

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

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

**Case No. 42/2021**

M/s. GRIDCO Ltd. Vrs. DoE, GoO & Others	..... .....	Petitioner Respondents
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**In the matter of:** **Application under Section 86 of the Electricity Act, 2003 read with Section 21 of the Odisha Electricity Reform Act, 1995 and other enabling provisions for seeking approval of the Commission for PPA to be executed between GRIDCO and NHPC Ltd. for procurement of 40 MW Solar Power towards fulfilling the solar RPO.**

**For Petitioner:** Ms. Sasmita Pattajoshi, AGM, GRIDCO.

**For Respondent:** Ms. Sonali Patnaik, ALO, DoE, GoO; Shri Rajiv Dwivedi, Advocate on behalf of NHPC; Shri B. K. Das, GM (RT&C), OPTCL; Shri V. Wagle, TPCODL; Shri K. C. Nanda, DGM (F), TPWODL; Ms. Malancha Ghose (RA), TPNODL; Shri Binod Nayak, AGM (Comm.), TPSODL; and the representative from M/s. GEDCOL.

**ORDER**

**Date of Hearing: 27.07.2021**

**Date of Order:16.09.2021**

The Petitioner- M/s. GRIDCO Ltd. has filed an application under Section 86 of the Electricity Act, 2003 read with Section 21 of the Odisha Electricity Reform Act, 1995 and other enabling provisions seeking approval of the Commission for executing Power Purchase Agreement (PPA) with NHPC Ltd. for procurement of 40 MW Solar Power towards fulfilling the solar RPO. M/s. GRIDCO Ltd. has submitted the finalized draft PPA along with the application seeking approval for the same.

2. The Petitioner- GRIDCO has submitted that as per the draft RPO Regulations of OERC, the RPO target is 13.25% for FY 2021-22 (Solar RPO-7.25%, Non-solar RPO-6.00%) and 18% (Solar RPO-9.75%, Non-Solar RPO-8.25%) by FY 2024-25. Since GRIDCO is

tied up to procure 1014 MW Solar power and 479.15 MW Non-solar power totaling to 1493.15 MW till date, there will be requirement of additional solar power to meet its RPO. NHPC vide letter dated 08.06.2018 to Commissioner-cum-Secretary, Dept. of Energy, Govt. of Odisha and CMD, GRIDCO had sought an in principle comfort letter for a PPA for a 40 MW solar Project at Landeihil Village, Jagannatha Prasad Tehsil of Ganjam district. . GRIDCO vide its letter dated 21.07.2018 has provided in principle consent to procure 40 MW solar power from NHPC from the proposed solar project. NHPC conducted an e-reverse auction from 05.11.2020 to 07.11.2020 and M/s. Tata Power Solar System Ltd. was selected as L1 bidder to implement the said 40 MW Solar Project with a capital cost of Rs 4.55 Crore/ MW. Thereafter, NHPC proposed a levelled tariff of Rs 3.07/ kWh for 25 years to GRIDCO towards procurement of solar power from this project.

3. GRIDCO has further submitted that from the analysis of the bid documents as submitted by NHPC, they found that the Project cost, interest on loan, interest on working capital, quoted RoE and P&M costs are at higher side. After discussions with NHPC on these issues on 18.01.2021, NHPC vide email dated 30.01.2021 has offered a revised levelled tariff of Rs 2.75/ kWh. GRIDCO vide its letter dated 19.02.2021 has requested NHPC to explore further possibility of reduction in the offered tariff as solar power at Rs 2.69/ kWh (landed price at state periphery) was available from SECI. However, NHPC later intimated that the levelled tariff of Rs 2.75/ kWh is quite competitive and reasonable in present market scenario for project size of 40 MW on standalone basis in Odisha. The proposed project shall be connected to state grid and a 220/ 132 kV switching station at Landeihil which shall be constructed by NHPC and handed over to the state.
4. GRIDCO has further stated that it has requested the DISCOMs to convey their consent for procuring the said 40 MW solar power from NHPC as per the direction of OERC in the Vesting Order dated 26.05.2020 in Case No.11/2020 and received their consent. GRIDCO has also requested NHPC for a clarification on levy of Basic Custom Duty (BCD) (solar module – 40% and Solar cell – 25% from present 0%) in respect of MNRE office memorandum dated 09.03.2021. NHPC vide email dated 22.03.2021 has clarified that the imposition of BCD on procurement of solar modules and cells shall be effective from 01.04.2022 and as the scheduled commissioning date of the project is 12 months

from issuance of Letter of Award (LoA), supply of solar modules shall be completed well before the scheduled commission date. However, the LoA shall be awarded to the L1 bidder within a week after signing of PPA.

5. GRIDCO has submitted that it has prepared a draft PPA and shared the same to NHPC on 24.03.2021 for its views and NHPC offered its comments suggesting certain modifications. GRIDCO made final modification to the draft PPA on 23.04.2021 after analyzing the suggestions and comments of NHPC. A finalized draft PPA was shared with NHPC on 23.04.2021 through email to provide its consent. NHPC vide letter dated 03.05.2021 has conveyed its consent to the finalized draft PPA with a request for signing of the PPA on a priority basis. GRIDCO has prayed before the Commission to approve the proposal of GRIDCO towards procurement of 40 MW solar power from NHPC Ltd. towards meeting the solar RPO in accordance with the finalized draft PPA.
6. The Respondent- TPNODL has submitted that to meet the RPO targets stipulated by the Commission, GRIDCO will have to go for procurement of more renewable energy. However, as per the ARR of GRIDCO for FY 2021-22, there is about 7068 MUs of surplus energy in the state and considering a demand of 28222 MU, the same works out to about 25%. If one considers the energy from solar projects, the surplus energy would go up correspondingly. This will affect the tariff to the consumers. Therefore, a holistic view may be taken by the Commission before considering any new capacity for purchase of power whether conventional or renewable. As submitted by GRIDCO in its ARR, it has projected to procure 1479 MU from solar RE sources in 2021-22.
7. TPNODL has further submitted that when the petitioner is filing application before OERC for approval of PPAs with RE sources, the details of present procurement status and the expected energy purchase for coming five years against the RPO target from all the RE sources under the specified category along with the expected CUF must be placed before the Commission.
8. The Respondent- TPWODL has submitted that earlier they have given their no objection to GRIDCO for procurement of power from the project. The project will be developed within the state of Odisha and is expected to bring in several direct and indirect benefits to the people of the state. Therefore, Commission may decide the matter on its merit.

9. Both TPWODL & TPNODL have further submitted that Ministry of Power has issued guidelines to enable DISCOMs to either continue or exit from PPAs with the generators after completion of the term of the PPA, i.e. 25 years or a period specified in the PPA. The lives of the PPAs with the existing Thermal Stations with which GRIDCO has tied up and the impact of terminating the PPAs may also be analyzed keeping in view the additional RE procurement in order to reduce adverse tariff impact on the consumers of the state.
10. The salient features of the PPA are as under:
- i. The SCOD shall be 12 months from date of signing of the PPA with GRIDCO.
  - ii. The applicable tariff for 25 years shall be Rs 2.75/ kWh.
  - iii. If for any contract year the developer is not able to generate minimum electricity of 1.821 MU/MW/year within the first 10 years of COD or minimum electricity of 1.618 MU/MW/year after first 10 years of COD for reasons not attributable to GRIDCO or force majeure events, the developer shall be liable to pay penalty to GRIDCO.
  - iv. The quantum of compensation/penalty shall be 25% of the power cost (i.e. Rs.2.75/ kWh) of the shortfall units from the minimum guaranteed units or penalty, if any, payable by GRIDCO towards non-meeting of solar RPOs, whichever is higher.
  - v. The billing shall be on monthly basis and a rebate of 2% on billed amount shall be availed by GRIDCO for payment made within 2 working days from receipt of bill.
  - vi. For late payment beyond 60 days from the date of billing, a surcharge of 1.25% per month (i.e. 15% per annum) or part thereof shall be levied on the outstanding billed amount by the solar project developer.
  - vii. No grid connectivity charges shall be leviable for the solar power plant.
  - viii. The developer shall construct the switching station (220/132 KV) and associated dedicated transmission line for evacuation of power and hand them over to OPTCL. The developer shall maintain the switching station and the transmission line after they are operationalised as per the requirement of OPTCL/GRIDCO and Grid Code of OERC. The transmission line shall be connected through LILO arrangement to the nearest Grid sub-station /line of OPTCL.

11. The Commission after hearing the parties observed that GRIDCO is planning to procure 40 MW solar power from NHPC Ltd. towards meeting the solar RPO at a tariff of Rs 2.75/ kWh. A finalized draft PPA has been prepared and submitted for approval before the Commission in this regard. Consent has been provided by all the four DISCOMs to GRIDCO for procurement of 40 MW solar power from NHPC Ltd. The Commission further observed that the tariff of Rs 2.75/ kWh has not been discovered through competitive bidding process but through mutual agreement on the basis of discovered EPC cost along with evacuation infrastructure and the actual land cost paid to IDCO, Govt. of Odisha. Considering the current market scenario, the tariff arrived at by the parties in the aforesaid PPA seems quite competitive and reasonable. Moreover, as clarified by NHPC in their response dated 22.03.2021 to GRIDCO, BCD is not being envisaged on the proposed solar project.
12. The Commission further observed that in BSP Order of GRIDCO for FY 2021-22, Solar availability as proposed by GRIDCO is 1479 MUs for RPO compliance which is about 5.30% of the total estimated consumption of 27930 MUs. If estimated hydro availability of 7567 MUs is deducted from the total consumption, the RPO compliance percentage comes to 7.26%. As per the new draft RPO Regulations of OERC, the solar RPO compliance is 7.25%. However, for FY 2022-23, the solar RPO is 8.00% as per the draft RPO Regulations and the subject project is expected to be commissioned during FY 2022-23. Considering the same level of DISCOMs sale (consumption) and hydro availability for FY 2022-23, GRIDCO requires additional 150 MUs to meet its RPO target. The Commission further observed that GRIDCO is also having shortfall in fulfilling its non-solar RPO which can also be met from excess solar availability, in case, the shortfall is within 15% as per the draft RPO Regulations.
13. In view of the above, the Commission approves the subject draft PPA to be executed between GRIDCO Ltd. and NHPC Ltd. for procurement of 40 MW solar power from NHPC Ltd. towards meeting the solar RPO at a tariff of Rs 2.75/ kWh. However, NHPC needs to ensure that the project should be commissioned before 01.04.2022 so that the BCD would not be applicable to this project. GRIDCO is directed to provide a copy of final signed PPA for perusal of the Commission.

14. Further, in future while making an application for procurement of Renewable Energy, GRIDCO should furnish the estimated consumption of DISCOMs for next five years along with availability of power to GRIDCO from different sources, excluding hydro power availability. In addition, GRIDCO should also furnish the remaining lives of the existing PPAs with the Thermal power stations while making such application.
15. The case is accordingly disposed off.

**Sd/-**  
**(G. Mohapatra)**  
**Member**

**Sd/-**  
**(S. K. Parhi)**  
**Member**

**Sd/-**  
**(U. N. Behera)**  
**Chairperson**