

No. 23/23/2020 -R&R  
Government of India  
Ministry of Power

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Shram Shakti Bhawan, Rafi Marg,  
New Delhi, 4<sup>th</sup> December, 2020

To

1. Pr. Secretary/Secretary in charge of Energy/Power Department, All States/UTs
2. CMDs of all CGSs

**Subject: Enabling the Discoms to either continue or exit from the PPA after completion of the term of the PPA ie beyond 25 years or a period specified in the PPA and allow flexibility to the Generators to sell power in any mode after State/ Discom exit from PPA.**

Sir/Madam,


I am directed to say that a number of representations have been received from the States stating that they would like to surrender the allocated share from Central Generating Stations (CGS). They have also written for de-allocation of share from CGS which have completed 25 years. In this regard, a draft proposal has been prepared by this Ministry.

2. The aforesaid draft proposal on the above subject is enclosed herewith with the request to provide your comments, if any, to this Ministry within 21 days from the date of this letter i.e. by 24.12.2020. The comments may also be emailed at sandeep.naik68@gov.in and debranjan.chattopadhyay@nic.in.

3. This issues with the approval of the competent authority.

Encl: As above

Yours faithfully,

  
(Sandeep Naik) 4.12.2020

Director

Tele No. 2371 5250

**Copy to:**

- i) All Joint Secretaries/Chief Engineer, Ministry of Power.
- ii) PS to Hon'ble Minister, Sr. PPS to Secretary (Power), PPS to AS (SKGR), PPS to Sr. Advisor, Sr. PPS to JS (R&R), PS to Director (R&R).
- iii) Incharge, NIC, Ministry of Power with the request to upload this document on the website of Ministry of Power under heading 'Current Notices' for the information and comments of the public.

**Draft proposal regarding enabling the Discoms to either continue or exit from the PPA after completion of the term of the PPA ie beyond 25 years or a period specified in the PPA and allow flexibility to the Generators to sell power in any mode after State/ Discom exit from PPA.**

## **1. Background**

The Central Generating Stations (CGS) owned by Central Public Sector Undertakings (CPSUs) have been serving the consumers of electricity. These plants have been set up under the regulated tariff mechanism under Section 62 of the Electricity Act 2003 and Central government allocates the capacity to the States to meet their requirement as per the guidelines issued in 2000. It was more appropriate during the power deficit scenario as there was gap between demand and supply. Hence formula/ guidelines were also made from time to time to see that every States get share from the CGSs. The initial period of such PPA was generally 25 years. However, it could be extended with mutual consent beyond 25 years.

The power scenario in the country has changed and accordingly the policy changes has also been taking place over the period. The deadline was set to switch over from regulated regime to competitive regime. Discoms were mandated to procure power competitively. The power projects were supposed to be set up through competitive route only.

As the scenario has changed, the states which are in surplus power situation, have requested ministry of power to surrender their share from the CGSs. There are other opportunities to the states/Discoms to optimise their power purchase cost. It is in the consumer interest to keep the tariff of electricity as low as possible.

The States/ Discoms of Punjab, Delhi, AP, Odisha etc have expressed their willingness to surrender the power allocated to them by the Central Government particularly after the plants have completed 25 years.

There are some other plants which have completed 25 years of operation or completed the term as specified in the PPA, the debt has been fully serviced. The plant has been depreciated as per norms. So, if the State so desires after 25 years, the State Discoms may exit from such PPAs and also Generating Company must be free to sell such power in any mode as applicable as per the policy of the Government. However, the first right to take the power of the Central Generating Companies beyond 25 years, will continue to be of the States/ Discoms as they have paid the entire fixed cost and enabled the CGSs to service the entire debt.

In order to balance the interest of the consumers, Discoms and the generating companies, this proposal has been formulated.

## **2. Need for release of contracted power of Central Generating Stations**

Since there is a pre-dominant energy surplus situation in the country with some states being power surplus coupled with the fact that some states are witnessing high power purchase costs, it is proposed that States which have Long-term

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PPAs with the Inter-state Generating stations, whose tariff is determined by the Commission as per Section-62 of the Act, and which are due to expire in the near future, can opt to relinquish/release the entire contracted power of such CGS post the completion of the PPA tenure of 25 years.

Such a mechanism could be availed by the States who are presently purchasing relatively costlier power from such CGS among their entire basket of power purchase sources. It is also expected that the mechanism would be availed by states who would like to undertake power procurement through other routes such as Short-term contracts, procurement through day-ahead / real-time markets, bilateral transactions through open access, etc. It is expected that such a proposition would allow the Discoms to substitute their costly power through alternate sources of power thereby presenting a scope to lower their overall power purchase cost.

Through such a mechanism, the generators whose share of power is relinquished by the states can participate in short-term transactions including transactions in the power exchanges to the extent of such released power and stand a chance to earn additional revenues over and above their variable cost of supply. This would also increase supply liquidity in the short-term power markets. The power plants will also be compelled to bring in efficiency and endeavour to bring down the cost of generation.

This mechanism would also benefit those states facing power deficit currently as well as expected to face in future. Such states can consider contracting with the quantum of power of such CGS which has been released by states who could either be in surplus or who would wish to explore alternate sources of power from cheaper stations post expiry of their PPA tenures. This would also help in de-congesting the inter-state long term open access.

For the states who wish to relinquish their share of power of those CGS whose PPAs would expire, the allocation of power as per the Government of India order will stand terminated.

### 3. Proposal

1. The first right to take the power of the Central Generating Stations even beyond the term of PPA will continue to be with the States/ Discoms.
2. Willing State/Discoms may relinquish their share from CGSs after expiry of the term of the PPA i.e. on completion of 25 years from the date of commissioning of the plant or a period specified in the PPA.
3. The States/ Discoms which have Long-term PPAs with the Central Generating stations (CGS) for capacity allocated by the Central Government and such PPA have expired or are due to expire in the near future, can opt to relinquish / release the entire allocated power (firm and unallocated share) from such CGSs post completion of the PPA tenure of 25 years. For those plants which have already completed 25 years, States may exit from the PPA after giving 3 months of notice of relinquishment of



such power. In all such cases, the power allocation, if any, done by the Central government to the State would be treated as withdrawn. Intimation to this effect will be given by either the generating company or the State to the Ministry of power.

4. States may also relinquish the entire unallocated power from the CGSs (except some specific allocations eg power which has been bundled with solar etc). Part relinquishment of share from unallocated pool of power shall not be feasible and accordingly shall not be allowed.
5. Any share for Central Generating stations, once relinquished by the State, will not be allowed to be taken back by the State under the same PPA conditions.
6. In case of BPSA, a State need to exit from the PPA in entirety ie wrt all power stations in the BPSA.
7. Enabling Generators to sell power in any mode after the procurer i.e. the State Discom exit from PPA

(a) The central generating stations, whose share of power has been relinquished by States, would be free to sell such relinquished power under the various avenues but through competitive bidding route such as:-

1. Tie up with any other buyers desiring to go for long term PPAs or Medium term PPAs (upto 5 years) or short term PPAs.
2. Sell power in the power exchanges including Day-ahead, Real-time market and Term-ahead markets, etc.
3. get the power reallocated to the willing buyers, if any, at the regulated tariff as per the extent provisions of reallocation of power from CGSs.

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