

Delhi Electricity Regulatory Commission
Viniyamak Bhawan, C-Block, Shivalik, Malviya Nagar, New Delhi-110 017

No.F.9(46)/DERC/2006-07/

June 12th, 2007

In the matter of: Procedure for Sale / Banking of Surplus Power.

ORDER

The Commission vide its Order of 31st March, 2007 had reassigned the existing Power Purchase Agreements of the Delhi Transco Limited (DTL) amongst the successor Distribution Companies, namely, BSES Rajdhani Power Limited (BRPL), BSES Yamuna Power Limited (BYPL) and North Delhi Power Limited (NDPL), as also the New Delhi Municipal Council (NDMC) and the Military Engineering Service (MES), which are the deemed Licensees. In the above mentioned Order at para 16(v), the Commission had directed the following :-

“All transactions for sale/banking of surplus power shall be done by a transparent competitive bidding process. Necessary procedure for the same shall be prepared by the interested stakeholders and submitted to the Commission for approval.”

2. In response to this directive of the Commission, the Delhi Power Procurement Group (DPPG), constituted vide DTL's Office Order No. F/DTL/401/19/PPA/2006-07/CMD/278 of 28.03.2007, has submitted to the Commission on 4th May 2007 the procedure to be followed by the Distribution Companies for sale as well as purchase of power for requirements in the NCT of Delhi.

3. Before considering the proposed procedure suggested by the DPPG, the Commission observes that sale of surplus power (whenever available), in the present scenario, is to the advantage of the consumers of Delhi since Marginal power procurement cost can be reduced to the extent revenues are earned through sale of surplus power. Looking at the statistics for 2006-07, it is revealed that while the DTL bought about 1416 Million Units of power at market prices over and above the Regulated Power Purchase, the volume of sales by DTL was only to the extent of 362 Million Units. The DTL has been purchasing power from the market on round-the-clock basis at rates which in most cases has exceeded Rs.6.50 per unit during 2006-07 and this will have a significant impact on retail tariffs in the NCT of Delhi. In case a part of this expenditure on power purchase can be recouped by way of sale to other entities during the hours where there is

a surplus in the NCT of Delhi, the burden on the consumers can be ameliorated to that extent.

4. The Commission further observes that pending formulation of the procedures to be followed as directed by the Commission in its Order of 31st March 2007, the DPPG has been referring each individual proposal for sale of power to the Commission, for approval. This has been observed in the proposal sent to this Commission regarding sale of power to M/s. UPPCL, M/s. Tata Power Co. (Mumbai) and M/s. Reliance Energy Trading Ltd. (RETL). While it is the Commission's endeavour to safeguard the interest of the consumers of NCT of Delhi, it would not be feasible for the Commission to give approval in respect of each individual such transaction. The Commission, therefore, decides to lay down the broad parameters/policies within which the Sale of surplus power will take place.

5. A meeting of the DPPG was taken by Principal Secretary (Power) on 31.05.2007 and Director (Operation), DTL took another meeting of DPPG on 01.06.2007 where all concerned agencies were present. The Minutes of the Meeting (MoM), have been received in the Commission. The MoM inter-alia, envisage the following :-

- i) Data for 2 to 3 months would be considered for the loads of NDMC & MES vis-à-vis their allocation and a concrete proposal put up to the Competent Authority to review.
- ii) Giving of spare capacity allocation to other Distribution Licensees to be at the full cost of Badarpur.
- iii) Distribution Licensees would indicate their schedule and likely surpluses available for disposal to the other Distribution Licensees by 12.00 hrs. to formulate the day – ahead schedule.
- iv) Final schedules taking into account the surplus capacity available to various Distribution Licensees would be finalized by 15.00 hrs. to NRLDC for scheduling ISGS and bilateral agreements.
- v) For this purpose, the officers posted by the Distribution Licensees and Deemed Licensees on 'Round-the-Clock' basis in SLDC shall have the authority to finalize the bilateral agreements on behalf of respective companies.

6. Keeping the above in view, the Commission is of the view that the DPPG, in association with the State Load Dispatch Centre (SLDC), should first make an assessment of the likely surplus that may emerge over the rest of the year on a time slot basis. Depending on the surplus that is worked out, the first option which should be explored is whether it would be possible for the DPPG to enter into any

banking arrangement with any other State Utility with proper Bank Guarantees to cover events of defaults. Another alternative would be to engage in direct sales to Utilities with appropriate Payment Security Mechanisms. Sale to traders should be the last option to be undertaken in a manner which is transparent and which is in harmony with the commercial interests of the consumers in the NCT of Delhi. Surrendering of capacity in favour of another utility on barter basis could be yet another option. The last resort would be transactions through the UI mechanism being uncertain in nature and this has to be viewed on commercial lines against the other alternatives as suggested above. It would be pertinent to note that during the week of 29.05.2007 to 04.06.2007, Delhi has under drawn to the extent of about 29MU and the average UI rate was about Rs.4.48 per unit. Thus burden on consumers of Delhi could be reduced by sale of surplus power under bilaterals vis-à-vis UI mechanism.

7. Short-term sale of Power be resorted through the DPPG on the above lines and the Commission directs the DPPG to submit a weekly report which shall give details of all transactions for sale which have been undertaken, backed by full documentation. In case of any transaction with the trader, the Commission directs the DPPG to not only forward copies of the agreement between the DPPG and the trader but also the back-to-back arrangement of the trader with the ultimate buyer of power.

8. In addition to the directions stated in paras 6 and 7 above, the Commission also directs the following: -

- (i) For short-term power procurement, the responsibility lies solely on the Distribution Licensees in terms of Section 62(1) of the Electricity Act, 2003. The cost of power procurement shall meet the over-all price specified in the Tariff Order on an annual basis and the Commission does not intend to regulate each and every procurement as long as the over-all quantum and the cost ceilings are maintained.
- (ii) All the three Distribution Licensees in Delhi, namely, BRPL, BYPL and NDPL and the two deemed Licensees, namely, NDMC and MES, have to be associated in the meetings of the DPPG while working out the likely surplus that would be available for sale. The Commission observes that while officials of NDMC and MES had signed the proposal which was forwarded to the Commission for sale of 400 MW night power to UPPCL, the subsequent proposals were not signed by representatives of either the NDMC or the MES.

- (iii) The SLDC will be associated while working out the likely surplus which would be available for sale. The SLDC shall also be responsible for the apportionment of the surplus between the participating Distribution Companies, including the deemed Licensees.
- (iv) Any transaction for sale shall be resorted to only if surplus power is available after meeting the requirements of all the Licensees of Delhi and no load-shedding shall be resorted to on account of such transactions by any of the Licensees.
- (v) The pricing formula for transactions amongst the Licensees in Delhi, including the Deemed Licensees, at the proposed full cost of Badarpur Thermal Power Station, shall be discussed and approved separately.
- (vi) The DPPG is free to nominate the Nodal Agency for each transaction for sale and that particular Nodal Agency will be responsible for tying up adequate Payment Security Mechanism in order to ensure that the interest of consumers of Delhi are not jeopardized. Alternatively, if the sale quantum is decided in advance, the transactions could be undertaken directly by the Distribution Companies / Agencies directly with the buyer.
- (vii) The Commission also observes that proposals received in the Commission for sale of power did not have the signature of the representative of DTL in the DPPG. The Commission is of the considered opinion that the representative of DTL, who is a part of DPPG, should also sign the relevant proceedings of the DPPG.

9. The above directions of the Commission will only be an interim procedure which would be reviewed to remove difficulties, if any, as well as after the Orders of the Hon'ble Supreme Court of India are received in Appeal (Civil) 68 of 2007 in matter of PTC India Ltd. versus Gajendra Haldea & Others and Appeal (Civil) No. 275 of 2007 in matter of West Bengal Electricity Regulatory Commission (WBERC) versus Gajendra Haldea & Others.

10. Ordered accordingly.

Sd/-
(K. VENUGOPAL)
MEMBER

Sd/-
(BERJINDER SINGH)
CHAIRMAN