

In the matter of:

Draft PPA under REC Mechanism for power purchase on average pooled cost on short and medium terms.

Present for:

HPSEBL ...Petitioner	Sh.J.P.Kalta, C.E.(Coml) Sh.Des Raj, Dy.C.E(SERC)
Tissa Hydro ... Respondent	Sh.S.N.Kapur. Managing Director
Brua Hydrowatt Pvt. Ltd.	Sh.Anil Kumar, General Manager.
Darjeeling Power Ltd.	Sh.Deepak Bhandhari, Liaison Officer.
Sai Engineering Foundation	Sh.Raj Kumar Verma,
Consumer Representative	Er.P.N.Bhardwaj

ORDER

07.01.2012

Heard.

In accordance with the provisions of CERC and HPERC Regulations, generator is eligible for renewable energy certificate under REC framework if he sells electricity to the distribution licensee of the area in which the eligible entity is located, at a price not exceeding the pooled cost of power purchase of such distribution licensee, apart from other eligibility criteria and accordingly HPSEBL has contended that the generators have shown interest in availing REC mechanism. For purchase of power from generators under REC framework, HPSEBL has submitted Draft Model PPA on 24.11.2011 for approval of the Commission.

Commission issued notice to the stakeholders on 30.11.2011 who are ordinarily parties in tariff determination process, including Himachal Small Hydro Power Association and draft PPA was also made to be hosted on the website of HPSEBL for inviting suggestions/objections by 25.12.2011. HPSEBL was to submit reply to the suggestions/objections by 31.12.2011 and rejoinder, if any, was to be submitted by 05.01.2012. Case was listed for hearing on 07.01.2012.

During the hearing representative of Himachal Small Hydro Power Association submitted that they have no objection to the Model Draft PPA. Darjeeling Power Ltd. and Brua Hydrowatt Pvt. Ltd. have raised common issue that where parties (generators) have already signed PPA with HPSEBL but if there is capacity enhancement of more than 20% over the capacity approved and incorporated in PPA, the generator should be allowed to scrap the existing PPA and should be permitted to enter into PPA under REC mechanism.

One of the eligibility criteria under REC framework is that generator should not have power purchase agreement for the capacity related to such generation to sell electricity at a preferential tariff determined by the Commission and therefore, if a party has already entered into PPA for a particular capacity, such generator cannot avail REC benefit. Moreover, the issue raised by these parties are not relevant to the present matter, because it is limited to finalisation of Model PPA document for purchase of power on APPC under REC framework.

During the hearing, HPSEBL made additional submissions for incorporation of the following provisions in the model PPA: -

“1) For the projects of more than 5 MW and up to 25 MW:

In case the parties mutually agrees to enter into the PPA under preferential tariff after the expiry of term of this PPA for the balance useful life of the project, such tariff shall be on project specific basis to be reckoned from the Commercial Date of Operation (COD) and as approved by the Commission.

2) For the projects up to 5 MW

Either of the following provisions shall be applicable:

(a) In case the parties mutually agrees to enter into the PPA under preferential tariff after the expiry of term of this PPA for the balance useful life of the project, the tariff applicable shall be levellised tariff as prevalent on the date of Commercial Operation (COD) of the Project under existing regulations of the Commission as applicable on COD as per the Model PPA.

OR

(b) Parties hereby agree to enter into PPA with a term of 40 years, of which _____ years on REC mechanism and the balance of the project life on preferential tariff as prevalent on the date of Commercial Operation (COD) of the Project under existing regulations of the Commission as applicable on COD as per the Model PPA.”

Commission appreciates the fact that HPSEBL may like to continue purchase of power and on preferential tariff after expiry of the PPA on APPC under REC

framework and therefore, there is merit in incorporating the enabling provisions or firm provisions for entering into PPA for balance life of the project in the present model PPA. This will provide comfort to IPPs with respect to future certainties for power disposal and also for facilitating the IPPs to avail finances for project from financial institutions. However, the draft formulations proposed by the petitioner contain substantive provision of tariff that will be applicable for the balance period. Determination of tariff and its applicability is an independent process, which require following due regulatory process and therefore, cannot be incorporated in this model PPA. Accordingly, Commission approves the following additional clause to be incorporated at an appropriate place in this model PPA and one of the following two options will be incorporated in final PPA between parties:-

In case the parties mutually agree to enter into power purchase agreement under preferential tariff after expiry of the term of this PPA (including extended term) for the balance useful life of the project, parties will enter into power purchase agreement and the tariff for which shall be as approved by the Commission.

OR

Parties hereby agree to enter into power purchase agreement for a term of 40 years, of which _____ years will be on APPC under REC framework and on preferential tariff as determined by the Commission for the balance period of useful life of the project.

The officers of the Commission on scrutiny of the draft Model PPA have also noticed certain discrepancies in the text, which shall be corrected in consultation with the HPSEBL and final Model PPA be issued accordingly.

Commission orders accordingly.

(Subhash C Negi)
Chairman.