

To

The Secretary

A.P. Electricity Regulatory Commission

4<sup>th</sup> floor, Singareni Bhavan Red Hills

Hyderabad - 500 004

May 31, 2019

Respected Sir,

**Sub : Submission of views and suggestions in O.P.No.41 of 2019 of Palnadu Solar Power Pvt. Ltd. seeking approval of the Hon'ble Commission for approval of tariff for the additional capacity of 4.5 MW of their solar power plant**

With reference to your public notice dated 8.5.2019, inviting suggestions and objections on the subject issue, we are submitting the following points for the consideration of the Hon'ble Commission:

1. The developer of the subject company has informed in the said petition that their parent company Annapurna Hydro Power Private Limited had participated in the bid issued by the respondents for procurement of 1000 MW solar power in the year 2012-13 and that CE, APPCC, had approved the bid of the said company for 5 MW at a tariff of Rs.6.49 per unit in their letter dated 4.5.2013. In response to communication of CE, APPCC, the parent company conveyed its willingness to execute an additional capacity of 5 MW at the same location in Guntur district vide letter dated 3.6.2013, the developer has submitted. Due to "certain difficulties", the parent company could not set up the additional 5 MW project and requested APPCC to give some reasonable extension of time to execute a PPA for the entire quantum of 10 MW for which purpose Palnadu Solar Power Pvt. Ltd. was incorporated as a special purpose vehicle of the parent company. The PPA for the first 5 MW project was executed between the petitioner and APSPDCL on 31.5.2014. The first 5 MW project was commissioned on 31.3.2016. In response to the request of the subject company vide letter dated 24.5.2016, APPCC, in their reply dated 4.7.2016, had informed the company that fresh tenders had been floated in 2014 and that the 2012 bidding process has been concluded and rejected the request of the petitioner to issue an LoI for the additional 5 MW and to condone the delay. On subsequent representation of the petitioner, APPCC, in their letter dated 12.4.2018, had informed the petitioner that GoAP had not considered the petitioner's request for award of LoI for the additional 5 MW. However, on the representation dated 25.2.2019 of the petitioner, the Principal Secretary, Energy (Infrastructure and Investment) Department, GoAP, had approved in principle the

28

request of the petitioner for condoning the delay and award of LoI for establishing an additional 4.5 MW capacity vide his letter dated 6.3.2019. Pursuant to the direction of the Principal Secretary, APSPDCL had issued a conditional LoI dated 8.3.2019 for a capacity of 4.5 MW and directed the petitioner to file a petition before the Hon'ble Commission for the tariff after which a PPA would be executed, the petitioner has explained.

2. The approach of the GoAP, through the respondents, is questionable and detrimental to long-term interest of the consumers of power of APSPDCL for the following reasons, among others:
  - a) The tariff per unit of solar power discovered in the competitive bidding in the year 2012 has no relevance in the year 2019, even leaving aside the competitiveness of the tariff discovered seven years back.
  - b) Condoning delay for execution of the second 5 MW capacity unit in the year 2019, that, too, after rightly rejecting the requests of the petitioner for condoning the said delay twice earlier, lacks justification.
  - c) No LoI was issued for the second unit of 5 MW capacity and no PPA was signed between the parties. Moreover, having rejected the request of the petitioner for condoning delay for establishing the said unit twice, on the valid grounds that 2012 bidding was concluded and that another bidding was conducted in the year 2014, there is no justification for condoning the delay in executing the 2<sup>nd</sup> unit, that, too, based on vague "difficulties" mentioned by the petitioner.
  - d) When there was no PPA, there is no basis to condone delay for establishing the 2<sup>nd</sup> unit, because the conditions of force majeure also would not come into force.
  - e) When about a tariff of Rs.2.50 per unit of solar power has been discovered through competitive biddings in the country even much before the decision of GoAP conveyed through the said letter of Principal Secretary, department of energy, there is no justification in directing the petitioner to file a petition before the Hon'ble Commission for the tariff proposed, i.e., Rs.6.49 per unit.
  - f) It is for the Discoms to approach the Hon'ble Commission with their proposals for purchasing power, including solar power, justifying need for purchasing such power based requirements for meeting growing demand, competitiveness of tariffs compared to tariffs for which power is available from other sources, and meeting their obligations under RPPO in case of NCE. Directing the petitioner to approach the Commission for tariff is a cunning approach of the GoAP, adopted through its power utilities, to do undue favours to developers of their choice. It is nothing but shirking the responsibilities of the Discoms to fulfill the above-mentioned regulatory requirements and passing on the buck to the Commission.

- g) The Discoms have sought and got approval of the Hon'ble Commission to adopt competitive bidding for purchasing wind power and ending the control period by 31.3.2017. That should apply equally to other kinds of NCE, including solar power.
  - h) Several petitions of the Discoms are already pending before the Hon'ble Commission seeking its consent to go in for competitive bidding for purchasing solar and wind power which is not required.
  - i) The approach of GoAP, through its power utilities, in directing or encouraging private developers to approach the Hon'ble Commission for determination of tariffs, even without any LoI and PPA with them, is perverse.
  - j) Substantial surplus power is, and will be, available to the Discoms during 2019-20 and during the balance period of the 4<sup>th</sup> control period, with disastrous consequences.
  - k) The Discoms have already far exceeded their obligations under RPPO and similar position will continue during the 4<sup>th</sup> control period.
  - l) Any move to determine tariff for purchasing solar power from the subject developer, entering into a PPA with the developer based on such tariff, is unjustifiable, for, it would lead to purchasing unwarranted high-cost and must-run power, resulting in increasing availability of surplus power and need for backing down thermal power and paying fixed charges therefor, thereby imposing avoidable dual burdens on consumers of power.
3. We request the Hon'ble Commission to reject the subject petition for the reasons explained above, among others.
4. We request the Hon'ble Commission to provide us an opportunity to make further submissions in person during the public hearings on the subject issue.

Thanking you,

Yours sincerely,

M Venugopala Rao  
Senior Journalist & Convener, Centre for Power Studies  
H.No.7-1-208 to 213, FG 203, Sri Saidarsan Residency  
Amecrpct, Hyderabad - 500 016

Copies to:

- 1. CMD, APSPDCL, Tirupathi
- 2. CE, IPC, AP Transco
- 3. Palnadu Solar Power Pvt. Ltd., Guntur

**From:** madduri thimma reddy <[thimmanna\\_m@rediffmail.com](mailto:thimmanna_m@rediffmail.com)>

**Subject:** Comments on Palanadu Solar Power

**Date:** May 31, 2019 at 12:09:34 PM GMT+5:30

**To:** commnsecy <[commn-secy@aperc.gov.in](mailto:commn-secy@aperc.gov.in)>

**Cc:** "gmipcspdcl@gmail.com" <[gmipcspdcl@gmail.com](mailto:gmipcspdcl@gmail.com)>

To, The Secretary, A.P. Electricity Regulatory Commission, 4 <sup>th</sup> Floor, Singareni Bhavan, Red Hills, Lakdi ka pool, Hyderabad – 500 004	From, M. Thimma Reddy, Convenor, People's Monitoring Group on Electricity Regulation, 139, Kakatiya Nagar, Hyderabad – 500 008
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Date: 31-05-2019

Respected Sir,

Sub:- Comments on Palanadu Solar Power's petition for approval of tariff for the additional capacity of 4.5 MW

Ref:- O.P. No. 41 of 2019 and Public Notice dated 08-05-2019

1. Palanadu Solar Power Pvt Ltd filed the present petition (O.P. No. 41 of 2019) u/s 63 of the Electricity Act, 2003 r/w APERC (Conduct of Business) Regulation 1999 for approval of tariff for the additional capacity of 4.5 MW of the petitioner's solar power project as determined through competitive bidding process. The petitioner participated in the bidding for setting up solar power plants in 2012 and its bid to set up 5 MW plant was approved at a tariff of Rs. 6.49 per unit. It was invited to set up additional capacity of 5 MW which was accepted by the petitioner. When the petitioner through the letter dated 31.03.2016 requested APPCC to issue LOI for additional 5 MW and condone delay the APPCC rejected the request of the petitioner through the letter dated 04-07-2016 stating that fresh tenders had been floated in 2014 and that the 2012 bidding process has been concluded. But the Principal Secretary – Energy, GoAP through the letter dated 06-03-2019 approved the petitioner's request.

2. Here it has to be noted that the additional capacity was not part of the bidding process but was offered later. It has also to be noted that while the bidding and later offer was in 2012-13 the capacity is sought to be added in 2019. The interregnum period has seen lots of changes in the power sector in the state, particularly in the renewable energy sector. The Commission in its Order dated 13-07-2018 in O.P. No. 5 of 2017 at length dealt with power supply situation in AP and observed that "the DISCOMs have achieved the RPPO obligation of both solar and non-solar" capacity. (Para 8.7) As the DISCOMs have already achieved their RPPO obligations and the state is facing power surplus situation any additional capacity will burden the electricity consumers in the state. Hence, we request the Commission not to approve the above capacity addition.

a)

3. The present petition specifically is about approval of tariff discovered through competitive bidding under Section 63 of the Electricity Act, 2003. While the bidding has taken place in 2012 the petitioner sought to set up/add the capacity in 2019. The petitioner stated that Rs. 6.49 per unit is the discovered price. Between 2012 and 2019 several rounds of bidding have taken place for solar power and unit price has come down below Rs. 3 per unit. In this context we would like to draw attention of the Commission to its Order dated 24-11-2018 in O.P. Nos 16, 17 and 18 of 2018. In these petitions the petitioners requested the Commission to adopt tariffs in the range of Rs. 5.76 to Rs. 5.97 per unit. The Commission taking in to account delay in execution of the projects and newly discovered solar tariffs through various rounds of bidding adopted Rs. 3 per unit. Keeping this precedent in mind we request the Commission not to adopt Rs. 6.49 per unit as requested by Palanadu Solar Power Pvt Ltd and adopt a price below Rs. 3 per unit as discovered during the period the capacity is being added.

We request the Commission to take our above submission on record.

Thanking you.

Yours truly,

M. Thimma Reddy.

To  
The Secretary  
A.P. Electricity Regulatory Commission  
4<sup>th</sup> floor, Singareni Bhavan, Red Hills  
Hyderabad - 500 004

Admn.	For Perusal
Engg.	Secy 3/3/2020
Law	Member / FRR
Tariff	Member / TRS

3/3/20

March 3, 2020

Respected Sir,

Sub : Submission of views and suggestions in O.P.No.41 of 2019 of Palnadu Solar Power Pvt. Ltd. seeking approval of the Hon'ble Commission for the proposed tariff for the proposed unit with a capacity of 4.5 MW.

Further to my submissions dated May 5, 2019, I am submitting the following additional points in the subject petition for the consideration of the Hon'ble Commission:

1. As per the responses submitted by APSPDCL, in its letter dated 30.12.2019 in O.P.No.33 of 2019, AP Discoms have backed down 6912.34 MU and paid Rs.871.70 crore towards fixed charges therefor for the year 2017-18. Similarly, they have backed down 8301.99 MU and paid Rs.1072.90 crore towards fixed charges therefor for the year 2018-19. Not even a single unit of high-cost VRE was backed down during 2017-18 and 2018-19. With addition of VRE and other generation capacity, thermal power being and to be backed down during 2019-20 and 2020-21 would increase further, thereby imposing avoidable additional burdens on the consumers in the form of higher tariffs for VRE and fixed charges for backing down thermal capacities. Most of the backing down pertains to the stations of AP Genco and central generating stations. The data furnished by SPDCL shows that not even a single unit of NCE was backed down during the said two years. As per merit order dispatch, power stations other than hydel and NCE have to be backed down, starting with the station with highest variable cost. As incorporated in the respective PPAs, there are technical limitations for backing down - the percentage of capacity to be backed down and the number of orders to be issued by the SLDC for backing down each station in a year. After such limits are exhausted, then the turn of NCE units comes for backing down to maintain required grid frequency and grid safety as per state grid code. During hearings before the Hon'ble Commission a few months back, the learned counsel for the Discoms, Sri P Shiva Rao garu, has admitted that NCE units are being backed down without any discrimination. The situation of backing down must-run NCE units confirms availability of abnormal quantum of surplus power and the resultant heavy burdens on the consumers. Moreover, the projection of need for purchasing power in the market for the year 2020-21, even in the face of availability of abnormal quantum of surplus power, obviously, to meet peak demand, confirms that solar and wind power cannot meet peak demand and as such, purchases from wind and solar units, when power is available from base-load thermal units, are unwarranted. In other words, for meeting peak deficit, if any, instead of opting for purchases in the market and short-term purchases through competitive biddings, the Discoms, at the behest of GoAP, continued to bungle by entering into long-term PPAs with power projects, especially

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with wind and solar power projects, for purchasing unwarranted and high-cost power which cannot meet peak demand. There is not even a single instance of the Hon'ble Commission rejecting consent to any PPA on the valid grounds that that power is not required, its cost is not competitive, relatively cheaper power is available from other sources and the Discoms have already far exceeded their obligations to purchase NCE under renewable power purchase obligation order issued by the Commission during the last six years. In other words, the disastrous consequences are an outcome of the imprudent decisions taken by GoAP, the long-term PPAs entered into by the Discoms for purchase of unwarranted and high-cost power and the consents given to the same by the Hon'ble Commission. About 90% to 95% of backing down is on account of purchasing VRE, as informed by the Discoms in their replies given to submissions on ARR proposals for the year 2020-21 made by Prayas energy group, and it shows how irrational and arbitrary the way in which long-term PPAs with NCE developers, especially of wind and solar power, are entered into by the Discoms to purchase unwarranted and high-cost power indiscriminately and consents to the same given by the Hon'ble Commission without due diligence.

2. As per the information submitted in O.P.No.66 of 2019 by AP Discoms, they are incurring a loss of Rs.5000 crore every year due to purchases of high-cost renewable energy. Purchasing power from the subject unit of Palnadu Solar leads to availability of more surplus power, backing down of more power and paying fixed charges therefor and increases losses of the Discom and burdens on the consumers. By forcing the Discom to purchase solar power from the proposed subject unit of Palnadu Solar, does GoAP want to impose additional burdens on the consumers of power and increase the losses of the Discom?
3. In their ARR submissions for the year 2020-21, AP Discoms have shown much lower PLF ranging from 44% to 53% to different thermal projects of AP Genco, instead of considering 80% PLF. The Discoms had withdrawn the PPA with Hinduja project (1040 MW) pending before the Commission for its order, but continue to take power from the project, subject to merit order, as per the interim order given by APTEL. In its order dated 7.1.2020 in appeal No.41 of 2018 filed by HNPCL challenging the order of APERC allowing the Discoms to withdraw the PPA they had with HNPCL, has allowed the appeal and directed the State regulatory commission to dispose of O.P. No. 21 of 2015 filed for determination of capital cost and O.P.No. 19 of 2016 for approval of amended and restated PPA (Continuation Agreement) on merits. APTEL has further directed that the above exercise has to be complied with as expeditiously as possible but not later than three months. Meanwhile, AP Discoms shall continue to pay Rs.3.82 per unit for the power supplied from HNPCL's plant, APTEL has directed. In the tariff order for 2020-21, the Hon'ble Commission has rightly observed that "in the absence of an approved PPA and in the face of the fact that the DISCOMs have surplus power at their disposal, this Commission is of the earnest view that procurement of power in excess of the requirement of the DISCOMs from M/s HNPCL is against public interest" (page 76). Similarly, the Discoms have filed a petition before the

Commission to withdraw the PPA they had with Lanco project and have not shown it under availability of power for the year 2020-21. In the tariff order for 2020-21, the Hon'ble Commission has also held that "the Commission has not considered energy availability from M/s Spectrum Power Generation Ltd. (SPGL) and M/s Lanco Kondapalli Power Ltd. for the reasons mentioned supra while dealing with the views/objections/suggestions related to these plants" (page 82). When the Discoms consider that such huge capacities of power are not required by them, there is absolutely no justification for proposing to purchase solar power from the subject unit of Palnadu Solar by requesting the Commission to determine tariff for the unit. When the Discoms have been going on for competitive biddings for purchase of solar and wind power, requesting the Hon'ble Commission to determine reasonable tariff for the subject unit as is discovered in the recent past in consonance with MNRE guidelines or CERC norms and AP Solar Power Policy 2018 lacks justification for the simple reason that competitive tariff can be discovered through competitive bidding even now, if at all the Discoms require solar power additionally. The questionable and imprudent stance of the Discoms, obviously, at the behest of the present Government, indicates that the latter has not learnt correct lessons from the past costly blunders committed by the erstwhile Government of A.P., despite the disastrous consequences of such blunders staring in the face and continuing to persist for several years to come with traumatic recurrence. Experience is confirming repeatedly that once a costly blunder is committed by the Discoms, albeit with the consent or direction of GoAP, and consent to the same, in the form of a PPA, is given by the Hon'ble Commission, it cannot be undone later. GoAP, the Discoms and the Commission should not repeat such a blunder again in the case of Palnadu Solar.

4. In the tariff order for 2020-21, the Hon'ble Commission has observed that "the Commission has determined the surplus energy at 9504.27 MU as against the deficit of 3955.83 MU assessed by the licensees. The Commission observes here that out of the surplus energy of 2739.98 MU determined by it for FY 2019-20, the licensees have miserably failed to sell the surplus energy even though they were directed "to sell any surplus power that may be available with them upto the last unit at an economically beneficial price to the maximum extent possible by all possible means as described" at para no.302 (pages 201 & 202) of the Retail Supply Tariff Order for FY 2019-20" (page 86). The Hon'ble Commission has given the same direction to the Discoms to sell surplus power accordingly during 2020-21. However, in view of availability of surplus power in the country and the southern region, AP Discoms may fail again miserably to sell the surplus power determined to be available during the financial year 2020-21.
5. The learned counsel for the Discoms, Sri P Shiva Rao garu, has admitted before the Hon'ble Commission, in another hearing, that NCE units are being backed down without discrimination. Entering into a PPA with the subject unit of Palnadu Solar would lead to backing down capacity of the unit proportionately.



6. In its order for load forecasts and resource plans for the 4<sup>th</sup> and 5<sup>th</sup> control periods, dated 15.4.2019, APERC has held that till the end of the 4<sup>th</sup> control period, i.e., 2023-24, there will be no requirement of any addition of OTB (other than base, i.e., VRE) capacity (para 153 & page 153). It is a self-indictment for the approaches and orders of the Commission giving consents to PPAs for purchase of unwarranted power. It confirms that the Discoms, at the behest or permission of GoAP, have hastily entered into PPAs to purchase unwarranted power, especially solar and wind power, that, too, in advance, which can meet demand and obligations under RPPO during the 4<sup>th</sup> control period and may be later, and the Commission has given consents to the same without due diligence.
7. In their rejoinder to the subject petition, the respondent Discoms have submitted that "the Hon'ble Commission may please be not to consider the claim of the Petitioner and to determine the reasonable tariff as is discovered in the recent past in consonance with MNRE guidelines and AP Solar Power Policy 2018 which are in force." Having rightly rejected the request of the petitioner earlier and having established the fact that power from the subject project is not required, the submission of the Discoms requesting the Commission to "determine reasonable tariff as is discovered in the recent past in consonance with MNRE guidelines and AP Solar Power Policy 2018 which are in force," goes against their valid grounds articulated in their correspondence with the GoAP and the petitioner earlier for rejecting the request of the petitioner. In their letter dated 4.7.2016, APPCC informed the petitioner company that "with reference to your request vide reference cited, it is to inform that as per the instructions of the GoAP, the 2012 Bidding /open offer process was concluded and also APDISCOMs have floated fresh tenders in 2014 for procurement of solar power and the same was also concluded. As such, your request is not considered."
8. In his letter dated 20.3.2018, the Principal Secretary, department of energy & I&I, GoAP, informed the Chairman of APPCC and CMD of AP Transco that "I am to invite attention to the reference cited, and inform you that the request of M/s.Palnadu Solar Power Pvt Ltd. for Letter of Intent (LoI) for establishing additional SMW Solar Power Plant at Chejarla injection point itself in the location of 132 KV SS Piduguralla, Guntur District cannot be considered due to reasons mentioned in the reference cited." Contrary to that, the Principal Secretary, in his letter dated 6.3.2019, addressed to the Chairman of APPCC & CMD of AP Transco and CMDs of both the AP Discoms, informed them that "after careful examination of the subject proposal Government hereby approved in principle the request of M/s Palnadu Solar Power Pvt. Ltd. for condoning the delay and award of Letter of Intent (LoI) for establishing additional 4.5 MW solar power capacity at Chejerla injection point in the location of 132 KVSS Piduguralla, Guntur district and directed APPCC/DISCOMS to file before APERC for fixation of tariff for the above plant as per AP Solar Power Policy, 2018 and MNRE guidelines." The stand of the GoAP, as conveyed by the Principal Secretary, taking umbrage under AP Solar Power Policy and guidelines of MNRE, is subjective and does not hold water for the simple reason that power from the subject unit is not required. Moreover, on their own admission, the Discoms have already exceeded the targets under Solar Power

Policy, 2018 of GoAP. When the Discoms are already saddled with unwarranted surplus power and avoidable additional burdens pertaining thereto, neither the Solar Power Policy of GoAP, nor the guidelines of MNRE, nor the norms of CERC, can justify purchase of power from the subject project. Further, contrary to the direction of GoAP, as conveyed by the Principal Secretary, to APPCC/Dscoms to "file before APERC for fixation of tariff for the above plant," the petitioner has filed the subject petition, as directed by APSPDCL, in its letter dated 8.3.2019, requesting the Commission to determine tariff for its subject unit. The Discom has not filed the petition requesting the Commission to determine tariff for the subject unit, with a view to shirking its responsibility to establish need for purchasing power from the subject unit of Palnadu Solar.

9. The Hon'ble Commission, in the tariff order for the financial year 2020-21, has determined availability of surplus energy to the tune of 9504.27 MU. Availability of surplus power will continue for some more years to come. In the same order, the Hon'ble Commission has held that "no market purchases are necessitated as per the estimations of the Commission (page 82).
10. In their ARR and tariff proposals for the year 2020-21, the Discoms have made elaborate submissions on total grid integration costs or VRE balancing costs for purchasing variable renewable energy and backing down thermal power. They have worked out total VRE balancing cost of Rs.0.53 per unit. In the tariff order for 2020-21, the Hon'ble Commission has emphatically held that "the Commission therefore holds that the claim of the DISCOMs to exclude the purported component of VRE subsidy from the power purchase cost towards procurement of Wind and Solar energy is without any basis and the same is accordingly rejected" (page 111). The reality of the matter is that the claim of the Discoms that the so-called VRE subsidy is to be provided to RE generators by the GoAP or otherwise is an absurd proposition. It is the thermal power stations, which incur losses - in the form of specific coal consumption, cost of coal, secondary oil consumption, cost of secondary oil, wear and tear and reduction in life of unit, as submitted by the Discoms - when they are directed to back down their capacities. The absurdity of the claim of the Discoms that the imaginary VRE subsidy is to be provided to RE generators for purchasing whose power the Discoms are constrained to back down relatively cheaper thermal power is glaringly evident from the fact that to ensure undue benefit to RE generators by purchasing their high-cost and unwarranted power it is the thermal power plants directed by SLDC to back down their capacities and the Discoms which incur losses relating to grid integration costs. In no power purchase agreement such VRE subsidy or grid integration costs are incorporated. Therefore, the claim of the Discoms about exclusion of the purported component of VRE subsidy from the power purchase cost towards procurement of wind and solar energy is immaterial and irrelevant. Already, by purchasing high-cost solar and wind power, that, too, by backing down relatively cheaper thermal power and paying fixed charges therefor, the Discoms, which means their consumers of power, are already subsidising the generators of solar and wind power. Inclusion of the so-called VRE subsidy under the baseless presumption that it has to be paid to VRE

generators will be a perversity. Purchase of power from Palnadu Solar would add further to the grid integration costs, without serving the need for power to meet demand, especially peak demand, but imposing avoidable additional burdens on the consumers.

11. I would like to respond to the views expressed by the Hon'ble Commission on the importance of purchasing renewable energy by the Discoms in its tariff order for 2020-21 (pages 62 to 66), for, they seem to be based on taking for granted what are questionable in terms of the PPAs the AP Discoms had entered into and consents given to the same by the Commission for purchase of unwarranted renewable energy, especially solar and wind energy. I request the Hon'ble Commission to consider the following points, among others:

- a) The generalised views expressed by the Hon'ble Commission that - "the importance of Renewable Energy cannot be ignored in view of its environmental friendliness, International commitments of Government of India and its National policies to promote the same in accordance with the Electricity Act, 2003. Gradual fall of prices of renewable energy particularly Wind and Solar sources over the years has made these sources more attractive and economical to increase their share in the total energy portfolio. In the Indian context, the promotion of Renewable Energy is not only in the interest of environment and commitments, but also from the point of view of energy security since the oil, gas and coal reserves are limited, fast depleting and stability of price of energy from sources based on these fuels is in increasing trend in general. Most importantly the reserves of oil and gas being minimal in the country, they are being imported and such dependency is a threat to the energy security of the Country" - cannot conceal the ground reality or justify dichotomies in the policy approaches of the Governments.
- b) The ground reality that AP Discoms had entered into long-term PPAs to purchase renewable energy, especially wind and solar power, at higher costs based on the unjustifiable generic tariffs determined by the Commission or through competitive biddings far exceeding their obligations to purchase NCE under renewable power purchase obligation orders given by the Commission, and imposing avoidable and recurring burdens on consumers of power does not correspond to the views expressed by the Commission.
- c) Continuing allocation of coal mines periodically and allowing foreign direct investment into coal mining by the Government of India, on the one hand, and talking of environmental protection and encouragement to NCE, on the other, expose hypocrisy in the policy approaches of the GoI. This dichotomy is intended to serve the interests of the Indian corporate sector and foreign finance capital by providing opportunities to set up thermal power plants and use coal for their commercial activities, on the one hand, and NCE units, on the other.

- d) The need for importing coal and natural gas has arisen as a result of allocating the fuels to power projects, among others, and failing to supply the same as per allocations. It shows irresponsibility and irrationality in the policy approaches and decisions of the GoI.
- e) By opening floodgates for setting up thermal power plants in the country, without any need for permissions from the authorities concerned and unrelated to growing demand for power in the country, in other words, in a desultory manner, GoI has created conditions of anarchy in the power sector, leading to thermal power projects with a capital investment of about Rs.1 lakh crore becoming so-called non-performing assets.
- f) The failure of the GoI in ensuring supply of natural gas as per allocations has led to gas-based power plants with an estimated investment of about Rs.25,000 crore becoming stranded. Similarly, the failure of the GoI in ensuring supply of indigenous coal as per allocations has resulted in thermal power plants generating energy at levels much lower than their threshold levels incorporated in their respective PPAs or otherwise. Such a situation is causing enormous national loss. No amount of sophistry couched in generalised terms can conceal or justify this kind of policy culpability.
- g) New discoveries of coal, natural gas and oil fields are being made, as widely reported periodically. If the concern that these fuels in the country are fast depleting is genuine, the GoI should go cautiously and gradually, leaving no scope for under-utilization of generating capacities of the power plants for want of adequate supply of such fuels and even becoming stranded assets and addition of unwarranted generation capacity.
- h) If dependence on imports of coal, oil and natural gas "is a threat to the energy security of the Country," why has the GoI been pursuing the policies of dependence on imports from other countries in the fields of nuclear reactors and fuels, equipments for power plants, solar panels, defence, weaponry, and various other essential and non-essential items? Minister for oil and natural gas Sri Dharmendra Pradhan has stated again that "We will continue to use coal because we need to look at affordability of our consumers. Why should we stop using coal? India is not the pollutant in the global sphere. We are not responsible for global warming," while replying to a question at the event The India-US Business Story: Opportunity, Innovation, Entrepreneurship (ET Energy World: 26.2.2020 - copy enclosed).
- i) The Hon'ble Commission has pointed out that "in so far as the State of Andhra Pradesh is concerned, all the thermal stations are non-pit head stations as there is no coal production present in the State." Even in States where there are coal mines, all the power stations in those States need not, and cannot, be pit-head stations. If a pit-head power station is intended for meeting demand in the load centre nearer to it, it is beneficial for the simple reason that costs of

transportation of the fuel, transmission costs and line losses are minimal. Other than coal, if other infrastructural facilities and water required are not available to a pit-head station nearer to it and it is intended to meet demand of a far away load centre, the additional capital expenditure, transmission costs and line losses will be substantial. Decisions for setting up thermal power stations should be, or are being, taken based on feasibility and cost-benefit analysis.

- j) Simply because there are no coal mines in Andhra Pradesh, it is not possible to depend on NCE, especially solar and wind power, to meet demand, especially peak demand, for power in the State.
- k) The Hon'ble Commission has pointed out that "all the reports received so far by the Commission on the implementation of the Regulation (Regulation 4 of 2017) indicate a fair degree of compliance and either the licensees or the State Load Despatch Centre (SLDC) have not reported any difficulty or problem with respect to the despatch from the Wind and Solar sources or grid stability and security during the last two years." The fact of the matter is that, for purchasing solar and wind power from must-run units, the Discoms and SLDC have had to back down relatively cheaper thermal power paying fixed charges therefor, to ensure grid stability and security. In their replies given on 30.12.2019, in O.P.No.33 of 2019 (RTPP stage IV), SPDCL has informed that, during the year 2017-18, 6912.34 MU of energy was backed down and a huge sum of Rs.871.70 crore was paid towards fixed charges therefor. Similarly, they have informed that, during 2018-19, 8301.99 MU of energy was backed down and a hefty sum of Rs.1072.90 crore was paid towards fixed charges therefor. Most of the backing down pertains to the stations of AP Genco and central generating stations. The data furnished by SPDCL shows that not even a single unit of NCE was backed down during the said two years. During the current financial year and 2020-21 also, the generating capacities of thermal power plants being and to be backed down would increase in order to purchase must-run and high-cost solar and wind power. It is not just a problem or difficulty; it is a disaster with recurring intensity involving enormous loss. Moreover, the kind of serious problems being encountered by the Discoms and SLDC due to deviations in forecast and scheduling by solar and wind power units and deficiencies in Regulation No. 4 relating to forecasting and scheduling and deviation settlement of solar and wind power generation are already elucidated in detail in the detailed report submitted to the Hon'ble Commission by AP Transco in its letter dated 10.12.2019, seeking amendments to the Regulation in O.P.No.2 of 2020, i.e., much before the retail supply tariff order for 2020-21 was finalised and released by the Hon'ble Commission.
- l) While seeking amendments to Regulation No.2 of 2005 relating to terms and conditions of open access in O.P.No.3 of 2020, both the AP Discoms have submitted that the RPP Obligation for 2020-21 is 15% and the present renewable energy availability is around 30% of system energy requirement. The Discoms have also mentioned that smooth integration of this much RE (Solar

and Wind power) of 8515 MW which is variable in nature, with the Grid having system demand of 9000 to 10000 MW is a difficult task. Further, the Discoms have stated that in this scenario, presently, promotion of RE power is not envisaged and not warranted.

- m) In its letter dated 3.12.2019, AP Transco has requested the Hon'ble Commission for issuing a suitable regulation/guidelines on declaration and operation of base load power plants by APSLDC for ensuring the integrated grid operations and for achieving the maximum economy and efficiency in the operation of power system in the State. In the detailed report attached to its letter, AP Transco has explained in detail, with relevant data, the kind of problems being faced by AP Discoms from "erratic power dispatch and load reliefs by APSLDC" - "extensive load reliefs, haphazard operation of base load plants, resorting to contingency purchase, despite adequate installed capacities being available." The contents of the detailed report justify our serious objections submitted to the Commission over the years on the disastrous consequences of entering into long-term PPAs to purchase unwarranted and high-cost NCE, especially solar and wind power, and consents being given by the Commission to the same, and confirm the failure of the Commission to direct the Discoms to submit such information and examine the same, despite our repeated requests to make the same public. The Hon'ble Commission has not called for objections and suggestions on the proposals of AP Transco, as incorporated in the said detailed report, to hold a public hearing on the same so far.
- n) The Hon'ble Commission has stated in the tariff order for 2020-21: "The energy despatched from Wind and Solar sources during FY 2017-18 and FY 2018-19 is far beyond the RPPO targets set by this Commission and even beyond the targets of the RPO trajectory set by the Ministry of Power, GoI in accordance with the National Tariff Policy, 2016. The Discoms have also obtained Renewable Energy Certificates for the excess energy purchased for FY 2017-18 and FY 2018-19." The irrefutable reality is that the Discoms had far exceeded purchase of renewable energy, especially solar and wind energy, when the RPPO obligation was 5%, as a result of the Discoms entering into long-term PPAs to purchase the same indiscriminately and the Commission giving its consents to the same without due diligence and unmindful of the avoidable hefty burdens being imposed on the consumers as a result. The RPPO targets fixed by the Commission in its order dated 15.4.2019 were already exceeded by then, and will continue to be exceeded during the 4<sup>th</sup> control period, and setting such targets made a mockery of the RPPO order. Purchasing NCE, especially solar and wind energy, under RPPO order is not for obtaining the so-called RECs, but due to the compulsion imposed by the order and questionable decisions of the Government. The revenue claimed to have been earned by the Discoms by selling the RECs is too little compared to the avoidable hefty burdens being imposed on the consumers in the form of higher tariffs paid for purchasing NCE, especially solar and wind energy, on the one hand, backing down relatively cheaper thermal power and paying fixed charges therefor, on the other, leave aside the

grid integration costs, etc., involved. In the name of national or State policies and targets, and encouraging renewable energy, if the ERCs are to give consents to whatever is decided or proposed by the Governments and the Discoms, allowing the latter to purchase unwarranted renewable energy unrelated to or far exceeding requirement, then, their regulatory role and responsibility would turn out to be one of farcical regularization.

- o) The Hon'ble Commission has further maintained that "the increase in capacity of these sources (7455.20 MW) approved by the Commission in the Retail Supply Tariff Order for FY 2018-19 to that of the current year filings (8432.45 MW) is 977.25 MW and no other changes are expected in FY 2020-21. And increase of sales and demand compared to the previous years always help to despatch the extra capacity." In view of the established availability of abnormal surplus power for the last two financial years, backing down the same and paying fixed charges therefor in order to purchase solar and wind power, the addition of solar and wind power will further increase such avoidable burdens on the consumers in future years also. The existing generating capacities of base-load thermal power stations also "always help to despatch extra capacity" to meet increase of sales and demand compared to the previous years, besides avoiding need for backing down and paying fixed charges therefor proportionately, thereby benefiting the consumers.
- p) The Hon'ble Commission has observed in the tariff order for 2020-21 that "encouragement of renewable energy is always a desirable step but for the concern of the price which has become a contentious issue pending before various fora." Apart from price, need for purchase of renewable energy subject to requirement, i.e., after taking into account availability of power under existing PPAs in force vis a vis demand, is equally important. Even if price is reasonable, in view of availability of substantial surplus power, entering into long-term PPAs to purchase renewable energy cannot be justified, for the simple reason that such unwarranted purchases of NCE would increase availability of surplus power, need for backing down more power and paying fixed charges therefor, in addition to grid integration costs, etc. Therefore, encouragement of renewable energy is desirable only when it is required and prices are reasonable, not "always". The obligations of the Discoms to purchase power from thermal power plants with whom they had PPAs in force cannot be wished away, just as the binding obligations they had to purchase NCE under PPAs in force. In the existing situation of availability of substantial surplus power in Andhra Pradesh, a cautious and gradual approach needs to be adopted in entering into, and giving consents to, PPAs, especially with units of renewable energy. If, in the name of encouragement to renewable energy, targets set by the Central and State Governments and environmental protection, PPAs are entered into and consents given to the same, on the one hand, and availability of thermal power from projects of even Government's utilities like AP Genco and NTPC, especially when no PPAs are entered into or consents not given, is taken into account on the ground that they are base load stations and public money is

invested for setting up the same, unrelated to need for power to meet growing demand, on the other, it will further intensify the disastrous consequences and defeat the very purpose of regulatory process.

- q) The Hon'ble Commission has maintained that "further, the DISCOMs are bound by the RPPO regulation issued by the Commission according to which they have to procure a minimum of 15% of Renewable Energy i.e. about 9000 MU, out of the total consumption of about 60,000 MU projected for FY 2020-21." It is strange that the Hon'ble Commission is considering the projections made by the Discoms, instead of considering what it has determined in the tariff order for 2020-21. The Hon'ble Commission has approved despatch of NCE for the financial year 2020-21 to the tune of 14391.97 MU (page 85), while the sales approved are 61818.61 MU. If the approved purchase of 3169.19 MU of hydel power from AP Genco is deducted from total sales approved for the purpose of working out RPPO obligations, sales approved work out to 58649.42 MU. As a percentage of 58649.42 MU, approved despatch of NCE of 14391.97 MU works out to 24.54%, i.e., an excess of 9.54% compared to the minimum of 15% under RPPO.
- r) The Hon'ble Commission has maintained that "the RPP Obligation set by ministry of Power for FY 2020-21 is 19% which works out to 11400 MU. The probable energy projected by the DISCOMs being 13,200 MU, the excess probable energy over and above the MOP target of RPPO eligible for obtaining REC's as per the present Regulations in vogue is 1800 MU which translates into a minimum of Rs.180 Cr. at floor price." The RPPO targets imagined to have been "set" by the Ministry of Power, GoI, are mere guidelines, which are not mandatory. Notwithstanding the ambitious targets of adding capacity of renewable energy in the country, the Ministry of Power, GoI, in its notification dated 22<sup>nd</sup> July, 2016 on renewable power purchase obligations (RPOs) for non-solar as well as for solar, has made it clear that SERCs "may consider" to notify RPO for their respective States in line with the uniform RPO trajectory it proposed and that these are "guidelines." Therefore, targets supposed to have been set by the MoP, GoI, have no relevance in regulatory and legal terms, in view of the targets set by the Commission in its RPPO order dated 15.4.2019. The working out of RPPO obligation based on the guidelines issued by the MoP, GoI, by the Hon'ble Commission is nothing but a simplistic statistical legerdemain.
- s) In the tariff order, the Hon'ble Commission has quoted from the minutes of the conference of the Power Minister of States held nearly five months back in Gujarat, as stated by the Secretary, MNRE, that "the Ministry is proposing to incentivize procurement of RE beyond RPO limits and the Union Power Minister has directed the Power Minister of States that, States may ensure must-run status of Renewable Energy Plants and Curtailment of Renewable Energy is resorted to only for Grid security reasons and that too through transparent process." It is the terms and conditions in the respective PPAs, as approved by



the ERCs, which are binding on the parties thereto, not what the Union Minister "directed." Even the economics of "incentivization" (for self-imposing additional burdens by purchasing NCE exceeding RPPO obligations) of procurement of RE beyond RPO limits by the MNRE needs to be examined as and when it materializes to ascertain as to what extent it benefits or harms the interests of the States. The general tendency of the GoI in taking undue advantage of power being in the concurrent list of the Constitution and imposing its diktats on the States, thereby stifling the spirit of federalism, and not taking any responsibility and accountability for the adverse consequences that have been arising as a result of implementing its diktats is well known. In the minutes of the said meeting, it is incorporated that the Secretary, MNRE, has stated that "challenges such as revisit of PPAs by some States, increasing land cost, meeting Renewal Purchase obligations (RPOs) are to be overcome with the support of the States" (point No.4).

- t) I am constrained to make the above-mentioned observations for various reasons. First, the views expressed by the Hon'ble Commission have totally disregarded our serious and valid concerns submitted elaborately to the Commission repeatedly cautioning about undesirability of the Discoms entering into long term PPAs indiscriminately for purchase of NCE, especially solar and power, and turned a blind eye on the disastrous consequences that are staring in the face. (My submissions dated 7.10.2016, 28.10.2016 and 17.12.2016 on RPPO proposals of the Hon'ble Commission may be referred.) Second, the Hon'ble Commission has taken extra pains to make the said observations, instead of confining to the issue of non-inclusion of availability of NCE by the Discoms for working out total availability of power, surplus power, etc., for the year 2020-21. Third, the kind of statistical legerdemain, as explained above, is not expected of a quasi judicial body like the Hon'ble Commission. It reflects undesirable overenthusiasm. Fourth, instead of taking a dispassionate and objective view of the emerging disastrous consequences recurring every year as a result of the Discoms entering into long-term PPAs to purchase high-cost and unwarranted solar and wind power and consents given to the same by the Commission headed by the immediate predecessor of the present Hon'ble Chairman, the views expressed by the Commission in the tariff order for 2020-21 give the impression that it considers those questionable actions of the Discoms and the then Commission legitimate and proper. Fifth, the views expressed by the Hon'ble Commission give scope for the apprehension that it may give consents to PPAs, if entered into and submitted by the Discoms, for purchase of unwarranted solar and wind power, despite having substantial surplus power, as was done by the Commission before the present Hon'ble Chairman took charge. Sixth, in the background of the Chief Minister of Andhra Pradesh, Sri Y S Jaganmohan Reddy, announcing the Government's intent to add 10,000 MW of solar power, we are constrained to take the views of the Hon'ble Commission with a pinch of salt. As and when the proposals of the CM come before the Hon'ble Commission in appropriate form for its consideration and for public hearing, we will submit our serious concerns. Seventh, the views expressed by the Hon'ble Commission

mostly reflect those of the generators of solar and wind power and their champions unmindful as the latter are of orderly development of power sector and need for ensuring reasonable tariffs to the consumers.

- u) The Discoms have to fulfil their obligations under RPPo, and the PPAs to which the Hon'ble Commission gives its consents are binding on the parties thereto, no doubt. But, when these are arbitrary, imposing avoidable burdens on the consumers of power and leading the power sector into disorder, the regulatory propriety and lack of any accountability and protection to larger consumer interest in terms of law and regulations made thereunder become questionable. If the regulatory bodies act with a callous and supercilious approach and exercise their powers to give consents indiscriminately, larger public interest will be the casualty. The need for learning from past blunders and not repeating the same cannot be denied. The Hon'ble Chairman, Justice Sri C V Nagarjuna Reddy garu, has rightly observed, during the media briefing on the retail supply tariff order for the year 2020-21 on 10.2.2020, that, if there are any mistakes, they will be corrected in the next order. I earnestly request the Hon'ble Commission to take a dispassionate and objective view of the prevailing situation in the power sector in the State and the inescapable predicament of uncommon magnitude the Discoms, GoAP and the consumers at large find themselves in as a result of the past costly blunders committed by the authorities concerned, and leave no scope for recurrence of such costly blunders by taking appropriate decisions. The subject petition can be considered a test case.

12. In the Commission's order dated 13.7.2018 in O.P.No.5 of 2017, it is observed: "Even if PPAs were entered into by the DISCOMs with wind generators they are not enforceable under law unless they are specifically approved by the Commission u/s 86(1)(b). As seen from the ARR proposals for FY 2017-18 & 2018-19 submitted by the DISCOMs the State achieved surplus power generation, met and even exceeded the RPPo obligation and unless and until there is a need to purchase power the Commission is not obliged to approve the Power Purchase Agreements" (para 8.22 and page 42). (Incidentally, this order was given by the two Hon'ble Members then). This position applies to the power proposed to be purchased, by implication, from the subject project also. Even if it is the policy of the GoAP to direct its Discoms to purchase unwarranted power from solar power units as per its targets, in view of achieving of surplus power generation and exceeding the target under RPPo by the Discoms, the Commission need not determine tariff for the subject solar power unit of Palnadu Solar and later give its consent to the PPA, if entered into, by the Discoms to purchase solar power from the subject unit, if tariff is determined by the Commission. The subject petition is a fit case for applying these eminently justifiable positions taken by the Commission in the above-mentioned order and rejecting the petition. In the subject case, there is no PPA even.
13. Palnadu Solar has not given their responses to my submissions dated 5.5.2019 till date. Nor has the Discom responded to my submissions. I request the Hon'ble Commission to treat their non-response to my submissions as their acceptance of my

submissions, draw adverse inference and reject their prayer for determination of a tariff of Rs.6.49 per unit, or as per the norms of CERC, as the case may be, for the proposed unit of Palnadu Solar with a capacity of 4.5 MW solar power, and protect larger consumer interest.

Thanking you, :

Yours sincerely,

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## **Oil Minister Pradhan says India not responsible for global warming, will continue to use coal**

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New Delhi: Reasserting the importance of coal as an energy source for India, oil minister Dharmendra Pradhan today said India is not responsible for global warming and it will continue to use coal with its share in the overall energy basket declining slightly over time.

"We will continue to use coal because we need to look at affordability of our consumers. Why should we stop using coal? India is not the pollutant in the global sphere. We are not responsible for global warming," he said while replying to a question at the event The India-US Business Story: Opportunity, Innovation, Entrepreneurship here. Pradhan added that countries which are preaching reduction in coal consumption are primarily responsible for global warming, by insensitive use of coal during their time.

Replying to a question on India's commitment to bring down the share of coal in the country's energy basket to 40 per cent from 80 per cent, Pradhan clarified: "In our energy basket coal's share is around 50-55 per cent. Looking at our overall spending pattern and our energy management, our energy basket will have a place for all sources of energy," he said. Talking about the potential areas of cooperation between India and the US the minister said India is diversifying its sources of coking and metallurgical coal and would like to deepen cooperation with the US on that front. "India is diversifying sources of coking and metallurgical coal which is needed by our steel industry and is largely imported. We are targeting a (growth in) steel making capacity from existing 40 million tonne to 300 million tonne per annum by 2030," he said.

The country's annual consumption of metallurgical coal will increase from 60 MT currently to 175 MT and Indian companies look forward to source more of metallurgical coal from the US, he said, adding India is discussing business and policy level interactions for long-term engagement with US for sourcing coking coal. Pradhan also said bilateral hydrocarbon trade between India and the US has increased exponentially in the last three years, touching \$7.7 billion dollars last year and accounting for 11 per cent of the total bilateral trade.

"US emerging as the sixth largest source of crude oil imports (for India) is a significant development. India is also the fourth-largest export destination of US crude. Our LNG imports from US are also increasing progressively since import started in March 2018. India is now the fifth largest destination of US exports of LNG," he said. The next ministerial meeting of the strategic energy partnership between the two nations is expected to take place in April. He also informed India is likely to witness investment of \$100 billion in the oil and gas sector by 2024 which will lead to a jump in its Liquefied Natural Gas regasification capacity to 55 Million Tonne Per Annum over five years. The country is also working on a plan to lay 14,000 Km of additional gas pipeline over 3-4 years.