

**ODISHA ELECTRICITY REGULATORY COMMISSION
BUDYUT NIYAMAK BHAWAN
PLOT NO.-4, CHUNOKOLI, SHAILASHREE VIHAR
BHUBANESWAR - 751021**

Present: **Shri U. N. Behera, Chairperson**
 Shri S. K. Parhi, Member
 Shri G. Mohapatra, Member

Case No. 20/2021

M/s. GRIDCO Ltd.	Petitioner
Vrs.		
DoE, GoO & Others	Respondents

In the matter of: **Application under Section 86 of the EA, 2003 read with Section 21 of the OER Act, 1995 and other enabling provisions for seeking prior approval of Power Sale Agreement (PSA) to be executed between GRIDCO Ltd. and SECI Ltd. for procurement of 500 MW Solar power under the Solar ISTS-connected linked with Manufacturing Scheme, Tranche-I towards fulfilling the Renewable Purchase Obligation.**

For Petitioner: Shri P. K. Das, CGM and Ms. Sasmita Pattajoshi on behalf of GRIDCO.

For Respondent: Shri M. G. Ramachandran, Sr. Advocate and Shri Amar Pattnaik on behalf of SECI; Shri K. C. Nanda, DGM (F), TPWODL; Shri V. Wagle on behalf of TPCODL; Shri Pratap Mohanty on behalf of TPNODL and representatives from TPSODL and GEDCOL.

ORDER

Date of Hearing: 08.06.2021

Date of Order: 22.06.2021

1. This petition has been filed by M/s. GRIDCO Ltd under Section 86 of the Electricity Act, 2003 read with Section 21 of the Odisha Electricity Reforms Act, 1995 and other enabling provisions for seeking prior approval of Power Sale Agreement (PSA) to be executed between GRIDCO Ltd. and SECI Ltd. for procurement of 500 MW Solar power under the Solar ISTS-connected linked with Manufacturing Scheme, Tranche-I towards fulfilling its the Renewable Purchase Obligation.
2. The petitioner submitted that SECI vide their letter dated 07.08.2020 offered solar power capacity to the tune of 500 MW at an applicable tariff of Rs.2.73/kWh (including SECI margin of Rs. 0.07/kWh) to be available by December, 2022 and another 250 MW solar capacity at a tariff of Rs.2.99/kWh (including SECI margin of Rs 0.07/kWh). Further, SECI in its letter dated 25.11.2020 offered additional 1500 MW solar power at

earlier offered tariffs @ Rs. 2.73/kWh and 250 MW solar power @ Rs. 2.99/kWh to be availed during 2023 to 2025.

3. GRIDCO has submitted that with solar tied up capacity of 1014 MW and non solar capacity of 479.15 MW totaling to 1493.15 MW, it will be able to meet the RPO of 11% by FY 2021-22 with estimated consumption of about 27400 MU. But GRIDCO has considered procurement of 500 MW solar capacity from SECI for the reasons viz. a) increased state consumption from FY 2022-23 onwards; b) likely upward revision of RPO target in near future; c) immediate RPO shortfall, if any, for 2020-21; d) compensation of non-solar projects which are yet to be commissioned; and e) no new solar projects are to be commissioned in next 2 years except small capacities.
4. Accordingly, GRIDCO had intimated SECI and DoE, GoO on 24.12.2020 and 08.01.2021 respectively regarding procurement of 500 MW solar power as offered by SECI. This solar power will be delivered by SECI at Odisha periphery at applicable tariff of Rs.2.73/kWh (including SECI margin of Rs. 0.07/kWh) without levy of ISTS charges and losses as per MoP Order dated 05.08.2020. GRIDCO has further requested the four DISCOMs of the State for conveying their consent as per their Vesting Order for procuring 500 MW solar power @ Rs.2.73/kWh (including SECI margin of Rs.0.07/kWh) for 25 years from CoD. TPCODL had suggested for deferring this tying up and exploring procurement of RE power from short term markets like REC and Green energy trading through exchanges. GRIDCO has stated that fulfilling RPO towards state consumption is vested with it and it believes to fulfill RPO mostly through long term contracts due to uncertainties in short term market options. Moreover RE procurement planning is to be done prior to minimum of 24 months for wind & solar and in other cases gestation period is even higher.
5. After receiving letter dated 24.12.2020 from GRIDCO for procurement of 500 MW solar capacity, SECI offered revised tariff for the additional solar quantum of 1500 MW at the rate of Rs. 2.69/kWh (including SECI margin of 0.07/kWh) which was further revised to Rs. 2.61/kWh on 11.03.2021. Accordingly the tariff for the consented solar capacity of 500 MW has been revised to Rs.2.61/kWh (including SECI margin of 0.07/kWh). The petitioner further stated that with recent imposition of Basic Custom Duty (BCD) by MNRE, GoI vide OM dated 09.03.2021 w.e.f 01.04.2022 @ 40% on solar modules, solar tariff is expected to increase by 24%. To this, SECI has clarified that this 500 MW solar power will be commissioned before 31.03.2022 and hence will

not be impacted by BCD. With revised tariff of Rs 2.61/kWh (including SECI margin of Rs. 0.07/kWh) for 25 years from CoD without any impact of BCD, GRIDCO had again requested state DISCOMs to convey their consent for procurement of 500 MW solar power. SECI submitted a standard draft PSA in line with model SECI PSA that GRIDCO has executed in earlier cases and requested GRIDCO for signing the same. In view of the above, the Petitioner-GRIDCO has prayed the Commission for prior approval for procurement of 500 MW solar capacities from SECI under the above mentioned scheme before signing of the PSA.

6. The respondent-TPCODL has submitted that the petition does not specifically mention whether SECI has followed the competitive bidding guidelines for selection of Solar Project Developer (SPD) and it expects that the same has been followed. Further, based on the draft RPO regulations, the situation with the existing tied up capacity and the capacity of 500 MW have been worked out by TPCODL and it is observed that this 500 MW capacity may not be required to meet RPO at least in FY 2022-23 but may be accommodated in 2024-25.
7. TPCODL has further submitted that as per ARR of GRIDCO for FY 2021-22, there is 7068 MU of surplus energy in the state and considering a demand of 28222 MU, the surplus energy works out to about 25%. Considering the energy from the subject solar project to the extent of 1204 MU, the surplus energy would rise and this would impact the tariff of the consumers. Any additional capacity to be tied up has to be decided after carrying out a detailed exercise on the impact it would have on the Final Tariff in near future. Moreover, other available options like purchase of REC and Green Energy Trading needs to be evaluated and pursued and the entire quantum of RPO need not be tied up through Long Term Contracts. TPCODL requested the Commission to direct GRIDCO/ SLDC to institute a study by an independent reputed consultant to arrive at Medium to Long Term Demand Supply Gap, and the impact on tariff due to accommodation of RPO through various options such as Long Term PPAs, REC Purchase, purchase of Renewable Power in the Power Exchanges, etc. before making such decisions in future. The other three DISCOMs, i.e. TPWODL, TPNODL and TPSODL have made their submissions in similar lines. However, during the hearing, TPCODL has submitted that the CUF considered in the subject solar project is at lower side, i.e. 19% whereas CUF of some of their solar projects in other States are having the

CUF at about 27%. If higher CUF is considered there would be further increase in solar generation.

8. In response to the comments made by the respondents, the Petitioner has submitted that the conformity certificate issued by SECI to the effect that Competitive bidding was conducted in terms of the guidelines of GoI for which RfS was floated on 25.06.2019. The 500 MW capacity is to be made available by December 2022, but in case of grant of timeline extension by MNRE on account of COVID-19, the COD of solar plants may differ. The national average CUF is estimated to be 19% but the actual CUF for last 3 financial years have been much less for the projects commissioned in the state, i.e. 15.44% for FY 2018-19, 12.73% for FY 2019-20 and 15.85% for FY 2020-21.
9. GRIDCO has further submitted that the projected annual generation for FY 2022-23 is 1722 MU from solar capacity of 999 MW whereas the requirement would be 1852 MU (@8% as per OERC draft Regulations, 2021), i.e. a shortfall of around 130 MU. Further with non-availability of adequate non-solar capacity inside and outside the state, GRIDCO is expected to meet the shortfall in non-solar RPO through additional solar capacity, i.e. about 226 MU for total non-solar requirement of 1505 MU for 2022-23. The additional 500 MW capacity would offer about 832 MU of solar energy annually with guaranteed minimum CUF of 19%.
10. GRIDCO submitted that there is RTC surplus of power till FY 2025-26 and off-peak surplus till FY 2029-30 and GRIDCO has chalked out specific plan to dispose of the surplus power through trading. The other options of procurement of RE power through short term RE market may have uncertainties, e.g. pausing of REC trading from July, 2020 and Green energy trading is in a nascent stage with less than a year of operation with small quantum available for trading at reasonably higher price. This solar power is being procured at much lesser price (Rs 2.61/ kWh) as compared to APPC of GRIDCO (Rs 2.80/ kWh) and this procurement will further reduce the APPC of GRIDCO.
11. Heard the parties at length. The Commission observed that GRIDCO has not submitted the draft PPA with its application; instead it has submitted the model SECI PSA where some of the figures like generation of minimum energy in MU for 10 years and the same for subsequent 15 years, and fixed tariff in Rs/ kWh etc. have been missing. However, in its application some of these missing figures have been indicated.

12. The Commission further observed that solar RPO is likely to be increased in near future as per the guidelines issued by Govt. of India from time to time. Further, the subject 500 MW solar power is being available to GRIDCO from SECI at a cheaper price through Govt. of India scheme. Furthermore as submitted by GRIDCO this power will be delivered through SECI at the fixed tariff at Odisha periphery without levy of any inter-state transmission charges and losses. Since this 500 MW solar power will be commissioned before 31.03.2022, as clarified by SECI, the basic custom duty which is applicable from 01.04.2022 will not be applicable for procurement of such power by GRIDCO. In view of the above, the Commission accord in-principle approval for procurement of 500 MW Solar power by GRIDCO from SECI under the Solar ISTS-connected linked with Manufacturing Scheme, Tranche-I towards fulfilling its Renewable Purchase Obligation provided that the applicable tariff should not go beyond Rs. 2.61/ kWh (including SECI margin of Rs. 0.07/ kWh) as proposed by GRIDCO in the present application. Further, GRIDCO is directed to file the final PSA incorporating the above observations of the Commission, duly signed by both GRIDCO Ltd. and SECI Ltd. for perusal of the Commission. The provisions relating to Basic Customs Duty and waiver of inter-state transmission charges and losses, as proposed by GRIDCO, should be incorporated in the PSA.
13. The case is accordingly disposed off.

Sd/-

(G. Mohapatra)
Member

Sd/-

(S. K. Parhi)
Member

Sd/-

(U. N. Behera)
Chairperson