

**Before the**  
**MAHARASHTRA ELECTRICITY REGULATORY COMMISSION**  
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**Case No. 308 of 2018**

**Case of Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL) seeking approval for adoption of Tariff of Long Term Procurement of 302 MW Solar Power through MSPGCL from the solar Projects to be set up under ‘Mukhyamantri Saur Krishi Vahini Yojana’ to meet its Solar Renewable Purchase Obligations**

**Coram**

**Anand B. Kulkarni, Chairperson**  
**I.M. Bohari, Member**  
**Mukesh Khullar, Member**

Maharashtra State Electricity Distribution Company Limited (MSEDCL)..... Petitioner

Maharashtra State Power Generation Company (MSPGCL) .....Respondent

**Appearance**

For MSEDCL

...Ms Kavita Gharat

For MSPGCL

...Shri S.A.Nikalje

**ORDER**

**Date: 29 November, 2018**

1. MSEDCL has filed this case for approval for adoption of Tariff of Long Term Procurement of 302 MW Solar Power through MSPGCL from the Solar Projects to be set up under ‘Mukhyamantri Saur Krishi Vahini Yojana’ to meet MSEDCL’s Solar Renewable Purchase Obligations (RPO).

2. **MSEDCL's main prayers are as follows:**

- b. *To accord approval for adoption of tariff and signing of Power Sale Agreements (PSA) with MSPGCL for 302 MW solar power projects under Mukhyamantri Saur Krishi Vahini Yojana through the Competitive bidding as below*

<i>Scheme</i>	<i>Region &amp; Tender No.</i>	<i>Capacity in MW</i>	<i>Tariff Rate</i>
<i>Phase-II</i>	<i>Vidarbha B (Tender No. 61487)</i>	<i>50</i>	<i>Rs. 3.00</i>
	<i>Marathawada (Tender No. 61489)</i>	<i>50</i>	<i>Rs. 3.02</i>
	<i>Vidarbha A (Tender No. 61488)</i>	<i>50</i>	<i>Rs. 3.08</i>
<i>Phase-III(A)</i>	<i>North Maharashtra</i>	<i>50</i>	<i>Rs.2.99</i>
<i>EoI</i>		<i>2</i>	<i>Rs.2.93</i>
		<i>100</i>	<i>Rs.3.10</i>

- c. *To make eligible the power procured through these agreements for meeting the Solar RPO requirement of MSEDCL.*
- d. *To consider the submission made by the Petitioner and consider the same positively while deciding the Petition as well as for further actions;*

3. **MSEDCL in its Petition has stated as follows:**

- 3.1 MSEDCL is fulfilling Non-Solar and Solar RPO target by way of purchase of Non-Solar and Solar Renewable Energy Certificate (REC). However, considering the future RPO targets, MSEDCL needs to procure additional RE power for fulfillment of RPO targets so as to accommodate the actual power in the system rather than to rely on REC.
- 3.2 Government of Maharashtra (GoM) has undertaken 'Mukhyamantri Saur Krishi Vahini Yojana' vide GR dated 14 June, 2017 and 17 March, 2018 for supplying power to the agriculture sector during day time, reduction in line losses and also reduction in subsidy burden for Government of Maharashtra. The scheme is to be implemented through Public Private Partnership (PPP) mode.
- 3.3 As per guidelines issued by GoM vide GR dated 17.03.2018, for this scheme MSPGCL and MSEDCL are designated as 'Implementation agencies', which have to carry out the preliminary feasibility reports for the projects at different locations across Maharashtra and to carry out the Competitive Bidding for selection of solar projects and to enter into appropriate agreements including long term Power Purchase Agreement.

- 3.4 Two pilot projects of 2 MW capacity each under the scheme, are considered by MSPGCL at Ralegansiddhi and Kolambi. As per the scheme/guidelines as stated above, MSPGCL had filed petition with the Commission dated 27 November, 2017 in Case No. 172 of 2017 for removal of difficulties in the matter of implementation of '*Mukhyamantri Saur Krishi Vahini Yojana*' and approval of Power Purchase Agreement (PPA) and Power Sale Agreement (PSA) being executed by MSPGCL and MSEDCL for the implementation of the scheme.
- 3.5 The Commission approved the pilot projects by its Daily Order dated 02 January, 2018 in Case No. 172 of 2017. Administrative charge of Rs. 0.05 per unit proposed by MSPGCL which was akin to trading margin on account of sale of electricity to MSEDCL through this trading activity was not allowed by the Commission. MSPGCL did not have at that time any Trading License per se under Section 12, 14 of the Electricity Act (EA), 2003.
- 3.6 In view of above, MSPGCL, on 20 March, 2018 in Case No. 104 of 2018 submitted an application to the Commission for grant of Intra-State Trading License, with primary intention of trading of electricity under '*Mukhyamantri Saur Krishi Vahini Yojana*', Solar Park and any other RE generation.
- 3.7 The Commission vide Daily Order dated 9 June, 2018 in Case No. 172 of 2017, provisionally approved the modalities of the two Pilot Schemes viz. at (1) Ralegansiddhi (2 MW) at Dist.-Ahemadnagar (2) Kolambi (2MW) at Dist. - Yavatmal, except the issue of trading margin therein till the finalization of proceedings under Case No. 104 of 2018. Accordingly, MSEDCL has executed PSA with MSPGCL for these pilot projects.
- 3.8 In the said Petition MSPGCL had also mentioned that apart from the two pilot projects it has also identified agricultural feeders aggregating a capacity of 500 MW for which the same PPA / PSA methodology (along with modalities for recovery of administrative expenses of MSPGCL) was proposed.
- 3.9 The Commission has granted the Trading License to MSPGCL vide Order dated 25 September, 2018 in Case No. 104 of 2018, for undertaking Intra-State Trading of electricity up to 100 MUs per annum for a period of Twenty-Five (25) years.
- 3.10 The Commission has issued final Order in Case No. 172 of 2017 on 16 October, 2018. The Commission approved the modalities proposed by MSPGCL for PPA and PSA for all the solar projects being installed under '*Mukhyamantri Saur Krishi Vahini Yojana*' however it rejected MSPGCL's prayers of the administrative charges (Trading margin) of 5 Paise per unit. The Commission directed MSPGCL that it can claim prudent administrative expenses as Intermediary procurer of solar energy as part of its ARR.

3.11 Meanwhile, MSPGCL had conducted the process for selection of Solar Power Developers for the further Phase- II (300 MW) and Phase – III (A) (50 MW) projects out of 500MW as stated above through tariff based competitive bidding as per MoP guidelines and finalised the successful bidders and requested for consent of MSEDCL for tariff discovered for 300 MW under Phase-II and 50 MW under Phase-III (A) projects as under:

Sr. No.	Region	Tariff Rates In signing of PPA between SPD and MSPGCL in (Rs/Kwh)	Tariff rates in signing of PSA between MSPGCL and MSEDCL (along with 0.05 p.u administrative charges) in Rs/Kwh	Scope of work
Phase-II	Western -A	3.28	3.33	1. Bare Land without development will be given by MSPGCL 2. The development of land with evacuation infrastructure is in the scope of bidder.
	Western - B	3.18	3.23	
	Western -C	3.26	3.31	
	Vidarbha-A	3.08	3.13	
	Vidarbha-B	3.00	3.05	
	Marathwada	3.02	3.07	
Phase IIIA	North Maharashtra	2.99	3.04	

3.12 Apart from these, MSPGCL has also undertaken the development of solar projects by inviting Expression of Interest (EOI) from interested Developers/Bidders/Land owners for setting up Solar Power Plants of capacity up to 100MW Cumulative or at single location to cater to the electrical load of AG feeders in Vidarbha, Marathwada, Western and Northern regions of Maharashtra on pilot basis. MSPGCL has carried out E-Reverse Auction for selection of the bidder/s from a total of 48 bidders who responded to the EOI and finalized two bidders for total capacity of 102 MW and requested consent from MSEDCL.

Sr No	Name of Bidders	Tariff Rates In signing of PPA between SPD and MSPGCL in (Rs/Kwh)	Tariff rates in signing of PSA between MSPGCL and MSEDCL (along with 0.05 p.u admin. charges) in Rs/Kwh	Scope of work
EoI	M/s. Sri Sri Shetkari Urja Nirmitti Co-Op. Soc. Ltd : 2 MW	2.93	2.98	Evacuation infrastructure and Land expenditure are in bidder's scope
	M/s. Karnataka Resco Rooftop Solar Co. P.	3.10	3.15	

Sr No	Name of Bidders	Tariff Rates In signing of PPA between SPD and MSPGCL in (Rs/Kwh)	Tariff rates in signing of PSA between MSPGCL and MSEDCL (along with 0.05 p.u admin. charges) in Rs/Kwh	Scope of work
	Ltd.: 100 MW			

3.13 The above proposals are forwarded by MSPGCL to MSEDCL for its consent to tariff discovered. In response to this the various issues related to tender conditions and tariff were discussed with MSPGCL and it is decided that power evacuation arrangement should be at 11/22 kV bus bar level of MSEDCL's substations and the metering should also be at interconnection point i.e 11/22 kV level in MSEDCL's substation in line with MSEDCL's proposed tenders.

3.14 In view of above, MSEDCL has given consent on criteria of tariff rates received by MSPGCL for procurement of 302 MW Power by signing of PSA for 150 MW-Phase II +50 MW-Phase IIIA + 102 MW-EOI) vide letters dated 19 September, 2018( for 150 MW and 50 MW), and 25 September, 2018 respectively.

3.15 Further, MSEDCL vide Letters dated 29 September, 2018 has conveyed its consent along with draft PSA for procurement of 302 MW Power, subject to the conditions that power evacuation shall be at 11 kV with metering at Sub-Station and adoption of the Tariff by the Commission. The details of 302 MW solar capacity are as under:

Sr No.	Tender	Phase details and Capacity envisaged by MSPGCL	Consent given by MSEDCL	Name Successful Bidder	Quoted tariff by successful bidder (Rs./kWh)	Scope of work
1	Phase II	<b>300 MW</b> ( Vidarbha– A&B–100MW, Marathwada –50 MW , Western Maharashtra- A, B, C –150 MW)	Vidarbha-A : 50 MW Vidarbha- B : 50 MW Marathwada : 50 MW <b>Total: 150 MW</b>	M/s. Azure Power Pvt. Ltd	Vidarbha-A : <b>3.08</b> Vidarbha- B: <b>3.00</b> Marathwada : <b>3.02</b>	1. Bare Land without development will be given by MSPGCL 2. The development of land with evacuation infrastructure is in the scope of bidder.
2	Phase IIIA	North Maharashtra – 50 MW	North Maharashtra- <b>50 MW</b>	M/s. Waaneep Solar Power Pvt. Ltd.	<b>2.99</b>	

Sr No.	Tender	Phase details and Capacity envisaged by MSPGCL	Consent given by MSEDCL	Name Successful Bidder	Quoted tariff by successful bidder (Rs./kWh)	Scope of work
3	EoI	Up to 100 W Cumulative or at single location in Vidarbha, Marathwada, Western and Northern regions of Maharashtra	<b>102 MW</b>	1.M/s. Sri Sri Shetkari Urja Nirmiti Co-Op. Soc. Ltd : <b>2 MW</b>	<b>2.93</b>	Evacuation infrastructure and Land expenditure are in bidder's scope
				2.M/s. Karnataka Resco Rooftop Solar Co. Pvt. Ltd.: <b>100 MW</b>	<b>3.10</b>	

3.16 The Commission in its Order in Case No. 172 of 2017 on dated 16 October, 2018, has also directed that MSPGCL and MSEDCL should approach the Commission jointly with deviations if any in the PPA and PSA. MSPGCL has given consent to draft PSA to be executed. MSEDCL through this Petition is now approaching the Commission for approval of the draft PSA of above mentioned solar projects at the agreed tariff.

3.17 The rates offered by MSPGCL for 302 MW solar capacity as mentioned above at 11 kV Level are financially viable and economical to MSEDCL considering the losses and Transmission/Wheeling charges applicable as below:

NTPC Recent Tariff rates	CTU Loss @ 3.80 %	STU Loss @ 3.82%	11 kV Loss @ 9%	Project capacity advantage @ 10 paise per unit
2.59	2.69	2.80	3.08	3.18

3.18 CTU charges are waived off for RE projects eligible for RPO by CERC, however STU Transmission charges and distribution wheeling charges are applicable on it. Hence the rates offered by MSPGCL are financially viable and economical along with the benefits of distributed generation.

3.19 In view of above, MSEDCL has requested the Commission for adoption of Tariff under Section 63 of the EA, 2003 for the rates discovered through the competitive bidding process and offered by MSPGCL.

4. **MSPGCL in its submission dated 26 November, 2018 stated that :**

- b. In its Petition, MSEDCL has elaborated that PPA/PSA arrangement as approved in MERC Order dated 16 October, 2018 in Case No. 172 of 2017 is being followed for the 302 MW Solar PV projects being set up through PPP route by MSPGCL under the 'Mukhyamantri Saur Krishi Vahini Yojana' where in MSPGCL will act as Intermediary procurer.
- c. In regards to the trading margin (or administrative charges) claimed by MSPGCL for the power to be sold by it, as Intermediary procurer, under the PPA/PSA arrangement under 'Mukhyamantri Saur Krishi Vahini Yojana' the Commission has given following directives in the Order dated 16 October, 2018 in Case No. 172 of 2018.

*"In light of above submissions and circumstances the Commission rejects MSPGCL's prayers regarding approval of the administrative charges (Trading margin) of 5 Paise per unit. Until the trading margin is duly determined, MSPGCL can claim prudent administrative expenses as an intermediary procurer as part of its ARR."*

- d. Accordingly, in reference to the 302 MW projects considered for the Petition in Case No. 308 of 2018 it is to request that MSPGCL may be allowed to claim the administrative expenses, for these power projects as an intermediary procurer, as part of its ARR, till the trading margin is duly determined by the Commission.

5. The proceedings of the hearing held on 26 November, 2018 are summarized as follows:

The representative of MSEDCL reiterated its submission as made in its Petition and its subsequent additional submission.

Upon query of the Commission about increase in rate as against approved by the Commission of Rs 2.72 / unit for procurement of 1000 MW in Case No.164 of 2018. MSEDCL stated that the reason for increase in Tariff from Rs 2.72 to Rs 3.04/Unit because of the geographic spread and smaller size of Solar Power units. Secondly, the earlier rates were at the distribution periphery and excluded the transmission and distribution losses upto 11 kV level. Lastly, all the solar plants would be located within the State with social benefits albeit with minimal additional cost.

### **Commission's Analysis and Rulings**

- 6. MSEDCL under the present Petition has sought approval for:
  - b. Adoption of tariff and signing of PSA with MSPGCL for 302 MW solar power projects under 'Mukhyamantri Saur Krishi Vahini Yojana' through the Competitive bidding.
  - c. The procurement made under this scheme shall be eligible for meeting the Solar RPO requirement of MSEDCL.

7. The Commission by its Order dated 6 December, 2017 in Case No. 157 of 2017 had permitted MSEDCL to procure Wind, Solar and Bagasse based cogeneration RE power on Short Term, Medium term and Long term basis at the rate discovered through Tariff based Competitive Bidding (e-reverse auction). Further, the Commission in that Order dated 6 December, 2017 had also ruled that MSEDCL shall come before the Commission through specific Petition prior to the bidding process only if MSEDCL requires any deviation with respect to the bidding documents.
8. The Commission by its Order in Case No. 172 of 2017 dated 16 October, 2018 has approved the modalities proposed by MSPGCL for PPA and PSA for all the Solar projects being installed under 'Mukhyamantri Saur Krishi Vahini Yojana' and directed that MSPGCL and MSEDCL should approach the Commission jointly with deviations if any in the PPA and PSA.
9. The Commission by its Order dated 12 June, 2018 in Case No 131 of 2018 had accorded approval for initiating the competitive bidding process with deviation in standard bidding document that the minimum project capacity shall be 2 MW instead of 5 MW. Also, in the recent Order dated 16.10.2018 in Case No 270 of 2018 Commission has approved the initiation of District wise/ Circle wise competitive bidding process for procurement of Solar power under 'Mukhyamantri Saur Krishi Vahini Yojana' from Solar power projects to be connected at 11/22 KV level of MSEDCL with individual project capacity of 2 to 10 MW and conveyed the no objection of Commission to MSEDCL for deciding the lower ceiling rate of Rs. 3.10/unit based on its own due diligence.
10. As regards the trading margin issue of MSPGCL, the Commission notes that the MSPGCL is an intermediary procurer, i.e. it will procure the specified quantum from the Project developers and sell the power to MSEDCL. The Commission has granted the Licence to MSPGCL for undertaking Intra-State Trading of electricity upto 100 MU's under Category 'A' in the State of Maharashtra for a period of Twenty Five (25) years as specified under sub-section (8) of Section 15 of the Electricity Act, 2003. The Commission in its Order dated 16 October, 2018 in Case No. 172 of 2018 has categorically held that:

“.....

*Moreover, MSEDCL in its submission dated 2 June, 2018 on this issue of MSPGCL's Administrative charge, has stated that; the administrative expenses incurred by MSPGCL towards implementation of the scheme as an intermediary procurer may be claimed by MSPGCL in their Aggregate Revenue Requirement (ARR) and no administrative charges be added to the PPA tariff. MSEDCL further stated that the Commission may review and decide the administrative charges proposed by MSPGCL in transparent manner as such charges shall has long term impact.*

*In light of above submissions and circumstances the Commission rejects MSPGCL's prayers regarding approval of the administrative charges (Trading margin) of 5 Paise per unit. Until the trading margin is duly determined, MSPGCL can claim prudent administrative expenses as an intermediary procurer as part of its ARR."*

11. MSPGCL vide its letter has requested to claim the administrative expenses as part of its ARR till the trading margin is duly determined by the Commission. As these projects are at initial stage of signing of PPAs and issuing LOA for installation, MSPGCL may file a separate Petition for determination of trading margin after the COD of the projects.
12. The Commission notes that MSEDCL having given consent to draft PSA to be executed with MSPGCL through the instant Petition has approached the Commission for approval of the draft PSA at the agreed rates as follows:

<b>Scheme</b>	<b>Region &amp; Tender No.</b>	<b>Capacity in MW</b>	<b>Tariff Rate in Rs</b>
Phase-II	Vidarbha B (Tender No. 61487)	50	3.00
	Marathwada (Tender No. 61489)	50	3.02
	Vidarbha A (Tender No. 61488)	50	3.08
Phase-III(A)	North Maharashtra (Tender No. 67202)	50	2.99
EoI	Single location in Vidarbha, Marathwada, Western and Northern regions of Maharashtra	2	2.93
		100	3.10

13. The Commission notes that due process for procurement of solar power has been followed by MSEDCL. It further notes that the discovered tariff rates are within the vicinity of the rates earlier approved by Commission if one considers the transmission and distribution losses. The Commission in its Order dated 27 November, 2018 in Case No. 277 of 2018 for adoption of tariff for 235 MW Solar projects had accorded approval for Rs 3.13/Unit on long term basis, connected to 11 KV distribution network. Per contra the Tariff discovered by MSPGCL through Competitive bidding process is Rs 3.04/Unit, the variation in the rates may be because of the geographic spread and smaller size of Solar Power units. As the rates are below approved earlier, the Commission is satisfied that MSEDCL/MSPGCL's have made prudent efforts for seeking approval for adoption of the weighted average tariff rate of Rs. 3.04/Unit.
14. In view of foregoing, and in line with the mandate under Section 63 of the EA, the procurement and rates are approved by the Commission as proposed by MSEDCL. Hence following Order.

## ORDER

1. The Case No. 308 of 2018 is allowed.
2. The Commission accords approval for procurement of Solar Power through MSPGCL for 25 Years as rate discovered through the competitive bidding process as below:

Scheme	Region & Tender No.	Capacity in MW	Tariff Rate in Rs
Phase-II	Vidarbha B (Tender No. 61487)	50	3.00
	Marathwada (Tender No. 61489)	50	3.02
	Vidarbha A (Tender No. 61488)	50	3.08
Phase-III(A)	North Maharashtra (Tender No. 67202)	50	2.99
EoI	Single location in Vidarbha, Marathwada, Western and Northern regions of Maharashtra	2	2.93
		100	3.10

3. The Commission accords approval for signing the PSA with MSPGCL as per the rates discovered through the competitive bidding process.
4. The Solar power procured from these projects shall be counted towards fulfilment of its Solar RPO for the respective periods.

Sd/-  
(Mukesh Khullar)  
Member

Sd/-  
(I.M. Bohari)  
Member

Sd/-  
(Anand B. Kulkarni)  
Chairperson

  
(Abhijit Deshpande)  
Secretary

