KERALA STATE ELECTRICITY REGULATORY COMMISSION

THIRUVANANTHAPURAM

Present : Sri. T.K Jose, Chairman

Sri. B Pradeep, Member

In the matter of : Approval of Threshold Limit for Tariff Based Competitive Bidding in Intra-State Transmission Projects as per the provisions of Regulation 62A of the Kerala State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) (First Amendment) Regulations, 2023.

Order dated 17.12.2025 in File No. 1123/Con.Engg/2023/KSERC

1. The Commission has notified the Kerala State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2021 on 16th November, 2021 for the Control Period 2022-2027. Subsequently, the Regulations were amended through Gazette Notification No. 1807 dated 30th May, 2023 and Gazette Notification No. 822 dated 5th March, 2024.

2. The Hon'ble Supreme Court vide judgment dated 23.11.2022, in Civil Appeal No. 1933 of 2022 (TATA Power Company Limited vs. Maharashtra Electricity Regulatory Commission & Ors.), has directed all the State Electricity Regulatory Commissions to frame Regulations under Section 181 of the Act on the terms and conditions for determination of tariff within three months from the date of the judgment. Pursuant to the above judgment, the Commission incorporated provisions for tariff adoption in respect of intra-State transmission projects executed through the Tariff Based Competitive Bidding (TBCB) route in the KSERC (Terms and Conditions for Determination of Tariff) (First Amendment) Regulations, 2023, notified vide Gazette No. 1807 dated 30th May, 2023. The relevant extract of the Amendment Regulation is quoted hereunder:

"62A. Adoption of tariff for the projects allotted through TBCB route. - Notwithstanding anything contained in this Chapter, the Commission shall adopt the tariff discovered under Section 63 of the Act, for the projects allotted through 'Tariff Based Competitive Bidding' (TBCB) route based on any policy formulated by the State Government, if such tariff has been determined through a transparent process of bidding in accordance with the guidelines issued by the Central Government:

Provided that the threshold limit of the estimated capital cost, above which the projects have to be executed through TBCB route, may be notified by the State Government as a matter of policy and intimated to the Commission in writing under Section 108 of the Act."

3. Government of Kerala, Power Department, vide G.O.(Ms) No.15/2025/POWER dated 21.11.2025, issued policy directions under Section 108 of the Electricity Act, 2003, pursuant to the revised guidelines issued by the Department of Expenditure, Ministry of Finance, Government of India, for availing additional borrowing to the extent of 0.5% of the Gross State Domestic Product (GSDP) for the financial year 2025–26, linked to performance in the power sector. The revised guidelines stipulate that 13 mandatory conditions and certain performance evaluation conditions are required to be fulfilled for availing the additional borrowing. Among the mandatory conditions, inter alia, the following are relevant: (i) Compliance of the Electricity (Amendment) Rules, 2022 in respect of Fuel and Power Purchase Cost Adjustment (FPPCA); and (ii) Prescription of a threshold limit for intra-State transmission projects to be developed through the Tariff Based Competitive Bidding (TBCB) route by the State Electricity Regulatory Commission. The relevant portion of the Government Order dated 21.11.2025 is reproduced below:

"6) In the circumstances, Government have examined the matter by placing the proposal before the Competent authority and hereby issue the specific policy directions under Section 108 of the Electricity Act, 2003 as follows:

1) Compliance of electricity (Amendment) Rules, 2022 in respect of FPPCA by avoiding ceiling limit of 10 paise per unit per month fixed by the Hon. Kerala State Electricity Regulatory Commission;

2) Approval of Rs.250 crore as the threshold limit for considering Tariff Based Competitive Bidding for Intra-State Transmission projects."

4. As per these revised guidelines, one of the mandatory conditions is the prescription of a threshold limit for intra-State transmission projects that are to be developed through the TBCB route. It was further intimated that Kerala State Electricity Board Limited (KSEB Ltd.) has proposed a threshold limit of ₹250 crore for transmission projects to be undertaken through the TBCB route. The Government of Kerala, after examining the proposal, has approved the threshold limit suggested by KSEB Ltd. In this context, the State Government, exercising powers under Section 108 of the Electricity Act, 2003, has directed the Commission to consider and approve the above policy measures in public interest, to enable the State to comply with the mandatory conditions and thereby avail the additional borrowing permitted by the Government of India. The relevant extract of Section 108 of the Act is quoted hereunder:

***"Section 108. (Directions by State Government**): ---- (1) In the discharge of its functions, the State Commission shall be guided by such directions in matters of policy involving public interest as the State Government may give to it in writing.*

(2) If any question arises as to whether any such direction relates to a matter of policy involving public interest, the decision of the State Government thereon shall be final."

5. The Commission observes that the prescription of a threshold limit for execution of intra-State transmission projects through the Tariff Based Competitive Bidding (TBCB) route is a matter of State policy involving public interest, particularly in the context of power sector reforms and fiscal incentives linked to additional borrowing. The Commission further notes that Regulation 62A of the Kerala State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) (First Amendment) Regulations, 2023 expressly provides that the threshold limit of the estimated capital cost, above which the projects have to be executed through the TBCB route, may be notified by the State Government as a matter of policy and intimated to the Commission in writing under Section 108 of the Act. Accordingly, the policy direction issued by the Government through G.O.(Ms) No.15/2025/POWER dated 21.11.2025 fully satisfies the statutory and regulatory requirements.

Orders of the Commission

6. The Commission, considering the provisions of Regulation 62A of the Kerala State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) (First Amendment) Regulations, 2023, and being guided by the policy direction of the Government of Kerala issued under Section 108 of the Electricity Act, 2003, examined the proposal submitted by the State Government regarding the prescription of a threshold limit for intra-State transmission projects to be developed through the Tariff Based Competitive Bidding (TBCB) route, and hereby approves the following:-

   (1) All intra-State transmission projects having an estimated capital cost above ₹250 crore shall be developed through the Tariff Based Competitive Bidding (TBCB) route, in accordance with the Guidelines for Encouraging Competition in Development of Transmission Projects issued by the Ministry of Power, Government of India;

   (2) The successful bidder selected through the TBCB process shall approach the Commission for grant of licence and adoption of tariff under the provisions of the Electricity Act, 2003.

Sd/-

T. K Jose
Chairman

Sd/-

B Pradeep
Member

Approved for issue

Sd/-

Rajendran K. V

Secretary