

Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
World Trade Centre, Centre No.1, 13th Floor, Cuffe Parade, Mumbai 400005
Tel. 022 22163964/65/69 Fax 22163976
Email: mercindia@merc.gov.in
Website: www.mercindia.org.in/www.merc.gov.in

Case No. 25 of 2017

Date: 9 March, 2017

**Coram: Shri. Azeez M. Khan, Member
Shri. Deepak Lad, Member**

Petition of BEST Undertaking for Approval of Power Procurement Plan for FY 2018-19 to FY 2027-28 under Regulations 19 & 20 of MERC (MYT) Regulations, 2015.

BEST Undertaking (BEST)	...Petitioner
The Tata Power Company Limited (TPC-G)	...Impleaded Party 1
Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL)	...Impleaded Party 2
State Transmission Utility (STU)	...Impleaded Party 3

Appearance

For Petitioner:	Dr. Rajendra Patsute (Rep.)
For Impleaded Party 1:	Shri. Bhaskar Sarkar (Rep.)
For Impleaded Party 2:	Shri. Satish Chavan (Rep.)
For Impleaded Party 3:	Shri. S.N. Bhopale (Rep.)

Authorised Consumer Representative:	Dr. Ashok Pendse, TBIA
-------------------------------------	------------------------

DAILY ORDER

1. Representative of BEST made a detailed presentation on its proposed Power Procurement Plan for FY 2018-19 to FY 2027-28. BEST has estimated prepared forecasts of future load as required under the MYT Regulations, 2015, based on past data and reasonable assumptions regarding the future, and taking into consideration aspects such as economic growth, consumption growth of electricity-intensive sectors, advent of competition in electricity distribution, trends in captive power, impact of loss reduction initiatives, improvement in Generating Station Plant Load Factor and other relevant factors. In this background, BEST has forecast its demand based on three methods, viz. econometric modeling, historical trends and optimistic and realistic scenarios of future demand depending on likely future developments in its area. In this background, the presentation also set out three scenarios considered by BEST for procurement of power on long term basis taking into account the existing and likely PPAs, transmission constraints in Mumbai, CAGR and cost benefit analysis, as follows:

- 1) 800 MW power purchase from outside Mumbai, which may put the availability of power at risk because of transmission constraints. Considering the supply risk in case of any transmission line failure or inadequacy, this option may be ruled out.
- 2) 800 MW power purchase from TPC-G through long term PPA on similar terms and condition as the existing PPA (but excluding any purchase from Unit-4 and Unit-6). The reliability of supply in this scenario is high, but the cost of purchase from TPC-G may be higher than through Case-I competitive bidding.

BEST ruled out this scenario as the Commission, in the MYT Order dated 28 October, 2016 in Case No. 33 of 2016, had specifically directed BEST to explore cheaper sources of power than that of TPC-G.

- 3) BEST has considered it prudent to take a balanced approach by adopting a mix of the above two options, in which it would purchase 500 MW of power from TPC-G and 300 MW power through Case-I competitive bidding.

To a query of the Commission, BEST stated that it had also sought inputs from the STU but had yet to receive its reply.

2. BEST stated further that, at a meeting on 18 January, 2017, Minister (Energy) had directed it to consider purchase of cheap surplus power from MSEDCL. Accordingly, BEST has received an offer letter on 25 January, 2017 in which MSEDCL has stated that there is no transmission constraint and it is feasible to bring in the power for BEST through Medium Term or Long Term Open Access. MSEDCL has offered power for a period of 5 years, which may be extended for a long term period of 10 years. BEST has requested MSEDCL to submit its detailed offer within the power procurement framework under Section 62 of the Electricity Act, 2003, to which a reply is awaited.

3. The Commission asked BEST whether it is ready to purchase power from MSEDCL at any cost, to which the BEST Representative replied that it would compare the rates proposed by MSEDCL with other available options before accepting its offer.

4. To another query, BEST stated that it would purchase the approved quantum from TPC-G at the rates approved by the Commission. BEST also set out the expected increase in the power purchase cost as determined by the Commission in TPC-G's MYT Order considering the capex proposed by TPC-G in the Control Period.

5. The Commission directed BEST to examine all options along the lines of its directions to the Petitioners in the Daily Order dated 28 February, 2017 in Case No. 5 of 2017 regarding the PPA approval proposal of RInfra-D and RInfra-G, and revert to the Commission.

6. The Commission asked STU to submit its analysis of various realistic transmission availability scenarios over the next three years assuming long or medium term PPAs for power from outside Mumbai, which may include the possibility of pre-poning certain transmission projects which are proposed for future implementation.

7. Representative of TPC stated that it will discuss with BEST the generation capacity identified for the proposed power purchase. TPC is also in the process of preparing various scenarios considering the competitiveness of TPC-G generation and the possibility of reduction in the Fixed Cost and cost of power considering combinations of APM Gas and Hydro Generation. The STU had presented a draft report some time ago with which TPC-G has some issues, including the low CAGR assumed and time-lines for transmission works which were overly optimistic considering RoW and other problems.

8. Representative of MSEDCL stated that from total tie line capacity of 1700 MW, 600 MW has been tied up for RInfra-D and 200 MW for a few RE Generators. Hence sufficient tie line capacity is available for its proposal to supply 800 MW power to BEST. MSEDCL will have surplus contracted generation which will increase from 25000 MU to 42000 MU over the current Control Period, out of which it is offering around 5058 MU to BEST. A detailed proposal was given to BEST on 20 February, and revised on 3 March, 2017. As per the Commission's MYT Order in Case No. 48 of 2016 also, MSEDCL is expected to have surplus power during the 3rd Control Period. MSEDCL has proposed to supply surplus power to BEST on a the no profit no loss basis so as to utilize stranded generation capacity and benefit MSEDCL's consumers also, initially for 5 years which may extend to 10 years depending on the availability of surplus power. The offer rate is less than BEST's present purchase rates. MSEDCL also pointed out that some possible Transmission projects are not being developed largely because long term power purchase contracts are not in place. MSEDCL also stated that the figures underlying the BEST scenarios were incorrect, the peak demand much higher.

9. In this context, the Commission asked MSEDCL whether it had explored other opportunities for short or medium-term sale of surplus power by participating in competitive bidding or other modalities instead of negotiating with BEST, or allocating a specific low cost Generator to BEST. MSEDCL mentioned that, at present, there was no demand from other Distribution Licensees. It had participated in several short term bids, but there were very few inquiries now for medium term supply. The Commission observed that in its own tariff proceedings MSEDCL would also have to show that its offer to BEST was the best option available for sale of surplus power and in the interest of MSEDCL's own consumers.

10. Dr. Pendse of Thane-Belapur Industries Association stated that the earlier Mumbai power scenario of 2000 MW embedded generation and 500 MW stand-by facilities is no longer relevant when Mumbai demand has reached a peak of around 3600 MW. This load had been catered to by importing power even when a part of the embedded generation was not available, such as during the outage of around 10 months of Trombay Unit 8 of 250 MW. In the present situation, the Mumbai Distribution Licensees may reduce their power purchase cost by purchasing low cost power from outside Mumbai. Even with 18000 MW State demand, several Generating Units are under zero schedule, which shows the ready availability of generation outside Mumbai. Moreover, assuming that the present transmission constraints and consequent dependence will continue for the foreseeable future is not correct, according to the STU itself. The key issue is how much power can actually be brought into Mumbai and the time-lines. Further, as regards the proposed power purchase from TPC-G, BEST should first negotiate the nature and terms advantageous to it.

11. He stated further that, while proposing sale of power to BEST under Section 62, MSEDCL would be acting as a Trader, while Section 62 of the EA, 2003 is for Generators and Distribution Licensees. In fact, MSEDCL, being a Distribution Licensee, cannot supply electricity to another Distribution licensee. If BEST is prepared to avail power through Traders, several other options are also available in the market apart from MSEDCL. Moreover, in view of the changing scenario, tying up with MSEDCL for 10 years may not be wise. It may be preferable to do so for, say, 3 years, after which it could review what MSEDCL or others can offer at that time. BEST should also look beyond TPC-G and MSEDCL.

12. The Commission reiterated its earlier directions given to the STU and MSLDC in Daily Order dated 28 February, 2017 in Case No. 5 of 2017, which are relevant to the present matter also:

- 1) STU may submit various scenarios considering non-availability of embedded Mumbai Generation (considering Unit-wise/Plant-wise non-availability or partial availability of embedded generation of TPC-G and RInfra-G); and also whether or to what extent the islanding scheme is still required for the operation of the Distribution Licensees in Mumbai considering N-2 system reliability.
- 2) STU may submit realistic scenarios regarding the transmission capacity enhancement which is possible in the short term, medium term and long term, with time-lines and likely capex required, in addition to the existing projects for augmentation of transmission capacity to cater to the Mumbai load. The scenarios should consider the likely generation coming up, stranded generation, and other possible generation sources within and outside Maharashtra. While running the simulations, it should also consider the possible utilization of transmission lines of Hydro generation.
- 3) MSLDC should submit its say on the issue of transmission constraints faced by it during operation of the Grid when RInfra-G and TPC-G Units were under outage, and with regard to smooth operation of the Grid in case Mumbai embedded generation is partially or fully un-available.

After these submissions are received, the Commission shall hold a meeting with STU and MSLDC along with the Mumbai Distribution Licensees and MSEDCL so that they have a clear understanding of present transmission constraints, future transmission capacity after completion of planned projects and the new projects that could be undertaken to improve the transmission capacity to cater to the Mumbai load with lower levels or absence of embedded generation.

Next date of hearing will be communicated by the Secretariat of the Commission.

**Sd/-
(Deepak Lad)
Member**

**Sd/-
(Azeez M. Khan)
Member**