



KERALA STATE ELECTRICITY BOARD LIMITED

(Incorporated under the Companies Act, 1956) CIN:U40100KL2011SGC027424

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.Abstract

Initialling of Power Purchase Agreement (PPA) with Palakkad Small Hydro Company Ltd for procuring power from Palakuzhy SHEP (1MW) -Orders issued

Corporate Office (Commercial and Tariff)

BO (FTD) No. 398 /2023 (No.CML-EE-2-AEE-2/CE(C&T)/Palakuzhi /2023-24) Tvpm,

Dated 17.08.2023

Read:

1. Note No. CML/EE2- AEE2/ Palakuzhy SHEP/2019-20/CE (C&T)/140 dated 16.5.2019 of the Chief Engineer (Commercial & Tariff) submitted to Full Time Directors.
2. Note No. CML/EE2- AEE2/ 2022/CE (C&T)/527 dated 01.08.2022 of the Chief Engineer (Commercial & Tariff) submitted to Full Time Directors.
3. BO (FTD)No:287/2023 (No.CML-EE-2-AEE-2/CE(C&T)/kzktu-SHEP/2023-24) Dated 31.05.2023
4. Letter No:PSHC/PMHP/KSEB/2023-24/2469 dated 01.06.2023 addressed to the Chief Engineer(Commercial & Tariff)
5. Note No:CML-EE2-AEE-2/2023/CE(C&T)/2023-24/518 dated 26.07.2023 of the Chief Engineer (Commercial & Tariff) submitted to Full Time Directors. (Agenda No:18/8/23)

ORDER

Government of Kerala allotted Palakuzhy SHEP (1MW) as a special case to Palakkad District Panchayat after exempting it from normal bidding route on 4.02.2011 . Accordingly, Palakkad District Panchayat has requested execution of Power Purchase Agreement (PPA) between KSEBL and Palakkad Small Hydro Company Ltd (PSHCL) for Palakuzhy SHEP for obtaining financial assistance. A draft PPA for Palakuzhy SHEP were approved by the Full Time Directors meeting held on 24.5.2019 as per note read as 1st above.

The draft PPA as approved by KSEBL was forwarded to M/s PSHCL vide letter dated 31.5.2019 for their concurrence. The developer, M/s PSHCL, had sought some modifications in certain clauses of the PPA.

It was informed to M/s PSHCL, that no significant changes in the respective clause are possible since it need regulatory approval. Subsequently M/s PSHCL has given consent for draft PPA as suggested by KSEBL and requested to initial the PPA for the project so as to avail loan from NABARD under NIDA scheme and to submit before KSERC for approval.

As per the Renewable Energy and Net Metering (First Amendment) Regulations, 2022, the Generic Tariff for 35 years with the benefit of accelerated depreciation for small

hydro project is Rs. 5.39/unit which is on the higher side compared with APPC rate for the year 2022-23 Rs 2.69/Kwh , which is a very feasible rate considering the generic tariff rate .

Considering the these facts the Full Time Directors meeting held on 06.08.2022 as per note read as 2nd above has decided to modify clause 5.4 on Tariff as: *"Tariff for power generated from the project shall be the average pooled power purchase cost of the year in which the CoD of the project is approved or project specific tariff keeping project cost capped at agreed capital cost of Rs 6.47 crore per MW whichever is lower"* .The amendment in clause 5.4 was intimated to the developer vide office letter dated 02.09.2022 and requested to provide consent for the same.

Subsequently as per letter read as 4th above ,M/s PSHCL has intimated that the modification in clause 5.4 is not acceptable and requested KSEBL to forward PPA without modification for initialing at a tariff of Rs 5.54/unit or at the generic tariff fixed by KSERC.

Since the project is a run off river project , generation is infirm in nature and the Power generation will be mainly during monsoon season. Also as per clauses 12.1 & 12.2 of the prevailing Kerala Small Hydro Power Policy (SHEP Policy 2012) stated below does not mandate that KSEBL must purchase power from IPP and CPP model projects .

Clause 12.1 The State Transmission Utility / Kerala State Electricity Board shall have the first right to purchase the power generated by IPPs and surplus of power from CPPs at a tariff and other terms and conditions set forth by the Kerala State Electricity Regulatory Commission.

Clause 12.2 If KSEB or its successor entity is not intending to purchase the power, Kerala State Electricity Regulatory Commission will permit non-discriminatory open access within the State of Kerala to sell the power to any entity within Kerala. Kerala State Electricity Regulatory Commission may permit open access for sale of power outside Kerala duly complying with the Section 11 of EA 2003.'

Thus as per the SHEP policy 2012, KSEBL has an option to purchase power from CPP, IPP projects in the state only if it is financially viable.

In a similar case , KSEBL had issued Provisional Letter of Comfort for Ezhamkadavu Mini HEP at a tariff lower of average pooled power purchase cost of the year in which the CoD of the project is approved or project specific tariff or mutually agreed tariff.

Thus as per BO read as 3rd above KSEBL had decided not to purchase power from Kozhiyilakuthu SHEP(1.5 MW) and allowed non-discriminatory open access as per Kerala Small Hydro Policy 2012 since the tariff projected by the developer is not viable.

The matter was placed before the Full Time Directors as per the note read as 5th above. Having considered the matter in detail, the Full Time Directors in its meeting held on

11.08.2023, resolved to Intimate M/s PSHCL that KSEBL is not intending for Purchasing power from Palakuzhy SHEP and will allow non-discriminatory open access as per Clause 12 of Kerala Small Hydro Policy 2012 .

Orders are issued accordingly

By Order of the Full Time Directors,

Sd/-
LEKHA G.
Company Secretary

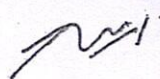
To

1. The Chief Engineer (Commercial & Tariff)
2. The Deputy Chief Engineer(TRAC)

Copy to:

1. The Financial Advisor/Chief Internal Auditor/LA & DEO
2. The TA to CMD/ Director (T,SO,Plng)/ D(D ,IT SCM,Safety)/ D(Gen (Civil))/D(Gen Ele ,REES,Soura,& S&W).
3. The PA to Director (Finance & HRM)
4. The Senior CA to Secretary (Admin)/Company Secretary
5. Library / Stock File.

Forwarded/ By Order


Assistant Engineer

