THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

LUCKNOW

Petition No. 2331 of 2025

Present:

Hon'ble Shri Arvind Kumar, Chairman

Hon'ble Shri Sanjay Kumar Singh, Member

IN THE MATTER OF: Petition under Section 86 (1) (a) & (b) of the Electricity Act, 2003 read with Regulation 15 of the Uttar Pradesh Electricity Regulatory Commission (Conduct of Business) Regulations, 2019, on behalf of Uttar Pradesh Power Corporation Limited seeking approval of procurement of 240 MW power from Subansiri Lower HE Project 2000 MW (8x250MW), Arunachal Pradesh as well as approval of Power Purchase Agreement dated 16.10.2025 entered into between NHPC Limited and UPPCL, for supply of up to 240 MW power from Subansiri Lower HE Project 2000 Mw (8x250MW), Arunachal Pradesh.

Uttar Pradesh Power Corporation Limited (UPPCL),

14th floor, Shakti Bhawan Extension, Ashok Marg, Lucknow – 226001 ....**Petitioner**

Versus

1) NHPC Limited

NHPC Office Complex, Sector-33, Faridabad-121003 ......**Respondents**

The following were present:

1. Shri Savyasachi Saumitra, Advocate, UPPCL
2. Shri A.K. Zaidi, Advocate, UPPCL
3. Shri Sanjay Kumar Chauhan, S.E. UPPCL
4. Shri Anil Prakash, EE, UPPCL
5. Shri Ranjeet Thakur, GM, NHPC
6. Shri Virendra Kumar, DGM, NHPC
7. Shri Manish Dwivedi, CE PPA, UPPCL

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ORDER

(Date of Hearing- 09.06.2026)

1. The Petitioner, UPPCL, has filed instant Petition seeking approval for procurement of up to 240 MW power from Subansiri Lower HE Project 2000 MW (8x250 MW), Arunachal Pradesh for a period of up to four years as well as approval of Power Purchase Agreement (PPA) dated 16.10.2025 entered into between NHPC Limited and UPPCL.

2. The Petitioner has prayed as following:

   a) Pass an order approving the quantum energy capacity proposed to be procured up to 240 MW from Subansiri Lower HE Project 2000 MW (8X250 MW), Arunachal Pradesh.
   b) Approve the Power Purchase Agreement 16.10.2025 entered into between NHPC Limited and UPPCL, for supply of up to 240 MW Power from Subansiri Lower HE Project 2000 MW (8X250 MW), Arunchal Pradeh.
   c) Pass any further order(s) as the Commission may deem fit in the facts and circumstances of the case.

Brief facts as stated in Petition:

3. UPPCL has submitted following in the Petition:

3.1. The Subansiri Lower Hydroelectric Project is a 2000 MW station comprising eight units of 250 MW each, owned and operated by NHPC. In 2007, the Government of Arunachal Pradesh had entered into a Memorandum of Agreement (MoA) with NHPC for the 3000 MW Dibang Multipurpose Project, under which NHPC was designated as the project developer on an ownership basis and authorized to manage the State's free power share in accordance with regulatory norms. The aforesaid MoA also records that NHPC is already executing the Subansiri project and that separate MoA for it will be executed with the State Government after the final decision of Supreme Court in matter of wildlife clearance. The MoA recognizes NHPC as the implementing agency for large hydropower projects and forms the basis for authorization

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issued to NHPC to utilize the State's free power share from the Subansiri Lower H.E. Project, including its supply to UPPCL under the current PPA.

3.2. Further, regional and state-wise allocation of power from the 2000 MW Subansiri H.E. Project was approved by the Ministry of Power, through its letter dated 14.07.2009, under which 50% of the Project capacity was earmarked for the Northeastern Region (including free power to home states and unallocated share for Northeastern States), 25% for the Northern Region, and 25% for the Western Region. From the Northern Region's share (i.e. 500MW), 182 MW (36.42% of 500 MW) was allocated to Uttar Pradesh, while 240 MW (including 11% Free Power and 1% for Local Area Development Fund) was earmarked as the share of the Government of Arunachal Pradesh.

3.3. The Government of Arunachal Pradesh authorized NHPC to sell its 240 MW free power share. Subsequently, NHPC, vide letter dated 09.04.2025, made an offer to allocate and sell this power to the Petitioner for a period of three to four years. However, the Petitioner, through its letter dated 26.04.2026 to NHPC, pointed out that the tariff for the existing 182 MW allocation already includes the cost of free power, and that applying the same tariff to the additional 12% share without adjustment would result in a double financial burden on UPPCL and its consumers.

3.4. NHPC, vide its letter dated 29.04.2025, clarified that the tariff for the existing power would be determined in accordance with the applicable CERC Tariff Regulations after loading the 12% free power to the home state. It was also clarified that no double loading or additional burden of free power would be imposed on existing beneficiaries, and that the distribution licensees would be treated as purchasers of power from the State of Arunachal Pradesh, with NHPC acting as a trading licensee.

3.5. The UPPCL, vide its letter dated 17.05.2025, gave its in principal consent for the procurement of 12% subject power from Subansiri Lower HE project for a period of 3-4 years and executed PPA dated 16.10.2025 with NHPC.

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3.6. The Petitioner submitted that as per the present projections of demand and availability, a round-the-clock deficit is expected to be faced by the distribution companies of Uttar Pradesh from the financial year 2025–26, particularly during the summer months when peak system demand occurs. This deficit can be effectively addressed and supply reliability ensured through procurement from the proposed hydro project which is a pondage type hydro station designed to provide suitable peaking support and helps avoid costly market purchases.

3.7. UPPCL has submitted that it is often compelled to procure power from market at significantly higher rates in the range of about Rs. 8.50 per unit to Rs. 10 per unit, which is substantially higher than the estimated tariff of Rs. 6.36 per unit under the present arrangement.

3.8. It has further submitted that the additional hydro power offered by NHPC will assist in fulfilling Hydro Purchase Obligations and Renewable Purchase Obligations, while contributing to resource adequacy, cost optimization, and compliance with state renewable energy targets.

Record of Proceeding:

4. During the hearing dated 21.04.2026, the Commission directed the Petitioner to submit a comprehensive and reasoned justification for procuring RTC power from the said project at the indicated high cost, especially for periods other than peak demand hours. On 02.06.2026, UPPCL filed its additional affidavit in the matter.

5. During the hearing on 09.06.2026, in response to a specific query raised by the Commission, the representative of UPPCL submitted that UPPCL is presently drawing power out of the already allocated 182 MW. Further, in response to another query of the Commission, Representative of the NHPC informed that a petition for determination of the provisional tariff is presently pending before CERC. He further submitted that tariff for said power is expected to be 13.5% lower than the tariff applicable to the existing allocation of 182 MW. The Commission also sought clarification regarding the basis of the authorization to NHPC to sell the free power share of the

Government of Arunachal Pradesh from the Subansiri Lower Hydroelectric Project, including its supply to UPPCL under the proposed PPA. In response, the representative of NHPC referred to the Memorandum of Agreement (MoA) dated 24.06.2007 executed between the Government of Arunachal Pradesh and NHPC.

6. NHPC representative also apprised the Commission that PPAs were executed by NHPC with Tripura Discoms and UPPCL for supplying out of 240 MW power of Arunanchal Pradesh. Thus, as per Clause 2.3 of the PPA dated 16.10.2025, the distribution of 240 MW free power between Tripura & UPPCL is to be undertaken by NHPC based on the consent of respective beneficiaries. Tripura Discom has conveyed its consent for procurement of 25 MW out of aforesaid 240 MW free power allocations of Arunanchal Pradesh, the balance 215 MW of free power allocations of Arunanchal Pradesh from Subansiri Lower Hydroelectric Project, is available for procurement by UPPCL in terms of PPA dated 16.10.2025.

7. Further, replying to a query of the Commission regarding commissioning of the project, NHPC representative informed that out of 8 generating Units, COD of 4 nos. of Units have already taken place and balance 4 units are expected to be commissioned by Mar 2027. Out of the present commissioned capacity of 1000 MW of the project, UPPCL will be able to draw 107.5 MW. Thereafter, the Commission reserved the order in the matter.

Additional Submission:

8. The Petitioner, vide additional affidavit dated 02.06.2026, submitted following in compliance of the RoP dated 12.05.2026:

8.1. The proposed procurement is not an isolated short-term exchange purchase, but a medium-term procurement from a firm, schedulable and regulated hydro source. Subansiri Lower HE project is a run-of-river hydro project with pondage capacity and suitable for meeting peak demand requirements because pondage permits operational flexibility in scheduling generation during high demand hours.

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8.2. Hydro generation is generally higher during summer months due to increased water availability, and the same suitably complements the demand pattern of the State of Uttar Pradesh where system demand and peak demand are also generally higher during summer months. The proposed procurement is therefore aligned with the seasonal demand profile of Uttar Pradesh and is not merely an abstract procurement of energy during non-peak hours.

8.3. As per the demand-supply projections, Uttar Pradesh is expected to face increasing round-the-clock deficits over the medium to long term, with deficits emerging and progressively widening in the coming years, particularly the summer peak deficits are expected from FY 2026–27 onwards.

8.4. The estimated/interim tariff, in the range of approximately Rs. 6.50 to Rs. 7.50 per kWh, is based on the initial assessments available at this stage and would be finally determined/ascertained only upon final truing-up of the Project in terms of the applicable CERC tariff framework and the provisions of the PPA.

8.5. The proposed tariff is substantially lower than the short-term market rates generally observed during constrained and high demand periods, which are in the range of approximately Rs. 8.50 to Rs. 10.00 per kWh. Reliance on short-term markets during peak or scarcity periods exposes the Petitioner and consumers to price volatility, corridor constraints, market clearing uncertainty and possible non-availability of adequate quantum.

8.6. The economic prudence of the proposed medium-term procurement is further evident from the fact that the Annual Fixed Cost of the long-term project had a base of 87%, whereas the medium-term power proposed to be procured would have a base of 100%. It is further submitted that once the Annual Fixed Cost is spread over a 100% base instead of an 87% base, the per unit tariff payable becomes lower, as the fixed cost burden is allocated over a larger base.

8.7. The peak/off-peak energy statement of Subansiri Lower HE Project indicates annual design energy of about 7421.61 MU for the station. Out of the said

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annual design energy, approximately 4495.65 MU is indicated during 7:00 PM to 5:00 AM and approximately 2925.96 MU is indicated during 5:00 AM to 7:00 PM. A substantial amount of the annual design energy is capable of being available during the 7:00 PM to 5:00 AM period, which is relevant from the perspective of evening/night peaking and system support.

Commission's Analysis

9. UPPCL, in this Petition, has sought to (i) approve procurement of up to 240 MW hydro power from Subansiri Lower HE Project 2000 MW (8X250 MW), Arunachal Pradesh, through NHPC, at an estimated tariff in the range of approximately Rs. 6.50 to Rs. 7.50 per kWh at the delivery point of the 400 kV bus/specified interconnection at the Project switchyard, for a period of upto 4 years and (ii) approve the PPA dated 16.10.2025 entered into between NHPC Limited and UPPCL.

10. Recapitulating the entire scope of the petition, it is noted that the process of procurement of hydro power commenced with NHPC's letter dated 09.04.2025 to UPPCL, wherein NHPC sought UPPCL's consent for purchase of the 12% power (11% free power and 1% LADF) share of Arunachal Pradesh from Subansiri Lower HE Project for a period of 3 to 4 years. Thereafter, UPPCL, vide its letter dated 17.05.2025, conveyed its in-principle consent for above proposal of NHPC subject to the approval of this Commission.

11. The Commission notes 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.

12. The Commission, during the hearing held on 09.06.2026, had asked NHPC regarding the authority under which it is entitled to sell the proposed power from the Subansiri Lower H.E. Project, including its supply to UPPCL under the current PPA. In response, the representative of the NHPC referred to the

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MoA dated 24.06.2007 between the Government of Arunachal Pradesh and NHPC, under which NHPC has been authorized to sell the State's free power share, including the proposed supply to UPPCL. Further, the Commission has also noted that 107.5 MW of this power could be available to UPPCL out of commissioned units subject to availability of generating units and / water inflow.

13. UPPCL has submitted that the proposed procurement is necessitated by the projected power deficit in ensuring round-the-clock power supply, particularly during the peak summer period from FY 2026–27 onwards. It has further submitted that the procurement is also essential for meeting its Hydro Purchase Obligation (HPO).

14. The Commission has observed that, out of the annual design energy of about 7421.61 MU for the station, approximately 4495.65 MU is expected to be available during the period from 7:00 PM to 5:00 AM, while approximately 2925.96 MU is expected to be available during the period from 5:00 AM to 7:00 PM. The Commission notes that a substantial quantum (majority) of the annual design energy is capable of being available during the 7:00 PM to 5:00 AM period, which is suitably aligned with the State's peak hour demand, particularly, during the summer months when the system demand peaks.

15. Further, the Commission is also cognizant of UPPCL's continued shortfall in achieving its mandated Hydro Purchase Obligation (HPO) targets. Therefore, the Commission finds merit in the Petitioner's proposal and considers the procurement of power from the Subansiri Lower Hydro Project as a prudent and justified steps for ensuring compliance with the applicable HPO requirements, while also supporting the State's peak demand.

16. Regarding the tariff for the proposed power procurement, the Commission notes that the tariff for the proposed power is to be determined in accordance with the provisions of the CERC Tariff Regulations, 2024, the project being a Central Sector Generating Station. The proposed tariff, estimated in the range of approximately Rs. 6.50 to Rs. 7.50 per kWh at the project switchyard, has been computed in accordance with the provisions of CERC

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Tariff Regulations, 2024 and would be finalised upon issuance of the final truing-up order for the Project by the CERC.

17. The Commission had sought justification from UPPCL for procuring RTC power at the indicated high cost, especially for periods other than peak demand hours. In response, UPPCL clarified that the proposed procurement is aligned with the State's seasonal demand profiles, wherein hydro availability is highest during the summer months when the State's demand peaks. It has been further submitted that the proposed tariff is substantially lower than the short-term market rates generally observed during constrained and high demand periods, which are in the range of approximately Rs. 8.50 to Rs. 10.00 per kWh. UPPCL also submitted that reliance on short-term markets during peak or scarcity periods exposes both the Petitioner and consumers to price volatility, corridor constraints, market clearing uncertainties and risk of non-availability of adequate quantum.

18. The Commission further notes that, in terms of Article 6 of the PPA dated 16.10.2025, the tariff payable for the proposed supply would be a single-part tariff, determined on the basis of the Annual Fixed Cost (AFC) approved by the CERC in accordance with the applicable Tariff Regulations and would be computed using the following formula:

Single Part Tariff = Annual Fixed Cost / (Design Energy – Normative Auxiliary consumption)

19. The Commission also observes that the Annual Fixed Cost of the long-term project had a base of 87%, whereas the medium-term power proposed to be procured would have a base of 100%. Therefore, the tariff for proposed medium-term power is expected to be approximately 13% lower than tariff applicable to the existing long-term allocation. The Commission is of the view that such procurement would provide mid-term price certainty and safeguard consumers against future price volatility, particularly during the peak summer months.

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Commission's Decision

20. The Commission, after considering the above facts and to ensure a reliable and quality power supply in the State while facilitating compliance with the Hydro Purchase Obligation, grants permission for procurement and approves the PPA dated 16.10.2025 between UPPCL and NHPC for a period of up to four (4) years for the procurement of up to 240 MW of hydro power on a medium-term basis from the Subansiri Lower Hydro Power Station in Arunachal Pradesh, at the single-part tariff to be determined on the basis of the Annual Fixed Cost (AFC) approved by the CERC and in terms of Article 6 of the said PPA.

The Petition is disposed of in terms of above.

(Sanjay Kumar Singh)
Member

(Arvind Kumar)
Chairman

Place: Lucknow

Dated:07/07/2026