

PUNJAB STATE ELECTRICITY REGULATORY COMMISSION
SITE NO. 3, BLOCK B, SECTOR 18-A MADHYA MARG, CHANDIGARH

Petition No. 67 of 2024
Date of Order: 04.03.2025

Petition under Section 63, Section 86 (1) (b) and (e) of the Electricity Act 2003, read with Regulation 16 of the PSERC (Framework for Resource Adequacy) Regulations 2024 and Regulation 46 of the PSERC (Conduct of Business) Regulations 2005 for seeking adoption of Tariff under the competitive bidding process and also approval of procurement of power from grid connected 400 MW Solar Power Projects located anywhere in Punjab.

In the Matter of: Punjab State Power Corporation Limited, The Mall
Patiala-147001, Punjab

....Petitioner

Commission: Sh. Viswajeet Khanna, Chairperson
Sh. Paramjeet Singh, Member

ORDER

1. Punjab State Power Corporation Limited (PSPCL) has filed the present petition seeking adoption of tariff for the grid connected 400 MW solar power projects located anywhere in Punjab and approval of power procurement therefrom. The submissions made by the Petitioner are summarized as under:

1.1 PSPCL, a company existing under the provisions of the Companies Act, is vested with the functions of generation and distribution of electricity in the State of Punjab. Being a

distribution licensee PSPCL has been mandated to procure power from Renewable Energy Sources as per the provisions of Section 86(1)(e) of the Act read with PSERC (Renewable Purchase Obligation and its compliance) Regulations 2022, as amended from time to time.

1.2 On 29.05.2023, PSPCL issued a Tender (RfS No. 41/PSPCL/IPC/ SOLAR/1000MW/2023/ET-5), prepared in accordance with the MoP Bidding Guidelines dated 03.08.2017, for procurement of 1000 MW solar power from projects located anywhere in Punjab on the Bharat-Electronic Tender portal of ISN-ETS.

1.3 On 28.07.2023, after the initial tender was released, MoP notified the "*Guidelines for Tariff Based Competitive Bidding Process for Procurement of Power from Grid Connected Solar Power Projects*" (hereinafter being referred to as the "**Bidding Guidelines 2023**"). Clause 3.1.1 of the Bidding Guidelines 2023 provides for the following conditions to be met by procurer (i.e., PSPCL in the present case):

"3.1.1. Bid Documentation

- a) *Prepare the bid documents in accordance with these Guidelines.*
- b) *Seek approval of the Government for deviations, if any, in the draft RfS, draft PPA, draft PSA (if applicable) from these Guidelines and/ or SBDs, in accordance with the process described in Clause 16 of these Guidelines.*

However, for purpose of clarity, if the Procurer while preparing the draft RfS, draft PPA, draft PSA and other Project agreements provides detailed provisions that are consistent with the Guidelines, such detailing will not be considered as

deviations from these Guidelines even though such details are not provided in the Guidelines.”

Accordingly, the deviations (namely, change in minimum capacity at each location from 50 MW to 5 MW, specification of ceiling tariff, specification of a minimum time of days for intimation of excess power generation, bearing of cost of opening/mtc. of LC etc. alongwith detailing of ‘Force Majeure’ and ‘Change in Law’ provisions were approved vide GoP (Department of Power) Memo No. Power PR25/1/2020-OSD Power/9 dated 03.01.2024.

1.4 The salient aspects of the RfS are as under:

- a) In order to identify the successful bidder, PSPCL was to follow a bidding process comprising of e-Tender through electronic process in the Bharat-Electronic Tender portal, followed by e-reverse auction.
- b) The bid has to be quoted in integral values with a minimum capacity of 5 MW. The competitive tariff to be quoted by the bidders during the bidding process was to be firm. The eligible bidders were to then participate in the e-Reverse Auction.
- c) The successful bidders would then have to set up Solar PV Power Project(s) including the transmission network up to the delivery point at their own cost and in accordance with the provisions of the RfS. SPDs would also have to pay grid connectivity charges for creation of proper facility for receiving power at the receiving substation(s) of PSPCL/PSTCL on behalf of SPD. After successful commissioning of the project, all equipment of complete line bay and related switchgear

would become assets of PSPCL/PSTCL, as the case may be. The O&M of the complete line bay and related switchgear at the receiving substation would be done by PSPCL/PSTCL at its own cost for the term of the agreement.

- d) All approvals, permits and clearances required for setting up of the Project (including connectivity and land registration) and those required from State/Central Government and local bodies would be in the scope of work of the successful bidders.
- e) The bidders would be free to set up their Solar PV Project(s) anywhere in the State of Punjab on the land to be identified and purchased/leased by the bidders at their own risk and costs.

1.5 The narration of sequence of events involved in the process adopted by PSPCL is as under:

- a) Tender was floated on Bharat-Electronic Tender Portal of ISN-ETS on 29.05.2023, prepared in accordance with the MoP Bidding Guidelines 2017 and a ceiling tariff of Rs. 2.75/kWh. As per NIT, the last date for submission of the Bid was up to 10.07.2023.
- b) On 26.06.2023, a pre-bid meeting was held with the prospective bidders. A consolidated reply to the queries of the bidders was uploaded on the portal on 18.01.2024.
- c) The requisite amendments in the tender documents as per the GoP's approval were intimated by issuing Corrigendum No. 10 dated 18.01.2024 and the last date for bid submission was extended upto 08.02.2024.

- d) The last date for bid submission was further extended upto 28.02.2024 *vide* Corrigendum No. 11 and upto 19.03.2024 *vide* Corrigendum No. 12.
- e) The ceiling tariff fixed initially at Rs. 2.75/kWh was increased to Rs. 2.85/kWh, *vide* Corrigendum No. 13 dated 15.03.2024 and the last date for bid submission was extended upto 15.04.2024.
- f) The last date for bid submission was further extended to 06.05.2024, 03.06.2024 and 18.06.2024 *vide* Corrigendum Nos. 14, 15 and 16 respectively.
- g) The ceiling tariff was then increased to Rs. 3.00/kWh *vide* Corrigendum No. 17 dated 18.06.2024 with the last date for bid submission upto 02.08.2024.
- h) Corrigendum No. 18 was issued on 02.08.2024, incorporating MoP's Amendments to the Bidding Guidelines 2023 (regarding the 'early commencement of supply' and 'delay in commencement of supply') to the Bidding Guidelines 2023 and the last date for bid submission was further extended upto 11.09.2024
- i) *Vide* Corrigendum No. 19 the last date for bid submission was further extended upto 04.10.2024. However, only one bid by M/s SAEL Industries Limited for 400 MW capacity was received upto the due date i.e., 04.10.2024.
- j) PSPCL issued another Corrigendum No. on 04.10.2024 allowing the bid submissions upto the further extended date of 25.10.2024 for seeking additional bids from prospective bidders.
- k) Technical Bid submitted online on Tender portal as well as original documents submitted offline by the lone bidder were

opened on 29.10.2024 at 11:00 a.m. The Bid Evaluation Committee evaluated the documents submitted by the bidder i.e., M/s SAEL Industries Limited which fulfilled the requisite criteria as per provisions of the tender documents.

- l) On 22.11.2024, approval of the Commission was sought in terms of the bidding guidelines to continue with the bidding process. On 28.11.2024, the Commission granted its approval to continue with the bidding process as per applicable clause of MoP Guidelines.
- m) On 02.12.2024, the financial bid of SAEL was opened at 11:00 am followed by e-Reverse Auction from 15:00 hrs. to 16:00 hrs. As per final result of e-RA on Bharat-Electronic Tender portal, SAEL quoted Rs. 2.99/kWh for 400 MW Solar Power.
- n) Subsequent to the e-Reverse Auction, the bidder i.e., M/s SAEL Industries Limited was invited for negotiation of tariff. During the meeting held at Patiala on 09.12.2024, the bidder agreed to reduce the quoted tariff from Rs. 2.99/kWh to Rs. 2.97/kWh for 400 MW quoted capacity as communicated to PSPCL *vide its* Letter dated 16.12.2024. The reduction in price by the selected bidder(s) in a competitive bid process is valid, beneficial as the same is in consumer interest.

1.6 In terms of the above factual background, it is stated that the due dates as per Bid Information Sheet of the RfS were modified from time to time, as stated in the preceding paragraphs. That while Corrigendum No. 19 was operating, on 04.10.2024, SAEL submitted its bid for the 400 MW capacity. As there was only one bidder which had participated in the bid, due date for bid

submission was further extended upto 25.10.2024 *vide* the Corrigendum No. 20 dated 04.10.2024. It is relevant to note that in compliance to the bidding guidelines, PSPCL had attempted more than three rounds of bidding but only one single bidder has come forth for participation i.e., M/s SAEL Industries Limited and that too only for the 400 MW capacity. In view of the above, it is submitted that PSPCL has duly complied with Clause 5.5 (e) of the bidding guidelines which provides as under:

“To ensure competitiveness, the minimum number of qualified bidders should be two. If the number of qualified bidders is less than two, even after three attempts of bidding, and the Procurer still wants to continue with the bidding process, the same may be done with the consent of the Appropriate Commission”.

1.7 PSPCL has placed on record the following information/documents in regard to its Bidding/tendering process and the selection of the successful Bidder:

- a) A copy of the document demonstrating publication of RfS on the e-publishing system and publication of the RfS notice in national newspapers/PSPCL's own website;
- b) A copy of the RfS and the Draft PPA;
- c) A copy of the Notification regarding constitution of Bid evaluation committee;
- d) A copy of the bid results after the e-Reverse auction; and
- e) A copy of the conformity certificate to the effect that the bid evaluation committee had conducted the bid in conformity with the provisions of the RfS .

1.8 PSPCL submits that the adoption of the tariff of Rs. 2.97 by this Commission will be consistent with the bidding guidelines and

the provisions of the Act as well as the National Electricity Policy and National Tariff Policy notified by the Central Government under Section 3 of the Electricity Act 2003 as well as the policies of the State Government of Punjab.

1.9 That vide Notification dated 12.12.2022, the Commission has prescribed RPO target of 27% for the FY 2023-24 which shall increase every year finally up to 43% for the FY 2029-30. The RPOs are set to increase for the ensuing period as well. Accordingly, PSPCL is expected to be in deficit of the total RPOs in the forthcoming years. Considering that the project is slated to be commissioned within 24 months from effective date of the PPA, the power generated from the proposed 400 MW solar Projects would enable PSPCL to meet its RPO obligations.

1.10 Further, the tariff of Rs.2.97 per unit discovered for procurement of solar power under the present bidding process is the landed cost as the projects are to be set up within Punjab. The same is commensurate with the prevalent market rates considering the higher cost of land in the State of Punjab. With Solar Power Projects being located closer to the agriculture loads the transmission/distribution losses also get reduced. Further, utilizing power from sources within the State ensures that the Available Import Transmission Capacity (ATC) is not blocked as in case of Interstate Power and it will not create an obstacle for the power arrangements made from outside the Punjab, especially for the shorter period during paddy season. It is also in the interest of PSPCL to create a diversified portfolio from mixed sources.

1.11 It is stated that the present power procurement satisfies the triple test of its '*necessity*', '*reasonableness of cost of power purchase*' and '*promotion of working in an efficient, economical, and equitable manner*' as laid down in the PSERC (Framework for Resource Adequacy) Regulations 2024:

- a) Being intra-state power, the present tariff would be the landed cost being intrastate power with no liability of ISTS transmission charges/losses. Also, there is also no trader acting as an intermediary and resultantly there is no trading margin payable to the transaction. Therefore, the present power procurement proposal is economical as compared to the Solar Power Procurement through ISTS route.
- b) It is submitted that the average tariff of Solar Power from ISTS connected projects under recent tenders of various REIAs/ Trading Licensees is around Rs. 2.52/kWh. Considering Commissioning Schedule of 24 months and ISTS transmission charges as Rs. 0.60/kWh (50% waiver on ISTS transmission charges as per MoP notification dated 23.11.2021), ISTS losses of around 3.5% and trading margin of Rs. 0.07/kWh, the landed cost of power at Punjab periphery works out to be Rs. 2.99/kWh.
- c) Therefore, the present proposal for power procurement satisfies the test of being reasonable in terms of cost. It is submitted that the proposed power procurement is economical and conducive to the interest of the consumers in the State.

1.12 It is also relevant to point out another significant development. MNRE *vide* notification dated 09.12.2024, has now notified that

all projects, where the last date of bid submission is after the date of issuance of the said notification, shall have a clause in their tender documents that the solar PV modules and solar PV cells used in such projects shall be from the models and manufacturers included in ALMM List-I (for solar PV modules) and ALMM List-II (for solar PV cells) and that this condition will have to be followed irrespective of the date of commissioning. The present bidding process has already been undertaken inasmuch as the additional requirement now being imposed by MNRE would not be applicable to the present power procurement. This points out to the reasonability of the cost of the present power procurement as all subsequent bids may now be inherently higher on account of the additional requirement being imposed by MNRE.

1.13 It is also stated that the Commission in its Order dated 04.11.2024 in Petition No. 35 of 2024 has held that PSPCL ought to take steps to procure power from plants located within the State of Punjab.

1.14 In the above background it is prayed to:

- a) *Adopt the tariff of Rs. 2.97/kWh on the terms and conditions contained in the bid documents including the draft Power Purchase Agreement;*
- b) *Approve the procurement of 400 MW of Solar Power by PSPCL from M/s SAEL Industries Limited at the tariff of Rs. 2.97/kWh on the terms and conditions contained in the bid documents including the draft Power Purchase Agreement; and*
- c) *Pass any other Order(s) as the Commission may deem just in the facts and circumstances of the present case.*

2. After considering the averments made in the petition, the petition was admitted vide Order dated 08.01.2025 with the observations that:

“M/s SAEL Industries Limited, is the necessary party for the proper adjudication of the petition and is impleaded as respondent in the petition. Notice be issued to the respondent. The respondent may file its reply to the petition within two weeks with a copy to the petitioner (through hard & soft copy). The petitioner may file rejoinder thereto, if any, within one week thereafter with a copy to the respondent (through hard & soft copy).”

3. **SAEL filed its reply on 15.01.2025 submitting as under:**

- a) SAEL has submitted its bid in response to RFS dated 29.05.2023 issued by PSPCL for procurement of 1000 MW solar power from projects located anywhere in Punjab and quoted a tariff of Rs. 2.99/kWh for a capacity of 400 MW solar power.
 - b) SAEL was thereafter invited for negotiations on 09.12.2024. Pursuant thereto SAEL reduced the tariff from Rs. 2.99/kWh to Rs. 2.97/kWh for the quoted capacity of 400 MW. The same was informed to PSPCL by way of letter dated 16.12.2024.
 - c) SAEL has no objection in adoption of tariff by this Commission as submitted by PSPCL by way of the captioned petition.
4. The Petition was taken-up for hearing on 19.02.2024 and the Counsel appearing for PSPCL requested for an early approval to PSPCL's impugned power procurement arrangement. After hearing the parties, the petition was allowed, in view of the following observations:

- 4.1 **Adoption of the discovered Tariff:**

The Commission observes that, for adoption of a tariff discovered through bidding, Section 63 of the Electricity Act 2003 mandates the Commission to ascertain whether, 'such

tariff has been determined through transparent process of bidding in accordance with the guidelines issued by the Central Government’.

The Commission notes the PSPCL’s submissions that PSPCL has prepared the bid documents in accordance with the MoP Guidelines and that the requisite deviations to the same were duly approved by the State Government in terms of the bidding guidelines.

The Commission also notes the PSPCL’s submissions on narration of sequence of events involved in the process as recorded in Para 1.5 of this Order evidencing of ample opportunity/time given to the prospective developers. Further, the Commission observes that:

- a) Notice Inviting Tender (NIT) was published in the following newspapers:
 - (i) Indian Express, Chennai
 - (ii) The Times of India, Delhi
 - (iii) Hindustan Times, Delhi
 - (iv) Business Standard, Delhi.
- b) A pre-bid meeting/conference with the prospective bidders was also held and a consolidated reply to the queries of the bidders was uploaded on the bidding portal.
- c) A Bid Evaluation Committee comprising of four members (including CAO) evaluated the bids and a ‘Conformity Certificate’ also stand issued and annexed with the Petition.

Accordingly, the Commission is of the view that the process adopted by PSPCL meets the test of transparency as envisaged under Section 63 of the Electricity Act 2003.

4.2 Approval of PSPCL's proposed Capacity arrangement/tie-up:

The Commission refers to Regulation 16 of the PSERC (Framework for Resource Adequacy) Regulations 2024 envisaging that any new Capacity arrangement/tie-up by the distribution licensee needs to fulfil the primary criteria of its 'Necessity', 'Reasonability of cost' and 'Conformity with policy directives of the State Government and policies issued by the Government of India':

- a) The Commission notes that, in the prevailing scenario of progressively increasing RPO targets to achieve the ambitious RE capacity addition mandated by the GoI's RE addition trajectory, when PSPCL is striving hard to meet even its existing RPO targets, the proposed arrangement for procurement of RE Power can be considered to fulfill the criteria of 'Necessity' as well as 'Conformity with the Government policies'.
- b) Further, on the issue of 'Reasonability of cost', the Commission notes PSPCL's submissions that:
 - (i) The tariff of Rs.2.97/kWh discovered for procurement of impugned solar power from the projects to be set up within Punjab, would be the landed cost being an intrastate power with no liability of ISTS transmission charges/losses. Also, there is no trader acting as an intermediary and resultantly there is no trading margin payable for the impugned arrangement.

- (ii) The prevalent average tariff of Solar Power from ISTS connected projects under recent tenders of various REIAs/ Trading Licensees is around Rs. 2.52/kWh. Considering Commissioning Schedule of 24 months and ISTS transmission charges @ Rs. 0.60/kWh (50% waiver on ISTS transmission charges as per MoP notification dated 23.11.2021), ISTS losses and the trading margin of Rs. 0.07/kWh, the landed cost of power from said ISTS connected projects at Punjab periphery works out to be Rs. 2.99/kWh. Therefore, the present proposal for power procurement satisfies the test of being reasonableness considering the higher cost of land in Punjab and is conducive to the interest of the consumers in the State.
- (iii) Further, as indicated by PSPCL, with the MNRE notification dated 09.12.2024 coming into effect, new projects where the last date of bid submission is after the date of issuance of the said notification shall be required to install the solar PV modules and cells from the models and manufacturers included in ALMM Lists would potentially entail inherently higher tariffs on account of the additional requirement being imposed by MNRE which lends further benefit to commissioning this project since it is free of that condition having been bid for before the notification dated 09.12.2024 issued by MNRE.
- (iv) It is also in the interest of PSPCL to create a diversified portfolio from mixed sources. The impugned power from the intra-State Solar Power Projects located closer to the agriculture loads would reduce the transmission/

distribution losses. Further, utilizing power from intra-State projects ensures that the Available Import Transmission Capacity (ATC) is not blocked as is the case with Inter-State Projects and therefore will not create any hindrance for the power arrangements made from outside the Punjab, especially during the paddy season when ATC availability is utilized to the maximum to meet the peak demand.

Thus, the Commission agrees with PSPCL that its proposed power procurement arrangement satisfies the criteria of its 'Necessity', 'Reasonability of cost' as well as 'Conformity with the Government policies'.

In view of above, the Commission decides to adopt the said fixed discovered tariff of Rs. 2.97/kWh from the Solar PV Projects to be set-up in Punjab. The Commission accordingly approves PSPCL's proposed power procurement arrangement in respect thereof for 400 MW for a period of 25 Years. However, the Commission reiterates its earlier Orders that it does not approve the other terms and conditions of the PPAs, which are to be decided mutually between the contracting parties.

Accordingly, the petition is disposed of in light of the above analysis, observations and directions of the Commission.

Sd/-
(Paramjeet Singh)
Member

Sd/-
(Viswajeet Khanna)
Chairperson

Chandigarh
Dated: 04.03.2025