

OERC RELEASES A COMPREHENSIVE PRICING POLICY FOR SALE OF SURPLUS POWER FROM CAPTIVE GENERATING PLANTS (CGPs)

The National Electricity Policy and National Tariff Policy stipulate that generation from Captive Power Plants should be encouraged and the capacity of the existing generation should be fully exploited/ utilized to meet the growing demand of power in the country.

2. The Federation of the Captive Generators had approached the Commission for determination of suitable price to provide incentive to captive generators. The State Government have also initiated a draft paper on "Harnessing of surplus power from Captive Generating Plants (CGPs)" and have requested the OERC to furnish their views to the said draft policy including the pricing of surplus power of CGPs.
3. OERC floated a consultative paper on the Pricing of Surplus Power from CGPs and this was widely published seeking suggestions/opinions from different stakeholders. Commission also took a public hearing. 23 individual/organizations submitted their views and comments. These included Secretary, National Institute of Indian Labour, Nayapalli, Confederation of Captive Power Plants,, Orissa, Vedanta Aluminium Limited, Jindal Stainless Limited, Bhushan Power & Steel Ltd., OPTCL, GRIDCO, OHPC, NALCO, Karnataka Electricity Regulatory Commission, Haryana Electricity Regulatory Commission and various distribution companies. Representatives of State Government also participated in the proceedings conducted by the Commission.
4. After taking into account the provisions of the Electricity Act, 2003, the National Electricity Policy, National Tariff Policy, suggestions/ feedbacks received from various quarters, the Commission have finalized the principle for pricing of the surplus power from CGPs and the order has been issued on 14.03.2003.
5. The salient features of the Policy for pricing of the surplus power from CGPs are as follows:-

(a) Firm Power:

- Those captive generators who give a commitment for supply of power for a period of more than 3 months & upto 1 year shall be considered as supplier of firm power of electricity from their Captive Generating Plants.
- The firm supplies may be procured from CGPs by GRIDCO/ Distribution Licensees through the Competitive Bidding route as per provision under Section-63 of Electricity Act, 2003.
- To avoid cartelization of a few large CGPs artificially boosting the pricing of surplus power from CGPs, the Commission has capped that the acceptable cost determined through the competitive bidding route should be within 10% of the maximum of cost of generation which can be certified by reputed firm of CAs to be appointed & approved by the Commission for consumption by State Utilities.
- The State Utilities are free to purchase Power at a higher rate than 110 % of the cost of generation through the competitive route for purpose of trading.

- CGPs selling power to GRIDCO will have the indirect advantage of saving in transmission charge and transmission loss which at 2007-08 level will be around 34 to 35 paise/ unit.

(b) Non-firm Power:

- Those of the captive generators who are capable of giving day ahead schedule but are not in a position to give supply continuously for a period upto three months shall be treated as non-firm supplier of electricity. As an example, if a CGP is in a position to give its day ahead schedule for 21 days, 35 days, 40 days etc. during a period of three months shall be considered as non-firm supplier of electricity in a block period of 3 months.
- Non-firm supplier of electricity has to declare at the beginning of the period of three months about the volume of energy that they would be supplying to the state grid. In case of failure to supply the declared volume, they may have to pay penalty at double the rate so that the supplier will be in a position to provide power to the consumers even by purchase of high cost power if need arises. This rate has to be decided through the process of competitive bidding. They shall have to go through the process of competitive bidding under Section 63 of the Act where the State utilities may accept this power paying upto a maximum of 75% of the lowest cost of firm power determined through bidding for 'firm supply' of electricity from the CGPs.

(c) Inadvertent Power:

- Other than the firm and non-firm power as stated above, any kind of injection by the Captive Generating Plants to the State Grid will be treated as purely inadvertent injection of power to the Grid. In other words power injected by the Captive Generators without giving day ahead schedule would be treated as inadvertent injection of power and would be priced equal to the pooled cost of hydro power of the State.
- (d) However, there shall be no payment for any kind of injection firm, non-firm or inadvertent at frequency of 50.4 HZ or more as a matter of grid discipline.
- (e) But subsisting contracts have to be dealt according to the terms of their agreements who are not covered under the ambit of this order.
- (f) The CGPs are, however, at liberty to sell their power or avail Open Access as envisaged in the Act. If the CGPs are given the facilities like land at concessional rate, water supply and other benefits by the state for setting up the industries and have entered or will enter into an agreement for sale of their surplus power to the state, then the enforcements of the contractual provisions have to be addressed by the state.
- (g) Once the pricing of the surplus power from the CGPs to be sold to GRIDCO which is a State Govt. designated agency is determined through transparent bidding process, this has to be placed before OERC for taking into account the same while determining the ARR for the relevant year/ years. There is no need or scope for approval for fixation of price by any other authority for supply of surplus power from CGPs to GRIDCO meant for supply to DISTCOs.

- (h) The Captive Generating Plants are free to sell their power through Open Access if they do not want to participate in a bidding process for determination of tariff for sale of power inside Orissa to GRIDCO.
- (i) The Commission has also decided to review the present order on Pricing of Surplus Power from CGPs at appropriate time based on feedbacks from different stakeholders and consistent with the legal provisions prevalent at that point of time.

The detailed order dated 14.03.2008 of the Commission on Pricing of Surplus Power from CGPs is available in OERC Website www.orierc.org.

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