contract Demand to 10MVA vide agreement dated 31.12.2009.
3. CSEZA approached KSEB Ltd for additional power to the order of 3 MVA to cater the increase in power demand in its licensed area. KSEBL vide letter dated 22.5.2019 has consented to provide the additional power requirement as requested by CSEZA. The petitioner had also submitted the draft initialled PPA for enhancing the contract demand from 10MVA to 13 MVA.
4. CSEZA further submitted that KSEB Ltd is insisting for irrevocable revolving Letter of Credit as security in addition to the Bank Guarantee and Cash Deposit. LC Charges to be borne by CSEZA for maintaining the LC has not considered by the Commission while approving the ARR&ERC. Hence, CSEZA requested the Commission to either,

- Direct KSEB Ltd. to waive off the requirement LC or
- Permit CSEZA to Charge the bank expenses for maintaining LC, while Truing Up of accounts for the future years after executing the new PPA.

5. CSEZA therefore prayed as follows:

1. *Kindly approve the Power Purchase Agreement to enable CSEZA & KSEBL to execute the same in stamp paper.*
2. *Kindly direct KSEBL To waive off the requirement of third tier security of Letter of Credit*

OR

Permit CSEZA to charge the bank expenses for maintaining the LC, while submitting petition for Truing Up of Accounts for the future years, after executing the PPA.

Analysis and Decision

6. The Commission examined the petition filed by CSEZA for the approval of the PPA with the KSEB Ltd for revising the contract demand from 10 MVA to 13 MVA for meeting the additional electricity demand of its consumers, as per the provisions of the Electricity Act, 2003 and KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2018.
7. Regarding the petition filed by M/s CSEZA for the approval of the PPA with the KSEB Ltd for 13 MVA power, the Commission noted the following:
 - (i) The terms and conditions of the draft initialed PPA is the same followed by KSEB Ltd for entering PPA with the licensees who are purchasing power from KSEB Ltd at the BST approved by the Commission.
 - (ii) The petitioner raised the following issues regarding the payment security mechanism insisted by KSEB Ltd as per the Articles 8.9 to 8.12 of the draft initialed PPA.
 - (a) As per the Article 8.9, M/s CSEZA shall open and maintain an irrevocable LC in favour of KSEB Ltd with a public sector/scheduled commercial bank. The initial value of LC shall be 1.05 times the average billing demand of previous 12 months, which shall be enhanced based on monthly electricity bills which may enhance due to increase in consumption or due to revision of tariff. The LC shall be established for a minimum period of one year. The LC charges shall be borne by CSEZA. (Articles 8.9, 8.10 & 8.11 of the initialed draft PPA)

- (b) CSEZA shall maintain with KSEBL an amount equivalent to two months electricity charges based on average monthly consumption as payment security. 50% of the security shall be furnished in the form of cash, or Demand draft and the balance in the form of Bank Guarantee for an equal amount from a nationalized bank. The security shall be reviewed and revised after every 12 months based on average electricity bill amount for that period. Interest on the security deposit maintained by CSEZA with KSEB Ltd shall be payable by KSEB Ltd to CSEZA at the Bank Rate as defined in the Supply Code, 2014 in the first quarter of each financial year.
- (iii) According to the CSEZA, the expenses for maintaining the irrevocable LC is an additional expense to be borne by them over and above the 'Bank guarantee and Cash deposit'. The LC charges to be borne by the CSEZA towards maintaining LC has not considered by the Commission in the ARR&ERC. Hence the petitioner requested before the Commission to, either waive off the requirement to maintain the LC as a security or, permit CSEZA to charge the bank expenses for maintaining the LC while truing up of accounts after executing the PPA.
- (iv) It is noted that, in addition to the security deposit, KSEB Ltd has been insisting for irrevocable LC equal to 1.05 times the average monthly billing demand of the previous 12 months. This is the condition followed by KSEB Ltd in all the PPAs signed with the licensees purchasing power from KSEB Ltd at the BST approved by the Commission. For the security deposit provided by CSEZA, KSEB Ltd has been providing interest as per the provisions of the Supply Code.

Since the irrevocable LC is to be provided by the CSEZA as insisted by KSEB Ltd, the bank charges for maintaining the LC need be allowed as expenses while truing up the accounts of the licensee CSEZA.

8. Other important articles in the draft PPA is summarized below.

- (i) In Clause 2.1, under Article 2 of the draft PPA, the term of the Agreement is valid "**30.04.2025**", which is the term of the original agreement.
- (ii) As per the Article 3.2 of the draft PPA, KSEB Ltd shall supply power at 110 kV to CSEZA.
- (iii) As per the Article 7 of the draft PPA deals with Tariff, and the Article 7.1 of the draft PPA provides that, the tariff for supply of power under the agreement is the Bulk Supply Tariff Approved for CSEZA from time to time.

- (iv) All other terms of the PPA is the same followed by KSEB Ltd for entering agreement with other licenses who availing power from KSEB Ltd at the BST approved by the Commission.
9. Considering the above aspects in detail, the Commission decided to approve the draft initialed PPA for revising the contract demand from 10 MVA to 13 MVA of power from KSEB Ltd for meeting the power requirement of the CSEZA.

Order of the Commission

10. The Commission, after examining the draft initialed PPA filed by CSEZA for revising the contract demand from 10 MVA to 13 MVA from KSEB Ltd for meeting the electricity demand as per the provisions of the Electricity Act, 2003 and KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2018, hereby orders to;
- (i) Approve the draft PPA to be signed between CSEZA and KSEB Ltd for revising the contract demand from 10 MVA to 13 MVA.
- (ii) CSEZA shall submit a copy of the signed PPA before the Commission for information and records.

The petition disposed of and ordered accordingly.

Sd/-
K.Vikraman Nair
Member

Sd/-
S.Venugopal
Member

Sd/-
Preman Dinaraj
Chairman

Approved for issue

G Jyothichudan
Secretary