

PROCEEDINGS OF THE GOVERNMENT OF KARNATAKA

SUB: Entering Power Purchase Agreement with the Non-Conventional Energy Projects – Order – Reg.

READ: 1. Circular No.DE/29/NCE/2001 dated 01.12.2001

2. Letter No.KPTCL/B-28/B-13/3595/91-92 dated 6.7.2002 of the General Manager (Technical), KPTCL

PREAMBLE:

1. The Government of Karnataka has issued policy guidelines with the policy of the Government of India to encourage and promote power generation from Non-Conventional Energy Sources. Accordingly, the Karnataka Power Transmission Corporation Ltd., has utilizing its distribution system and Wheeling and Banking Facility has also been permitted.
2. The Government of Karnataka has established an organization called Karnataka Renewable Energy Development Ltd., in the year 1996. The main objectives of the said organization is to encourage the Non-Conventional Energy Sources like Solar, Bio-Mass, Co-Generation, Mini-Hydle etc., to the private entrepreneurs.
3. In the circular read under reference cited 1 above, it has been informed to the KPTCL to purchase the power from the Non-Conventional Energy Producers for a period of 10 years from the date of their production and to enter the Power Purchase Agreement and also to follow the MNES Guidelines for the tariff purpose. Accordingly, KPTCL have been agreed to enter power purchase agreement with Private Entrepreneurs from 1993-94 to 2003-2004.
4. The Government of Karnataka has permitted KPTCL to pay tariff as per the guidelines of the Government of India. The KPTCL entering Power Purchase Agreements with the Private Entrepreneurs as per MNES Guidelines for a period of 10 years. The KERC in its recent order dated 19.06.2000 also approved the tariff as per Government of India MNES Guidelines.

In this background, the KPTCL has already entered an agreement for power purchase with the Private Entrepreneurs for a period of 10 years. With this, many of the Private Entrepreneurs have submitted applications to the KPTCL for signing the agreement.

5. The KPTCL in its letter read (2) above have informed that, the tariff is fixed as per MNES Guidelines at Rs.2.25 per unit for the year 1994-95 escalated at 5% every year. The tariff for the year 2002-2003 is Rs.3.32 per unit and the KPTCL requested the Government to freeze the power tariff at Rs.3.16 per unit from 01.04.2002. In this context, the matter was discussed in its 25th Board Meeting held on 12.05.2002 and decided to inform the Government for its approval.
6. The Government has received many representations from the Private Entrepreneurs regarding freezing of price by the KPTCL. The private power producers have incurred heavy losses due to sudden decision of the KPTCL and also the Financial Institutions are not coming forward to finance the projects. Due to this reason the private entrepreneurs are not showing interest for putting up their projects. Under these circumstances, a meeting was conveyed on 19.07.2002 and also on 08.08.2002 under the Chairmanship of the Principal Secretary to the Government, Department of Energy wherein the officials of KPTCL, KREDL and Private Entrepreneurs were attended. After a detailed discussion on 08.08.2002 the following decision have been taken.
 1. The projects for which the Power Purchase Agreements (PPA) have already been signed and have been commissioned, the tariff as per MNES Guidelines would continue.
 2. The projects for which the draft PPA has been approved by KERC but not yet executed should be executed immediately and tariff as per MNES Guidelines would be applicable to them provided the projects are commissioned within 31.03.2004.

3. Reduction in the wheeling charges from the existing 20% will be considered only if the IPPs agree to sell the power (excluding captive consumption) to KPTCL after completion of ten years of operation at variable cost.
4. If the allotted / commissioned projects intend to enhance the capacity and commission within 31.03.2004, then the tariff would be fixed as per the MNES Guidelines to the enhanced capacity also. In case the projects already allotted before 31ST July '2002 being commissioned and transferred by the developers by 31.03.2004, they will be governed by MNES Guidelines.
5. When the plant completes ten years of its operation, it will have to sell the power to KPTCL on the tariff based on variable cost.
6. To the projects which are allotted up to 31.07.2002 and not commissioned within 31.03.2004, MNES Guidelines would not apply to them in fixation of tariff. Such a provision shall be incorporated in the PPA itself while signing them and would get the tariff as may be fixed for the new projects which are allotted after 31.07.2002.
7. The projects which do not come under the above provision will follow new guidelines which will be framed after the due consultation with KPTCL, KREDL and Entrepreneurs.
7. After verifying the facts, the Government of Karnataka has thought that, the minimum period of 3 years is required for the private entrepreneurs to complete their projects and decided to extend the facility up to March '2005. With this the Private Entrepreneurs can implement their project and complete their project and also KPTCL will enter the Power Purchase Agreement.
8. After the verification the following Government Order is issued.

**GOVERNMENT ORDER NO.DE/145/NCE/2002, BANGALORE
DATED 17.09.2002**

The Government of Karnataka hereby orders that the KPTCL to purchase power as per the Guidelines of the Government of India with immediate effect under the following conditions.

1. The projects for which the Power Purchase Agreements (PPA) have already been signed and have been commissioned, the tariff as per MNES Guidelines would continue.
2. The projects for which the draft PPA has been approved by KERC but not yet executed should be executed immediately and tariff as per MNES Guidelines would be applicable to them provided the projects are commissioned within 31.03.2005 and PPAs should also be executed for the projects which have been allotted on or before 31.07.2002 following the MNES Guidelines subject to the condition that they are commissioned before 31.03.2005.
3. To the projects which are allotted upto 31.07.2002 and not commissioned within 31.03.2005, MNES Guidelines would not apply to them in fixation of tariff. Such a provision shall be incorporated in the PPA itself while signing them and would get the tariff as may be fixed for the new projects which are allotted after 31.07.2002.
4. Reduction in the wheeling charges from the existing 20% will be considered only if the IPPs agree to sell the power (excluding captive consumption) to KPTCL after completion of ten years of operation at variable cost.

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5. If the allotted / commissioned projects intend to enhance the capacity and commission within 31.03.2005 then the tariff would be fixed as per the MNES Guidelines to the enhanced capacity also. In case the projects already allotted before 31ST July '2002 being commissioned and transferred by the developers by 31.03.2005, they will be governed by MNES Guidelines.
6. When the plant completes ten years of its operation, it will have to sell the power to KPTCL on the tariff based on variable cost.
7. The projects which do not come under the above provision will follow new guidelines which will be framed after the due consultation with KPTCL, KREDL and Entrepreneurs.

By Order and in the name of the
Governor of Karnataka

(Sd/-)
(B.K.SREENIVASA RAO)
Under Secretary to the Govt.
Department of Energy

To,

Director, Government Press, Bangalore with a request to publish the same in the State Gazette and to send 50 copies to the Government.

Copy to:

1. Chairman, Karnataka Power Transmission Corporation Ltd., Cauvery Bhavan, Bangalore - 9.
2. Managing Director, Karnataka Power Transmission Corporation Ltd., Cauvery Bhavan, Bangalore - 9.
3. Managing Director, Karnataka Power Transmission Corporation Ltd., Shakti Bhavan, Race Course Road, Bangalore - 1.

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4. Director (Finance), Karnataka Power Transmission Corporation Ltd., Cauvery Bhavan, Bangalore - 9.
5. All Managing Directors, Power Transmission Corporations, through Karnataka Power Transmission Corporation Ltd.,
6. Chairman, Karnataka Renewable Energy Development Ltd., No.19, Maj.Gen.A.D.Loganathan INA Road Cross, Queens Road, Bangalore - 52.
7. Managing Director, Karnataka Renewable Energy Development Ltd., No.19, Maj.Gen.A.D.Loganathan INA Road Cross, Queens Road, Bangalore - 52.
8. Weekly Gazette
9. Section File / Extra copies.