

Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
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Case No. 127 of 2024

Petition of MSEDCL for seeking approval to float tenders for additional Long-Term Procurement of 5991 MW Solar Power for meeting the Renewable Purchase Obligation and to supply daytime power to the farmers of the State of Maharashtra.

Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL)...

Petitioner

Coram

Sanjay Kumar, Chairperson
Anand M. Limaye, Member
Surendra J. Biyani, Member

For the Petitioner

: Ms. Deepa Chawan (Adv)
Mr. Lokesh Chandra (Rep)

ORDER

Date: 20 September 2024

1. Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL) has filed the present Petition on 06 August 2024 under Regulation 39 (c) of MERC (Transaction of Business and Fees & Charges) Regulations, 2022 and MERC (Renewable Purchase Obligation, its Compliance and Implementation of Renewable Energy Certificate Framework) Regulations, 2019 and its Amendment. In present Petition, MSEDCL is seeking the Commission's approval for initiation of competitive bidding process through MSEB Solar Agro Power Limited (MSAPL) for the capacities/locations left out in earlier tendering exercise.

2. MSEDCL's main prayers are as under:

- a) *To accord approval for initiation of competitive bidding process for Remaining Capacities through MSAPL for procurement of 5745 MW under Open Tender and 246 MW in Cluster Tender.*
- b) *To consider the submission made by the Petitioner and consider the same positively while deciding the Petition as well as for further actions;*
- c) *To pass any other order/relief as the Hon'ble Commission may deem fit and appropriate under the circumstances of the case and in the interest of justice.*

3. MSEDCL in its Petition has stated as follows:

3.1. The Government of Maharashtra (GoM) seeks to provide daytime electricity to agriculture consumers through decentralized solar power projects. To achieve this, GoM notified Mukhyamantri Saur Krushi Vahini Yojana 2.0 (MSKVY 2.0), under which at least 30% of agricultural feeders are proposed to be solarised by December 2025 and faster capacity addition will be facilitated in the 'Distributed RE Mode'.

3.2. By virtue of implementation of MSKVY 2.0:

- a) MSEDCL will be able to procure additional power towards its Renewable Purchase Obligations (RPO) (more specifically distributed RE) including its obligations under the Ministry of Power's Notification (MoP Notification) for 'Non-Fossil Obligation' dated 20 October 2023.
- b) The overall power procurement cost for MSEDCL will be reduced.
- c) The agriculture feeders will be solarized with an objective of supplying better quality of electricity to the agricultural consumers during the daytime.

3.3. MSKVY 2.0 sets out certain incentives such as a fiscal incentive of Rs. 0.25/kWh for units injecting energy at 11/22 kV bus bar to encourage solar power developers to participate in generation of solar energy, in a decentralized manner. Such incentive will be granted for a period of 3 (three) years from the date of commissioning of any unit forming part of the decentralized project being established by an SPV. Such an incentive

will be provided to the SPV, if it achieves commissioning of at least 75% of the total contracted capacity prior to the scheduled commercial operation date.

Further, MoP Notification dated 20 October 2023 also provides for the trajectory of Distributed Renewable Energy (DRE) Obligation target within RPO target growing from 1.5% in FY24-25 to 4.5% by FY29-30. As per Note-4 of MoP Notification, all distributed renewables with capacity below 10 MW would qualify to meet this DRE obligation target.

- 3.4. Further, it has been noted by the MNRE in its Guidelines for Development of Decentralised Solar Power Plants dated 13 December 2019 that solar power, which is available during day time is best suited for agriculture load.
- 3.5. Pursuant to MSKVY 2.0, MSEB Solar Agro Power Limited was incorporated as a wholly owned subsidiary of MSEB Holding Company Limited under the Companies Act, 2013 to facilitate implementation of MSKVY 2.0 and to act as the nodal agency for facilitating implementation of MSKVY 2.0.
- 3.6. As per MSEDCL's scheme of arrangement the bidders are expected to obtain benefits of any Central and State Government schemes that may be available to them under the 'Guidelines for Implementation of Pradhan Mantri Kisan Urja Suraksha evam Utthan Mahabhayan Scheme' issued by the MNRE vide notification dated 22 July 2019 as may be amended, restated or consolidated from time to time and MSKVY 2.0. The bidders have been encouraged, under the Request for Selection (RfS) to obtain the CFA of 30% of the estimated cost of installation of solar power plant for capacity corresponding to CFA eligible units of the project, subject to the bidders complying with the KUSUM Scheme and such other guidelines as may be set out by the MNRE from time to time.
- 3.7. Past Competitive Bidding process and MERC Orders:

<u>Commission's Order & Date</u>	<u>Outcome</u>
Case No. 164 of 2023 dated 11 August 2023	The Commission accorded its approval for (i) initiating bidding process for procurement of 7000 MW power from distributed solar power projects under MSKVY 2.0; (ii) certain deviations in the bidding documents i.e. RfS and PPA from bidding guidelines notified by the Central Government; (iii) MSAPL to conduct bidding process under MSKVY 2.0 on behalf of MSEDCL and perform other activities as envisaged by Nodal Agency under MSKVY 2.0.

<u>Commission's Order & Date</u>	<u>Outcome</u>
Case No. 28 of 2024 dated 6 March 2024	The Commission accorded its approval for further deviations in the bidding documents i.e. RfS and PPA from bidding guidelines notified by the Central Government, for incorporating changes pursuant to revisions in the KUSUM Guidelines and for addressing the concerns of the bidders at large, achieving a more favourable tariff in accordance with the current market standards, ensuring the benefits sharing, enabling increased competition, receiving bids for larger quantum of solar power and discovery of lower tariffs.
	MSAPL had floated multiple tenders under Open Tender and Cluster Tender modes. In an open tender framework, bidding was conducted on a substation level (aggregating~12,036 MW). Under a cluster framework the bidding was for an entire clusters each comprising of multiple substations. It is pertinent to note that certain substations under open tender, did not receive any bids. Similarly, certain clusters that were bid out aggregating 246 MW did not receive any competitive bids from the bidders and their bidding process was not concluded.
Case No. 32 of 2024 dated 6 March 2024	The Commission has approved the tariff discovered through competitive bidding. The Commission further permitted additional procurement up to 2000 MW under MSKVY 2.0 through competitive bidding process subject to condition that discovered tariff is within the same range of Rs 2.90 to 3.10/kWh with weighted average tariff of Rs. 3.08/kWh. Accordingly, MSEDCL had issued letters of award for a cumulative capacity of 9,169 MW.

3.8. Procurement of Renewable Power

- 3.7.1. Capacities of ~9169 MW have been awarded to solar power developers, in the previous rounds of bidding that were concluded.
- 3.7.2. Recognizing the need for procuring additional renewable power, MSEDCL has continued with the next round (ROUND 4) in open and cluster tenders which was published on 12 July 2024.
- 3.7.3. The terms of the tender documents as approved by the Commission in its previous Order, including the ceiling tariff of Rs. 3.10/kWh, is being maintained under the

tenders for the remaining capacities as well. Thus, the benefits of MSKVY 2.0 that were envisaged in respect of all substations that were tendered out in previous rounds but did not attract bids will be available to the said remaining substations that are being tendered out herein.

3.7.4. Purpose

a) Demand Management and Price Reduction-

The proposed additional capacity will also help in replacing night-time supply from conventional sources (such as thermal power) with solar power during the day. This transition is expected to reduce overall power purchase costs significantly. By using solar power predominantly during peak daytime hours, MSEDCL can reduce its reliance on thermal power plants during these times, which will be cost-effective and improve coal stock management. The proposed tie up will enable reduction in Average Power Purchase Cost of MSEDCL.

b) Renewable Purchase Obligations

MERC (Renewable Purchase Obligation, its Compliance and Implementation of Renewable Energy Certificate Framework) (First Amendment) Regulations, 2024. The notified target is as below:

Year	Wind RPO	HPO	Distributed RPO	Other RPO	Total RPO
2024-25	0.67%	0.38%	1.50%	27.35%	29.91%
2025-26	1.45%	1.22%	2.10%	28.24%	33.01%
2026-27	1.97%	1.34%	2.70%	29.94%	35.95%
2027-28	2.45%	1.42%	3.30%	31.64%	38.81%
2028-29	2.95%	1.42%	3.90%	33.10%	41.36%
2029-30	3.48%	1.33%	4.50%	34.02%	43.33%

c) Reducing the dependence on Koyna hydroelectric power plant-

The energy drawn from Koyna hydroelectric power plant is currently supplementing the power available from spot procurement on a need basis. However, in light of the water usage restrictions, MSEDCL has a limited quota of power, it can offtake from Koyna plant. With the proposed additional procurement, MSEDCL will be able to rationalize and reduce the current dependence on Koyna plant for base load requirement. The limited capacity of Koyna plant can be used for peak loads (avoiding costly spot market purchases) and for emergencies or contingencies only. Indirectly, this will improve energy security for the state of Maharashtra as well.

4. At the E-hearing held on 20 August 2024, the Advocate appearing on behalf of MSEDCL presented rationale of the proposed procurement. She asserted that the proposed tendering has been initiated only to cover the locations which have not been bid out previously. The Commission noted the modalities proposed in captioned power procurement Petitions, the Commission directed MSEDCL to make elaborate submission on Tender conditions/deviations and regulatory settings during next hearing.
5. The Commission heard the matter again on 23 August 2024, Representative of MSEDCL stated that there is no deviation/change in tender conditions which have been approved by the Commission for MSKVY 2.0. Hence, the Commission may allow MSEDCL to proceed with the bidding process.

Commission’s Analysis and Rulings:

6. The Commission by its Order in Case No. 164 of 2023 dated 11 August 2023 has approved the modalities proposed by MSEDCL for Draft RfS and PPA for all the Solar projects being installed under MSKVY 2.0. During the proceedings in Case No.164 of 2023, the Commission noted that as against agriculture load of around 14000 MW, MSEDCL has proposed procurement of 7000 MW solar power and further for roll-out of MSKVY 2.0, SPV driven model has been adopted. Hence, suitable modifications in bidding documents are warranted. Accordingly, allowed deviations based on merits, as they were related to operational performance, billing, procedural and contractual aspects.
7. Subsequently, MSEDCL has filed another Petition in Case No. 28 of 2024 seeking further deviation in modalities approved in Order dated 11 August 2023 in Case No.164 of 2023 to enable individual substation-based bidding. In said matter, MSEDCL proposed further (3) deviation to kickstart faster rollout of MSKVY 2.0. The Commission vide its Order dated 6 March 2023 allowed the Case No.28 of 2024.
8. After conclusion of bidding process, MSEDCL approached the Commission in Case No. 32 of 2024 for adoption of tariff. The discovered tariff and associated tendered capacities are as below:

Sr. No	Round	Directly Awarded	Awarded after e-reverse auction	Total	Tariff Range
		(MW)	(MW)	(MW)	(Rs/kWh)
1	Open -1	2079	105	2184	2.99 to 3.10
2	Open - 2	1872	428	2300	2.92 to 3.09
3	Cluster	NA	3299	3299	3.03 to 3.10
Total (All)				7783	2.92 to 3.10

The Commission vide its Order dated 6 March 2024 accorded its approval for procurement of 7783 MW on long term basis at tariff of Rs 2.90 to 3.10 / kWh (which is inclusive of Change in Law events occurred till date of bid submission). Further, the Commission also allowed MSEDCL to procure additional power up to 2000 MW under subsequent rounds of bidding under MSKVY 2.0 subject to condition that discovered tariff is within the same range of Rs 2.90 to 3.10/kWh with weighted average tariff of Rs. 3.08/kWh.

9. In present Petition, MSEDCL stated that post above approval of the Commission, it has contracted 9169 MW under MSKVY 2.0. During the hearing, the representative of MSEDCL submitted that additional solar power procurement is with intention of provide daytime power supply to agriculture pumps and also to replace costly power procurement. This scheme will create win-win situation for all stakeholders.
10. The Commission notes that the solar power from proposed project will be utilized to bring down overall power purchase cost of daytime power supply and will be used for meeting Distributed RE Obligation. The Commission has already accorded its approval of tender documents under MSKVY 2.0. Quantum proposed in present Petition coupled with already signed PPA under MSKVY 2.0 will help in providing daytime power supply to Agricultural load. Considering these benefits, the Commission finds it appropriate to allow additional power procurement of 5991 MW.
11. Hence, the following Order.

ORDER

- 1. The Petition in Case No. 127 of 2024 is allowed.**
- 2. The Commission accords its approval for initiating process for procurement of 5991 MW solar power on long term basis under MSKVY 2.0**

Sd/-
(Surendra J. Biyani)
Member

Sd/-
(Anand M. Limaye)
Member

Sd/-
(Sanjay Kumar)
Chairperson


(Dr. Prafulla Varhade)
I/c Secretary

