

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, Case No. 26 of 2017 and MA No. 10 of 2017 in Case No. 25 of 2017

Date: 19 May, 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

AND

Petition filed by BEST Undertaking for approval of deviations in Standard Bidding Documents for Procurement of 300 MW of Power on Long Term basis for the BEST Undertaking as per the guidelines issued by Ministry of Power, Govt. of India.

AND

Miscellaneous Application filed by RattanIndia Nasik Power Limited in Case No 25 of 2017

BEST Undertaking

....Petitioner

The Tata Power Company Limited (TPC-D)
Maharashtra State Electricity Distribution Co. Ltd.(MSEDCL)..
State Transmission Utility, MSETCL (STU)

...Impleaded Party No. 1
Impleaded Party No. 2
....Impleaded Party No. 3

RattanIndia Power Limited (RIPL)

.... Intervener Applicant

Appearance

For Petitioner:

Dr. Rajendra Patsute (Rep.)
Shri. Prakash Tiwari (Rep.)

For Impleaded Party 1:

Shri. Bhaskar Sarkar (Rep)

For Impleaded Party 2:

Shri. Paresch Bhagvat (Rep.)

For Impleaded Party 3:

Shri. S.N. Bhopale (Rep.)

For RIPL:

Shri. Tushar Nagar (Adv.)

Authorised Consumer Representative:

Dr. Ashok Pendse, TBIA
Ms. Saumya Vaishnava, Prayas

DAILY ORDER

1. Advocate for RIPL stated that it has filed an Intervention Application (M.A. No. 10 of 2017 in Case No. 25 of 2017), but had filed an adjournment request yesterday as its Counsel is not available. He requested the Commission either to adjourn the matter, or to hear the present matter and decide its Intervention Application on another date. The Commission stated that it would decide on the Application and the locus standi of RattanIndia at the next hearing.

2. Representative of BEST made a detailed presentation on replies to queries raised by the Commission during the hearing held on 9 March, 2017 and additional information submitted by BEST on 18 May, 2017. In its additional submissions dated 18 May, 2017, BEST has presented four additional scenarios for procurement of power. During the presentation, BEST emphasized that it proposes to go ahead with Scenario VII, i.e., procurement of 750 MW power for five years from FY 2018-19 to FY 2022-23 through medium-term competitive bidding process. BEST further submitted that this Scenario considers that transmission constraints will be eased after a period of 5 years, when the entire scenario will be reviewed by BEST to decide the further power procurement strategy.

3. BEST also modified its prayers accordingly and requested the Commission to approve the procurement of 750 MW power for five years through medium-term competitive bidding process.

4. The Commission asked BEST, since there is a large difference between peak and off peak demand, how 750 MW power is proposed to be procured on Round the Clock Basis (RTC) and that too for five years. BEST Representative replied that it may consider splitting of 750 MW into two parts, with one part to be procured to meet Base Load on RTC basis and another part to meet the Peak Demand.

5. The Commission also asked BEST to explain the reasons for change in the proposed power procurement plan as submitted in its Additional Submission (procurement of 750 MW power through medium-term competitive bidding for 5 years) as against the original Petition (procurement of 300 MW power through long-term competitive bidding for 10 years). BEST replied that, considering the changing power scenario in the Country with large surplus capacity available, availability of solar power at reasonable rates and transmission projects which will ease the transmission constraints by FY 2022-23, BEST is now proposing procurement of 750 MW power through medium-term competitive bidding for 5 years. Further, BEST prefers to opt for procurement of power through medium-term competitive bidding as the mechanism provides for reverse bidding, which will help BEST in getting the

best tariff through competition. BEST requested the Commission to grant in-principle approval for procurement of 750 MW power through medium-term competitive bidding for five years, upon which further detailing would be done by BEST.

6. BEST also informed the Commission that it has received a letter from TPC-G stating that the minimum capacity that TPC-G can agree to supply is 515 MW.

7. The Commission observed that BEST's proposal to procure 750 MW power through medium-term competitive bidding for 5 years is not supported by adequate analysis, including system studies, and directed BEST to submit a detailed analysis covering the following aspects:

- a. Requirement of power factored on Base Load and Peak Load.
- b. Analysis of current trends of rates of Base Load and Peak Load power, discovered through medium-term competitive bidding.
- c. Risks involved in sourcing entire power through medium-term
- d. Appropriate mix of Long-Term and Medium-Term power, with merits and demerits under various options and considering transmission constraints
- e. Why BEST is not considering procurement of 300 MW through medium-term competitive bidding (earlier proposed to be procured through long-term competitive bidding)
- f. BEST's apprehension on procurement of power through long-term competitive bidding
- g. Analysis of likely power purchase costs under various scenarios along with assumptions considered for analysis

8. BEST also made a separate presentation on its Petition in Case No. 26 of 2017 for approval of deviations from the Standard Bidding Documents for procurement of power through competitive bidding on long-term basis.

9. TPC made a presentation on BEST's Petition and made the following submissions:

- a. In its additional submission dated 18 May, 2017, BEST has changed its stand and has proposed to procure the entire power through competitive bidding route instead of procurement of 500 MW power from TPC-G and 300 MW through competitive bidding as proposed earlier.
- b. In case BEST's proposal of procurement of 750 MW power through competitive bidding is approved, it will reduce the available transmission

capacity for the other two Distribution Licensees in Mumbai. TPC submitted that the available transmission capacity needs to be allocated equally to the three Discoms in Mumbai.

- c. TPC will file a detailed written response on BEST's additional submission.
- d. TPC-G suggested that BEST should consider procuring some proportion of power from it and the balance through competitive bidding as the average cost of power available from TPC-G is around Rs. 4/kWh and it is working on bringing down the fixed charges by around 10-15 paise/unit. Hence, the tariff of TPC-G is competitive as against tariffs discovered in long term competitive bidding.
- e. TPC-G also submitted that the respective Trombay Units can only operate if full power is tied up for that particular Unit.

10. The Commission asked TPC-G about the Return on Equity (RoE) to be allowed for its Generating Stations considering the fact that most of the Units of TPC-G have completed their useful life. TPC-G replied that it is actively working on reduction in RoE, and hence had also mentioned in the presentation that it is working on bringing down the fixed charges. The Commission directed TPC-G to make a detailed written submission in this regard.

11. On the specific observation of BEST that MSEDCL is a deemed Trading Licensee and that, in case BEST procures power from MSEDCL, it is not clear as to how the tariff will be approved as this arrangement will not fall under either Section 62 or 63 of EA, 2003, MSEDCL submitted that it will make its legal submissions on this issue.

12. The Commission asked MSEDCL whether it has explored any other option for supply of power to BEST apart from supplying on Average Power Purchase Cost plus FAC. MSEDCL replied that this is the best model, but it could explore other options also. The Commission asked MSEDCL to make its submissions in this regard, including its views on offering power at uniform rate without any FAC.

13. To the Commission's query regarding impact of supply of power by MSEDCL to BEST, MSEDCL replied that this will not affect MSEDCL as it is duty bound to supply power to Mumbai under Standby mode in the event of any reduction in embedded generation on account of any occurrence.

14. The Commission asked MSEDCL whether it has participated in any long-term or medium-term tender for supply of power. MSEDCL replied that it had regularly participated in short-term bidding and could examine participating in medium-term tender now also.

15. STU made the following submissions:
- a. The entire embedded generation capacity cannot be removed from Mumbai power system before FY 2022-23, but can be done in a phased manner.
 - b. BEST can procure 300 MW power from outside, but a procurement of 750 MW from outside Mumbai is not viable in the present scenario in view of transmission constraints.

16. Prayas made the following submissions:
- a. Reasons and basis for changing power procurement plan from 300 MW to 750 MW through competitive bidding need to be provided.
 - b. Any proposal by BEST should be made considering the transmission constraints and with confirmation from STU.

Prayas requested additional time to make a detailed submission in the matter.

17. Dr. Pendse of TBIA (Consumer Representative) raised the following issues:
- a. Whether TPC-G is ready to offer 300 MW to BEST?
 - b. Whether the remaining 450 MW of power can be procured by BEST through competitive bidding considering the present transmission constraints?
 - c. Power Procurement plan of BEST should be a mix of embedded generation and procurement of power through competitive bidding
 - d. Medium-term competitive bidding is preferable over long-term competitive bidding considering the current dynamic market conditions.

18. The Commission directed BEST to make its additional submissions considering the issues raised by the Commission and other stakeholders during the hearing, within one week. The alternative scenarios proposed by BEST for power procurement should be in consonance with the position set out by STU..

19. The Commission granted two weeks time to other stakeholders for making their written submissions in the matter.

The Cases are reserved for consideration of Interim Order subject to submissions by the Parties.

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

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