



ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION

Vidyut Niyantrana Bhavan, Adjacent to 220/132/33/11 KV AP Carbides SS,
Dinnedevarapadu Road, Kurnool - 518 002, Andhra Pradesh.
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TUESDAY, THE FIRST DAY OF OCTOBER

TWO THOUSAND AND TWENTY-FOUR

:Present:

Justice C.V. Nagarjuna Reddy, Chairman

Sri Thakur Rama Singh, Member

Sri P.V.R.Reddy, Member

In the matter of approval for the continuation agreement dated 15.03.2024
for procurement of 6.25 MW power from the Bagasse Based Co-generation power
plant

in

O.P No. 16 of 2024

Between :

Eastern Power Distribution Company of AP Limited

.....Petitioner

And

The Chodavaram Cooperative Sugars Limited

.....Respondent

The Petition is filed under Section 86 1(b) read with Section 86 1(e) of the
Electricity Act, 2003, seeking approval from the Commission for the continuation
agreement dated 15.03.2024 for procurement of 6.25 MW Power by APEPDCL from
7 MW Bagasse Based Co-generation power plant owned by Chodavaram

Cooperative Sugars Limited. This Original Petition has come up for final hearing before us on 11-09-2024 in the presence of Sri P.Shiva Rao, learned Standing Counsel for the Petitioner, and Sri Y.S. Naidu, Managing Director of Chodavaram Cooperative Sugars Ltd., for the respondent. After carefully considering the material available on record and after hearing the learned counsel for the Petitioner and the Respondent's MD, the Commission passes the following:

ORDER

The original PPA between **APTRANSCO** and **Chodavaram Cooperative Sugars Ltd.** was signed on 29.03.2003 for the procurement of 6.25 MW of Power by APTRANSCO from a 7 MW Bagasse-Based Co-Generation power plant located in Govada Village, Chodavaram Mandal, Anakapalli District, Andhra Pradesh, owned by Chodavaram Cooperative Sugars Limited. The PPA was effective for a period of 20 years, starting from the Commercial Operation Date (COD) on 06.04.2003. Under the 3rd transfer scheme, the PPA dated 29.03.2003 was vested with the Eastern Power Distribution Company of AP Limited (APEPDCL), incorporated by the Government of Andhra Pradesh under the provisions of The Companies Act, 1956 following the Andhra Pradesh Electricity Reform Act 1993 (Act No.30 of 1998). The PPA expired on 05.04.2023. Following its expiry, Chodavaram Cooperative Sugars Ltd. requested renewal of the PPA for another 20 years, effective from 15.12.2023.

The Petitioner stated that, as per Article 7 of the original PPA, APEPDCL is not obligated to procure power after the expiry of the PPA. That If it wants to continue the PPA, the procurement shall be by mutual consensus only, subject to the approval of the Commission That the Respondent offered Rs.5.62 per unit initially for the renewal of PPA. However, based on the negotiations with the Respondent, the latter agreed to supply power at Rs.4.50 per unit for 20 years.

The Petitioner stated that if the Commission approves the prevailing variable charges for bagasse plants at the escalation rates specified in CERC RE Regulations 2017, the average tariff would be Rs 8.27 per unit for 20 years from FY 24-25 to FY 43-44. The petitioner DISCOM further submitted that as the proposed tariff is highly reasonable as the respondent offered the same for a further period of 20 years at the agreed fixed tariff of Rs.4.50 per unit, which is viable, and the said power is very much required to meet the peak demand requirement from December to May since the respondent supplies RTC power during that period.

The Petitioner also stated that since the Respondent's company is a Cooperative Sugars industry and quasi-government company, the GoAP approved the renewal of the PPA vide letter No—ENE01-APCCOMISC/5/2023-Power-I, dated 06.10.2023, directing the DISCOM to approach the Commission for its approval.

The Respondent's MD has requested the Commission to approve the PPA at the agreed Tariff of Rs.4.50 per unit, during the hearings.

In the light of the above facts, the only point for us to consider is whether the mutual proposal can be approved for a further period of 20 years?

The Petitioner caused paper publication on the proposed Tariff for the continued PPA as per the direction of the Commission. It was also listed for the public hearing on 11.09.2024, along with the pooled power purchase cost matters of the DISCOMS. No specific objections were received on this matter.

Regarding the reasonableness of the tariff agreed by the parties, it is pertinent to refer to the Suo Motu Order No. 1 of 2024 dated 05.09.24, which fixed the variable charge payable to Biomass/Industrial Waste and Bagasse-based power

projects during the control period covering FY 2024-25 to FY2028-29. The trajectory of variable cost per unit is shown in the table below.

Financial year	Bagasse (Rs./Unit)
FY 2024-25	3.93
FY 2025-26	4.07
FY 2026-27	4.21
FY 2027-28	4.35
FY 2028-29	4.50

The table above shows that the variable cost ranges from Rs.3.93 per unit to Rs.4.50 per unit during the 5th control period. This may increase further in future, as stated by the Petitioner. In view of the above, in the Commission's view, the total (fixed plus variable) unit cost of Rs.4.50 per unit as agreed by the Petitioner with the Respondent to receive 6.25 MW power over 20 years, is very reasonable. Further, under Article 7 of the existing PPA, the agreement may be renewed for such further period and on such terms and conditions as may be mutually agreed upon by the parties, subject to the consent of the Commission. Given the reasonableness of the Tariff and in terms of Article 7 of the existing PPA, we are inclined to approve the proposal for continuing the PPA. However, given that the Non-fossil fuel-based co-generation project life is 25 years as per CERC RE Tariff Regulations 2024, and the Respondent's plant has already operated for 20 years, the PPA may be reviewed after 5 years. Accordingly, the DISCOMS shall inform the Commission about the Plant's ability to supply power after the completion of 25 years for necessary directions.

The 20-year period commences from the Commission's consent/approval date as per the continued PPA. Therefore, the power received by the Petitioner, if

any, from the Respondent during the intervening period after the expiry of the PPA until the date of this Order shall be paid at Rs.4.50 per unit as approved in this Order.

Accordingly, the Original Petition is disposed of.

**Sd-
P.V.R. Reddy
Member**

**Sd-
Justice C.V. Nagarjuna Reddy
Chairman**

**Sd-
Thakur Rama Singh
Member**

