

**KERALA STATE ELECTRICITY REGULATORY
COMMISSION THIRUVANANTHAPURAM**

**Present : Shri T K Jose, Chairman
Adv. A.J Wilson, Member
Shri B Pradeep, Member**

OP No.36/2024

In the matter of : Petition filed under Regulation 78 of the KSERC (Terms and Conditions for Determination of Tariff) Regulations 2021 and its amendments, seeking approval for entering into an agreement for banking of power with the trader M/s. Manikaran Power Ltd for banking of surplus power by KSEBL from 1st August 2024 to 30th September 2024 with the return to Kerala from 16th March 2025 to **31st May 2025**.

Petitioner : Kerala State Electricity Board Limited

Order dated 28.01.2025

1. Kerala State Electricity Board Limited (hereinafter referred as KSEBL or petitioner) filed a petition on 30.08.2024, with the following prayer;

“KSEBL humbly request before the Hon’ble Commission that approval may kindly be granted for banking of power agreement, made by KSEBL with M/s Manikaran Power Ltd for the KSEBL power supply period from 1st August 2024 to 30th September 2024 with return period from 16th March 2025 to 31st May 2025 for managing the reservoir levels and spill over.”

Supply from KSEBL - MPL- PSPCL			Return from PSPCL -MPL- KSEBL		
Supply period	Duration (Hrs)	Quantum (MW)	Return period & Duration	Return 105% of Banked energy	Trading Margin
1 st to 31 st August 2024	RTC	200	16 th to 31 st March 2025 (RTC)	20%	1.5Paisa/ Unit
1 st to 30 th September 2024	RTC	200	1 st to 30 th April 2025 (RTC)	40%	
			1 st to 31 st May 2025 (RTC)	40%	

Delivery point is the regional periphery of the exporting utility for both the supply and return period

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

- (1) The storage in the reservoirs owned by KSEBL as on 01.08.2024 is 2588.60 MU, which is 62.52% of the total live storage, as against the storage of 1534.69MU as on 01.08.2023. With the storage as on 01.08.2024, there is possibility of spillage of water with normal monsoon for remaining monsoon months, and the reservoirs must be operated within the rule curves approved by Central Water Commission to avoid floods.

- (2) KSEBL further submitted that, they are expecting excessive increase in electricity demand including peak demand and energy requirements in the coming summer months.
- (3) Hence, to avoid spillage of water and surrender of power from CGS and IPPs during summer months, and to ensure sufficient quantum of power in summer months to meet the increase in demand, KSEBL has decided to explore the available banking offers.

In view of the above, KSEBL has explored the possibility of supply 200MW RTC power during August 2024 & September 2024 with return of 105% of Banked energy from 16th March 2025 to 31st May 2025. The trader, M/s Manikaran Power Limited having confirmed Lol of M/s Punjab State Power Corporation Limited has accepted the offer of KSEBL.

KSEBL further submitted that, they had issued LoA to M/s Manikaran Power Ltd on 30.07.2024, as detailed in paragraph-1 above, subject to the approval of the KSERC

- (4) KSEBL also submitted that, the Regulation 78(5) of the KSERC (Terms and Conditions for determination of Tariff) Regulations, 2021 stipulates the following:

“78 (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:”

- (5) Hence, KSEBL requested the approval of the Commission for entering into an agreement for banking of power with M/s Manikaran Power Ltd, as detailed in paragraph -1 above for managing the power surplus due to intense rainfall and abrupt increase in the storage levels and also to meet the emerging summer demand of electricity.

Analysis and Decision of the Commission:

3. The Commission having examined in detail the petition filed by KSEBL for the approval of the banking agreement with M/s Manikaran Power Ltd, for banking of surplus power with the trader during the period from 1st August 2024 to 30th September 2024 with return to KSEBL from 16th March 2025 to 31st May 2025, the provisions of the Electricity Act,2003 and KSERC (Terms and conditions for Determination of Tariff) Regulations, 2021 (Tariff Regulation 2021), and decide as follows:

4. As per the provisions of Section 86(1)(b) of Electricity Act,2003, approval of the Commission is mandatory for purchase of power by the distribution licensee from generating companies or licensees or from other sources through agreement. The relevant portion of the Electricity Act,2003 is extracted below:

“Section 86. (Functions of State Commission): --- (1) The State Commission shall discharge the following functions, namely: -

- (a) *determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be, within the State:
Provided that where open access has been permitted to a category of consumers under section 42, the State Commission shall determine only the wheeling charges and surcharge thereon, if any, for the said category of consumers;*
- (b) *regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the State;”*

5. The Regulation 78 of the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2021 (hereinafter referred as Tariff Regulations, 2021) provide as follows;

“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.*

.....

- (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.”

As per the Regulation 78(5) of the Tariff Regulation 2021, during contingency situations the distribution licensee is allowed a period upto fifteen days from the date of entering into an agreement to file petition for approval of such contracts with all supporting details.

6. The Commission examined the petition filed by KSEBL for the approval of agreement for the banking transaction as per the above provisions of the Tariff Regulation 2021. The Commission is also aware of the excessive increase in electricity demand during the summer months of last year and likely increase in demand during the forthcoming summer months also. The Commission has also noted the high price of electricity in the short-term market including power exchanges including ‘Day Ahead Market (DAM), ‘Real Time Market (RTM)’ and ‘Term Ahead Market (TAM)’ etc.

The Commission also noted that, the present banking arrangement was made with the trader M/s Manikaran Power Ltd to avoid/ minimise spill from the reservoirs of KSEBL in the months of August-2024 and September-2024, and also to ensure maximum power availability during summer months to meet the increase in electricity demand.

7. The Regulation 78(3)(vi) provides for procurement of power through banking transactions. The Commission is also aware that, by arranging power through banking transactions, KSEBL can contain its cash outflow to a greater extent.
8. In this background, the Commission has examined the banking transactions entered into by KSEBL with M/s Manikaran Power Ltd as discussed in the previous paragraphs. The Commission after detailed examination of the petition filed by KSEBL, has decided to approve the banking transaction entered into with the trader M/s Manikaran Power Ltd as detailed below.

Banking transaction with the Trader M/s Manikaran Power Ltd

Supply from KSEBL - MPL- PSPCL			Return from PSPCL -MPL- KSEBL		
Supply period	Duration (Hrs)	Quantum (MW)	Return period & Duration	Return 105% of Banked energy	Trading Margin
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			1 st to 31 st May 2025 (RTC)	40%	

Delivery point is the regional periphery of the exporting utility for both the supply and return period

Order of the Commission

9. The Commission after examining the petition filed by M/s KSEB Ltd for the approval of the banking agreement with M/s Manikaran Power Ltd, for banking of surplus power with the trader during the period from 1st August 2024 to 30th September 2024 with return to KSEBL from 16th March 2025 to 31st May 2025, the provisions of the Electricity Act,2003 and KSERC (Terms and conditions for Determination of Tariff) Regulations, 2021, hereby orders the following;

- (1) Approves the banking transaction with M/s Manikaran Power Ltd as detailed in paragraph- 8 above.
- (2) Ratify the banking transaction arrangement made by KSEBL with M/s Manikaran Power Ltd, for banking of power as detailed in paragraph-8 of this Order.

The petition is disposed of. Ordered accordingly.

**Sd/-
T K Jose
Chairman**

**Sd/-
Adv. A J Wilson
Member**

**Sd/-
B Pradeep
Member**

Approved for issue

Sd/-
C R Satheesh Chandran
Secretary