

**Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
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CASE No. 42 of 2017

Suo-moto proceedings to review the status of Petition of upcoming Generation Projects of MSPGCL as per PPAs signed with MSEDCL, and cancellation of other upcoming Units and their consequent removal from PPAs.

Dated: 19 December, 2017

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

Appearance:

Representative of MSPGCL:Shri S.B. Soni (Rep.)Shri Vijay Rathod (Rep.)
Representative of MSEDCL:Shri Paresh Bhagwat (Rep.)
Consumer RepresentativesMs Ann Josey (PEG)Dr. Ashok Pendse (TBIA)

Daily Order

Heard the Representatives of MSPGCL, MSEDCL and Authorised Consumer Representatives.

1. Representative of MSPGCL made a presentation highlighting compliance of the following two directions issued by the Commission:

- (i) Status of filing of Petition for approval of Capital Cost and Determination of Final Tariff for New Units.
- (ii) Cancellation of certain upcoming Units for which PPAs have been executed and their consequent removal from the approved PPAs.

2. MSPGCL stated that:

- i. It had filed Petition in Case No. 59 of 2017 for approval of Capital Cost and determination of Final Tariff for the new Koradi Unit No. 8, 9 & 10, Chandrapur Unit No. 8 & 9 and Parli Unit No. 8 and the Commission has passed the Order in the matter on 14 December, 2017. Accordingly, the first direction has been complied with.
 - ii. As regards the second direction, the Government of Maharashtra has approved a replacement plan for MSPGCL's old 210 MW Units after completion of 40 years of service. The replacement plan includes commissioning of new Units of equivalent capacity at the same or different locations after retirement of the old Units. With this, there would not be any net capacity addition, as envisaged under the National Electricity Plan.
 - iii. The Dhopave and Latur projects, in which there is no progress, are proposed to be deleted from the PPAs.
 - iv. The Uran expansion project is to be kept in abeyance till further directions from the Government of India, clarity on the gas supply scenario and RE integration issues.
 - v. As regards the other upcoming new /expansion Units under the approved PPAs, (namely Nashik Unit 6, Paras Unit 5 and Dondaicha Units), it is proposed to keep these Units in abeyance till FY 2021-22, by which time there will be more clarity on actual demand growth, voltage profile issues, actual RE capacity addition and its impact on grid stability, etc.
 - vi. Umred (2x800MW) and Dherand (800MW) projects are proposed as replacement projects for other old 210 MW units, and feasibility of these projects is being studied which will be finalised within 2/3 months.
3. To a query of the Commission, MSPGCL stated that PPA approval for the Dondaicha Units (5 x 660MW) will be utilized for new Generating Units at other locations.
4. The Commission observed that the existing PPAs between MSPGCL and MSEDCL are project-specific PPAs. New Generating Units cannot be automatically included in the PPAs in place of other Generating Units and MSEDCL has to approach the Commission for approval of Addendum to the PPAs. Instead of a replacement plan, MSPGCL should provide details pertaining to Units under the PPAs in which there is no progress and MSPGCL's proposal regarding their continuation/cancellation alongwith justification.
5. MSEDCL stated that it is agreed to the continuation of Bhusawal Unit 6. To a query of the Commission, MSEDCL stated that it needs an additional 2 months to review the necessity of MSPGCL's other upcoming Units which are listed in the PPAs, after taking into consideration its other PPAs, RE additions and MSEDCL's demand projections.
6. Dr. Ashok Pendse, on behalf of Thane Belapur Industries Association (TBIA), a Consumer Representative, stated that:
 - i. There is already a power surplus situation in the State and the Distribution Licensees are required to pay the fixed charges to the Generating Companies even when the power is not required.

- ii. It is the Distribution Licensee which has to decide whether it needs new Units after the retirement of existing Units.
 - iii. The Distribution Licensee should ideally first explore the option of entering into PPAs under Section 63 of the Electricity Act (EA), 2003 instead of Section 62 of EA, 2003.
 - iv. The issue of retirement of Generating Units and continuation of the PPAs is relevant to other Generating Companies also.
7. The Commission observed that, even if MSPGCL and MSEDCL agree to enter into agreement under section 62 of the EA, 2003, MSEDCL needs to show that the electricity proposed to be procured from MSPGCL is competitive as compared to other sources.
 8. Smt. Ann Josey on behalf of Prayas (Energy Group), a Consumer Representative, stated that the Generating Units where no construction work has taken place should not be part of the PPAs. If MSPGCL intends to go ahead with such Units, it should be at MSPGCL's risk and it should identify other buyers for the electricity generated from such Units.
 9. The Commission observed that MSPGCL's submission does not take into consideration factors such as projected RE generation, demand supply scenario in the State, MSEDCL's other PPAs, competitiveness of MSPGCL's Units, MSEDCL's RPO obligations, etc. and proceeds on the premise that new Units can be installed in place of old Units retired/being retired and the PPAs can be continued with certain amendments for the new Units as well.
 10. After due deliberation with MSEDCL, MSPGCL needs to carry out a realistic assessment considering the issues raised above, and approach the Commission afresh with its proposal and road map. The Commission in its final Order would also indicate any other considerations and modalities based on which MSPGCL would file a fresh Petition regarding cancellation of certain upcoming Units and their consequent removal from the PPAs.

The Case is reserved for Order.

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

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