BEFORE THE HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION SHIMLA

Petition No: 161 of 2026
Instituted on: 02.09.2026
Heard on: 14.10.2026
Decided on: 21.10.2026

CORAM:

SHASHI KANT JOSHI
MEMBER-cum- CHAIRMAN. .

In the matter of:-

The HP State Electricity Board Limited.
through Chief Engineer (System Operation),
Vidyut Bhawan, Shimla-171004. **…….Joint Petitioner No.1.**

AND

M/s Gunal Hydro Power Private Limited,
Registered Office at 101 Airport Inn Complex,
Bhuntar, Distt. Kullu, H.P-175125,
through Sh. Gopal Krishan Sood, Authorised Signatory.
…..….Joint Petitioner No.2.

Joint Petition under Section 86 (1) (b) of the Electricity Act, 2003 seeking approval to execute the "Power Purchase Agreement" between the HPSEBL and M/s Gunal Hydro Power Private Limited for approval of Long Term Power Purchase Agreement at Generic Levellized Tariff in respect of Sheel Hydro Electric Project (2.0 MW).

Present:-

Sh. Rajesh Kashyap, Ld. Counsel for the Joint Petitioner No. 1
Sh. L.S. Mehta, Ld. Vice Counsel for the Joint Petitioner No. 2.

ORDER

This Joint Petition has been filed under Section 86 (1)(b) of the Electricity Act, 2003 (Act for short) read with Regulations 56 and 57 of the Himachal Pradesh Electricity Regulatory Commission (Conduct of

Business) Regulations, 2024 (the CBR, 2024 for short) by the Himachal Pradesh State Electricity Board Limited (the HPSEBL/ Joint Petitioner No. 1 for short) and M/s Gunal Hydro Power Private Limited (the Joint Petitioner No. 2 for short) for the approval of Long Term Power Purchase Agreement (PPA for short) at the applicable Generic Levellized Tariff for sale/ purchase of power from Sheel Small Hydro Electric Project (2.0 MW) situated on Shirir Nallah, a tributary of Beas river on Beas basin, Distt. Kullu, Himachal Pradesh (Project for short).

2. According to the Petition, initially the Project was allotted to the M/s Baragarh Power Company Private Limited which signed an Implementation Agreement (IA for short) on 11.11.2010 (Annexure-III) with the Government of Himachal Pradesh (GoHP for short) for implementation of 1.50 MW Sheel HEP. Further, M/s Baragarh Power Company Private Limited signed a tripartite agreement with the GoHP and M/s Gunal Hydro Power Private Limited on 07.05.2011 (Annexure-IV) whereby the GoHP granted its consent to transfer all the assets, liabilities, obligations, privileges, statutory/ non-statutory clearances obtained and benefits accrued under the IA dated 11.11.2010 in respect of the Project from M/s Baragarh Power Company Private Limited to M/s Gunal Hydro Power Private Limited.

3. Further, M/s Gunal Hydro Power Private Limited executed the 1st Supplementary Implementation Agreement (SIA for short) with the GoHP on 27.01.2021 (Annexure-V) under the One Time Amnesty Scheme to redefine the Zero Date for the Project as per notification dated 07.11.2020.

4. According to the Petition, the capacity of the Project was enhanced from 1.50 MW to 2.0 MW and a Revised Technical Concurrence was issued by the Directorate of Energy (DoE), GoHP vide notification No. DoE/CE (Energy)/TC-Revised Sheel SHEP/2024-4970-78 dated 10.10.2024 (Annexure-VI).

5. Consequently, the Joint Petitioner No. 2 signed the 2nd SIA with the GoHP on 26.11.2024 (Annexure-VIII) for the enhanced capacity of the Project from 1.50 MW to 2.00 MW, incorporating the terms and conditions on account of change of the capacity of the Project.

6. Further, the Company i.e. M/s Gunal Hydro Power Private Limited signed the 3rd Supplementary Implementation Agreement (3rd SIA for short) with the GoHP on 30.03.2026 to implement the GoHP notification dated 08.01.2026 whereby the rate of free power/ royalty payable to the GoHP was revised to a uniform rate of 13% (including LADF) for entire duration of the IA (Annexure-IX).

7. It is averred that M/s Gunal Hydro Power Private Limited had signed the Connection Agreement with the Himachal Pradesh State Electricity Board Limited (HPSEBL/ Joint Petitioner No. 1 for short) on 07.11.2024 (Annexure-VII), wherein it has been provided that the HPSEBL has agreed to connect the Sheel HEP (2.0 MW) at the interconnection point i.e. Solid tap on 11 kV Naggar feeder emanating from 2x5 MVA, 33/11 kV Naggar Sub-station with appropriate protection arrangement.

8. According to the Petition, as per the provisions of IA/ SIA's, the Joint Petitioner No. 2 has agreed to sell the entire net saleable energy from Project to the Joint Petitioner No. 1/ HPSEBL at the generic levellized tariff, as may be applicable to the Project, as per the provisions of the Himachal Pradesh Electricity Regulatory Commission (Promotion of Generation from Renewable Energy Sources and Terms & Conditions for Tariff Determination) Regulations, 2017, as amended from time to time, (RE Regulations, 2017 for short).

9. Further, the GoHP vide notification dated 15.05.2018, further amended vide order dated 10.10.2018 has mandated the HPSEBL to purchase the power from Hydro Electric Projects with capacity upto 25 MW on generic levellized tariff as determined by the Commission.

10. It is also averred that till date, no agreement has been executed by the Joint Petitioner No. 2 for disposal/ use of energy from the Project on long term basis or under REC Mechanism. Further, no Joint Petition for approval of PPA has ever been filed before the Commission in respect of the Project.

11. It is averred that the SCOD certificate issued by the Chief Executive Officer, HIMURJA vide letter No. HIMURJA/SHP-IA/RA(5)/2005-06-Vol-II-1082 dated 20.04.2026 in respect of the Project provides that the SCOD of the Project shall be 31.08.2026 (Annexure-X) and therefore, the Project falls within the 4th Control Period, defined under the RE Regulations, 2017, for the purpose of the generic levellized tariff as determined by the Commission vide order dated 17.11.2023 in Suo Moto Petition No. 7 of 2023 for the 4th Control Period for category of the Projects above 100 kW and upto 2.0 MW will be applicable and the tariff of Rs. 4.93 per kWh shall be applicable to the Project. However, the tariff is subject to adjustments on account of the following:-

a) Adjustment on account of incentive and/ or subsidy and/ or grant available to the Project.
b) Additional tariff on account of O&M.
c) Variation in free power structure.
d) Rounding.

12. According to the Petition, the adjustment on account of incentive/ subsidy/ grant being made available by the Ministry of Commerce and Industry, Government of India (GoI) vide Notification No. 2(2)/2018-SPS dated 23.04.2018, as per the Industrial Development Scheme for the Himachal Pradesh and Uttarakhand (IDS, 2017), the scheme was operational from 01.04.2017 to 31.03.2022, but the Joint Petitioner No. 2 has not applied for the incentive/ subsidy under the said scheme. However, based on the scope and eligibility of the Project for the incentive under the Scheme, the Joint Petitioner No. 2 would have qualified for an incentive (subsidy) of Rs. 174.86 lakhs. Thus, in terms of Clause 7.14 (ii) of the SHP Tariff Order dated 17.11.2023, adjustments is to be made for any subsidy/ incentive available under the Central or State Government schemes, after accounting for the extent of such benefits. The Joint Petitioner No. 2 on the other hand has averred that the approved Zero Date of the Project was fixed as 22.01.2022 and the possession of the forest land was handed over to the Petitioner on 02.04.2022 and the construction activities commenced in April, 2023. Further, the DoE accorded the revised TEC for the enhanced capacity of 2.0 MW of the Project on 10.10.2024 and executed the 2nd SIA with the GoHP on 26.11.2024. Therefore, the Joint

Petitioner No. 2 could neither satisfy the prescribed eligibility requirements nor submit a complete and valid application for registration under the IDS, 2017 within the operative period of the Scheme. Hence, no adjustment on account of IDS, 2017 is required to be made. However, no additional tariff on account of O&M is applicable.

13. The provisions regarding free power/ royalty have been reproduced in para 14 (C) of the Petition. It is averred that the royalty rates considered in the SHP Tariff Order dated 17.11.2023 for Projects with capacity ranging from 100 kW to 2 MW including the Local Area Development Fund (LADF) contribution are 3% for the first 12 years and 13% for the next 28 years until the Project is taken over by the GoHP. This royalty structure is in variance from the structure applicable to the Petitioner's Project. However, since the variation is within the permissible limit of 13% under the RE Regulations, 2017, the adjustment in tariff is required to be made.

14. It is averred that the Joint Petitioner No. 2 has not filed any case related to the Project in any court for determination/ hike of tariff/ challenge to any Regulations.

15. We have heard Sh. Rajesh Kashyap, Ld. Counsel for the Joint Petitioner No. 1 and Sh. L.S. Mehta, Ld. Vice Counsel for the Joint Petitioner No. 2 and perused the case file carefully.

16. It is apparent from the record that the Project was initially allotted to M/s Baragarh Power Company Private Limited which signed an IA on 11.11.2010 with the GoHP for implementation of 1.50 MW Sheel SHEP. Further, a tripartite agreement was executed by M/s Baragarh Power Company Private Limited with the GoHP and M/s Gunal Hydro Power Private Limited on 07.05.2011 whereby the GoHP granted its consent to transfer all the assets, liabilities, obligations, privileges, statutory/ non-statutory clearances obtained and benefits accrued under the IA dated 11.11.2010 in respect of the Project from M/s Baragarh Power Company Private Limited to M/s Gunal Hydro Power Private Limited.

17. It is apparent from the record that upon the introduction of the One Time Amnesty Scheme by the GoHP vide notification dated 07.11.2020, the benefit thereof was extended to the Project and M/s Gunal Hydro Power Private Limited executed the 1st Supplementary Implementation Agreement (SIA for short) with the GoHP on 27.01.2021 (Annexure-IV) under One Time Amnesty Scheme to

redefine the Zero Date of the Project as per notification dated 07.11.2020.

18. The record shows that the capacity of the Project was revised from 1.50 MW to 2.0 MW and a revised technical concurrence was issued by the DoE, GoHP vide notification No. DoE/CE (Energy)/TC-Revised Sheel SHEP/2024-4970-78 dated 10.10.2024.

19. The record also shows that the Joint Petitioner No. 2 signed the 2nd SIA with the GoHP 26.11.2024 (Annexure-VIII) for the enhanced capacity of the Project from 1.50 MW to 2.00 MW, incorporating the terms and conditions on account of change of the capacity of the Project.

20. It is evident from the record that M/s Gunal Hydro Power Private Limited signed the 3rd SIA with the GoHP on 30.03.2026 to implement the GoHP notification dated 08.01.2026 whereby the rate of free power/ royalty payable to the GoHP was revised to a uniform rate of 13% (including LADF) for entire duration of the IA.

21. It is evident from the record that M/s Gunal Hydro Power Private Limited had signed the Connection Agreement with the Himachal Pradesh State Electricity Board Limited (HPSEBL/ Joint Petitioner No. 1 for short) on 07.11.2024 (Annexure-VII), wherein it has been provided

that the HPSEBL has agreed to connect the Sheel HEP (2.0 MW) at the interconnection point i.e. Solid tap on 11 kV Naggar feeder emanating from 2x5 MVA, 33/11 kV Naggar Sub-station with appropriate protection arrangement.

22. The record further suggests that as per the provisions of IA/ SIA's, the Joint Petitioner No. 2 has agreed to sell entire net saleable energy from project to the Joint Petitioner No. 1/ HPSEBL at the generic levellized tariff, as may be applicable to the Project, as per the provisions of the Himachal Pradesh Electricity Regulatory Commission (Promotion of Generation from Renewable Energy Sources and Terms & Conditions for Tariff Determination) Regulations, 2017, as amended from time to time.

23. The Commission vide order dated 17.11.2023 in Suo Moto Petition No. 7 of 2023 has determined the generic levellised tariff for Small Hydro Projects (SHPs) above 100 kW and upto 25 MW for the 4th control period i.e. 01/10/2023 to 31/03/2027 (SHP Tariff Order). The Scheduled Commercial Operation Date (SCOD) of the Project is 31.08.2026 as certified by the Chief Executive Officer, HIMURJA, Shimla vide a certificate appended to the letter No. HIMURJA/SHP-IA/RA(5)/2005-06-Vol-II-1082 dated 20.04.2026.

24. The Ministry of Commerce and Industry vide Notification No. 2(2)/2018-SPS dated 23.04.2018 has notified the 'Industrial Development Scheme, 2017 (IDS, 2017 for short) for Himachal Pradesh and Uttarakhand" whereby Central Capital Investment Incentive was given for access to credit @ 30% of the investment in plant and machinery with an upper limit of Rs. 5.00 Crore. The Clause 5 (g) of the IDS Notification dated 23.04.2018 provides that 'New industrial unit' means an industrial unit which registers itself on DIPP portal on or after the first day of April, 2017 but not later than 31st day of March, 2022. The Scheme also provides that the final grant of registration/ in-principle approval will be decided by the Committee, which will, inter-alia, consider the prima-facie eligibility of the industrial unit, availability of budget and decide the eligibility for registration under the Scheme.

25. It is apparent from the record that the Joint Petitioner No. 2 did not apply for the IDS, 2017 on the DIPP Portal. Therefore, adjustment on account of incentive/ subsidy has been made as per Regulation 22-C of the RE Regulations, 2017 and Clause 7.14 (ii) of the SHP Tariff Order dated 27.11.2023.

26. The provisions regarding free power/ royalty have been stipulated in Clause 2 of the 3rd SIA dated 30.03.2026. The royalty rates inclusive

of the Local Area Development Fund (LADF) contribution are 13% for the entire life of the Project. This royalty structure is in variance with the structure considered by the Commission in the SHP tariff order dated 17.11.2023 in Suo Motu Petition No. 7 of 2023. Therefore, since the variation in free power structure is within the permissible limit of 13% under the RE Regulations, 2017 the interim tariff has been adjusted in the applicable generic levellized tariff on account of the above.

27. Both the parties have agreed for the sale and purchase of the power from the Project. No other Petition is pending.

28. The Petition is duly supported by affidavits of the Joint Petitioners. Therefore, taking into consideration the aforesaid facts and circumstances and in exercise of the powers vested in the Commission under Section 86 (1) (b) of the Electricity Act, 2003 and Regulations 56 and 57 of the Himachal Pradesh Electricity Regulatory Commission (Conduct of Business) Regulations, 2024 and also taking into consideration the notifications dated 15.05.2018 and 10.10.2018 of the GoHP, Swaran Jayanti Policy, 2021, the Techno Economic Clearance dated 10.10.2024, the Implementation Agreement dated 11.11.2010, Supplementary Implementation Agreement dated 07.01.2021, 2nd Supplementary Implementation Agreement dated 26.11.2024, 3rd

Supplementary Implementation Agreement dated 30.03.2026, the Connection Agreement dated 07.11.2024, the Scheduled Commercial Operation Date of the Project, the notification dated 07.11.2020 of the GoHP and IDS, 2017, the Joint Petitioners have made out a case for the approval of the Long Term PPA under the Generic Levellized Tariff. Hence, the Petition succeeds and allowed. An interim tariff of Rs. 5.05 per kWh is allowed for the Project from the date of the commissioning of the Project. The PPA is ordered to be approved subject to the following terms and conditions:-

(i) The provisional tariff of Rs. 5.05 per kWh is admissible for the Project of the Joint Petitioner No. 2.

(ii) The Interconnection Point for the Project shall be as per the Connection Agreement dated 07.11.2024.

(iii) In the event of grant of subsidy or incentive for the Small Hydro Projects of the Joint Petitioner No. 2 under IDS, 2017, the Joint Petitioner No. 2 shall intimate the Joint Petitioner No. 1 forthwith. The parties either jointly or individually shall approach the Commission within a period of six months for the final tariff of the Project from the date of receipt/ rejection of subsidy.

(iv) The free power shall be payable to the Govt. of H.P as per the IA/ SIA dated 11.11.2010, 27.01.2021, 26.11.2024 and 30.03.2026.

(v) In case the Project is not commissioned during the 4th Control Period qua 2.0 MW capacity, the tariff of the 4th Control Period or

tariff of the control period in which the Project is commissioned, whichever is lower, shall be applicable for 2.0 MW capacity of the Project.

(vi) Other additions, alterations and deletions shall be as per the RE Regulations, 2017, as amended from time to time, and SHP order dated 17.11.2023 passed in Suo Moto Petition No. 7 of 2023.

29. The parties are accordingly directed to execute the Power Purchase Agreement (PPA) as per the Himachal Pradesh Electricity Regulatory Commission (Promotion of Generation from the Renewable Energy Sources and Terms and Conditions for Tariff Determination) (Seventh Amendment) Regulations, 2023, within a period of 30 days from the date of this Order.

30. Three copies of the executed PPA be submitted to the Commission for record.

31. Let a copy of this order be supplied to the Joint Petitioners forthwith.

The Petition is disposed off accordingly.

The file after needful be consigned to records.

Announced
21.10.2026

-sd-
(Shashi Kant Joshi)
Member-cum-Chairman

HPERC