BEFORE THE KARNATAKA ELECTRICITY REGULATORY COMMISSION,
BENGALURU Dated 5th June, 2018

Present:
1. Sri M.K. Shankaralinge Gowda – Chairman
2. Sri H.D. Arun Kumar- Member
3. Sri D.B. Manival Raju - Member

In the matter of future procurement of Power from bagasse based Co-Generation Power Plants by the Distribution Licensees in the State through competitive bidding.

ORDERS

1. The Commission under Section 62 of the Electricity Act, 2003, has issued the Generic Tariff Order on 14.05.2018 determining the tariff for Mini-Hydel, Bagasse based Cogeneration and Rankine Cycle Based Biomass power projects. In the said Order the Commission has determined the tariff for Bagasse based cogeneration projects with a fixed cost levelised for the life of the project at Rs.1.77/unit and variable cost of Rs. 1.82/unit, Rs. 1.92/unit and Rs.2.03/unit for FY19, FY20 and FY21 respectively (with variable cost for subsequent years to be determined later).

2. The Tariff determined is made applicable to power projects that enter into PPA with any distribution licensee (ESCOM) after the date of issue of the above Order and get commissioned during the period between 01.04.2018 and 31.03.2021. The above order came into effect from 01.04.2018 and would be in force till 31.03.2021.

3. The Tariff Policy, 2016 specifies that ‘States shall endeavour to procure power from renewable energy sources through competitive bidding to keep the tariff low, except from the waste to energy plants. Procurement of power by Distribution Licensee from renewable energy sources from projects above the notified capacity shall be done through competitive bidding process, from the date to be notified by the Central Government.’

4. Further, the National Electricity Policy, notified on 12 February, 2005, provides for competitive bidding in Renewable Energy, under para 5.12.2: ‘…Progressively the share of electricity from non-conventional sources would need to be increased as prescribed by State Electricity Regulatory Commissions. Such purchase by distribution companies shall be through competitive bidding process….’

5. Section 63 of the Electricity Act, 2003 mandates that, ‘Notwithstanding anything contained in section 62, the Appropriate Commission shall adopt the
tariff if such tariff has been determined through transparent process of bidding in accordance with the guidelines issued by the Central Government'. The Act also mandates the Commissions to ensure protection of consumers' interest in the process of procurement and distribution of electricity.

6. In view of the above provisions, several States have preferred to procure RE power through bidding either at the State level or through national level bidding. It is noted that in several States such bidding has brought down the tariff considerably and is less than Rs.3.00/Unit in the case of wind and solar power projects.

7. As per KREDL data, as on date Cogeneration plants of 1643 MW aggregate capacity are commissioned against the allotted capacity of 2177 MW and balance of 534 MW needs to be commissioned. The draft RE policy of the State for the period 2014-2020 envisages capacity addition of 400 MW from Biomass, bagasse cogeneration and Municipal Solid Waste by 2020. Further, as per the Tariff Orders-2018, on aggregate all the ESCOMs would be able to meet their RPO for FY19 and as per the PCKL’s report, there would be surplus power available in FY19 and in the near future. Thus, any future procurement from RE sources should be based on least cost procurement basis so that the benefit of reduced tariff goes to the consumers of the State.

8. In the circumstances, keeping in view the consumers' interest of the State, the Commission decides as follows:

ORDER

1. All future procurement by the distribution licensees in the State, from the bagasse based cogeneration power plants, shall be only through competitive e-reverse bidding. Till such time, separate guidelines are issued by the GoI, the ESCOMs shall adopt the bidding document in line with the Ministry of Power’s Guidelines for procurement of Solar PV power, dated 3rd August, 2017, with suitable modifications, subject to approval of the Commission.

2. The ceiling price for the price bid shall be the generic tariff determined for bagasse based cogeneration power plants as determined by the Commission from time to time.

3. This order shall be effective from the date of issue of this order.

This order is signed, dated and issued by the Karnataka Electricity Regulatory Commission on this 5th day of June, 2018.

(M.K. SHANKARAJUNGE GOWDA) CHAIRMAN

(H.D. ARUN KUMAR) MEMBER

(D.B. MANIVARAJU) MEMBER