



**Petition No. 1841 of 2022**

**BEFORE**

**THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION**

**LUCKNOW**

**(Date of Order: 20.07.2022)**

**PRESENT:**

Hon'ble Shri Raj Pratap Singh, Chairman  
Hon'ble Shri Kaushal Kishore Sharma, Member  
Hon'ble Shri Vinod Kumar Srivastava, Member (Law)

**IN THE MATTER OF** Petition under Section 86(1)(b) for approval of Supplementary Power Purchase Agreement dated 25.02.2022 signed by Paschimanchal Vidyut Vitran Nigam Limited, Purvanchal Vidyut Vitran Nigam Limited, Madhyanchal Vidyut Vitran Nigam Limited and Dakshinanchal Vidyut Vitran Nigam Limited with KSK Mahanadi Power Company Limited for passing on the discount in tariff quoted by it in Round-4 (R-4) auction seeking allocation of coal linkage under the SHAKTI Scheme-13(ii).

1. Paschimanchal Vidyut Vitran Nigam Limited (PVVNL)  
Urja Bhawan, Victoria Park, Meerut - 250001
2. Madhyanchal Vidyut Vitran Nigam Limited (MVVNL)  
4A, Gokhale Marg, Lucknow
3. Purvanchal Vidyut Vitran Nigam Limited (PuVVNL)  
DLW, Bhikaripur, Vidyut Nagar, Varanasi - 221004
4. Dakshinanchal Vidyut Vitran Nigam Limited (DVVNL)  
Urja Bhawan, NH-2, Agra-Delhi Bypass Road, Sikandara Road, Agra - 282002
5. Uttar Pradesh Power Corporation Limited (UPPCL)  
7<sup>th</sup> Floor, Shakti Bhawan Extnn, 14 Ashok Marg, Lucknow - 226001

.....Petitioner



Versus

KSK Mahanadi Power Company Limited  
8-2-293/82/A, Road No. 22,  
Jubilee Hills, Hyderabad - 500033

.....Respondent

The following were present:

1. Shri. Deepak Raizada, CE-PPA, UPPCL
2. Shri Vikram Singh, SE-Planning, UPPCL
3. Shri. Ayush Singh, EE-Planning, UPPCL
4. Shri Amerendra Kr. Tripathi, DGM (BD), KSK Mahanadi
5. Shri. Kallan Pd., SE, PuVVNL Varanasi

**ORDER**

**(Date of Hearing - 28.06.2022)**

1. The instant Petition has been filed by UPPCL on behalf of PVVNL, MVVNL, PUVVNL, DVVNL under Section 86 (1) (b) for approval of Supplementary Power Purchase Agreement (SPPA) dated 25.02.2022 signed by PVVNL, MVVNL, PUVVNL and DVVNL with KSK Mahanadi Power Company Ltd. for passing on the discount in tariff quoted by it in Round-4 auction seeking allocation of coal linkage under the SHAKTI Scheme-B (ii) (R-4).
2. The Petitioner has made the following prayers:
  - a. Approve the Supplementary PPA dated 25.02.2022 to the PPA dated 26.02.2014 read SPPA dated 23.01.2018 and 23.12.2020 signed between Petitioners 1 to 4 and the Respondent for passing on discount to the Procurers as provided under Clause (B)(ii)(b) of the Shakti Policy dated 22.05.2017;
  - b. Pass such other further Order(s) and/or directions as this Hon'ble Commission may deem fit and proper in the facts and circumstances of the case.

**Background**

3. The Petitioner UP Power Corporation Ltd. is a Licensee under Section 14 of the Act and undertakes the bulk purchase and sale of electricity on behalf of the Distribution Licensees in the State of Uttar Pradesh. The Respondent, KSK Mahanadi Power Company Limited is a Generating Company in terms of Section 2 (28) of the Electricity Act, 2003 and operates 3600 MW (6 X 600

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MW) coal based generating station at Village Nariyara, Akaltara Tehsil, Janjgir-Champa district in the State of Chhattisgarh.

4. The Petitioners and the Respondent had entered into a PPA on 26.02.2014 under Case-1 bidding to supply 1000 MW power to the Petitioners. The Commission adopted the tariff discovered under Case 1 bidding, under Section 63 of the Electricity Act, 2003, vide Order dated 24.06.2014 in Petition No. 911/2013.
5. Ministry of Coal, Government of India issued "New More Transparent Coal Allocation Policy for Power Sector, 2017" on 22.05.2017, namely "SHAKTI", a scheme for harnessing and allocating coal transparently in India. In this scheme, it was recognized that under the old regime of LOA - FSA, coal supply may be at 75% of Annual Contracted Quantity and the coal supply to these contracted capacities may be increased in future based on coal availability.
6. With the old regime fading away, the SHAKTI Policy, 2017 made the following provisions for allocation of coal to existing power producers having long term PPAs concluded under Section 62 and 63 of the Electricity Act, 2003:

*"(B)(ii) CIL/ SCCL may grant coal linkages on notified price on auction basis for power producers/ IPPs having already concluded long term PPAs (both under Section 62 and section 63 of the Electricity Act, 2003) based on domestic coal. Power producers/ IPPs, participating in auction will bid for discount on the tariff (in paisa/ unit). Bid evaluation criteria shall be the non-zero levelized value of the discount (applying a pre-notified discount rate) quoted by the bidders on the existing tariff for each year of the balance period of the PPA. Ministry of Coal may, in consultation with Ministry of Power, work out a methodology on normative basis to be used in the bidding process for allocation of coal linkages to IPP's with PPA's*

- a. *The discount by generating companies would be adjusted from the gross amount of bill at the time of billing, i.e., the original bill shall be raised as per the terms and conditions of the PPA and the discount would be reduced from the gross amount of the bill. The discount shall be computed with reference to scheduled generation from linkage coal supplied under the auction. This would be applicable to both the PPAs contracted under Section 62 as well as Section 63 of the Electricity Act, 2003.*
- b. *Accordingly, PPA may be amended or supplemented mutually between the developer and the procurer to pass on the discount to the procurer and the approval of the Appropriate Commission obtained, as per the provisions of the PPA or Regulations.*

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c. FSA shall be signed with the successful bidders after the terms and conditions for signing of FSA are met and the Appropriate Commission has approved the amendment or supplement to the PPA."

7. The Respondent participated in the first round of the auction and secured a coal linkage and allocation of coal from Mahandi Coalfields Limited (MCL) and Southern Eastern Coalfields Limited (SECL) on offering discount of 1.0 Paise/kWh to 4.0 Paise/kWh against the four PPAs it had signed with various Distribution Companies of the States. The discount offered by the Generating Company for procuring the coal under the SHAKTI scheme is to be passed on to the Petitioners and to give effect to this, the Respondent signed Supplementary PPA dated 23.01.2018.
8. The Respondent filed a Petition No. 21/MP/2018 before CERC seeking approval of amendments of tariff and PPAs on account of allocation of coal linkage under the SHAKTI Scheme of GOI. The Central Commission approved the amendments made to the PPAs vide order dated 21.02.2018. The Central Commission held that it has jurisdiction to regulate the tariff, which will include the amendments to the PPAs to factor in discount offered in the tariff for coal linkages obtained under Shakti Scheme. After approval of amendments to PPAs, the concerned Distribution Companies may approach the respective SERCs for approval of the Electricity Purchase and Procurement under Section 86 (1) (b) of the Electricity Act, 2003'.
9. UPPCL filed Petition No. 1286/2018 before the Commission under Section 86 (1)(b) of the Electricity Act, 2003 for approval of the amendment of tariff and PPA on allocation of coal linkage under SHAKTI Scheme. The Commission passed order dated 25.06.2018 and approved the SPPA dated 23.01.2018.
10. The Respondent participated in Round 2 of the auction for balance of coal linkage under SHAKTI Scheme but could not secure allocation. The Respondent participated in Round 3 auction and secured coal linkage of 4,34,200 MT from South Eastern Coal Fields Limited on an offer of discount of 7.0 Paise/kWh in the tariff to the procures. Accordingly, SPPA-II was signed on 23.12.2020.
11. Subsequently, UPPCL filed Petition No. 1713/2021 before UPERC for approval of the amendments of tariff and PPA on allocation of coal linkage under Shakti Scheme. The Commission vide order dated 28.09.2021 approved the SPPA dated 23.12.2020. KSK Mahanadi by way of Petition No. 170/MP/2021 has

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