



**THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION
LUCKNOW**

Petition No. 2294 of 2025

QUORUM

Hon'ble Shri Arvind Kumar, Chairman

Hon'ble Shri Sanjay Kumar Singh, Member

IN THE MATTER OF:

Petition under Section 86 (1)(b) of the Electricity Act, 2003 read with relevant provisions of Uttar Pradesh Electricity Regulatory Commission (Conduct of Business) Regulations, 2019 seeking approval for the procurement of 511 MW hydro power on long term basis from Khorlochhu Hydro Power Station in Bhutan.

AND

IN THE MATTER OF

Uttar Pradesh Power Corporation Limited (UPPCL),

14th Floor, Shakti Bhawan Extension, 14- Ashok Marg,

Lucknow-226001, U.P.

..... Petitioner

VERSUS

Tata Power Trading Company Limited (TPTCL),

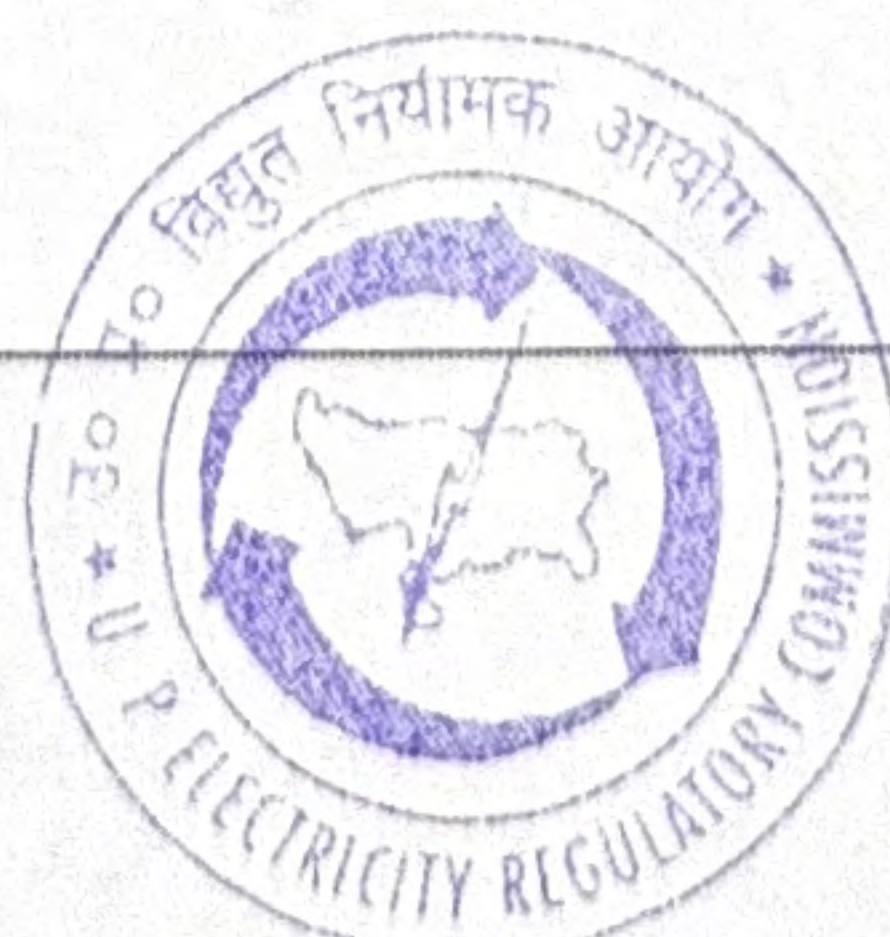
2nd Floor, Shatabdi Bhawan, B-12/13, Sector-4,

Noida - 20301, U.P.

..... Respondent

FOLLOWING WERE PRESENT

1. Shri Ketan Nagpal, Group Head Marketing, TPTCL
2. Shri Shatnu Singh, Legal Head, TPTCL
3. Shri Venktesh, Advocate, TPTCL
4. Shri Ashwin Singh, Advocate, TPTCL
5. Shri Aniket K., Advocate, TPTCL
6. Ms. Staya Jha, Advocate, TPTCL



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7. Ms. Adya Jha, Advocate, TPTCL
8. Shri Abhishek Kumar, Advocate, UPPCL
9. Shri Nived Veerapaneni, Advocate, UPPCL
10. Shri Anil Prakash, EE, UPPCL
11. Shri Sanjay Kumar Chaurasia, SE, UPPCL

ORDER

(DATE OF HEARING: 30.04.2026)

1. The Petitioner (UPPCL) has filed this Petition under Section 86(1)(b) of the Electricity Act, 2003 read with relevant provisions of Uttar Pradesh Electricity Regulatory Commission (Conduct of Business) Regulations, 2019 seeking approval for the procurement of 511 MW hydro power on long term basis from Khorlochhu Hydro Power Station in Bhutan starting from 01.05.2030 and to approve the draft Power Sale Agreement (PSA) to be executed between UPPCL and Tata Power Trading Company Limited (TPTCL).
2. The Petitioner has prayed as following:
 - a) admit the present Petition; and
 - b) grant approval of source and permission for the procurement of 511 MW (+ 10% overload of 511 MW) hydro power on long term basis from Khorlochhu Hydro Power Station in Bhutan through TPTCL starting from 01.05.2030, at a tariff of Rs. 6.75/unit at delivery point of Indo-Bhutan periphery for a period of 30 years i.e., from COD to expiry date;
 - c) approve the draft Power Sale Agreement (PSA) to be executed between UPPCL and TPTCL; and/or
 - d) pass any other order(s) and or direction(s), which the Commission may deem fit and proper in the facts and circumstances of the case.

Brief Facts as stated in Petition:

3. UPPCL has mainly submitted the following:

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- i. The Respondent (Tata Power Trading Company Limited / TPTCL), vide its letter dated 08.08.2024 offered supply of power from KHPL that would be available during the months of May to October from 01.05.2030. TPTCL stated that its parent company, Tata Power Company Limited (TPCL), in collaboration with Druk Green Power Corporation (DGPC), Bhutan, has undertaken the development of the 600 MW Khorlochhu Hydro Power Limited (KHPL) project in Bhutan. TPTCL proposed to supply power from KHPL to UPPCL on a long-term basis for a period of 30 years at the levelized tariff of Rs. 6.75 per unit, determined in accordance with CERC Tariff Regulations, 2024, at the delivery point (Indo-Bhutan Periphery). Subsequently, vide its letter dated 16.09.2024, TPTCL informed that in terms of the CERC CBTE Regulations, 2019, the tariff for import of cross-border power may be determined either through competitive bidding or by mutual agreement between the entities and UPPCL may therefore consider the proposal for import of power from KHPL.
- ii. On 11.12.2024, TPTCL, in response to UPPCL's letter dated 10.12.2024, clarified the following details regarding tariff proposed for the entire tenure of the PPA as follows:

Quantum	511 MW (+ 10% overload of 511 MW)
Period of Supply	30 years (May to October) w.e.f. 01.05.2030
Delivery Point	Indo-Bhutan Periphery
Annual Energy at Delivery Point for the supply months (May to October)	1748 Mus
Tariff at Delivery Point	- Rs. 6.75/unit (firm for 30 years i.e., from COD to expiry date) - Any charges beyond delivery point shall be borne by UPPCL
Hydro Renewable Energy Component	Hydro Renewable Energy component eligible as per the MoP notification dated 20.10.2023 (on case to case basis) shall be passed on to UPPCL at no additional tariff.

- iii. On 30.12.2024, UPPCL issued a letter to TPTCL conveying its in-principle consent for the purchase of 511 MW of power from KHPL at the delivery point at the constant tariff of Rs. 6.75/unit for the entire power purchase duration of 30 years

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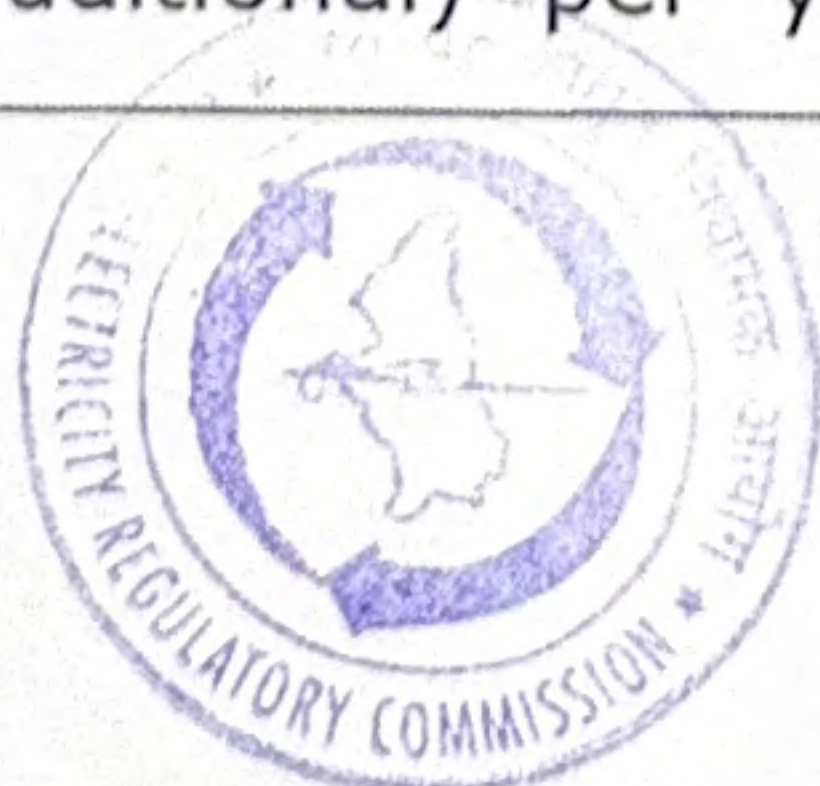
i.e., from COD of the plant to expiry date for the months May to October in each financial year.

iv. On 16.01.2025, TPTCL issued a letter to UPPCL intimating of the action to go ahead with the procurement plan.

4. UPPCL has submitted the following justification for proposed procurement of hydro power:

- i. The Commission has notified the UPERC (Promotion of Green Energy through Renewable Purchase Obligation) Regulations, 2010 (RPO Regulations, 2010), subsequently amended by the First Amendment Regulations, 2019. The amendment explicitly incorporates Hydro Power Purchase Obligation (HPO) as a sub-category of Non-Solar Renewable Purchase Obligation (RPO).
- ii. The MoP, through its notification dated 20.10.2023, prescribed a trajectory for RPO from FY 2023-24 to FY 2029-30, mandating distribution licensees to achieve a composite RPO of up to 43.33% by FY 2029-30. The said notification carved out a distinctive component for HPO, requiring obligated entities to procure a minimum percentage of their consumption from hydro power projects. The notification further provides that the hydro renewable energy component may also be met from hydro power projects located outside India.
- iii. CEA in its study has envisaged that the peak demand for the region is likely to grow at a CAGR of 6.5% while the annual demand is likely to grow at the CAGR of 6.9% for the period of 2024-25 to 2033-34. The peak demand projections and energy requirement provided by UPPCL are higher compared to the demand projections as per the 20th EPS report. Thus, UPPCL is likely to witness energy deficit ranging from 1409 MUs to 89113 MUs in different years from 2023-24 to 2033-34 with the existing and planned capacity addition. As per the report, UPPCL is also in deficit in fulfilment of its RPO and there is need to contract the designated renewable capacities.
- iv. The details outlining the requirement of UPPCL to contract following capacities (planned and additional) per year to meet the demand reliability along with

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fulfilment of its RPO as notified by MoP in the 'Report on Resource Adequacy Plan for the Utility UPPCL, Uttar Pradesh (2024-25 to 2033-34)' is as below:

Table: Year wise Capacity Addition for UPPCL (in MW)

Year	COAL		HYDRO		WIND		SOLAR	
	Planned Contracts	Additional Requirement	Planned Contracts	Additional Requirement	Planned Contracts	Additional Requirement	Planned Contracts	Additional Requirement
2024/25	2739	0	340	0	622	0	225	0
2025/26	0	0	100	0	1400	0	610	0
2026/27	0	5027	368	250	0	800	0	8000
2027/28	0	2312	0	250	0	800	0	8000
2028/29	800	0	0	250	0	800	0	8000
2029/30	0	0	0	250	0	1800	0	3613
2030/31	0	0	0	0	0	800	0	5457
2031/32	0	699	0	0	0	800	0	4891
2032/33	0	1574	0	0	0	800	0	4774
2033/34	0	1183	0	0	0	800	0	2265
Year	Nuclear		Distributed RE		TOTAL		Storage	
	Planned Contracts	Additional Contracts	Planned Contracts	Additional Requirement	Planned contracts	Additional Requirement	Planned contracts	Additional Requirement
2024/25	0	0	1450	0	5376	0	0	0/0
2025/26	0	0	1600	0	3710	0	0	0/0
2026/27	0	0	1600	0	1968	14077	0	0/0
2027/28	0	0	1600	0	1600	11362	0	3535/14141
2028/29	0	0	1600	0	2400	9050	0	2525/10102
2029/30	162	0	0	710	162	6373	0	3125/12503
2030/31	0	0	0	1617	0	7874	0	4423/17695
2031/32	0	0	0	1801	0	8191	0	3591/14367
2032/33	0	0	0	1938	0	9086	0	3138/12554
2033/34	0	0	0	2140	0	6388	0	5095/20382

5. Additionally, the Commission in its order in Petition No. 1565 of 2020 observed that UPPCL had been unable to fulfil its RPO targets, which has resulted in a significant backlog and risk of non-compliance with both State and Central targets. The Commission, in its order as above, issued a roadmap directing that UPPCL "systematically liquidate the outstanding backlog" by achieving 25% reduction in FY 2024-25, 35% by FY 2025-26, and 40% by FY 2027-28, with no waiver of RPO to be granted going forward. The Commission vide its aforesaid order directed UPPCL to undertake long-term procurement or fulfil obligations via renewable energy certificate mechanism route, if required. In terms of the above, it is evident that UPPCL is under statutory obligation to procure hydro power to meet its RPO and forecasted demand.





Record of Proceedings

6. During the hearing on 06.01.2026, the Commission enquired UPPCL regarding regulatory framework for filing the petition for cross-border electricity trade, tariff determination and State Govt. approval. UPPCL made its submissions and referred to Section 86(1)(b) of the Electricity Act and Regulation 3(2) of the CBTE Regulations, 2019 to justify the long-term import arrangement with TPTCL with a levelized tariff of Rs. 6.75/unit for 30 years as per CERC Tariff Regulations, 2024. Counsel for UPPCL requested further opportunity to submit its response to the Commission's queries.
7. The Commission directed UPPCL to implead Tata Power Trading Company Limited (TPTCL) as a party to the petition. The Commission vide its order dated 06.02.2026 sought following information:
 - a) Placement of present agreement juxtaposed to any inter-country agreement and the legal basis forming the Commission's jurisdiction for power procurement under Section 86(1)(b) of the Act,
 - b) Clarification on what forms the basis of determination of tariff under CERC Regulations,
 - c) Clarification on whether approvals have been obtained from the State Government, being 100% equity holder of UPPCL and details of due process in terms of approvals from the ETF, the Board, or other competent authority,
 - d) Detailed computation sheet (excel sheet with formulae and links) for the tariff of ₹6.75/Unit, and whether tariff for each year would be varying or would remain constant for the extra period of agreement, being levelized tariff,
 - e) Justification w.r.t. comparison and alignment of the landed cost with prevailing market prices and with alternative competitive sources of power, including domestic hydro and solar power,





- f) Details of the applicable trading margin, Settlement Nodal Agency Charge (SNA) charges and the overall landed cost of power,
- g) Documentary evidence / declaration that Hydro project's peak month and peak hour supply coincides with UPPCL's peak demand months and hours,
- h) Need to procure power from outside country through negotiation,
- i) Due diligence of UPPCL regarding capital cost of the project.

8. During the hearing on 24.02.2026, the Commission made following observations:

- i. UPPCL submitted two agreements, namely the Indo-Bhutan Agreement, 2006 and the Indo-Bhutan Protocol 2009, executed between the Royal Government of Bhutan (RGoB) and the Government of India (GoI). The Khologchhu Hydroelectric project was initially undertaken by a joint venture company, i.e., Khologchhu Hydro Energy Limited (KHEL), formed between India's Satluj Jal Vidyut Nigam Limited (SJVN) and Bhutan's Druk Green Power Corporation Limited (DGPC) under an Inter-Government Agreement (IGA). Subsequently, it is gathered from the documents that SJVN had divested its entire stake in the Bhutanese joint venture company, Khologchhu Hydro Energy Limited (KHEL) (renamed as Khorlochhu Hydro Power Limited (KHPL)), to its JV partner DGPC. Thereafter, Tata Power Company Limited entered into a joint venture with Druk Green. In this context, the Commission observed that once SJVN exited the IGA framework, it was not clear whether the IGA framework still holds the ground, and if not, then whether competent authority has authorized Tata Power Trading Company Limited (TPTCL) for undertaking cross-border trade of power. The same needs to be substantiated through necessary and relevant documents. If that IGA framework still holds good, then whether any specific tariff has been agreed upon, similar to other projects such as Chukha and Kurichhu, which are more economical than the proposed power.
- ii. Additionally, there is no clarity regarding the quantum of power that would be supplied to India from this project. Further, there is no clarity regarding the tariff applicable for billing purposes, i.e., whether a levelized tariff of Rs. 6.75/kWh or

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an annual escalating tariff or a flat tariff of Rs. 6.75/kWh for the entire period of PPA? Further, it is unclear whether the levelized tariff of Rs. 6.75/kWh is calculated at the Uttar Pradesh periphery inclusive of inter-state transmission charges or at the delivery point at the Indo-Bhutan periphery.

- iii. UPPCL appears to have entered into a cross-border agreement without involving the State Government, therefore it is required to clarify the reasons for not obtaining the approval of the State Government, considering that it has taken the State Government's approval in the past for such huge commitment where even cross-border trade was not involved.
- iv. Details regarding the royalty clause applicable to the Bhutanese Government ought to be submitted for clarity in the issue.
- v. Details regarding the applicable trading margin of the counterparty should also be provided.

9. The Commission, vide order dated 11.03.2026, directed UPPCL and TPTCL to submit their responses w.r.t. above observations.

10. During the hearing on 30.04.2026, the Commission enquired TPTCL regarding the approval of the Designated Authority appointed under the Guidelines on Cross Border Trade of Electricity issued by Ministry of Power, Government of India. In response, counsel for TPTCL submitted that approval from the Designated Authority i.e. CEA would be obtained subsequent to the approval of the PSA by the Commission and signing of the PSA between TPTCL and UPPCL. After hearing the parties, the Commission reserved the order in the matter.

11. On 23.02.2026, UPPCL, in response to the Commission's ROP dated 06.02.2026, submitted its reply as under:

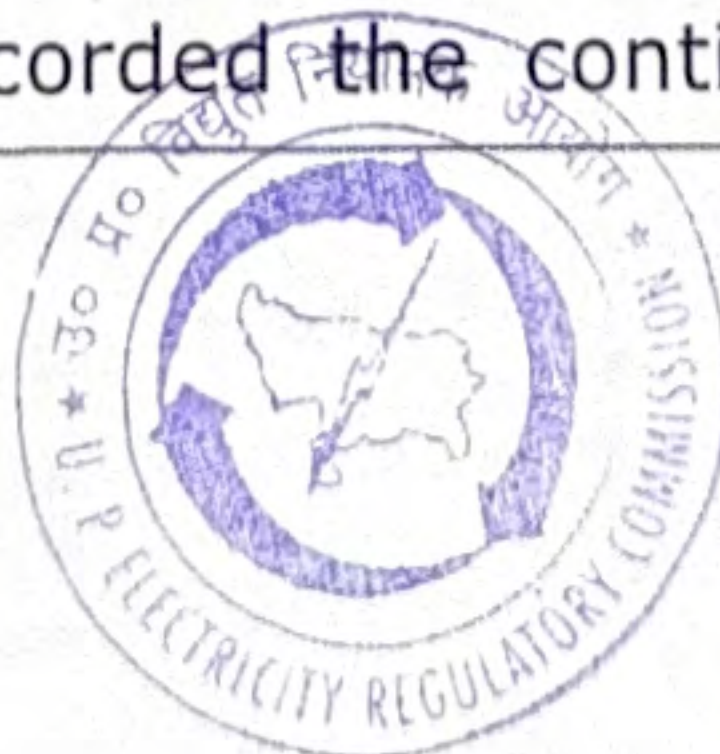
- I. Placement of present agreement juxtaposed to any inter-country agreement and the legal basis forming the Commission's jurisdiction for power procurement under Section 86(1)(b) of the Act**





- i. In this regard, UPPCL highlighted the background in which the Project has been established as below:
- (a) On 28.07.2006, the Royal Government of Bhutan (RGoB) and the Government of India (GoI) executed an agreement for cooperation in the field of hydropower (Indo-Bhutan Agreement 2006), which lays down the overarching inter-governmental framework for development of hydropower projects in Bhutan and export of surplus power to India. The Article 1 of the Indo-Bhutan Agreement 2006 provides for facilitation and promotion of hydropower projects and electricity trade through public and private sector participation, while Article 3 thereof stipulates that such projects shall be governed by project implementation and power purchase agreements, the terms and conditions whereof, including the quantum, parameters of supply, points of delivery, and price of supply of electrical power, are to be mutually determined by the concerned parties.
- (b) On 16.03.2009, the GoI and RGoB executed a protocol to further operationalise and strengthen cooperation in the hydropower sector (Indo-Bhutan Protocol 2009). The Article-III of the Indo-Bhutan Protocol 2009 expressly recognises that the two governments may designate one or more authorised agencies for trade in power across the border on a case-to-case basis, and that such designated agency(ies) may determine the applicable protocols or specific bilateral instruments as per operational requirements. This is also consistent with Regulation 5(1) of the CERC (Cross Border Trade of Electricity) Regulations, 2019 and Clause 7.1.1 of the Guidelines for Import/Export (Cross Border) of Electricity, 2018 (MOP Guidelines).
- (c) On 25.11.2011, the Press Information Bureau, Government of India (PIB) issued a press release which, *inter alia*, recorded that the ongoing cooperation in the hydropower sector is covered under the Indo-Bhutan Agreement 2006 and the Indo-Bhutan Protocol 2009, and noted the GoI's commitment towards development of 10,000 MW of hydropower capacity in Bhutan for export of surplus power to India. On 16.06.2014, the PIB issued an official joint press statement *inter alia* recorded the continued co-operation between India and

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Bhutan in the hydropower sector, including references to operational hydroelectric projects and ongoing joint venture hydropower projects, including reference to the Project.

- (d) On 12.06.2015, KHPL was incorporated in the Kingdom of Bhutan. SJVN Ltd., one of the erstwhile Joint Venture partners in KHEL (now KHPL), issued a disclosure/communication dated 25.01.2023, under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations 2015), informing *inter alia* that it had sold its entire stake in KHEL pursuant to directions received from the Ministry of Power, Government of India (MoP).
- (e) On 26.07.2024, the Board of Directors of KHEL passed a resolution approving the change of name of the company to "Khorlochhu Hydro Power Limited", thereby recording the corporate renaming of the project company associated with the Project.
- (f) On 31.07.2024, DGPC, being the promoter / shareholder of KHEL, addressed a formal communication to the Chief Corporate Registrar, Corporate Regulatory Authority, Kingdom of Bhutan, *inter alia* submitting the Board Resolution dated 26.07.2024 and requesting approval for change of name of the company from "Kholongchhu Hydro Energy Limited" to "Khorlochhu Hydro Power Limited", along with change in subscribed share capital. The said project company is the entity implementing the Project.
- (g) On 06.08.2024, the Respondent, Tata Power Trading Company Limited (TPTCL) issued a disclosure under Regulation 30 of LODR Regulations 2015 informing stock exchanges *inter alia* of its proposed acquisition of 40% equity stake in KHPL. The said disclosure was accompanied by details of the proposed acquisition, including *inter alia* particulars relating to the target entity, nature of transaction, sectoral classification, investment size, and transaction structure.
- (h) On 28.10.2024, TPTCL issued an updated disclosure under Regulation 30 of the LODR Regulations 2015 informing the stock exchanges *inter alia* that, further to



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its earlier disclosure dated 06.08.2024, the company had executed a share purchase agreement in relation to acquisition of 40% equity stake in KHPL.

Jurisdiction of this Commission

- ii. The jurisdiction of this Commission to consider and approve the present procurement arrangement emanates directly from Section 86(1)(b) of the Act. In this regard, UPPCL placed its reliance on judgment of the Hon'ble APTEL in the case of *Pune Power Development Pvt. Ltd. v. KERC & Ors.* in Appeal No.200 of 2009 reported as 2011 ELR (APTEL) 303 [Paras 15, 16, 30, 31 and 37(I)], wherein it has been held that Section 86(1)(b) of the Act is very widely worded and covers the entire process of the power procurement by a distribution licensee. This Commission's jurisdiction is over the procurement of electricity by UPPCL from any source made from any place within or outside the state. So long as procurement of distribution licensees in the State of Uttar Pradesh is involved, this Commission alone has jurisdiction and location of selling party is irrelevant.
- iii. TPTCL, being a licensed inter-State trading licensee, is legally entitled to procure electricity from an upstream seller and resell the same to a buyer within a State, including resale within the same State, without requiring a separate intra-State trading licence, as consistently recognised under the Act and the applicable regulatory framework.
- iv. The role of this Commission under Section 86(1)(b) remains confined to examining the prudence, reasonableness, and consumer interest implications of the proposed procurement, including approval of the price and procurement structure placed for its consideration.

II. Clarification on what forms the basis of determination of tariff under CERC Regulations

And

IV. Detailed computation sheet (excel sheet with formulae and links) for the tariff of Rs. 6.75/Unit, and whether tariff for each year would be varying

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or would remain constant for the extra period of agreement, being levelized tariff

- i. The mutually agreed levelized tariff of Rs. 6.75/kWh for procurement of 511 MW power from KHPL has been derived strictly in accordance with the CERC Tariff Regulations, 2024. The multi-year tariff stream has been levelised over a period of 30 years using a Discount Rate of 9.25%, consistent with the CERC Notification dated 19.04.2024 prescribing discounting principles for bid evaluation. Upon such levelisation, the Bus-Bar Levelized Tariff works out to Rs. 6.47/kWh. Further, upon addition of the estimated transmission charges up to the Indo-Bhutan border amounting to Rs. 0.28/kWh, the Levelized Tariff at the Indo-Bhutan Periphery works out to Rs. 6.75/kWh.
- ii. UPPCL submitted a detailed computation sheet setting out the component-wise tariff workings, including underlying assumptions, normative parameters, year-wise calculations, discounting, and levelisation methodology.

III. Clarification on whether approvals have been obtained from the State Government, being 100% equity holder of UPPCL and details of due process in terms of approvals from the ETF, the Board, or other competent authority

- i. The proposed power purchase transaction has been internally approved by UPPCL's management. Accordingly, the present affidavit is being filed by the SE (PPA) on instructions of the management. It is this Commission's prerogative under Section 86(1)(b) of the Act to regulate the purchase and procurement process of the distribution licensees including the price at which electricity shall be procured from generating companies or licensees or from other sources through agreements for purchase of power for distribution within the State of Uttar Pradesh. Since the electricity procured from TPTCL would no doubt be distributed within the State, it is submitted that it is this Commission's prerogative to examine the proposed procurement.



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V. Justification w.r.t. comparison and alignment of the landed cost with prevailing market prices and with alternative competitive sources of power, including domestic hydro and solar power

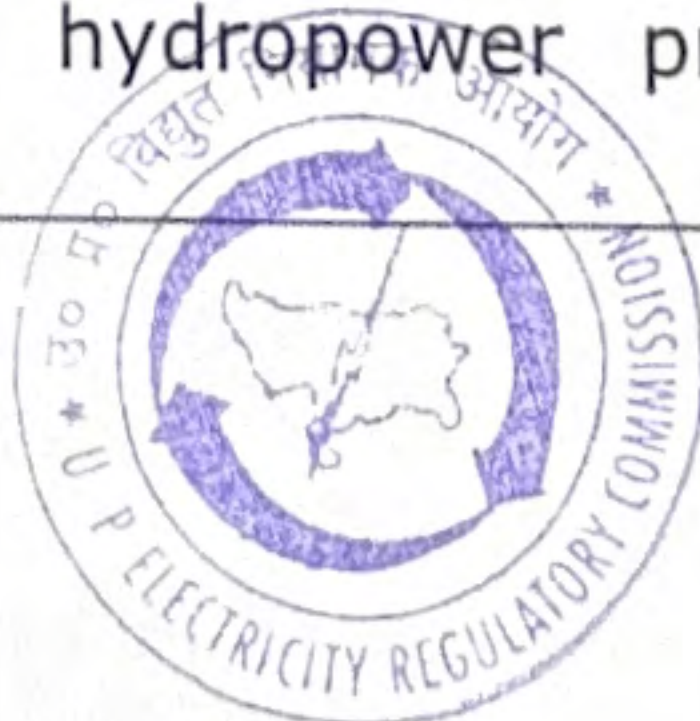
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VIII. Need to procure power from outside country through negotiation

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IX. Due diligence of UPPCL regarding capital cost of the project

- i. For supply of 511 MW (+10% overload) at the delivery point (i.e., Indo-Bhutan periphery) which translates into a supply of 1748 MUs supply during the months of May to October, commencing from 01.05.2030 onwards, TPTCL has quoted a tariff of ₹6.75/kWh at Indo-Bhutan periphery. This levelized tariff is payable during the entire term of the proposed procurement i.e., for 30 years from 01.05.2030 onwards. Such tariff mutually negotiated between TPTCL and UPPCL in terms of the enabling provisions under the Indo-Bhutan Agreement 2006 read with the subsequent protocols and agreements as well as CBTE Regulations, MOP Guidelines and Tariff Regulations 2024 is aligned with prevailing tariff. In support, reference is drawn to a letter dated 05.02.2025 addressed by NHPC to UPPCL offering to sell hydropower at an expected tariff of Rs. 6.5-7/kWh subject to truing-up of tariff by CERC. Further, KHPL power is peak summer months power with 4 hours of storage available to cater to peak hours requirement.
- ii. As regards due diligence of capital cost, it is submitted that KHPL is being constructed pursuant to the Indo-Bhutan Agreement 2006 read with the subsequent protocols and agreements highlighted above. Particularly, under Article-IV of the Indo-Bhutan Protocol 2009, an Empowered Joint Group (EJG) comprising of Financial Advisor, Ministry of External Affairs (MEA), GoI, Joint Secretary (North), MEA, GoI and Joint Secretary (Hydro), MoP, GoI and 4 members nominated by RGoB was appointed to track approval of implementation modalities, financing mechanisms, fund flows, contingency plans and monitoring of progress of all activities relating to preparation of DPRs and construction of the hydropower projects. As such, there has been





continuous and independent monitoring of the hydropower projects including KHPL by experts who are best placed to gauge the ground realities in Bhutan and assess the cost justification.

VI. Details of the applicable trading margin, Settlement Nodal Agency Charge (SNA) charges and the overall landed cost of power

- i. The tariff placed for approval, i.e., the levelized tariff of Rs. 6.75/kWh, represents the complete landed cost of power at the Indo-Bhutan Periphery, inclusive of all applicable components as per the prevailing regulatory framework. As regards trading margin, it is submitted that Regulation 8(g) of the CERC Trading License Regulations 2020 states that for cross-border trade of electricity, trading margin shall be decided mutually between trading licensee and seller i.e., TPTCL and KHPL. Therefore, the trading margin decided between TPTCL and KHPL does not impact the proposed power purchase by UPPCL from TPTCL and is beyond the scope of the present petition.
- ii. In regard the Settlement Nodal Agency (SNA) Charges, it is submitted that such charges, being statutory/system operation charges levied under the applicable Central regulatory framework governing scheduling, metering, accounting and settlement of inter-State / cross-border transactions, shall be payable as per actuals in accordance with the regulations/orders issued by the competent authority, and the same has been factored into the levelized tariff of Rs. 6.75 per unit. Further, TPTCL has informed that any variation in the SNA Charges during the term of the power purchase agreement will have no impact on the tariff; in other words, TPTCL will not seek any tariff adjustment on account of any change in the SNA Charges.

VII. Documentary evidence / declaration that Hydro project's peak month and peak hour supply coincides with UPPCL's peak demand months and hours

- iii. UPPCL submitted Resource Adequacy plan of UPPCL and availability of energy from KHPL as below:





The Availability of Energy from KHPL (as submitted by TPTCL email enclosed)

Month	Contracted Energy (MU)	Energy due to 1 cycle of 4 hours Pondage (MU)	Balance Energy due to River flow (MU)
May	210.12	63.36	146.76
June	325.29	61.32	263.97
July	299.96	63.36	236.60
August	287.65	63.36	224.29
September	325.17	61.32	263.85
October	299.80	63.36	236.44
Total	1748	376	1372

12. On 21.04.2026, UPPCL, in response to the Commission's ROP dated 11.03.2026, submitted its reply as under:

II. Quantum of power supplied, tariff applicable for billing purposes and the point at which tariff of Rs. 6.75/ kWh is reckoned at

- The quantum of power to be supplied under the proposed PSA between TPTCL and UPPCL is 511 MW (+ 10% overload of 511 MW) during Summer Months (01st May to 31st October) at Delivery Point i.e Indo Bhutan Periphery. TPTCL is required to submit a tentative annual generation plan in the month of every year and TPTCL is liable to supply as per the generation profile agreed between TPTCL and UPPCL. **4.**
- The rate specified under Schedule A of the proposed PSA is a fixed flat tariff of Rs. 6.75 per unit at Indo-Bhutan Periphery. There is no provision for annual escalation, periodic tariff adjustment, or separate levelized tariff mechanism.
- All the transmission charges, transmission losses, and operation charges applicable up to the Indo Bhutan Periphery would be born by TPTCL. UPPCL would be responsible for evacuation after delivery point at its own expenses and costs. All the transmission charges, losses, and operation charges applicable beyond the Indo Bhutan Periphery would be born by UPPCL.

III. Reason for not obtaining State Government approval for proposed procurement





- iv. In the proposed PSA, the long-term power is being procuring from ISTS trading Licensee to cater excess demand in summer months under the provisions of CERC CBTE Regulations 2019. For this transaction, there is no provision of law which mandates the requirement to obtain State Government approval. In past, approval / involvement of the Government of Uttar Pradesh was necessitated in specific cases, where the matters relating to utilization of state allocated linkage was involved. However, the nature of the proposed procurement under the proposed PSA doesn't require approval or concurrence of the Government of Uttar Pradesh as issues such as coal allocation to State Government, sovereign commitment, land, fuel linkage or other State specific obligations are not involved.

13. On 22.04.2026, TPTCL, in response to the Commission's ROP dated 11.03.2026, submitted its reply as under:

I. The governing inter-governmental framework subsists independently of changes in implementing entities and Authority for cross-border trade is independently established under the extant regulatory framework

- i. It submitted that the mere exit of SJVN from the shareholding structure of the project company cannot, by itself, lead to the presumption that the broader inter-governmental framework governing development of hydropower projects in Bhutan for export of power to India stood extinguished.

- ii. Agreement for Cooperation in the Field of Hydroelectric Power dated 28.07.2006 ("Indo-Bhutan Agreement 2006"). Notably:

(a) Article 1 of the Indo-Bhutan Agreement 2006 expressly contemplates hydropower cooperation "both through public and private sector participation."

(b) Article 3 thereof provides that the implementing entities shall "mutually determine the terms and conditions" of project-level agreements including the quantum, parameters, delivery points, and price of supply.

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- iii. Subsequent to exit SJVN from JV of the project company, Tata Power Company Limited (TPCL) thereafter acquired a 40% equity stake in KHPL from DGPCL pursuant to a Share Purchase Agreement executed in October 2024.
- iv. It is further submitted that the authority for the present cross-border arrangement is independently and sufficiently established under the extant MoP Guidelines, 2018. TPTCL is an authorized entity under the MoP Guidelines to undertake cross border trade of electricity on a mutual agreement basis with UPPCL.

II. Tariff comparison with Chhukha and Kurichhu

- v. It is submitted that such a comparison is not appropriate in the facts of the present case, for the reasons: The Chhukha Hydroelectric Project was commissioned during the period 1986-1988 and the Kurichhu Hydropower during 2001-2002. Both projects belong to an entirely different era of development, financing, and cost parameters. In contrast, the present Project is scheduled to achieve its Commercial Operation Date in September 2029.
- vi. NHPC Limited, addressed a letter dated 05.02.2025 to UPPCL offering to sell hydropower at an expected tariff in the range of Rs. 6.5 - 7 /kWh, subject to truing-up of tariff by the CERC. It may be noted that while the NHPC tariff has been indicated in the range of Rs. 6.5 - 7 /kWh, the same would be subject to cost escalations and would also entail supply during the non-peak months.

III. Clarification regarding royalty clause applicable to the Royal Government of Bhutan

- vii. The Royalty obligation applicable to the Project is substantiated by the Certificate dated 07.04.2026 issued by Department of Energy, Royal Govt. of Bhutan. The said Certificate officially confirms that the Free Power for the KHPL of 600 MW

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capacity has been established and confirmed at thirteen percent (13%) of the Net Generated Electricity, defined as Ex-Bus Generation minus Auxiliary Consumption.

IV. Details regarding the applicable trading margin of the counterparty

- viii. The applicable trading margin of TPTCL for the proposed transaction is 5 paise per unit, agreed between TPTCL and KHPL. Regulation 7(e) of the CERC (Procedure, Terms and Conditions for Grant of Trading Licence and other Related Matters) Regulations, 2020 provides that a trading margin shall be applicable for cross-border trade of electricity undertaken by a trading licensee. Regulation 8(g) thereof further provides that for Cross Border Trade of Electricity, the trading margin shall be decided mutually between the Trading Licensee and the seller. Accordingly, the trading margin of 5 paise per unit stands agreed between TPTCL and KHPL. Therefore, tariff of Rs. 6.75 per unit at Indo-Bhutan Periphery represents the all-inclusive per unit cost to UPPCL, with no separate or additional amount payable on account of trading margin over and above the said tariff.

Commission's Analysis

14. UPPCL, in this Petition, has sought to (i) approve source and procurement of 511 MW (+ 10% overload of 511 MW) hydro power on long term basis from Khorlochhu Hydro Power Station in Bhutan through TPTCL starting from 01.05.2030, at a tariff of Rs. 6.75/unit at delivery point of Indo-Bhutan periphery for a period of 30 years i.e., from COD to expiry date and (ii) approve the draft Power Sale Agreement (PSA) to be executed between UPPCL and TPTCL.

15. Recapitulating the entire scope of the petition, it is noted that the process of procurement of hydro power commenced with TPTCL's letter dated 08.08.2024 to UPPCL, wherein TPTCL informed that its parent company, TPCL, along with Druk Green Power Corporation (DGPC), Bhutan, was developing the 600 MW KHPL hydro project in Bhutan. TPTCL proposed long-term supply of 511 MW for 30 years from 01.05.2030 at a firm tariff of Rs. 6.75/unit for the entire tenure at the Indo-Bhutan Periphery. Thereafter, UPPCL, vide letter dated 30.12.2024, conveyed its in-principle consent for above proposal of TPTCL.





16. UPPCL has submitted that from the aforesaid inter-governmental agreements, protocols, and official communications, it is clear that the development of hydropower projects in Bhutan for export of electricity to India stands squarely recognised and facilitated under a structured framework between the GoI and RGoB. UPPCL insisted that the Project forms part of the said cooperation architecture between both the countries, under which project-specific implementation arrangements and power procurement structures are contemplated to be governed through independent commercial agreements executed between the concerned entities.

17. TPTCL, the inter state trading licensee also emphasized that subsequent to exit of SJVN from JV of the project company, Tata Power Company Limited (TPCL) acquired 40% equity stake in KHPL from DGPCL in October 2024. It also argued that the authority for the present cross-border arrangement is independently and sufficiently established under the extant MoP Guidelines, 2018 and TPTCL is an authorized entity under the MoP Guidelines to undertake cross border trade of electricity on a mutual agreement basis with UPPCL.

18. The Commission noted that the instant petition has been filed under 86(1) (b) of the Electricity Act, 2003; wherein Section 86(1)(b) of the Act empowers this Commission to regulate electricity purchase and procurement process of distribution licensee including the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreement for purchase of power for distribution and supply in the state of Uttar Pradesh.

19. The Commission observes that the Ministry of Power, Government of India, vide No. 14/1 /2017-Trans dated 18.12.2018, has issued the "Guidelines for Import/ Export (Cross Border) of Electricity -2018". As per clause 4 of the guidelines any entity proposing to Import or Export electricity may do so only after taking approval of the Designated Authority, as referred below:

"4.0 INSTITUTIONAL FRAMEWORK"





4.1 The import/ export of electricity by Indian entities shall be governed by the rules/ regulations and policies framed and notified by Government of India/ Central Electricity Authority (CEA)/ Central Electricity Regulatory Commission (CERC), and wherever applicable, the appropriate State Electricity Regulatory Commission(s).

4.2 Ministry of Power, Government of India shall appoint a Designated Authority for facilitating the process of approval and laying down the procedure for import/ export of electricity.

4.3 The Designated Authority shall coordinate with the respective authority of the neighboring country for all purposes as stated in the Guidelines which, inter alia, include: \

4.3.1 planning, monitoring and commissioning of transmission lines for import/ export of electricity

4.3.2 the grid security, safety and operation;

4.3.3 any other function as assigned by the Ministry of Power, Government of India.

4.4 Any Entity proposing to Import or Export electricity may do so only after taking approval of the Designated Authority.

4.5 Approval of the Designated Authority will, however, not be necessary where the import/ export is taking place under the Inter Government Agreement signed by India and neighboring country for specific project(s).

4.6 Considering the fact that import/ export of electricity involves issues of international relations; the Designated Authority will grant approval or otherwise only after taking concurrence of Govt. of India.

20. Under the extant statutory and regulatory framework, Cross border import of electricity including scheduling, metering, accounting & deviation settlement is governed by the Central Government and CERC. Cross Border Trading Regulations, 2019, issued by CERC, is applicable to the participating entities in India and neighboring countries, which are engaged in cross border trade of electricity with

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India. The participating entities are defined under regulation 2(II) of Cross Border Trading Regulations, 2019, which is as below:

"Participating Entity' means an entity approved by the Designated Authority for the purpose of cross border trade of electricity between India and any of the neighbouring countries or any entity as designated by Government of India for import or export of power through bilateral agreement between Government of India and Government of any of the neighbouring countries;"

21. Therefore, the participating entity must be approved by the designated authority for the purpose of cross border trade of electricity between India & neighbouring countries. During the final hearing on 30.4.2026, replying to the Commission's query regarding approval of the designated authority appointed under the guidelines on Cross Border Trade of Electricity issued by MoP, GOI, TPTCL submitted that the approval from the designated authority i.e. CEA would be obtained subsequent to the approval of PSA by the Commission and signing of PSA.

22. Regarding the tariff, the Commission has noted that section 3(2) of Central Electricity Regulatory Commission (Cross Border Trade of Electricity) Regulations, 2019, provides that tariff for import of cross-border power shall be allowed through bilateral agreement between the countries or bidding route or mutual agreement between the parties. The relevant Regulation pertaining to tariff determination is provided as under:

"(2) Cross border trade of electricity between India and the neighbouring country(ies) shall be allowed through mutual agreements between Indian entity(ies) and entity(ies) of the neighbouring country(ies) under the overall framework of agreements signed between India and the neighbouring country(ies) consistent with the provisions of the prevailing laws in the respective country(ies), including:

- (i) through bilateral agreement between two countries;*
- (ii) through bidding route; or*
- (iii) through mutual agreements between entities; or*





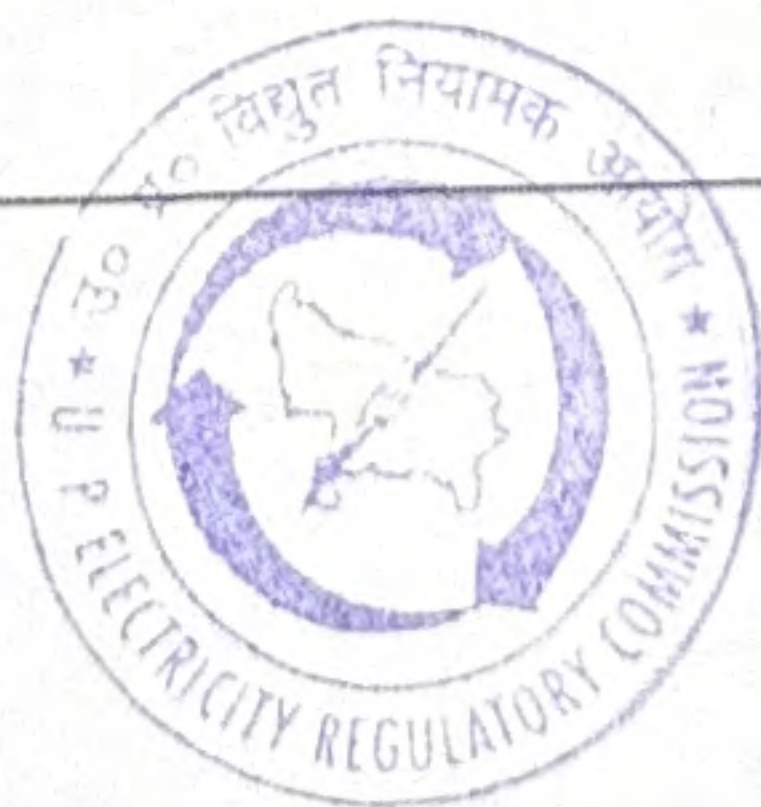
Provided that in case of tripartite agreements, the cross border trade of electricity across India shall be allowed under the overall framework of bilateral agreements signed between Government of India and the Governments of the respective neighbouring countries of the Participating Entities."

23. In this regard, the Commission has considered the submissions made by parties and perused the documents placed on record and has noted the following:

- (a) The supply of 511 MW of power, with a provision for an additional 10% overload, is proposed to be sourced from the Khorlochhu Hydro Power Limited in Bhutan under a long-term Power Sale Agreement (PSA) having a tenure of 30 years commencing from the Commercial Operation Date (COD) of the project.
- (b) The power supply shall be made during the summer months, i.e., from May to October of each financial year, to align with the peak demand months of UPPCL. The project includes 4 hours of storage capacity to cater specifically the peak hour requirements UPPCL.
- (c) The annual contracted energy at the delivery point during the aforesaid six-months period has been stipulated as 1,748 MUs, with the scheduled commencement of supply being May 1, 2030. The contracted energy from KHPL, as submitted by UPPCL and TPTCL, is as under:

Month	Contracted Energy (MU)	Energy due to 1 cycle of 4 hours Pondage (MU)	Balance Energy due to River flow (MU)
May	210.12	63.36	146.76
June	325.29	61.32	263.97
July	299.96	63.36	236.60
August	287.65	63.36	224.29
September	325.17	61.32	263.85
October	299.80	63.36	236.44
Total	1748	376	1372

- (d) The levelized tariff of Rs. 6.75/kWh at the Indo-Bhutan Periphery has been mutually agreed to be in accordance with the provisions of CERC Tariff





Regulations, 2024. The multi-year tariff stream has been levelised over a period of 30 years by applying a Discount Rate of 9.25%, consistent with the CERC Notification dated 19.04.2024 prescribing discounting principles for bid evaluation. Upon such levelisation, the Busbar Levelized Tariff has been computed at Rs. 6.47/kWh. Further, upon addition of the estimated transmission charges up to the Indo-Bhutan border amounting to Rs. 0.28/kWh, the Levelized Tariff at the Indo-Bhutan Periphery has been worked out to Rs. 6.75/kWh.

- (e) The tariff of Rs. 6.75 per unit shall remain fixed for the entire duration of 30 years without any annual escalation.
- (f) All the transmission charges, transmission losses, and operation charges up to the Indo Bhutan Periphery shall be borne by TPTCL, whereas all charges and losses beyond the Indo Bhutan Periphery, including General Network Access (GNA) charges, Inter-State Transmissions losses and U.P. State transmission charges & losses shall be borne by the UPPCL.
- (g) A trading margin of 5 paise per unit has been mutually agreed upon between TPTCL and the generator (KHPL), in terms of CERC Trading License Regulations 2020, which is already inclusive in the Rs. 6.75/unit tariff. Consequently, no separate or additional amount shall be payable towards trading margin over and above the aforesaid tariff.
- (h) The Settlement Nodal Agency (SNA) Charges, applicable under the CERC (Cross Border Trade of Electricity) Regulations, 2019 have duly been factored into the tariff of Rs. 6.75 per unit and TPTCL shall not seek any tariff adjustment on account of any change in the SNA Charges.

Commission's Decision

24. The Commission has noted that the project's peak supply period is suitably aligned with the peak summer months demand with 4 hours of storage capacity to substantially assist UPPCL in meeting its peak hour power requirement. The tariff for power procured through TPTCL, inclusive of the trading margin and SNA Charges and

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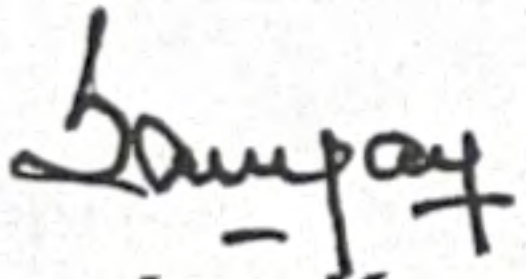


without any annual escalation, would ensure long-term price certainty and safeguard consumers against future price volatility, particularly during the peak summer months.

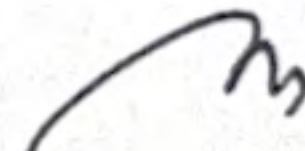
25. The Commission after considering the above facts and to ensure reliable and quality power supply in the State grants permission of procurement and approves the Power Sale Agreement (PSA) to be executed between UPPCL and TPTCL for purchase of 511 MW (+ 10% overload of 511 MW) hydro power on long term basis from Khorlochhu Hydro Power Station in Bhutan subject to strict adherence to all the conditions/ stipulations as mentioned under Para 23 of this order and all compliances under Guidelines on Cross Border Trade of Electricity issued by Ministry of Power, Government of India including approval of Designated Authority and Cross Border Trade for Electricity Regulations, 2019 and its amendments, if any, issued by CERC.

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The Petition is disposed of in terms of above.


(Sanjay Kumar Singh)
Member




(Arvind Kumar)
Chairman

Place: Lucknow

Dated: 27.05.2026