

**BEFORE THE HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION
SHIMLA**

In the matter of :-

Joint Petition under the provision of Section 86(1)(b) of the Electricity Act, 2003, for seeking the approval of the short/medium term "Supplementary Power Purchase Agreement (under REC Mechanism)" to be executed by the Himachal Pradesh State Electricity Board Limited with M/s Usaka Hydro Power (P) Limited in respect of Suman Sarwari Hydro Electric Project (Additional capacity of 2.5 MW from 2nd Unit).

The Himachal Pradesh State Electricity Board Limited
through Chief Engineer(Commercial), Vidyut Bhawan,
Shimla-171004.

AND

M/s Usaka Hydro Power (P) Limited having its registered
office at 339, Functional Industrial Estate, Pataparganj,
Delhi-110092 and correspondence office at House NO.345,
Bhandari Niwas, Gandhi Nagar, Kullu-175101

}
} Joint Petitioners

Petition No.91 of 2013

(Order passed on 7th August, 2013)

CORAM

Subhash C. Negi
Chairman

Presence :-

For M/s Usaka Hydro Power (P) Ltd.

Shri Manoj Gupta
Director
Shri Hari Babu Neupane
Project Controller

For HP State Electricity Board Ltd.

Sh. Ramesh Chauhan,
Authorised Representative.
Er. R.V. Mehta,
CE (Commercial).
Er. R.K. Punchi,
(Retainer Consultant).

Interim Order

(Last Heard on 20.07.2013 and orders reserved)

It was explained on behalf of the parties that a long term PPA for sale/purchase of power from 2.5 MW Suman Sarwari HEP already stands executed by them on 23.12.2005, after the approval of Commission. The original capacity of 2.5 MW already stands commissioned on 30.10.2012. Subsequently, the Company has signed two supplementary Implementation Agreements with the HP Govt. which inter alia provide for enhancement of capacity of the project from 2.5 MW to 5 (2 x 2.5) MW and levy of additional 1.5% royalty on account of enhancement of the project capacity. The parties have now also arrived at an understanding for sale/purchase of additional power also, after synchronisation of both the units of the project, in accordance with the provisions of Regulation 16(5) of HPERC (Renewable Energy Sources and Terms and Conditions of Tariff Determination), Regulations, 2012. For an initial period of 5 (five) years or as mutually extended, such additional power shall be sold/purchased at a rate not exceeding APPC under REC mechanism and thereafter (i.e. after exit from REC mechanism) and for the balance term of the long term agreement at the same terms and conditions, including tariff, as contained in the original PPA dated 23.12.2005.

2. The Commission, after hearing the parties, admits the joint petition for consideration. However, the Commission observes that there are some contradictory provisions in the draft supplementary agreement submitted with the joint petition and the draft supplementary PPA need to be rationalised to remove the contradictions and also to provide more clarity wherever required. For example, sections 10.1 (b) and (c) of the said draft supplementary PPA are contradictory to the section 6.2(d) thereof. Regulation 16 (5) of HPERC (Renewable Energy Sources and Terms and Conditions of Tariff Determination), Regulation, 2012 under which the joint petition has been submitted does not envisage any short/medium term PPA and instead envisages a long term PPA for the entire project life as per Implementation Agreement under which entire power is to be purchased by HPSEBL on preferential tariff except for a provision for purchase of a part of total power, for a mutually agreed period, at the tariff not exceeding the Average Pooled Purchase Cost (APPC) as applicable under REC mechanism. The supplementary power purchase agreement under the said regulation has therefore, essentially to be a part of long term PPA. As such, the term (duration) of the agreement as mentioned in the original PPA shall remain unchanged. Moreover, the term REC mechanism needs to be defined in the supplementary PPA.

3. Similarly, in view of the special provisions in Regulation 16(5) of the aforesaid Regulations 2012, the total net saleable energy is to be apportioned in a firm ratio on the basis of original capacity and the enhanced capacity. The unit wise apportionment of energy is not envisaged in this case as the entire net saleable energy is to be sold to HPSEBL for the entire term of the agreement i.e. 40 years from the date of synchronisation of the first unit of the project. The relevant sections of the agreement have to be drafted accordingly in order to avoid any confusion. This is important in view the fact that the unit wise apportionment of energy would be much different.

4. The Commission also feels that there may not be any justification for having two different sets of provisions for rebate and late payment and the same provided for in the original PPA should continue to be applicable even after enhancement of the capacity. The provisions relating to

apportionment of net saleable energy on monthly basis on the basis of monthly joint meter readings at the interconnection point also need to be incorporated for procedural clarity.

5. In view of above, the Commission advises the parties to modify the draft of the supplementary Power Purchase Agreement by taking into consideration the above observations and also to provide more clarity wherever required and submit the same for approval of the Commission.

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(Subhash C. Negi)
Chairman