



KERALA STATE ELECTRICITY BOARD LIMITED

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

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.Abstract

Kozhiyilakuthu -1.5 MW Small Hydro Electric Project -Purchase of Power - Issuing Letter of Comfort for allotted capacity of 1.5MW -Orders issued

Corporate Office (Commercial and Tariff)

BO (FTD) No. 287/2023 (No.CML-EE-2-AEE-2/CE(C&T)/Kzktu-SHEP /2023-24) Tvpm,
Dated 31.05.2023

- Read: 1. Note No:CML-EE-2-AEE-2/Kzktu-SHEP 2021-22/CE(C&T) /1227 dated 16.02.2022 of the Chief Engineer (Commercial & Tariff) submitted to Full Time Directors (Agenda- 1/3/22)
2. Letter No:CML/EE-2/AEE-2/kzkhu-SHEP/2021-22/CE(C&T)/186 dated 03.08.2022 of the Chief Engineer (Commercial & Tariff) addressed to M/s ABG Engineering India Pvt Ltd .
3. Letter dated 08.08.2022 of M/s ABG Engineering India Pvt Ltd addressed to the Chief Engineer(Commercial & Tariff) .
4. Note No: CML-EE-2-AEE-2/Kzktu-SHEP 2022-23/CE(C&T) /215 dated 16.05.2023 of the Chief Engineer (Commercial & Tariff) submitted to the Full Time Directors (Agenda- 65/5/22)

ORDER

The Government of Kerala (GoK) had allotted 1 MW Kozhiyilakuthu SHEP identified at Mankulam Panchayath , Devikulam, Idukki district to M/s ABG Engineering (India) Pvt Ltd subject to the conditions contained therein for implementation on BOOT basis for a period of 30 years from the date of execution of Implementation Agreement. The Implementation Agreement was executed on 23.09.2014 between the GoK and the Developer.

M/s ABG Engineering (India) Pvt Ltd had requested letter of comfort (LoC) for 1.5 MW capacity. Since the sanction from the Gok was for 1MW SHEP, confirmation was sought from Energy Management Centre(EMC) regarding enhanced capacity and EMC has recommended to proceed with the issuing (LoC) for the capacity of 1MW, since investor had already paid the premium amount for the same. The meeting of Full Time Directors held on 04.08.2021 has directed to ascertain the loan amount from the company before issuing LoC .Thus the company was requested to furnish the details of loans proposed to be availed from financial institutions for the project.

Meanwhile the GoK had accorded sanction for the capacity enhancement of Kozhiyilakuthu SHEP to 1.5 MW subject to the payment of Rs 13.5 lakhs as per Kerala small hydro policy 2012 and subject to the conditions mentioned therein.

M/s ABG Engineering (India) Pvt Ltd had requested KSEBL for issuance of LoC for the purchase of power generated from Kozhiyilakuthu 1.5 MW Small Hydro Project for the purpose of availing loan up to 70% of project cost from financial institutions. They have intimated that the project levelised tariff work out as per the KSERC Regulations is Rs 5.09/unit which is within the ceiling tariff notified by KSERC for the FY 2019-20 ie Rs 5.53/unit. The rate offered by M/s ABG Engineering (India) Pvt Ltd was on the higher side.

As per National Tariff Policy 2016, in which KSEBL has the obligation to purchase 35% of power of the installed capacity for which the tariff may be determined under Section 62 of Electricity Act 2003. Hence the matter was placed before the Full Time Directors as per note read as 1st above and decision was to go for one more round of negotiation with the developer.

As per letter read as 2nd above, developer was requested to have a relook on tariff near to APPC rate of 2021-22 which is Rs 3.22/unit and to produce loan amount details and requested to furnish a copy of supplementary Implementation Agreement. In reply as per letter read as 3rd above, the developer was of the opinion that the tariff for selling the power to KSEBL is to be calculated according to Bid Document and Implementation Agreement with GoK and enquired why KSEBL is discussing on Tariff which is settled in Bid Document and requested KSEBL to issue the LoC at the earliest. The developer has not submitted the copy of Supplementary agreement executed with GoK till date.

Since Kozhiyilakuthu SHEP (1.5 MW) is a run off river project, the generation is infirm in nature. The power generation from run off river projects are mainly during monsoon season when KSEBL will be surrendering the contracted power to accommodate "Must Run" grid integrated RE and pay for the stranded capacity charges. At present no exigency arises to KSEBL for entering into contracts with small hydro power projects for achieving the RPO targets.

Also the prevailing Kerala Small Hydro Power Policy (SHEP Policy 2012) does not mandate that KSEBL must purchase power from IPP and CPP model projects. Hence as per the small hydro policy, published by GoK, KSEBL has an option to purchase power from CPP, IPP projects in the state only if it is financially viable.

As far as APPC rate is concerned, the rate is varying every year according to internal generation and power purchase. Moreover, there may be a situation where the APPC rate can increase when power is purchased from the short-term market, for meeting summer demand, at a higher price, and at the same time comparatively cheaper RE power is available in the market under a long-term contract. But presently APPC rate for the year 2021-22 is Rs.3.22/kwh and for 2022-23 is Rs 2.69/Kwh which is a very feasible rate considering the generic tariff rate.

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 not financially viable to KSEBL. Since LoC provides a level of assurance that KSEBL will purchase power, there should be a clear picture of tariff before issuing the same.

The matter was placed before the Full Time Directors as per the note read as 4th above. Having considered the matter in detail, the Full Time Directors in its meeting held on 18.05.2023, resolved to Intimate M/s ABG Engineering India Pvt Ltd that KSEBL is not intending to Purchase power and allow non-discriminatory open access as per Kerala Small Hydro Policy 2012 Clause 12.1.

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 , Safety& Gen Ele)/ D(D ,IT SCM,REES & Soura)/ Gen (Civil).
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