

Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
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Case No. 101 of 2009

In the matter of
Approval of bid documents prepared by The Brihan-Mumbai Electric Supply
& Transport Undertaking (BEST) for Long Term Power Procurement
from Renewable Sources.

Shri V.P. Raja, Chairman
Shri S.B. Kulkarni, Member
Shri V.L. Sonavane, Member

ORDER

Dated: March 30, 2010

The Brihan-Mumbai Electric Supply & Transport Undertaking (BEST) filed a Petition under affidavit before the Commission on January 21, 2010, seeking approval of bid documents for Long Term Power Procurement from Renewable Sources.

It has been submitted inter alia that BEST had earlier submitted a Petition (Case No, 45 of 2008) for approval of Expression of Interest Bidding Procedure followed to procure Renewable Energy from eligible sources inside Maharashtra as Competitive Bidding Process.

The Commission vide its Order dated 21.11.2008, had dismissed the aforesaid Case as not maintainable. However, the Commission granted BEST liberty to file an appropriate Petition to seek the Commission's prior approval on the deviations contained in the bidding documents in accordance with the procedure prescribed by the "Guidelines for Determination of Tariff by Bidding Process for procurement of power by distribution licensees." The Commission also observed that BEST can always procure renewable energy as per rates and other terms approved by the Commission in its respective Orders, which are applicable for all licensees in the State of Maharashtra and meet its RPS obligation.



In accordance with the Commission's direction, BEST filed the present Petition under affidavit before the Commission and following submissions were made.

2. The main prayers of the Petitioner are as follows:

1. *“Approve the Quantum of Energy to be procured;*
2. *Approve the principles outlined in the Petition for Request for Proposal (RFP) and Energy Purchase Agreement (EPA);*
3. *Approve the Bid Documents (Request for Proposal and Energy Purchase Agreement);*
4. *Provide waiver on the penalty charged until the completion of the bid process.*
5. *Condone any inadvertent omissions/errors/shortcomings and permit BEST to add/ change/ modify/ alter this filing and make further submissions as may be required at a future date.*
6. *Pass such further and other orders, as the Hon'ble Commission may deem fit and proper keeping in view the facts and observations of the case.”*

3. BEST made the following submissions in its Petition:

- i. In order to meet the RPS obligation BEST decided to procure renewable energy through competitive bidding route and has initiated the process of developing the Bidding Documents for procurement of power from Renewable Energy Sources.
- ii. Accordingly, BEST has prepared the Request for Proposal (Bid) Documents in line with the aforesaid Guidelines issued by Ministry of Power, GoI and has adopted the approved Standard bidding Document for Case-1. BEST has also prepared the Energy Purchase Agreement (EPA) on the principles approved by the Commission in the respective Tariff Orders for each of the eligible renewable sources. BEST has submitted the draft RFP as well as draft EPA documents for approval of the Commission.
- iii. The RFP is developed to procure energy from the eligible renewable sources for given tenure i.e. :
 - a. 13 years for Biomass, Wind and Bagasse based Cogeneration Plant.
 - b. 20 years for MSW (Waste to Energy) and Small Hydro Power Projects.
- iv. BEST submits that it proposes to procure energy of 352MUs i.e. @6% of its total energy requirement for FY 2010-11 as per the demand estimation petition filed with the Commission in Dec,08 under case no.127 of 2008. Out of the 352 MUs, energy amounting 84 MUs will be procured from the 2 Nos. 25 MW plants of Spark Green Energy Pvt. Ltd located at Ahmednagar and Satara respectively, for which BEST has already entered into EPAs on 01.10.2009 for procurement of renewable energy.



- v. BEST submits that the Commission in its RPS order stated that;
“Balance growth of all types of RE sources – While need to ensure balanced growth of all types of RE sources is noted, the Commission has decided against specifying either minimum or maximum percentage for any particular technology”.

Considering the above principle, BEST proposes to procure 10% from wind sources, 50% from Biomass sources, 20% from non fossil fuel based cogeneration sources and 20% from small hydro sources. Alternately, BEST may choose a suitable mix from different RE source depending upon the bids received.

- vi. BEST has submitted the tariff components for some of the renewable energy sources, based on the nature of generation and the fuel being used, as defined by the Commission through its different tariff orders. BEST has determined the following principles for financial proposal :
- The bidder will quote a single part firm tariff for all the years of tenure.
 - The quoted tariff shall be inclusive of wheeling charges and wheeling losses, operational charges (if any) and losses

4. The Commission, vide its Notice dated February 15, 2010, scheduled a hearing in the matter on March 5, 2010, and directed BEST to serve a copy of its Petition along with its accompaniments to the authorised Consumer Representatives latest by February 22, 2010.

5. The hearing in the matter was held at the Commission’s office on March 5, 2010 and the Consumer representatives authorized on a standing basis under section 94(3) of the Electricity Act 2003 were also invited to attend the same. During the said hearing , Shri K.N. Rajagopal, Dy. Chief Engineer, BEST ; Shri A.G. Patil, Chief Engineer, BEST and Shri Sreeram Pethi, Shri Umesh Agrawal and Shri Arvind Mehta, Consultant from PWC, appeared on behalf of BEST.

6. During the hearing, BEST stated that there are no Standard Documents issued by MoP for procurement of Renewable Energies, and hence, they have used the Standard Bid Documents issued by the MoP for procurement of power by Distribution Utilities under Case 1 and they have incorporated certain deviations in the proposed Bid Document from the above mentioned standard bid document, to suit the specific requirements of the Renewable energy procurement.

7. The representative from the Spark Green Energy (P) Ltd stated that the energy produced from the two Renewable Energy plants located at Satara and Ahmednagar respectively, are of 25 MW capacity each, from which the power will be supplied to BEST



8. **Commission's views:**

Having heard the Parties, and after considering the material placed on record, the Commission is of the view as under:

a) As regards the approval for the quantum of power to be procured, the Commission observes that Clause 3.1 (iii) (b) of the CBG stipulates as follows:

“Approval of the Appropriate Commission shall be sought prior to initiating the bidding process in respect of the following aspects: ...For the quantum of capacity / energy to be procured, in case the same is exceeding the projected additional demand forecast for next three years following the year of expected commencement of supply proposed to be procured. Such demand forecast shall be based on the latest available (at the time of issue of RFO) Electric Power Survey published by Central Electricity Authority. (Both for Case 1 and Case 2)...”

The Commission observes that the demand forecast carried out by BEST shall guide it for projecting the quantum of renewable energy to be procured.

b) The Commission is of the view that, as there are various items in the RFP and EPA which need to be mutually discussed with the various stake holders, before finalising these documents and submitting for approval, BEST may first conduct such interactive exercise and establish the practical acceptability and viability of such deviations before finalising the documents.

c) The Commission suggests that in case of “take or pay” type clause, when BEST is unable to evacuate part / full of the contracted energy, option to sell such energy to the Exchange may be kept open.

d) The Commission directs BEST that while finalising the documents, it should ensure conformity with the proposed RPS Regulations and Renewable Energy Pricing Framework, which have already been hosted on the Commission's website in Draft form.

9. The Commission directs BEST to revisit and amend as required, the Bidding Documents by complying with the directions given in this Order and thereafter approach the Commission to seek approval.

Sd/-
(V. L. Sonavane)
Member

Sd/-
(S. B. Kulkarni)
Member

Sd/-
(V. P. Raja)
Chairman



(K. N. Khawarey)
Secretary, MERC