KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM

Present : Shri T K Jose, Chairman
Shri B Pradeep, Member

Petition: OP No. 19/2026

In the matter of	:	Petition under Regulation 78 of the KSERC (Terms and Conditions for Determination of Tariff) Regulations 2021 seeking approval for the Mechanism proposed for short-term power procurement to meet contingency periods, in compliance with the directions of the Hon'ble KSERC and utilisation of the short term transaction product "TAM" through Power Exchanges.
Petitioner	:	M/s Kerala State Electricity Board Limited
Hearing scheduled on	:	24.04.2026, 11:00 AM
Venue	:	Court hall of the commission

<u>Order dated 25.04.2026</u>

1. Kerala State Electricity Board Limited (hereinafter referred as petitioner or KSEBL) filed a petition on 08.04.2026 before the Commission with the following prayer:

   “

   1. *Approve the institutional mechanism consisting of the Apex Committee and Operational Committee for the governance and implementation of short-term power procurement.*
   2. *Approve the proposed Procurement Methodology, including the deficit-driven approach, slot-specific categorization (RTC, Peak, and Morning Peak), and the determination of ceiling rates.*
   3. *Approve the specific procurement parameters, for TAM procurement with the bilateral negotiation margin of up to 5 paise over DAM price, with a ceiling rate of Rs. 10/- per unit plus up to 5 paise, and the maximum quantum of 250 MW for the upcoming peak demand season.*
   4. *Accord Permission to utilize the "SPANDAN" product on the NAME OTC platform for short-term power procurement and sale, subject to the approved procurement framework.*
   5. *Pass such other further order(s) as the Hon’ble Commission may deem fit and proper in the facts and circumstances of the case to ensure the security and stability of the power supply in the State of Kerala.”*

2. Summary of the petition filed by M/s KSEB Ltd is given below.

(1) Regulation 78 of the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2021 permits the distribution licensees to under take additional short-term procurement to overcome the power shortage during the financial years.

KSEBL submitted that, they had taken diligent steps well in advance to meet the projected power deficit in the State, particularly for the critical months of April and May 2026. Commission vide the Order dated 25.09.2025 in OP No. 39/2025 had approved the short term power procurement through DEEP portal from August 2025 to May-2026, with capacity upto 600MW and monthly rates upto Rs 9.49/unit for peak purchase and RTC rats upto Rs 5.85/unit.

Further to bridge the gap, KSEB Ltd successfully established multiple power banking arrangements with entities including PSPCL, APPCL, UPPCL, MPPMCL, and BYPL. These strategic swaps allowed KSEBL to arrange firm contracts of approximately 502 MW during daytime, 577 MW during peak hours, and 502 MW during the (00:00–05:00) block for the period till 16th to 20th April.

In addition to existing allocation from CGS, KSEBL receives additional 262 MW from CGS, 177MW from BARH station. KSEBL has been taking steps with Ministry of Power (MoP), GoI to retain these additional allocations.

However, despite these efforts, State faces significant peak and average deficits during late April-2026 and early May-2026.

(2) Commission vide the Order dated 28.06.2024 in petition OP No. 85/2023, in the matter of approval of Truing Up of accounts of KSEBL for the year 2022-23 has issued following directives to KSEBL regarding the optimisation of the cost of power purchase including short term power purchase. Relevant portions of the Order is extracted below.

> *"(4) Cost of power purchase contributes more than 55% of the total cost of KSEBL. Hence the licensee shall give due importance for optimization of its cost of power purchase and to reduce the expenses.*
>
> *KSEBL shall form a dedicated team at corporate level for the optimization of the generation and power purchase and also for monitoring the power purchase and its cost.*
>
> *While Chief Engineer (Transmission & System Operation) can be assigned the duty of power procurement to meet the contingencies, the procurement from short term market including Longer Duration Contracts (LDC) from the*

Power Exchanges (LDCs, monthly and weekly contracts etc) at excessive rates by that office shall be discontinued.

Such procurement shall either be;
(i) based on a comprehensive frame work covering quantum, period and ceiling price etc, decided well in advance at the corporate level and entrusted as such with the Chief Engineer (Transmission & System Operation) or
(ii) ideally by an experienced multi disciplinary team/ committee at the corporate level headed by a Key Managerial Personnel (KMP)/Director.
The appropriate mechanism shall be decided by the Director Board of KSEBL and intimated to the Commission within one month of this Order.

(5) Henceforth, KSEBL shall get prior approval for all power purchases including price ceiling on power purchase from energy exchanges except for DAM/ G-DAM and RTM/ G-RTM. In case of short-term purchase through power exchanges (LDCs, monthly/ weekly contracts etc.), prior approval of the quantum, period etc, based on an analysis of prevailing market conditions shall be obtained from Commission. "

(3) In compliance with the directives of the Commission, KSEB Ltd has entrusted the existing Core Committee, headed by the Director (Finance) in his capacity as a Key Managerial Personnel (KMP), to function as the Apex Committee for overseeing the short-term power procurement framework. This multi-disciplinary team, comprising representatives from key functional wings, is responsible for determining the essential parameters of procurement, specifically the ceiling price, the maximum quantum, and the procurement period.

(4) To ensure the effective execution of these strategies, KSEBL has approved the constitution of a six-member Operational Committee, for short term purchase through power exchange / Market. This committee, convened by the Chief Engineer (Commercial & Tariff) and including the Chief Financial Officer, Chief Engineer (T&SO), and Deputy Chief Engineers from Planning, Commercial, and TRAC, is tasked with implementing the procurement methodology approved by KSEBL. This structure ensures that every procurement decision undergoes rigorous financial and technical scrutiny before implementation.

(5) First meeting of the Operational Committee for TAM power procurement was convened on March 31, 2026, to establish a framework for addressing short-term power deficiencies in alignment with the directives of the KSERC. While the forecasted Load Generation Balance (LGB) indicates that KSEBL may not require TAM procurement under normal conditions, the Committee observed that during periods of extreme demand—such as in March 2026 when actual demand exceeded peak expectations by 250 MW—TAM procurement becomes necessary to manage the grid and ensure firm power availability.

The Committee noted that intraday and day-ahead TAM procurement, supported by accurate demand predictability, represents the most economical and practical option for such contingencies.

(6) The Committee further evaluated available procurement platforms and determined that the DEEP Portal is not feasible for day-wise or slot-wise bidding, as its guidelines require a minimum continuous procurement duration of 15 days. To provide the necessary operational flexibility for sudden variations in demand and to ensure firm availability, Committee has proposed procurement from Term Ahead Market Platform.

(7) The Committee decided to recommend a cap rate of Rs. 10/- per unit for TAM procurement. This rate was considered prudent as it aligns with the existing Day-Ahead Market (DAM) cap rate of Rs. 10/-. It was specifically decided that bidding for TAM for next day (D Day) shall be carried out as a bilateral arrangement after price discovery in DAM where the base price is the discovered DAM price of the day ‘D’, with negotiations permitted from the DAM price up to the DAM price plus 5 paise to ensure firm quantum, provided the overall cost remains within the Rs. 10 per unit maximum cap plus up to 5 paise margin. Since the price discovered is linked with DAM price, there is price bench marking.

The maximum ceiling on the TAM procurement is limited to 250 MW.

KSEBL requested to approve the TAM purchase as proposed with a quantum limited to 250MW with a ceiling on rate @Rs 10/unit maximum cap plus upto 5 paise margin.

3. KSEBL also submitted that the "NAME OTC Platform" has introduced a short term power procurement/sale window titled "SPANDAN”. KSEBL had already registered on the NAME OTC platform for exploring banking/swap transactions with other utilities and around 10 listings have been successfully concluded in favour of KSEBL. The SPANDAN module facilitates flexible energy transactions with the following salient features:

- Delivery Period: From Next Day up to M+3 months.
- Response Timeline: Within 5 days from listing end.
- Letter of Acceptance: To be finalised before commencement of delivery and completed within 5 days from the response acceptance timeline.
- To facilitate secure and transparent financial settlement of transactions, NAME has implemented a Virtual Identifier (VID) mechanism in association with ICICI Bank.
- Billing: Based on actual delivered energy
- Advance Pay-in: 20% of the total trade value (Energy charges + Success fee + GST) to be remitted before the commencement of energy transaction and which will be adjusted during the last delivery days.

- Daily Pay-out: Payment of one day's Energy charges + Success fee + GST will be made to the seller by 5 PM on D+1, after confirmation by WBES. (Success fee 1.5 paisa/unit + 18% GST).

4. KSEB Ltd further submitted that the SPANDAN platform provides an additional mechanism for short-term power transactions, complementing existing procurement avenues such as TAM, DAM, RTM etc. Considering the operational flexibility and transparency offered by the platform, the Core Committee of KSEBL held on 04.03.2026 recommended that the SPANDAN facility may also be utilised for short-term power procurement or sale, wherever considered beneficial, subject to the procurement framework and the decisions of the proposed committee mechanism.

   Accordingly, KSEBL has decided to approve procurement through the SPANDAN platform subject to the approval of the Commission.

5. Hence, KSEBL requested to approve the following specific components of the short-term procurement mechanism:

   - Institutional Framework: Approval for the Apex Committee (Core Committee) and the Operational Committee to oversee, determine, and execute short-term power procurement as per the delegated methodology from Term Ahead Market.
   - Pricing Strategy & Caps: Approval for a ceiling rate of Rs. 10/- per unit for TAM procurement plus up to 5 paise, including the specific bidding logic where negotiations may occur from the DAM price up to DAM price plus 5 paise.
   - Procurement Quantum: Approval to procure the peak deficit power, subject to a maximum limit of 250 MW, through the Term-Ahead Market during critical periods, for a maximum of 20 discrete days with in thirty days, specifically from mid-April to the first half of May.
   - Platform Diversification: Approval for utilizing the "SPANDAN" module on the NAME OTC platform as an additional transparent and flexible mechanism for short-term power transactions.

6. KSEBL vide the additional submission corrected the typographical error happened in paragraph-5 of the petition. KSEBL further submitted that, the licensee had secured 200MW SWAP arrangement with MPPMCL from 16th April to 15th May 2026, on as and when available basis. KSEBL also submitted the revised LGB including additional allocation from CGS, BARH station and DVC station.

7. KSEB Ltd vide the additional submission dated 20.04.2025 had submitted the following;

   (1) KSEB Ltd submitted that the availability of power in the Day Ahead Market (DAM) has been highly constrained during the period 16th April to 15th May

2026. However, the market clearing volumes have been considerably low, and in certain time blocks, the cleared quantum has even approached negligible levels. Hence, KSEBL has been constrained to resort to over drawal to the tune of approximately 300 to 400 MW during several time blocks to meet the demand requirement.

(2) Due to such overdrawal, KSEBL has been subjected to Deviation Settlement Mechanism (DSM) charges, which are significantly higher than the prevailing DAM ceiling rate of Rs.10/unit. This clearly indicating that the cost of such deviations is substantially higher, thereby imposing a severe financial burden on KSEBL.

(3) Consequent to such overdrawals, KSEBL had received multiple non-compliance and operational messages from the Southern Regional Load Despatch Centre (SRLDC) regarding deviation from schedule.

The overdrawal not only exposes KSEBL to high DSM liabilities but also poses a serious risk to grid security and may invite regulatory action under the provisions of IEGC. Hence, reliance on DAM alone is neither reliable nor economically prudent under the prevailing market conditions.
Further, the market clearing volume details for the relevant period substantiate the limited availability of power in the exchange during peak hours and further justify the need for an alternative procurement mechanism.

(4) KSEBL further submit that, SPANDAN module is part of the Over-the-Counter (OTC) platform operated by New Age Markets in Electricity (NAME), which has been granted registration under the provisions of the CERC (Power Market) Regulations, 2021.

8. Hearing on the petition was conducted on 24.04.2026 at the Court Hall of the Commission through hybrid mode. Senior Advocate Shri. Raju Joseph presented the matter online along with Chief Engineer (Transmission- System Operation). Chief Engineer (Commercial & Tariff) also participated online. Few other senior officials physically attended the hearing. Summary of the deliberations during the hearing is given below.

(1) KSEBL during the hearing submitted the following;

(i) KSEBL explained the circumstances for seeking approval for the proposed power procurement through TAM with the bilateral negotiation margin of upto 5 paise over DAM price with a ceiling rate of 10 paise per unit plus upto 5 paise, and the maximum quantum of 250MW for the remaining days of April-2026 and upto 15th of May-2026.

(ii) KSEBL also explained in detail the excessive peak demand energy consumption during peak hours and night off-peak hours during this summer month. Also, the warnings issued by the Southern Regional Load Despatch Centre (SRLDC) for the over drawal from the grid. However, there is surrender of power during day time to accommodate the large scale penetration of roof top solar plants.

(iii) KSEBL requested the permission to procure power from the TAM with the price linked to the price discovered in the DAM with a ceiling of Rs 10/unit with a margin of 5 paise per unit.

(iv) Based on the questions of the compliance of Central Regulations (CERC (Power Market) Regulations, 2021) in SPANDAN and NAME, as they are not very confident about the compliance details, KSEBL submitted that, they are not pressing for the 'permission to utilise the 'SPANDAN' product of the 'NAME OTC platform' for short term power procurement.

(2) Shri. Sibikutty Francis submitted that, Commission may grant permission for the procurement during contingency situation to avoid load restrictions in the State.

(3) Commission clarified during the hearing that, during contingencies KSEBL is permitted to procure power from short term market including exchanges and report the details in conformity with the Regulation 78(5) of the Tariff Regulations, 2021. That is there is no prior permission is needed in contingencies, as per existing Regulations, if KSEBL is convinced about the dire need of such procurements.

Commission expressed its displeasure on laxity of KSEBL for not submitting the detailed information sought by it, for understanding the current scenario and for processing the petition filed by KSEBL before the Commission.

Commission also directed KSEBL to submit a copy of the minutes of the meeting of "Core Committee" on contingency power procurement.

Analysis and Decision of the Commission

9. Commission has examined in detail the petition filed by KSEBL dated 08.04.2026, additional submissions dated 16.04.2026 and 20.04.2026, deliberations during the hearing on 24.04.2026, provisions of the Electricity Act, 2003, CERC (Power Market) Regulations, 2021, KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2021, other relevant Rules and Regulations, and decided on the matter as follows.

10. Commission has examined the available system statistics of KSEBL for the months of March-2026, and April-2026 (up to 23.04.2026). The average peak demand met during weeks days of the month of April 2026 from 3rd week onwards is 5900MW to 6000MW, and night off-peak demand met is 4500 MW to 5000 MW. Average energy consumption met is more than 100MU per day during week days.

However, during these days, day time demand is about 3500MW only. Further, during day time KSEBL has been surrendering power up to 1000MW out of the CGS and other Round the Clock (RTC) contracts to accommodate the available solar energy Roof Top and other solar generation within the State.

11. Commission also that, KSEBL has to utilise the short term market including power exchanges for meeting the electricity demand of the State during the peak hours. However, the market rates in the short term market for peak hours is very high. The DAM and RTM price during peak hours (up to 00:00 in the mid night) of the weeks days is continuously upto Rs 10/unit. Commission also noted the limited volume of electricity transacted through the DAM and RTM of the power exchanges.

12. Commission, in exercise of the powers conferred on it under Section 61 read with Section 181 of the Electricity Act, 2003 notified the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2021 (herein after referred as Tariff Regulations 2021). The Regulation 78 of the Tariff Regulations 2021, deals with ‘Short-term power procurement’. The relevant Regulation is extracted below.

“78. Short-term power procurement.–

(1) The distribution business/ licensee may, if it considers necessary undertake additional short-term power procurement to overcome any short term deficiency in power requirement during the financial year, as per the short term power procurement plan approved by the Commission, in accordance with this Regulation.

(2) Where there has been an anticipated shortfall or failure in the supply of electricity from any approved source of supply during the financial year, the distribution business/ licensee may enter into an agreement for additional short-term procurement of power: Provided that, if the total power purchase cost for any quarter including such short term power procurement exceeds by five percent the power purchase cost approved by the Commission for the respective quarter, the distribution business/ licensee shall have to obtain approval of the Commission by filing a petition.

(3) The distribution business/ licensee may enter into a short-term power procurement agreement or arrangement under the following circumstances subject to the ceiling tariff approved by the Commission for this purpose: -

(i) where the distribution business/ licensee is able to source new short-term source of supply from which power can be procured at a tariff that reduces its approved total power procurement cost;

(ii) when faced with emergency conditions that threaten the stability of the distribution system or when formally directed to do so by the State Load Despatch Centre to prevent grid failure;

(iii) where the tariff for power procured under such agreement or arrangement is in accordance with the guidelines for short-term procurement of power by distribution licensees through tariff-based bidding process issued by the Central Government;
(iv) when there is a contingency situation and power purchase price is within the ceiling price as prescribed by the Commission in the distribution licensee's ARR&ERC;
(v) procurement of short-term power through power-exchange; and
(vi) Procurement by way of exchange of energy under 'banking' transactions:
Provided that prior approval of the Commission and the ceiling rate; shall not be applicable to the short term purchases under clause (ii).
Provided further that prior approval of the Commission is not required for short term purchases under clause (v) above, so long as the average rate is within the ceiling rate.

(4) The Commission may stipulate the ceiling quantum and ceiling rate for purchase of power from short-term sources.

(5) As far as practicable, approval for all power purchases must be sought in advance. Where it is not practicable due to any contingency situation, the distribution licensee shall within fifteen days from the date of entering into an agreement or arrangement for short-term power procurement shall file a petition for approval of the Commission by filing full details of such agreement or arrangement, including quantum, tariff calculations, duration, supplier details, method for supplier selection, circumstances necessitating such a purchase and such other details as the Commission may require to assess that the conditions specified in this Regulation have been complied with:

Provided that where the Commission has reasonable grounds to believe that the agreement or arrangement entered into by the distribution business/ licensee does not meet the criteria specified in this Regulation, the Commission may disallow all such transactions from the annual revenue requirements, the net increase in the cost of power on account of such procurement apart from any other action that the Commission may initiate as per law against the distribution licensee."

13. As above, as per the Regulation 78(5) of the Tariff Regulations, 2021, Commission had permitted KSEBL to procure electricity from short-term market during contingencies without the prior approval of the Commission, and granted a reasonable time up to 15 days to get the formal approval after the transactions.

14. Commission notes that internal mechanism comprising Core Committee and Operations Committee with officials from various heads of functional units formed by KSEBL to manage the critical power situations of the State after appraising the techno-financial aspects, in compliance with the direction of the Commission, need to be more meticulous and analytical in assessing the ground reality and making recommendations. Neither from the petition nor from the pleadings during the hearing, evidence of proper application of mind by various functional heads is revealed! Proper analysis of accurate, precise and consistent data on a daily basis is not revealed. Even the details asked for by the Commission is said to be not available readily with KSEBL. A contingency situation during summer month is not a new phenomenon in Kerala. During 2024 summer months, the State had gone through similar situation and KSEBL is expected to gain sufficient experience in handling such a situation. Though 2025 summer months did not pause such a contingency due to widespread summer rains and larger swap arrangements during that period. The swap arrangements also resulted in reduction of cost of power purchases as seen from the published quarterly financial results of KSEBL

during 2025-26. This year from the beginning of the month of March itself, shortage in summer rains was experienced. The Middle East turbulences due to war resulted in shortage of LPG in the Country and considerable shift towards electric gadgets for cooking purpose is noticed. It is not revealed from the petition or from the pleadings during the hearing, that there was a meticulous mechanism of daily monitoring of the contingency situation. Apart from climate change,shortage in summer showers, shortage of LPG also contributed to enhanced consumption of power. Had there been a clear mechanism for this, factors contributing to hike in consumption could have been detected well in advance and appropriate IEC measures and advocacies for reducing the peak hour consumption could have been taken. But in the absence of such a vigilant monitoring system and possible remedial measures, now KSEBL claims to be in a difficult situation. Had such a mechanism in place, more efforts could have been taken for swap arrangements from States where summer peak is yet to set in. On asking to analyse the swap arrangements during the summer months of 2025 and 2026 KSEBL could not give any convincing answers.

15. Commission has also examined the proposal of KSEBL to procure upto 250MW from TAM market with the price discovered in the DAM as the base price plus 5 paise margin to ensure firm quantum, with the price cap @Rs 10/unit plus 5 paise margin.

16. The electricity transaction through power exchanges are regulated through the Power Market Regulations, 2021 (PMR 2021 in short). The relevant Regulations dealing with the power purchase on contingency basis is discussed below.

(1) Regulation 2(1) (ba) and (bb) of the Power Market Regulations, 2021 defines the ‘Term Ahead Contract’ and ‘Term Ahead Market’ as follows.

(ba) “Term Ahead Contract” means a contract (including Green Term Ahead Contract) wherein transactions occur on day (T) and physical delivery of electricity is on a day more than one day ahead (T + 2 or more);

(bb) “Term Ahead market” means a market where Term Ahead Contracts are transacted on the Power Exchange(s);

(2) Regulation (p) of the Power Market Regulations, 2021 defines the ‘Contingency Contract’ as follows;

(p) “Contingency Contract” means a contract wherein Continuous Transactions occur on day (T) after the finalization of day ahead transactions and the delivery of electricity is on the next day (T+1);

17. The proposal of the KSEBL for the bidding for next day after the DAM transactions is over is essentially 'the Day Ahead Contingency Contract'. Similarly, intra day contingency contract is also transacted in the exchanges based on provisions in PMR 2021

CERC vide its Order dated 28.04.2025 in petition No. 8/SM/2025 has discussed in detail the price discovery mechanism in Day Ahead Contingency Contract. In line with the approved methodology by CERC as per the Power Market Regulations, 2021, Indian Energy Exchange (IEX) also published the price discovery algorithms of different contracts in Exchanges.

As above, the Central Commission has already approved the price discovery mechanism of Day Ahead Contingency Market.

It is also clarified by the CERC that, continuous Matching Mechanism is followed for the price discovery of the 'Day Ahead Contingency Market'. Further, CERC vide order dated 31-03-2023 has prescribed the maximum quote price in DAM, RTM, Intra-day, Day Ahead Contingency and TAM as Rs 10/kWh.

18. Hence, KSEBL can purchase upto 250 MW as prayed for, based on the time slot wise requirement through 'Day Ahead Contingency Market' or 'Intra-day Market' after DAM transactions is over with the price discovered in the DAM plus upto 5 paise as margin, subject to the maximum ceiling notified by CERC.

19. As they are not confident about the 'SPANDAN' product on the 'NAME OTC plat form' is complying with the provisions of Power Market Regulations, 2021, KSEBL during the hearing submitted that, they are not pressing the permission to utilise the 'SPANDAN' product on the 'NAME OTC plat form' for short term procurement, in the absence of all the necessary details. However, KSEBL, if so desired, can file a proper petition with the details for the same, impleading 'Name Age Markets in Electricity Pvt . Ltd' as a party to the petition with all the necessary and sufficient details.

Order of the Commission

20. Commission after examining the petition filed by KSEBL dated 08.04.2026, additional submissions dated 16.04.2026 and 20.04.2026, deliberations during the hearing on 24.04.2026, provisions of the Electricity Act, 2003, CERC (Power Market) Regulations, 2021, KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2021, other relevant Rules and Regulations, orders as follows;

(1) Approve the proposal for power procurement through 'Day Ahead Contingency Market' and 'intra-day Market'' of Exchanges with a margin of upto 5 paise per unit over DAM cleared price for the day, with the ceiling rate as notified by CERC for power exchange contracts, by following the approved price discovery mechanism of such products in the exchanges for

procuring upto 250 MW for the remaining days of April 2026 and upto 15th May-2026, or till the critical power situation of the State improves, whichever is earlier.

(2) An immediate mechanism to watch the daily situation, and monitor the parameters and the efforts taken on a day to day basis and to bring the information to the highest level of the management of KSEBL including CMD till 31st May, 2026 or situation becomes normal, whichever is earlier.

(3) Within one week after the completion of the procurement, KSEBL shall submit the day wise details of the procurement including cost before the Commission with all relevant details.

Petition disposed of. Ordered accordingly.

Sd/-	**Sd/-**
T K Jose	**B Pradeep**
Chairman	**Member**

Approved for issue

Sd/-
Rajendran K. V
Secretary