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**BEFORE**  
**THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION,**  
**LUCKNOW**  
**Suo-Moto Proceeding**

**PRESENT:**

1. Shri I. B. Pandey, Member
2. Shri Suresh Kumar Agarwal, Member

**IN THE MATTER OF:**

Suo-Moto Proceedings on the purchase of power from Power Exchange by UPPCL (Reference – Letter No. SPATC-312/IEX/376 dt. August 4, 2015)

**And**

**IN THE MATTER OF:**

1. The Chairman, U. P. Power Corporation Ltd., 7<sup>th</sup> Floor, Shakti Bhawan, 14, Ashok Marg, Lucknow – 226001.
2. The Managing Director, U. P. Power Corporation Ltd., 7<sup>th</sup> Floor, Shakti Bhawan, 14, Ashok Marg, Lucknow – 226001.

The following were present:

1. Shri. A.P. Mishra, MD, UPPCL
2. Shri Sanjay Kumar Singh, Director, UPPCL
3. Shri Ram Swarath, Director, SLDC
4. Shri Ajay Chuhan, CE, SLDC
5. Shri. A.K. Pathak, CE (Comm.), UPPCL
6. Shri. S. Parti, SE, UPPCL
7. Shri. A.K. Singh, SE, UPPCL
8. Shri S. P. Gupta, EE, SLDC
9. Shri M. K. Gupta, EE, SLDC
10. Shri. Vivek Dikshit, EE
11. Shri Avadhesh Kumar Verma, Chairman, UPRVUP



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### **ORDER**

(Hearing dated– May 5, 2016)

The Commission in the previous hearing dated April 12, 2016 expressed its displeasure for the incomplete submission made by UPPCL in the matter of purchase of power from Power Exchange by UPPCL and for the absence of key personnel / senior officers for representing UPPCL / SLDC in a matter of such importance and initiated proceedings under Section 142 of Electricity Act, 2003 in the matter of non submission of desired information as per the direction of the Commission in its Order dated March 3, 2016. The relevant extract of the Order dated April 20, 2016 is reproduced below:

*“The Commission feels that UPPCL is not paying due attention on this important issue and trying to subvert the proceedings by adopting dilatory tactics. Due to the casual approach in complying with the Orders of the Commission, the Commission hereby initiates proceedings under Section 142 of the Electricity Act, 2003 in the matter of non submission of desired information as per the direction of the Commission in its Order dated March 3, 2016. UPPCL is directed to appear with regard to the above proceedings under Section 142 of Electricity Act, 2003 on May 5, 2016 at 11:30 Hrs. in the Conference Hall of the Commission.*

*The Commission hereby directs Director (Commercial) and Director (SLDC) to attend personally the next hearing on May 5, 2016 at 11:30 Hrs. in the Conference Hall of the Commission without any fail.”*

UPPCL vide its letter no. 258/SPATC/ dated May 4, 2016 made the following submissions:

1. There was no wilful disobedience or non-compliance on the part of any of the officers of UPPCL. The following information has been submitted for the consideration of the Commission.
  - a. Power procured from different sources including Power Exchange, during FY 2014-15 and FY 2015-16.
  - b. Recent data from April 15, 2016 onwards showing bid quantum, allotted quantum, bid price and cleared price.
  - c. Data of energy purchased from different sources other than must run projects giving details of energy purchased and fixed & energy charges, during FY 2014-15 and 2015-16



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- d. Declared capability (Block-wise) and Schedule of each intra-State generator for the period April 2015 to March 2016. Above data related to Central Sector Generating Station is too voluminous due to large number of Centre Sector generating stations. However, the data is readily available on the web-site of the NRLDC.
2. UPPCL has requested the Commission to consider its earlier submission in the matter vide letter dated August 4, 2015 and submissions vide affidavit dated February 22, 2016 which clarifies the process of demand projection by UPPCL, plan for procurement of power from various sources to meet the demand and detailed procedure of bidding and price clearing at Power Exchange.
3. UPPCL has submitted the following difficulties in replacing the long-term power with power from Energy Exchange:
- a) Planning of power procurement to meet the load requirement has to be essentially done based on the long term sources only. Power from exchange can be utilized to bridge the gaps only as its availability is known only a day in advance.
  - b) The variable charge of generating stations and the real time block wise rates of power available from exchange cannot be directly compared as there is significant time lag in the availability of the two datas.
  - c) The rates cannot be directly compared as POC charges, impact of transmission losses, etc. (total impact roughly 0.35 to 40 paise per unit) has also to be added in the power being purchased from exchange.
  - d) While payments of power to be purchased from exchange have to be paid in advance, UPPCL get two months' credit period to clear the bills of Central sector generating station. The same has monetary implications for UPPCL. Similarly for the State sector generating station UPPCL is not required to pay any delayed payment surcharge as per the decision of the cabinet. The monetary impact of the same is roughly to the tune of 40 paise per unit for the State Sector Generating Stations and for other long term PPAs barring UPRVVNL this impact is about 10 paise per unit.
  - e) Intra State generating stations also provide reactive power to maintain the voltage profile and for additional reactive power generated UPPCL as whole also receives payments approx. @ Rs. 0.10 per unit from NRPC.
  - f) The power from exchange is a must purchase power and in case of sudden load throw, it cannot be backed down / rescheduled. Accordingly, for any mismatch from schedule UPPCL may have to pay the DSM charges. In a state
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like Uttar Pradesh weather conditions can vary drastically, hence it will be a challenge for UPPCL to purchase power from the exchange. In past, UPPCL had to surrender the power from Rihand-III, NTPC generating stations with variable charge of Rs. 1.20 per unit because of sudden load throw off due to inclement weather conditions.

- g) In case the power purchased from energy exchange is missed for 2 blocks i.e. 30 minutes, then Demand Side Management (DSM) will not be feasible and will be an extra financial / commercial burden (Rs. 0 to Rs. 16 per unit) depending upon the quantity and frequency. Similarly if energy exchange clears the volume of power for 2 blocks (30 minutes) then again Demand Side Management will not be feasible and will be an extra financial / commercial burden depending upon the quantity and frequency. Further, DSM rates at frequency more than 50.05 Hz is nil and varies from 50.05 Hz to 49.7 Hz and below 49.7 Hz it is Rs. 16.48 per unit. Thermal generating stations cannot be geared up at short notice to meet such a demand.
- h) The State generating stations help in maintaining the voltage profile by providing reactive power thereby improving grid stability.
- i) State generating stations help in reducing wastage of electricity at national level by reducing transmission and distribution losses.
- j) Supply of power from Energy Exchange instead of long term sources will have severe consequences in long term and overall cost & planning of UPPCL in terms of following:
  - i. This situation will compel long term generating stations to surrender the linkage coal and commit default under their Fuel Supply Agreements (FSAs) resulting in penalties.
  - ii. This situation may also lead to downward revision of Annual Contracted Quantity under coal linkages rendering these sources stranded and liability on UPPCL for paying the fixed charges,
  - iii. This situation may force generator, which do not have any PPA at present, and are dependent on selling their power through power exchange, to de-stabilize the entire supply side management and start arm twisting when dependence of UPPCL on them increases.
- k) Replacement of long term power with Exchange Power is not a standard practice being followed by any Utility / Discom in the country. Exchange Power is being procured only to meet balancing requirement.



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- l) It is very important to note that power sector in India is not a LAISSEZFAIRE. Unlike certain Western Countries, where every element of the value-chains is operating in free market economy. In India power and coal are still regulated. Coal is being given under FSA to only those who have long term Power Purchase Agreements (PPAs). Hence sanctity of long term PPAs should not be undermined in the wake of occasional and opportunistic offers of cheaper power available from Power Exchange which is the market place of stranded generators at present who are desperately looking for long term contracts and firm FSAs.
4. Despite the odds, as narrated above UPPCL has backed down the costly generation and whenever possible and has tried to replace the costly long term power with cheaper power from the exchange.
5. In the above context it has also been submitted that the price of electricity at exchange can never be known in advance as this is a function of demand and supply conditions. Accordingly, for any short gap between the demand and supply, say for a period of one or two months or even smaller, UPPCL has to take into consideration the power available from all short term sources including exchange. For example, UPPCL found that it may not be able to meet the increased demand of electricity during the hot summer months of May and June-2016 through long term sources. To meet the excess demand it invited bids for short term procurement of power as per the guidelines issued by Ministry of Power, Govt. of India, and finalized the purchase of 500 MW RTC power and 500 MW night power at the rates of around Rs. 2.60 per unit and Rs. 2.90 per unit. In comparison to rate of short term power finalized by UPPCL for the month of May and June 2016, the existing rates at exchange are presently between Rs. 3.70 per unit to Rs. 4.0 per unit. Understandably, if UPPCL had depended on the exchange power only it would have incurred huge losses and there would have been no certainty that it could have actually received that required quantum from the exchange.
6. It is also pertinent to mention here that due to meticulous planning only, UPPCL for the first time has been able to reduce the average power purchase rate per unit during the Quarter-2, 2016 to Rs. 3.76 per unit and further to Rs. 3.65 per unit in Quarter-3 2016, against the average per unit purchase rate of Rs. 3.84 per unit allowed by the Commission in the ARR.
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7. UPPCL has committed that it will explore the possibility of procuring cheaper power from exchange on continuous basis and will keep the Commission informed of its efforts in this direction.

In the hearing on May 5, 2016, MD UPPCL apologized for the absence of its employees in the last hearing on April 12, 2016. He also mentioned that the Commission has full powers of initiating the Suo-Moto proceeding and UPPCL does not have any reservation in the matter. He requested that in view of his submission and the commitment of UPPCL to comply with Commission's Order, the proceedings under Section 142 may please be stopped.

During the hearing UPPCL objected for making Mr. Avadhesh Kumar Verma, Chairman, UPRVUP a party to the Suo-Moto proceeding on the argument that the current proceeding is not a public hearing in which representative from various consumer groups can participate. In response to this, Mr. Avadhesh Kumar Verma argued that how UPPCL could at this stage can question about his participation in the proceedings after so many hearings in this matter. On this issue it was noted that the Commission has already approved his participation in Suo-Moto proceeding on power purchase from Energy Exchange.

Mr. Avadhesh Kumar Verma submitted that the information submitted by UPPCL is not in compliance to the requirement of the Commission, hence not satisfactory. From the information submitted by UPPCL, it cannot be inferred as to whether power purchase being made during April, 2015 was prudent and as per the Merit Order principle. He alleged that UPPCL is not inclined to take advantage of cheaper power from the exchange and therefore not submitting the desired information.

### **Commission's Analysis:**

After going through the written submissions and the apology of the Managing Director, UPPCL the proceedings under Section 142 are dropped.

The Commission still feels that the problems narrated by UPPCL are relevant for load management but still there is ample scope to utilise the opportunity of lower prices in the exchange. In fact the Commission's emphasis is not on utilizing the exchange in the crises month of April, May and June rather it wants to emphasize upon the fact that, on a regular basis some quantum of power can be sourced from the exchange without jeopardizing the load management. The UPPCL has so far tried to use the opportunity of exchange in the summer when power demand is in excess of



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availability from long term sources. Our objective is to introduce a philosophy of scheduling on everyday basis in which before giving the schedule the opportunity of cheaper power from exchange is explored and effort is made to reduce the power purchase cost. The Commission is aware of the fact that the variable cost of many projects including some of the UPRUVNL's projects is higher than the usual prices in the exchange. The opportunity of cheaper prices in the exchange can be utilised by UPPCL by reducing the load of costly power stations to the technical minimum. UPPCL should carry out a detailed exercise to ascertain that how the total power purchase cost can be reduced further without compromising the availability of power to the consumers. Many utilities in other States have taken advantage of cheaper power by reorganising their scheduling practices.

**The Commission directs UPPCL to submit a power purchase plan showing that how it will take the advantage of cheaper power either through the Energy Exchanges or other sources. The Commission would monitor the steps taken by UPPCL in future on monthly basis. UPPCL should submit the details of monthly power procurement to the Commission highlighting the efforts made by it in the light of observations made by the Commission.**

**(S. K. Agarwal)**  
**Member**

**(I. B. Pandey)**  
**Member**

Place: Lucknow

Date: June 9, 2016