

UTTARAKHAND POWER CORPORATION LIMITED



BUSINESS PLAN
FOR
4th CONTROL PERIOD

**FY 2022-23
TO
FY 2024-25**

SUBMITTED TO:
UTTARAKHAND ELECTRICITY REGULATORY
COMMISSION

December 2021

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1 Introduction

1.1 Uttarakhand at a Glance

1.1.1 Uttarakhand, formerly known as Uttaranchal, the 27th State of India in accordance of the Uttar Pradesh Reorganization Act 2000 (Act 29 of 2000), came into existence on 9 November, 2000. The terrain of the state is mostly hilly and shares its boundaries with China(Tibet), Nepal, Uttar Pradesh, Haryana and Himachal Pradesh. The state is divided into 13 districts falling into two major administrative units of Garhwal and Kumaon. The Garhwal



Figure 1: Divisions and Districts of Uttarakhand

division consists of Dehradun, Haridwar, Uttarkashi, Tehri, Pauri, Rudraprayag and Chamoli while Pithoragarh, Bageshwar, Almora, Nainital, Champawat and Udham Singh Nagar are under Kumaon Division.

1.1.2 Agriculture is the mainstay of Uttarakhand's economy. However, Uttarakhand is fast emerging as an industrial center. There are 25,294 small scale industries and 1802 heavy and medium industries. Further, the state also has 54,047 handicraft units¹.

1.1.3 Uttarakhand is one of the fastest growing states in India with an expanding Gross State Domestic Product (GSDP) at a CAGR of 9.39%² from 2016 to 2020 and has reached Rs. 2.54 trillion (US\$ 35.99 billion). It has emerged as a significant destination for investments in manufacturing industry, tourism and infrastructure. A significant growth in capital investments arising from conducive policy measures and incentives undertaken by the Government of Uttarakhand.

¹ (GoU, n.d.)

² <https://www.ibef.org/states/uttarakhand-presentation>

1.1.4 Some of major policy initiatives taken by Govt. of Uttarakhand to promote the State as an investment destination in order to increase the economic growth are as follows:

- a) **MSME Policy 2015** amended in 2019 has been enforced up to 31st March 2023 wherein tourism has been accorded industry status while software development, energy production using non-traditional ways and service and manufacturing industries in Category C&D districts have been made eligible for initiatives;
- b) **Uttarakhand Startup Policy 2018** wherein entrepreneurs will be provided monthly allowance as per eligibility, marketing assistance, stamp duty exemption and reimbursement of intellectual property fees;
- c) **Mega Industrial and Investment Policy 2015** wherein projects will be provided interest subsidy and other concessional benefits. Through the amendment in 2018, tourism activities, Ayush and wellness activities are also covered;
- d) **Uttarakhand Electric Vehicle (EV) Manufacturing, EV Usage Promotion and Related Services Infrastructure Policy 2018** for promotion of Electric Vehicles. Electric Vehicle industry is in its early stage where the EVs share in the sale of vehicles is less than 1%. However, it has been projected that India will sell around 7.3 million EVs by an environment that is conducive to shifting from internal 2030, and 30.8 million by 2040. The EV industry is expected to reach US\$707 million by 2025. Various ministries including MoP, Ministry of Road and Highways, Ministry of Heavy Industry & Ministry of Housing and Urban Affairs have developed numerous regulations to develop the EV market in India.
- e) **Uttarakhand Tourism Policy 2018** to provide subsidies in order to boost tourism.

1.1.5 The state has also taken policy initiatives to promote clean generation as below:

- a) Uttarakhand Solar Power Policy-2013 amended in 2018 wherein third party sale would be allowed as per mutually agreed rates. Further, no cross subsidy surcharge will be applicable on third party sale
- b) Policy for Energy Generation from Pine Litter and Other Biomass-2018 wherein the developers shall be exempted from electricity duty and stamp duty.
- c) Policy for Development of Micro & Mini Hydro Power (up to 2 MW) 2015 wherein developer will be provided capital fund support, royalty exemption, water usage

exemption charges, land allotment at subsidized lease rates and applicability of industry benefits

- d) Policy for Development of Small Hydro Power (2-25 MW) wherein projects will be provided royalty exemption and industry benefits
- e) Policy for Development of Small Hydro Power (25-100 MW) wherein projects will be exempted from water charges and shall be allowed industry benefits.

1.2 Power Scenario in the State

1.2.1 As of June 2021, Uttarakhand has a total power generation capacity of 3,797.35 MW. The state is endowed with Hydro capacity which forms over 52% with capacity of 1975.89 MW of the total capacity, followed by Thermal power with a contribution of 1011.26 MW, Nuclear at 31.24 MW and Renewable Energy Source at 778.96 MW. Private Utilities accounted for the largest share of 40% of the total power generation capacity i.e. 1508.29 MW and has seen 23% increase since September 2018, followed by State Utilities with 35% share of 1320.02 MW and whereas Central Utilities have total capacity of 969.04 MW. The breakup of state's generation capacity from various sources of power are as follows:

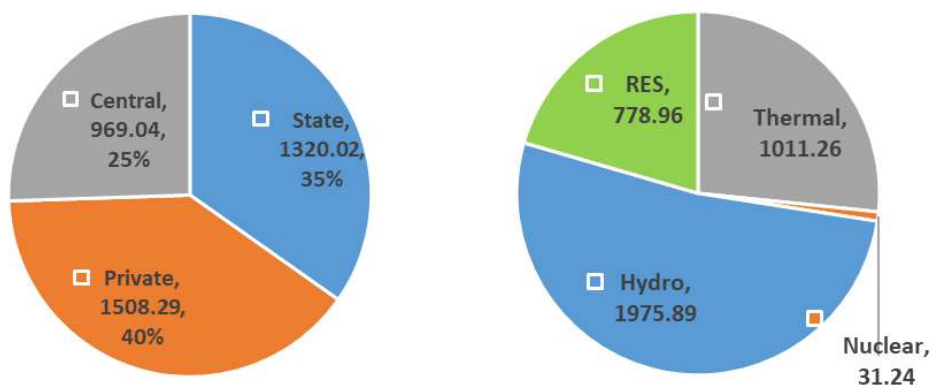


Figure 2: Available Generation Capacity of Uttarakhand (MW)³

1.2.2 Since the creation of the new State, the economic activity in the State increased considerably with tax incentives and industrial policy of the State leading to demand

³ Source: CEA installed capacity as on 21.07.21

for electricity from both industrial as well as domestic consumers. The State largely met its requirement during the year 2020-21 wherein it purchased 13,827 MU of energy at Input periphery. The energy met position over the last few years is as follows:

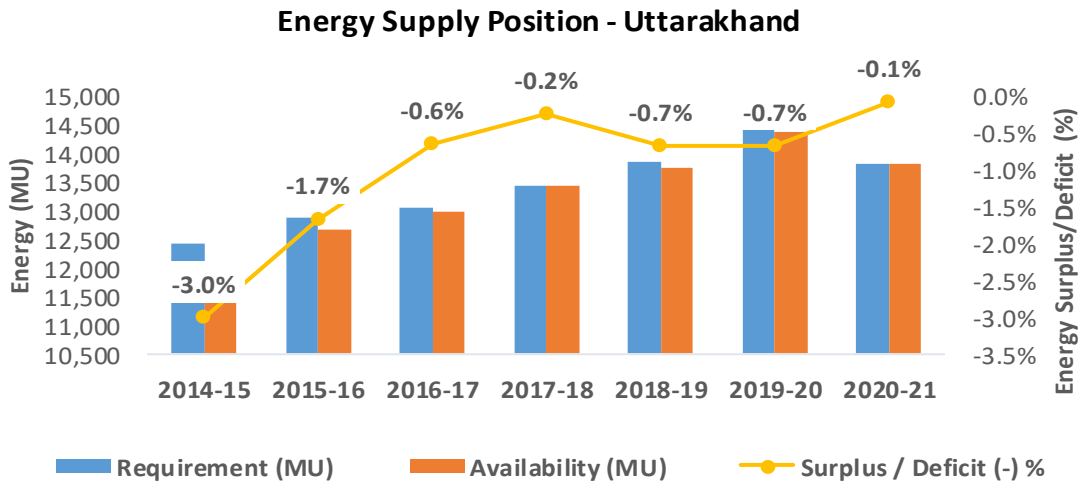


Figure 3: Energy Deficit Scenario in Uttarakhand during last few years⁴

1.2.3 The state was also able to fulfil its peaking demand capacity wherein against the peak demand of 2,372 MW it was able to supply 2,372 MW in FY (2020-21)⁵. The Peak Demand met over the last few years is as follows:

⁴ Source: LGBR reports (2015-16 to 2020-21)

⁵ Source: LGBR Report FY 2020-21

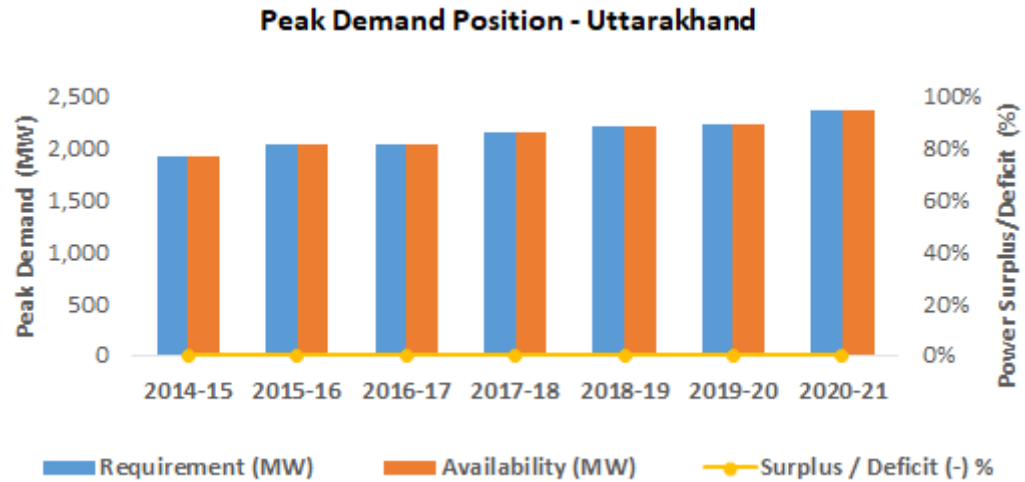


Figure 4: Peak Demand Position- Uttarakhand⁶

1.3 Development in the sector at Central Level

1.3.1 Recently there have been important developments at Central level which would have impact on distribution business as Govt of India is focussing on bringing on discipline across various elements, reforms, accountability and financial turnaround of Discoms. Some of the recent developments are summarized as follows:

- a) **Right of Consumer Rules 2021:** The rules have been published by MoP on 31st Dec 2020. These rules shall help to ensure quality delivery of consumer services by laying down the rights of the electricity consumers to minimum standards of quality for the very first time.
- b) **Electricity (Late Payment Surcharge) Rules, 2021:** As per the said rules published by MoP on 22nd Feb 2021, Late Payment Surcharge shall be payable on the payment outstanding after the due date at the base rate of Late Payment Surcharge applicable for the period for the first month of default. The rules further states that if a distribution licensee has any payment including Late Payment Surcharge outstanding against a bill after the expiry of seven months from the due date of the bill, it shall be debarred from procuring power from a power exchange or grant of short-term open access till such bill is paid.
- c) **Enabling the Discom to exit PPA:** The Ministry of Power (MoP) has provided an option for distribution licensees (DISCOMs) to continue or exit from power

⁶ Source: LGBR Reports

purchase agreements (PPAs) for projects that have completed 25 years of operation or the tenure specified in the PPA with the central generating stations.

- d) **Power Market Regulations, 2021:** In February 2021, the Central Electricity Regulatory Commission (CERC) notified the Power Market Regulations, 2021. The regulations define the features related to price discovery, scheduling and delivery of various contracts on the Power Exchanges (PXs) such as day-ahead, real-time, intra-day, contingency and term-ahead contracts and any other contracts including capacity contracts and ancillary services contracts approved by the CERC. The regulations specify by-laws, rules and business rules of PXs, which cover the principles governing the operation of a PX, including price discovery and matching, reporting of default and penalty mechanism, transaction fee, trading margin, clearing and settlement procedure, dispute resolution and transaction timelines. The regulations also propose the introduction of the market coupling mechanism which refers to the process where collected bids from all PXs are matched after taking into account all bid types to discover the uniform market clearing price, such as the DAM or RTM or another CERC-notified market subject to market splitting. A Market Coupling Operator (MCO), who will perform the related function, will be separately designated by the CERC, after which the regulations related to market coupling and the MCO in the regulations would come into effect.
- e) **Revamped Distribution Sector Scheme:** The Central Government has approved the Revamped Distribution Sector Scheme with an outlay of Rs. 3,03,758 crores over a period of five years from FY 2021-22 to FY 2025-26 with the objective to improve the quality, reliability and affordability of power supply to consumers through a financially sustainable and operationally efficient distribution sector. The Scheme aims to reduce the AT& C losses to Pan-India levels of 12-15% and ACS-ARR gap to zero by 2024-25 by improving the operational efficiencies and financial sustainability of all DISCOMs/ Power Departments excluding Private Sector DISCOMs.