BEFORE THE GUJARAT ELECTRICITY REGULATORY COMMISSION

GANDHINAGAR

Petition No. 2459 of 2025.

In the matter of:

Petition under Section 86 (1) (b) read with Section 62 of the Electricity Act, 2003 seeking approval of the Commission for Supplemental Power Purchase Agreement dated 18.02.2025 for extension of Power Purchase Agreement dated 07.01.2010 for transferred power stations having a total capacity of 2912 MW for further period up to 01.04.2030 or the actual useful life of the plants whichever is earlier.

Petitioner	:	Gujarat Urja Vikas Nigam Limited
Represented by	:	Mr. Nilay Joshi and Mrs. Rashmi Fumakiya.
		Vs.
Respondent	:	Gujarat State Electricity Corporation Limited
Represented by	:	Mr. Shubhadeep Sen, Mr. Nitin Kansara, Mr. P.A. Parekh and Mr. H.N. Bhatt.

CORAM:

Pankaj Joshi, Chairman
Hiren Shah, Member

Date: 26/05/2026.

ORDER

1. The Petitioner has filed the present Petition seeking following reliefs inter-alia:

a. To admit the Petition;

b. *To Approve the Supplemental Power Purchase Agreement dated 18.02.2025 at Annexure E;*

c. *Pass any other Order as the Commission may deem fit and appropriate under the circumstances of the case.*

2. Facts of the Case, in brief, are as under;

2.1. The Petitioner, Gujarat Urja Vikas Nigam Limited (GUVNL) is a Company incorporated under the provisions of the Companies Act, 1956 and engaged in the activities of bulk purchase and bulk supply of electricity and is a licensee for the said activities under the provisions of the Electricity Act, 2003.

2.2. The Respondent, Gujarat State Energy Corporation Limited (GSECL) is a generating company within the meaning of Section 2 (28) of the Electricity Act, 2003. The Respondent is a Government of Gujarat Company.

2.3. Pursuant to the reorganisation of the erstwhile Gujarat Electricity Board, the functions of generation, transmission, distribution and bulk power purchase/sale were assigned to separate successor entities. Generation activity was assigned to GSECL and bulk purchase and bulk sale of electricity was assigned to GUVNL.

2.4. The parties GSECL and GUVNL had entered into the PPA dated 07.01.2010 with Effective date of 01.04.2010 for supply of power from the generating stations transferred from GEB to GSECL (hereinafter 'transferred generating stations') totalling to 3992 MW for a period of 15 years from the Effective date i.e. until 01.04.2025.

2.5. Further a Supplementary Agreement dated 04.02.2017 was entered into between GUVNL and GSECL in regard to minor revision in provisions of Rebate and Delayed Payment Surcharge in respect of all power stations of the Seller and this was applicable to the transferred generating stations also.

2.6. The tariff for the said transferred generating stations are determined by the Commission under Section 62 of the Electricity Act, 2003 and the Tariff Regulations and other Regulations/Orders as notified by Commission.

2.7. Subsequent to the execution of the PPA, some of the units of the transferred generating stations, with total capacity of 1080 MW have been retired from service by GSECL, for which the details of the same is as under;

Sr. No.	**Name of Power Plant**	**Capacity (MW)**	**Retirement date**
1	Ukai (1-2) (2X120 MW)	240	01.04.2017
2	Gandhinagar (1-2) (2 x120 MW)	240	03.09.2016
3	Sikka Extn (1-2) (2X120 MW)	240	01.04.2017
4	KLTPS (1-2) (2 X 70 MW)	140	01.01.2020
5	Dhuvaran (5-6) (2 X 110 MW)	220	Before 2012
Total		**1080 MW**	

2.8. The present Petition concerns only the remaining operational transferred generating stations aggregating to 2912 MW, detailed as under;

Sr. No.	**Name of Power Plant**	**Capacity (MW)**
1	Ukai (3-5)	610
2	Gandhinagar (3-4)	420
3	Wanakbori 1-6 TPS	1260
4	KLTPS 3	75
5	Ukai Hydro	305
6	Kadana Hydro	242
	Total	**2912**

2.9. The PPA dated 07.01.2010 provides for expiry date as 15 years from the Effective date i.e. 01.04.2025. The PPA dated 07.01.2010 inter alia recognises that the term can be extended. The relevant article of the said PPA reads as under;

2.3 Extension of Term:

2.3.1 Prior to at least Three hundred and Sixty Five (365) days before the Expiry Date, Procurer may give a written notice to the Seller that it wishes to extend this Agreement for an additional period to be specified by that Procurer.

2.3.2 If such written notice is delivered to the Seller by the Procurer, this Agreement can be extended to such date. Upon the receipt of such notice, the Parties shall meet and discuss an extension of this Agreement, which may be extended on such terms including the period of extension, tariff, capacity and operating characteristics as the Parties may mutually agree in writing. Such extension shall commence upon the end of the last day of the Term of Agreement.

2.3.3 On Expiry of any extension of the Term under Article 2.3.2, the provisions of this Agreement, including this Article 2.3 itself shall apply mutatis mutandis in relation to either Party's right.

2.10. GSECL, vide letter dated 28.03.2024, requested GUVNL to extend the validity of the PPA at the same terms and conditions for a further period. GUVNL examined the proposal and agreed to extend the PPA in respect of operational transferred generating stations up to 01.04.2030 or actual useful life of the project, whichever is earlier, subject to approval of this Commission.

2.11. The Board of Directors of GUVNL approved the proposal for purchase of power from transferred generating stations and for seeking approval of the Commission. Thereafter, Supplemental PPA dated 18.02.2025 was executed between GUVNL and GSECL, subject to approval of the Commission.

2.12. The Commission through order dated 10.01.2011 in Petition No 1035/2010 had directed to amend the PPA dated 07.01.2010 with certain modifications. It is submitted that the directives as suggested in order dated 10.01.2011 are being followed and considered in tariff Petitions. However, the appropriate modifications as suggested in order dated 10.01.2011 have been incorporated in Supplementary Power Purchase Agreement dated 18.02.2025.

2.13. It is submitted that the abovementioned generating stations are some of the reliable units in order to meet the base load demand in the State of Gujarat and are regularly scheduled under Merit Order Dispatch Protocol.

2.14. The details of Cumulative availability during last three years is as under:

Sr No	Financial Year	2021-22	2022-23	2023-24	2024-25 (Up to August 24)
1	UTPS unit 3 to 5	70.85%	52.25%	74.83%	89.00%
2	GTPS unit 3 & 4	88.58%	71.68%	62.23%	95.59%
3	WTPS unit 1 to 6	70.81%	52.69%	73.04%	78.70%
4	KLTPS unit 3	69.70%	54.67%	57.88%	79.41%
5	UHPS + LBC	86.10%	97.23%	97.27%	97.04%
6	KHPS	79.99%	79.06%	88.47%	94.74%

2.15. The details of PLF and per unit Variable Cost & Normative Fixed cost during FY 2023-24 are as under:

Sr No	Name Power Plant	% Cumm PLF	Per Unit Normative Fixed Cost (Rs/KWh)	Per Unit VC as per Merit order (Rs/KWh)
1	UTPS unit 3 to 5	51.48	0.95	4.95
2	GTPS unit 3 & 4	46.00	1.02	4.88
3	WTPS unit 1 to 6	51.86	0.74	4.95
4	KLTPS unit 3	47.67	3.27	4.70
5	UHPS + LBC	21.01	0.15	NA
6	KHPS	12.08	0.37	NA

2.16. Further the details for FY 2024-25 (until Dec'24) is as under:

Sr No	Name Power Plant	% Cumm PLF	Per Unit Normative Fixed Cost (Rs/KWh)	Per Unit VC as per Merit order (Rs/KWh)
1	UTPS unit 3 to 5	42.63	1.00	5.15
2	GTPS unit 3 & 4	40.94	1.28	5.40
3	WTPS unit 1 to 6	38.40	0.78	5.15
4	KLTPS unit 3	72.91	3.38	4.35
5	UHPS + LBC	31.77	0.15	-
6	KHPS	18.76	0.42	-

2.17. As per latest merit order, generation from the thermal power plants is scheduled as per Merit Order Dispatch Protocol except during extreme low demand scenario.

2.18. In regard to the coal based power plants (Serial Number 1 to 3) GSECL has long term fuel supply agreement with SECL and WCL. In regard to lignite based KLTPS Unit 3, it seems that GSECL has many times, requested GMDC for execution of FSA for lignite supplied but not materialized. The rate of lignite is decided by GMDC as per pre-approved formula which is confirmed by GUVNL and GSECL makes the payment to GMDC for lignite off taken for KLTPS accordingly. The Tariff of KLTPS-3 is being determined by Commission as per MYT Regulations.

2.19. The fuel arrangements for all the power plants are as under:

Sr No	POWER STATION	NAME OF SUPPLIER	ANNUAL CONTRACTED QUANTITY (LMT)	VALIDITY OF FSA
1.	UTPS- 3 to 5	SECL	23.25 LMT	Till 31st March 2029 (Likely to be further extended beyond 2029)
		WCL	6.67 MLT	Till 31st March 2029 (Likely to be further extended beyond 2029)
2.	GTPS- 3 & 4	SECL	20.06 LMT	Till 31st March 2029 (Likely to be further extended beyond 2029)
		WCL	5.00 LMT	Till 30th March 2041.
3.	WTPS- 1 to 6	SECL	78.20 LMT	Till 31st March 2029 (Likely to be further extended beyond 2029)
	WTPS- 7	WCL	7.00 LMT	Till 30th March 2041.
4.	KLTPS unit 3	GMDC		• No FSA exists in case of KLTPS-3. • The rate of lignite is decided by GMDC as per pre-approved formula which is confirmed by GUVNL and accordingly GSECL makes the payment to GMDC for lignite off taken for KLTPS.
5.	UHPS + LBC	**Hydro Based Stations**		
6.	KHPS+Panam			

2.20. GSECL has carried out R&M activities amounting to Rs 982.93 Cr during last Five years in Transferred stations and the year wise details are as under:

STATEMENT SHOWING DETAILS OF R&M CARRIED OUT IN GSECL'S TRANSFER STATIONS DURING FY 2015-16 TILL DATE				
Sr. No.	**Name of Power Plant**	**Description of work**	**Order Value Rs.**	**Date of work completion**
1.	Ukai 3	UTPS#3ESP Retrofitting	233,792,193	26.04.16
		UTPS#3C&IUpgradation	97,367,906	04.05.17
		UTPS#3Turbine Retrofitting	154,60,88,751	Work Under Progress
		UTPS#3Boiler R&M Back pass & flexible operation	1,308,557,785	
	Ukai 4	UTPS#4ESP Retrofitting	233,792,193	21.04.17
		UTPS#4Turbineretrofitting	921,976,904	24.05.17
		UTPS#4: Boiler Back pass	541,042,244	11.04.17
		UTPS#4C&IUpgradation	97,367,906	04.05.17
	Ukai 5	UTPS#5ESP Retrofitting	275,000,000	08.04.17
		UTPS#5Turbine Retrofitting	1,451,688,751	Work Under Progress
		UTPS#5Boiler R&M Back pass & flexible operation	1,308,557,785	
		UTPS#5C&lupgradation	257,569,220	
TOTAL AMOUNT in RS			**6,726,712,886**	
2.	Gandhinagar 3	GTPS#3C&lupgradation	360,785,000	Work Under Progress
	Gandhinagar 4	GTPS#4C&lupgradation	360,785,000	
TOTAL AMOUNT in RS			**721,570,000**	
3.	Wanakbori 1	WTPS#1ESP Retrofitting	275,000,000	08.03.17
		WTPS#1 Turbine Retrofitting	1,932,787,931	Work Under Progress
		WTPS#1Boiler R&M Back pass & flexible operation	1,314,763,511	
	Wanakbori 2	WTPS#2ESP Retrofitting	275,000,000	08.05.18
		WTPS#2Turbine Retrofitting	1,932,787,931	Work Under Progress
		WTPS#2Boiler R&M Back pass & flexible operation	1,314,763,511	
	Wanakbori 3	WTPS#3ESP Retrofitting	275,000,000	12.11.17

		WTPS#3 Turbineretrofitting	842,870,908	05.12.17
		WTPS#3 R&M of Boiler Back pass	541,399,144	11.11.17
	Wanakbori 4	WTPS#4ESP Retrofitting	375,000,000	30.07.2023
	Wanakbori 5	WTPS#5ESP Retrofitting	375,000,000	Work Under Progress
	Wanakbori 6	WTPS#6ESP Retrofitting	375,000,000	18.02.22
TOTAL AMOUNT in RS			**9,829,372,936**	

2.21. It is submitted that the CEA guidelines dated 20.01.2023 states that the Thermal units may not be retired until 2030 and power availability may be ensured through R&M activities, if required.

2.22. The Commission in Tariff Order approves the expenses towards Renovation & Modernization for efficiency improvement of existing old units of GSECL every year. Extending the Power Purchase Agreement (PPA) for the aging units of GSECL will effectively make available generation from this projects with optimum utilization of available capacity as normative fixed cost of majority units is around / less than Rs. 1.00/unit (except KLTPS 3).

2.23. It is further submitted that there is considerable renewable energy (RE) capacity which is being added (particularly considering the revised RPPO), however the RE Power is infirm in nature and therefore there is still a need for thermal power plants to ensure a secure grid operation. The integration of variable renewable energy sources to achieve 50% non-fossil fuel-based power by 2030 necessitates thermal generation capacity for grid balancing, given the intermittent nature of wind and solar generation. The thermal power generation capacity planned in the country will not be materialized until after 2028. Further, there are two hydro power stations which would also assist in the above and are helpful during peak load hours.

2.24. Further, since the power plant is located within the State and at times there are issues related to drawl of power through CTU network beyond permissible limits, the above tie up may help to mitigate the demand under such scenario and provide standing arrangement for availing power immediately. This is particularly during high demand scenario.

3. The Objector Federation of Gujarat Industries (FGI) has submitted its suggestions/objections vide affidavit dated 25.08.2025, the brief of the which is as under: -

3.1. It is submitted that when the PPA dated 07.01.2010 period ended on 01.04.2025, there seems to be no need to continue it any further as almost all the units/Stations under contention in the petition have not only completed their useful life long back; but also deserve to be discarded as per their normative lives as well. Their heat rates are much higher than present day machines with super critical technology and none or most of them also meet the stack emission norms. It does not serve any purpose except benefitting the Petitioner with undue Fixed Costs at the cost of hapless consumers.

3.2. It is further submitted that Section 86 of the Electricity Act 2003 states the functions of the State Commission. It is true that Tariff determination is one of the functions of Commission, however, at the same time, Section 86 (b) of the Act states that Commission has to regulate electricity purchase and procurement process of distribution licensees; including the price at which electricity shall be procured from the generating companies, or licensees, or from other sources, through agreements for purchase of power for distribution and supply within the State. Further, GUVNL is procuring power for Distribution Companies, i.e. MGVCL, DGVCL, UGVCL & PGVCL. In doing so, they may be directed to ensure that, the cheapest power is made available to end consumers. Therefore, it is the prime duty of the Commission to see that GUVNL while entering into any PPA, must see that, no unnecessary fixed cost is required to be paid while keeping the units in Reserved Shut Down (RSD).

3.3. It is submitted that GUVNL should tie up power from new stations based on scheduled retirement of over lived units/stations. Continuing Power Purchase Agreements (PPAs) from older units/stations and which are not scheduled regularly because of their high energy cost tantamount to allowing huge burden of avoidable Fixed Costs to consumers; particularly increasing the already high cost of energy to Industrial Consumers.

3.4. It is submitted that as compared to the past years/decades, total installed Generation capacity of units in the Gujarat System has increased but mostly some of the stations are scheduled in peak hours only resulting into lower PLF (Plant Load Factor). Thus it is easily possible not to permit extension to some of the oldest/least efficient units/ stations which have a PLF of less than 50%.

3.5. It is further submitted that till date, only 10 units are retired. However, the status of their disposal and clearing the land plots for new higher capacity units establishment is not known. Discarded Plants lying idle will corrode and day by day their salvage value will also keep reducing. Hence, in the interest of consumers, it is highly necessary that discarded plants be disposed of at the earliest and proceeds of disposal need be passed on to the consumers by lowering the Capital Cost of the system. It is suggested that GSECL should fixed-up time period during which disposal process should be completed and proceeds credited to reduce the fixed costs.

3.6. It is suggested that the Commission may check final price in Rs./kWh considering fixed cost paid on availability basis and actual scheduled energy, i.e. actual Plant Load Factor.

3.7. It is further submitted that none of the stations has achieved PLF more than 55% except KLTPS-3. This shows that, for almost 50% period of the year, these units remain under reserve shut down. However, these units keep on declaring their availability and therefore become eligible to claim full fixed costs without generating power.

3.8. It is further submitted that GSECL has incurred substantial Renovation and Modernisation expenditure on old units and that GUVNL/GSECL should demonstrate the improvement in performance achieved due to such expenditure.

3.9. FGI requested the Commission to obtain details of fuel supply agreements, penalty for lower coal off-take, disposal status of retired units and salvage value.

3.10. It is suggested that the Petitioner should expeditiously plan and execute the projects for adding new units/ stations for the required capacity in a timely and time-bound manner, so as to avert any further extensions to PPAs of old overlived, inefficient units. Further, based on realistic PLF estimation, the Commission may decide suitably regarding disallowing some of the PPAs for older units and only permit supplemental PPAs / (extension of PPAs) for bare minimum number of older units out of the total capacity of 2912 MW.

4. The Respondent Gujarat State Electricity Corporation Limited (GSECL) has filed its submissions vide affidavit dated 29.09.2025, in response to the objections/suggestions filed by FGI, the brief of which is as under: -

4.1. It is submitted that as per the directives issued by the Commission vide Daily Order dt. 22.07.2025, the Petitioner GUVNL issued a public notice inviting comments /objections/ suggestions in the said Petition. Federation of Gujarat Industries (FGI), Vadodara has filed its response in the present Petition vide their letter dt. 25.08.2025 before the Commission wherein certain details have been sought from respondent Gujarat State Electricity Corporation Limited (GSECL).

4.2. It is submitted that Central Electricity Authority (CEA) vide Notification dt. 20.01.2023 has advised Generating Companies not to retire any thermal units till 2030 and directed to carry out Renovation & Modernization (R&M) for life extension and for improving the flexibility and reliability of thermal units considering the expected demand scenario and availability of capacity in future. In the current scenario of increasing RE power integration into the grid, the role of thermal fleets including old thermal units shall be mostly to supply balancing power and to meet the base load demand during non-Solar hours. Hence, role of GSECL's coal based stations is very crucial to meet base load demand of the state.

4.3. It is further submitted that to reduce burden of high SHR of old inefficient units, GSECL has already de-commissioned the following units during last 10 years in a phased manner: -

Sr. No.	Power Station/Unit	Type of fuel	Capacity (MW)
1.	Dhuvaran Unit-5&6	Oil	220 (2 × 110)
2.	Gandhinagar unit-1&2	Coal	240 (2 × 120)

3.	Sikka Units 1&2	Coal	240 (2 × 120)
4.	KLTPS- Units 1&2	Lignite	140 (2 × 70)
5.	Ukai Units 1&2	Coal	240 (2 × 120)
6.	Utran	Gas	135 (1 × 135)
TOTAL			**1215 MW**

Moreover, it is submitted that, despite being older plants, Ukai Units-3 to 5, Gandhinagar Units- 3 to 5 and Wanakbori Units 1 to 6 run at rated load whenever scheduled by SLDC as per system demand. These units are always ready to serve the consumers of the State.

4.4. It is further submitted that, in Ukai Unit-4 & Wanakbori Unit-3, major R&M work for efficiency improvement has been implemented in recent past. After major Renovation & Modernization (R&M), the Station Heat Rate (SHR) of 200/210 MW LMZ units (Ukai TPS Unit-4 and Wanakbori TPS Unit-3) have improved to around 2250-2260 Kcal/kWh. This performance is comparable to Ukai TPS Unit-6 and Wanakbori TPS Unit-8. The gains achieved on account of efficiency improvement are also being passed on to the consumers of the State. GSECL has also planned similar R&M works for the remaining four LMZ units (Ukai TPS Units-3 & 5 and Wanakbori TPS Units-1 & 2) as per CEA guidelines. Work orders have already been issued, and the R&M activities are expected to be completed within the MYT Control Period FY 2025-26 to FY 2029-30. It is pertinent to mention that, the Commission has also approved the Capex for these works in the MYT order dt. 31.03.2025 as under:

Sr. No.	**Name of Power station**	**Capex approved (Rs. Crores)**
1	Wanakbori-Unit-1-6	1654.67
2	Gandhinagar 3-4	655.31
3	Ukai-3,4,5	994.19
4	KLTPS-3	52.01
5	Ukai Hydro	7.58
6	Kadana Hydro	219.88
Total		**3583.64**

The DPRs of all Capital works having an estimated cost of Rs. 5 crores and above were submitted to the Commission. These Capital works involve different works for improvement in efficiency and performance of the older units. Therefore, it is not advisable to discard these units after incurring such important capex. Moreover, lower scheduling of GSECL's units may be due to aggressive RE capacity addition in the state and "must run" status given to RE units. In view of this and looking at the demand & load - generation balance of the State and also as per the directives of CEA not to retire such older coal based thermal generating units, Ukai- 3 to 5, GTPS Units- 3 to 5 and WTPS Units- 1 to 6 are required to be kept in service.

4.5. With regard to the contention of FGI about higher heat rates of GSECL's thermal generating stations, it is submitted that comparing the heat rate of 200/210 MW units with those employing supercritical technology is not appropriate, given the fundamental differences in design and efficiency standards.

4.6. On the aspect of meeting of emission norms by GSECL's older stations, it is submited that, in the units where ESP retrofitting is carried out by GSECL during last few years, the emission levels are observed to be within permissible limits. However, due to deterioration in coal quality or sudden fault in ESP collecting systems, the results may exceed the permissible limits occasionally.

4.7. With regard to the submission of FGI about keeping the units in Reserved Shut Down, it is submitted that, the scheduling of all generators is being done as per Merit Order Dispatch (MOD) principles based on the variable cost of generation. The scheduling directives are received from SLDC based on the system requirement. It is further submitted that GSECL's coal-based stations are scheduled mostly for meeting the balancing power demand under high RE integration scenario. With more RE integration being planned and in implementation stage, the role & importance of these coal stations will further get enhanced. Therefore, although the stations are available during most of the time, their Plant Load Factor (PLF) is low. The fixed costs are claimed as per the MYT Regulations of Commission based on the availability of respective Station/ unit. In case of lower availability than normative availability, the station is not able to recover the approved fixed cost. Therefore,

GSECL is putting its best efforts to keep all units available during most of the time in the year.

4.8. It is further stated that higher Station Heat Rate (SHR) in GSECL's thermal units is on account of lower scheduling, partial load operation and frequent start-stops. However, GSECL does not pass on the loss in variable cost on account of higher SHR to DISCOMs because the energy cost is approved and claimed at normative SHR as approved by the Commission.

4.9. It is submitted that the suggestion for comparison of actual cost of energy (including fixed & variable cost) of GSECL's stations with prevailing prices in the market cannot be accepted. The prices in the market platforms, such as IEX & PXIL, are highly volatile. Moreover, GSECL's stations are capable of supplying reliable power as & when required to meet base load demand as well as to meet the demand as & when required by the state. The availability of power in bulk on Power Exchanges is not reliable and uncertain. In fact, during morning & evening peaks, power available in exchanges is grossly insufficient to meet the state demand. This puts the entire state in the risk of load shedding.

4.10. It is further submitted that the present Petition filed by GUVNL is for extension of the PPA for stations having capacity of 2912 MW. The stations included in this PPA are Coal/ Lignite based and Hydro power. The capacity of Hydro power included in the present PPA is 547 MW. This is a green power and has very low cost of generation. Other capacity of 2365 MW is of Coal / Lignite based stations. These stations are capable of meeting base load demand during non-solar hours and can be highly helpful in meeting heavy demand scenario in the State and thus highly reliable. Approving the present PPA by Commission is much essential to ensure the reliability of power supply to the consumers of Gujarat State.

4.11. In reference to the contention of FGI regarding penalty provision in the fuel supply agreement (FSA) with fuel suppliers, it is submitted that GSECL is having separate FSAs with South Eastern Coal Fields Limited (SECL) and Western Coal Fields (WCL) for supply of coal to its stations. The said FSAs contain the provision of applicability of penalty for lower off- take of coal. This is worked out based on Annual Contracted

Quantity (ACQ). In case of shortfall in lifting of lesser quantity than ACQ, GSECL is liable to pay the penalty. However, in the recent years, GSECL has not paid any penalty to coal suppliers on account of lower off-take of coal. Moreover, for coal-based stations, long-term Fuel Supply Agreements are in place with SECL & WCL thus ensuring coal supply during the entire PPA period. This is a very important factor which ensures power generation and supply reliability round-the-clock.

5. The Petitioner GUVNL has filed its further submissions vide affidavit dated 18.11.2025, in response to the objections raised by FGI, the brief of which is as under:-

5.1. It is submitted that the Objector is referring to the useful life but has failed to consider that the plants are still functional. Further, CEA, vide Guidelines dated 20.01.2023, has advised not to retire any thermal units till 2030 and ensure power availability through R&M activities, if required. Further, such Guidelines are based on the meeting held on 06.12.2022 by Ministry of Power and the instructions not to retire any thermal unit.

5.2. It is submitted that, as per the latest operational data, performance of the power plants are consistent. Despite being older plants, Ukai Units (3-5), Gandhinagar Units (3&4) and Wanakbori Units 1 to 6 run at rated load whenever scheduled by SLDC as per system demand. As per latest merit order, generation from these thermal plants is scheduled as per Merit Order Dispatch Protocol except during extreme low demand scenario. Further, the Objector fails to consider the benefit of extension of such plants in the form of lower fixed cost. The Commission in Tariff Order approves the expenses towards Renovation & Modernization for efficiency improvement of existing old units of GSECL every year. Extending the PPA for the aging units of GSECL will effectively make available generation from these plants with optimum utilization of available capacity as normative fixed cost of majority units are around / less than Rs. 1.00/unit (except KLTPS 3).

5.3. It is further submitted that the costs of power procurement are pass through and approval of one PPA as against another PPA does not provide any monetary benefit to the Petitioner. The intention of the Petitioner is to meet the obligations of continuous and economical power supply.

5.4. It is further submitted that besides the elements of the cost as referred to hereinabove, there are other benefits as under:

(i) The integration of variable renewable energy sources to achieve 50% non-fossil fuel-based power by 2030 necessitates adequate thermal generation capacity for grid balancing, given the intermittent nature of wind and solar generation. The CEA Guidelines dated 20.01.2023 also refer to the role of old thermal units in order to support renewable integration while recommending that the thermal units are not retired till 2030.

(ii) The private generators under long term PPA discontinues supplying power after achieving prescribed normative level (85-90%). Accordingly, their generation capacity is not available for full generation during high demand scenario. In such condition, this project being based on domestic coal, will strengthen the capacity from State GENCO and reduce dependence on private generators.

(iii) These units being located in the State of Gujarat enable local generation and avoid dependency on central grid for import of power from projects located outside the State of Gujarat particularly during high demand scenario.

5.5. It is submitted that as per the applicable Tariff Regulations, recovery of fixed cost is strictly linked with the Normative Plant Availability Factor and not with the Plant Load Factor. This principle is fundamental because fixed cost represents the capital and fixed operational expenditure incurred for keeping the generating station available for dispatch, irrespective of the actual generation scheduled. PLF is directly dependent on the merit order dispatch protocol, which, in turn, is governed by real-time demand-supply conditions in the grid. The merit order is determined by the system operator considering miltiple factors such as variable cost of power across stations, prevailing grid demand, availability of cheaper renewable/thermal power, fuel supply constraints, seasonal variations, and even global events impacting fuel markets.

5.6. The power arrangements have to be made to meet the demand requirements for the entire year and certain base load generating stations have to be tied up. Any PPA

with a Generating Company/Generating station would require payment of fixed cost on availability basis and not on scheduled basis.

5.7. Further, for comparison of the tariff, the tariff has to be considered as per unit basis and cannot be considered in the manner sought by the Objector. The proposed coal based Transferred Power Stations are having Total Tariff in the range of Rs 5.65 per Kwh to 6.00 Per Kwh (Variable and normative fixed cost). The details of prevailing the market rates are as under:

Sr No	Tender No	Tenure	Booking/ Allotted Qty. MW	Discovered Rate in Rs/kwh
1	MSECL/Medium/Lumpsum Tariff/24-25/RA/171	2025 - 2030	1000	5.99-6.25
2	HPPC/Medium/Lumpsum Tariff/24-25/RA/49	2025 - 2030	500	5.39
3	AEML/Medium/Lumpsum Tariff/24-25/RA/133	2025 - 2027	500	5.58-5.98
4	BEST/Medium/Lumpsum Tariff/23-24/RA/73	2024 – 2031	350	5.87-8.26
5	KSEBL/Medium/Coal from Linkage Coal/23-24/RA/56	2023 - 2028	500	6.88

5.8. It is further submitted that the Assam Electricity Regulatory Commission, vide their order dated 08.04.2025 in Petition No 1 of 2025, has accorded approval for purchase of 500 MW of power for a period of 25 years at tariff of Rs 5.79/kwh discovered through Competitive Bidding w.r.t. Tender floated under para B (iii) & para B (iv) of Shakti Policy and adoption of tariff under Section 63 of Electricity Act 2003.

5.9. It is further submitted that the West Bengal Electricity Regulatory Commission, vide their order dated 29.05.2025 in Case No PPA/137/24-25 has accorded approval for purchase of 1492 MW contracted power at tariff of Rs. 5.45 / kWh under long term arrangement in terms of PPA executed u/s 63 of the Electricity Act for Project to be set up under DBFOO basis and coal to be procured under Shakti Policy.

5.10. Considering the above, the Total Tariff of transferred power stations are competitive as compared to market price.

5.11. It is further submitted that it is desirable to extend the PPA considering on such grounds that currently, during evening peak hours, the Market Clearing Price ("MCP") frequently touches the ceiling rate of 10/kWh. Despite such high prices, the power clearance remains extremely limited (often below 10%) on many days. This is primarily due to a substantial mismatch between the quantum of buy bids and sell bids, leading to pro-rata allocation. Consequently, even though the Petitioner may place bids for a substantial quantum of power, the actual allocation is often marginal and insufficient to meet real-time demand. The challenge is further exacerbated by the variability in Renewable Energy ("RE") generation, particularly solar. While solar energy contributes significantly during the day, it sharply drops post-sunset, thereby creating a critical demand gap during evening peak hours.

During several such days as mentioned above, GUVNL's additional power requirement in the evening peaks ranges from 1500 MW to 2500 MW and occasionally exceeds 2500 MW. However, given that the total quantum of power available in the national market during evening peak hours ranges only between 3000 MW to 4000 MW, expecting to source 2000+ MW solely through Power Exchanges becomes a difficult task, and the same is practically unachievable. The limited availability and low clearance rates further undermines the feasibility of meeting peak demands through the market.

In contrast, power sourced from dedicated stations provides operational flexibility and seems controllable on several occasions at GUVNL's end. Such Generation can be ramped up or backed down by SLDC based on real-time demand and grid conditions, ensuring both reliability and cost efficiency.

There is considerable RE capacity which is being added (particularly considering the revised RPPO). However, the RE power is infirm in nature and therefore, there is still a need for thermal power plants to ensure a secure grid operation. The integration of variable renewable energy sources to achieve 50% non-fossil fuel-based power by 2030 necessitates thermal generation capacity for grid balancing,

given the intermittent nature of wind and solar generation. The thermal power generation capacity planned in the State will not be materialised until after 2028. The CEA Guidelines dated 20.01.2023 also refer to the role of old thermal units in order to support renewable integration while recommending that the thermal units are not retired till 2030.

5.12. The provision of fixed cost at availability, irrespective of scheduling is universal and has been decided in the Regulations. The Objector cannot have any objection on such methodology. Further, the allowable operational norms are benchmarked at the time of issuance of MYT Regulations, and the treatment of performance/ non-performance is done at the time of true up after prudence check by the Commission.

5.13. The costs incurred by the GSECL is either approved or to be approved by the Commission. Therefore, it is not for GUVNL to allow any CAPEX. Major R&M works for efficiency improvement have been implemented in all the stations. However, R&M work in Ukai Unit-4& Wanakbori Unit-3 has been completed in recent past, while, for remaining plants the work is under progress. The availability is significantly improved since last three years due to R&M activity. The details of Plant availability achieved during last three financial years are as under:

Sr	Unit	2022-23	2023-24	2024-25
1	Wanakbori 1-6	52.69%	73.04%	79.94%
2	Ukai 3-5	52.25%	74.83%	85.40%

5.14. It is submitted that the Petitioner, GUVNL is continuously monitoring the prevailing and projected demand in alignment with the Resource Adequacy studies. Based on these assessments, GUVNL strategically plans and executes new power tie-ups to ensure adequate capacity availability, system reliability, and compliance with regulatory requirements for meeting the future power demand of the State. The details of conventional capacity allocation request made by GUVNL and recent tie-up executed by GUVNL is as under:

5.15. The Respondent GSECL has already awarded the EPC contracts for the Ukai Unit-7 for 800 MW Super Critical Thermal Power Project, which is scheduled for completion in FY 2028-29.

5.16. Allocation from NTPC Sipat Stage II (154 MW) has been received from Ministry of Power, Government of India to GUVNL and PPA has been executed. Allocation from NTPC Gadarwara Stage II plant is also sought and PPA has been executed.

5.17. Further, allocation from Damodar Valley Corporation for 1159 MW capacity from - Raghunathpur Stage II (600 MW), Koderma Stage II (200 MW) & Durgapur Stage II (359 MW) to GUVNL has been received and PPA has been executed.

5.18. Allocation request has been made for coal-based power from following NTPC Projects in view of demand supply position, maximum allocation may be made from the Station to Gujarat.

Project	Allocation (MW) sought
Sipat Stage-III	800
Nabinagar STPP Stage II	800
Telangana STPP stage-II	400
Jhabua STPP stage-II	400
Total	**2400**

5.19. It is further submitted that that the Petitioner GUVNL has conveyed its in-principle approval to GSECL for the tie-up of 2400 MW power from the proposed new Super Critical Thermal Power Projects, comprising 800 MW each at Gandhinagar, Sikka and Ukai Thermal Power Stations, under Section 62 of the Electricity Act.

5.20. The Petitioner GUVNL has conveyed its in-principle approval for Procurement of power from GIPCL's 700 MW Lignite Project at Valia.

5.21. The Petitioner GUVNL has received allocation of 907 MW capacity from various hydro power Stations of NHPC for which PPA has also been signed. Further, GUVNL has sought maximum allocation from Hydro Projects aggregating to project capacity of 4182 MW capacity to be set up by NHPC, THDC, NEEPCO, etc. which is yet pending for allocation.

5.22. The Petitioner GUVNL / Gujarat has received coal allocation equivalent to 4000 MW capacity from Ministry of Coal under SHAKTI Scheme of Ministry of Power and GUVNL is in advance stage of undertaking Tendering for procurement of power.

5.23. Allocation has been sought for 1000 MW from Nuclear power project to be set-up by ASHVINI (JV of NPCIL and NTPC). Therefore, GUVNL has taken steps for meeting the future power demand of the State.

6. Heard the parties. Based on the Petition, objections and submissions, the following issues arise for consideration of the Commission:

1. Whether the Petition under Section 86(1)(b) read with Section 62 of the Electricity Act, 2003 falls within the jurisdiction of the Commission or not?
2. Whether extension of the PPA for operational transferred generating stations aggregating to 2912 MW is justified?
3. Whether the age and useful life of the stations require rejection of the proposed extension?
4. Whether low PLF and RSD operation justify denial of PPA extension?
5. Whether fixed cost burden on consumers warrants rejection or modification of the Supplemental PPA?
6. Whether R&M expenditure and efficiency concerns affect approval of the Supplemental PPA?

7. Now we deal with the aforesaid issues serially as under;

Issue 1 : Whether the Petition under Section 86(1)(b) read with Section 62 of the Electricity Act, 2003 falls within the jurisdiction of the Commission or not?

7.1 The present Petition has been filed under Section 86(1)(b) read with Section 62 of the Electricity Act, 2003. Section 86(1)(b) empowers the Commission to regulate electricity purchase and procurement process of distribution licensees, including the price at which electricity is procured from generating companies, licensees or other sources.

7.2 GUVNL undertakes bulk power procurement for the distribution licensees of the State. The Supplemental PPA dated 18.02.2025 concerns continuation of procurement from GSECL's transferred generating stations. Therefore, the Petition falls squarely within the Commission's regulatory jurisdiction.

7.3 The Commission also notes that tariff for these stations is determined under Section 62 of the Act and the applicable tariff regulations. Therefore, approval of the Supplemental PPA does not amount to automatic approval of all tariff components. Tariff determination and true-up shall continue to be governed by the applicable Regulations and tariff orders.

7.4 In view of the above the Commission decides to proceed to approve the supplemental PPA in terms of this Order.

Issue 2: Whether extension of the PPA for operational transferred generating stations aggregating to 2912 MW is justified?

7.5 We note that the PPA dated 07.01.2010 was originally for 15 years from 01.04.2010 to 01.04.2025. Article 2.3.2 of the PPA specifically contemplates extension on mutually agreed terms including period of extension, tariff, capacity and operating characteristics. The extension clause therefore does not create automatic continuation on identical terms. It permits fresh consideration of the terms of extension.

7.6 The Commission notes that out of the original transferred capacity, several units have already been retired. The present extension is sought only for operational stations aggregating to 2912 MW.

7.7 The Commission further notes that the extension is not indefinite. It is only up to 01.04.2030 or actual useful life of the respective plant/unit, whichever is earlier.

7.8 The Commission accepts the submission of GUVNL and GSECL that these stations provide firm, dispatchable and in-State capacity. Such capacity remains relevant for system reliability, peak support and renewable energy balancing.

7.9 The Commission also takes note of the CEA advisory dated 20.01.2023 relied upon by GUVNL and GSECL, advising that thermal units may not be retired till 2030 and that R&M may be undertaken to ensure availability. This advisory is not determinative by itself, but it is a relevant system-planning factor.

7.10 In view of the above the Commission finds that extension of the PPA for operational transferred generating stations aggregating to 2912 MW is justified, subject to conditions imposed in this Order.

Issue 3: Whether the age and useful life of the stations require rejection of the proposed extension?

7.11 FGI has contended that the stations have completed their normative useful life and therefore should be discarded.

7.12 The Commission is not inclined to accept this objection as an absolute proposition. Completion of normative useful life does not automatically require retirement if the station is operational, available, compliant with applicable norms and required for reliability.

7.13 The question is not whether the stations are old. The relevant question is whether their continued operation, under regulated tariff and prudence check, serves the power system and consumer interest during the transition period.

7.14 The Commission finds that, in the present fact-situation, continued availability of these stations till 2030 or actual useful life, whichever is earlier, is prudent, particularly because new capacity addition requires lead time and renewable integration requires balancing resources.

7.15 In view of the above, the Commission decides that age of the stations does not by itself justify rejection of the Supplemental PPA. However, age and completion of the original PPA term are relevant for moderating RoE, as discussed separately.

Issue 4: Whether low PLF and RSD operation justify denial of PPA extension?

7.16 FGI has submitted that low PLF shows that the stations remain under RSD for substantial periods and that consumers pay fixed cost without actual generation.

7.17 The Commission notes that PLF depends on scheduling by SLDC as per Merit Order Dispatch, grid demand, renewable energy generation, must-run status of renewable

power and system conditions. A generating station may have low PLF but may still be required to remain available for dispatch during peak or contingency conditions.

7.18 Under the applicable tariff framework, fixed cost recovery is linked to availability and not actual generation. This principle recognises that fixed cost represents the cost of keeping capacity available for dispatch.

7.19 Therefore, low PLF cannot be the sole basis to deny extension of the PPA, particularly when the stations are required for reliability and balancing purposes.

7.20 Accordingly, the objection based on low PLF is rejected. Fixed cost recovery shall, however, remain subject to availability norms and prudence check under the MYT Regulations.

Issue 5: Whether fixed cost burden on consumers warrants rejection or modification of the Supplemental PPA?

7.21 The Commission agrees that consumer interest is central to approval under Section 86(1)(b). The Commission is not required to mechanically approve every PPA or extension merely because the parties have executed it.

7.22 At the same time, consumer interest cannot be viewed only through short-term tariff comparison. Reliability, adequacy, peak support, grid security and availability of firm power are also components of consumer interest.

7.23 GUVNL has submitted that the total tariff of transferred coal-based stations is generally comparable with recent medium-term and long-term procurement discovered rates. It has also submitted that market purchase during peak hours is uncertain and volatile.

7.24 The Commission accepts that power exchanges cannot be treated as a reliable substitute for firm contracted capacity, especially for meeting large evening peak requirements. However, considering the age of the assets and completion of the original PPA term, the Commission finds it necessary to impose a tariff-moderating

condition by reducing RoE from 13% to 11% as deliberated in substantive part of this Order.

7.25 Hence, the fixed cost concern does not warrant rejection of the PPA extension. It warrants conditional approval with RoE moderation.

Issue 6: Whether R&M expenditure and efficiency concerns affect approval of the Supplemental PPA?

7.26 FGI has objected to substantial R&M expenditure on old stations. GSECL and GUVNL have submitted that R&M has improved performance and that capex has been approved or will be examined in tariff proceedings.

7.27 The Commission holds that R&M expenditure cannot be treated as a ground for rejecting the Supplemental PPA. If R&M has been undertaken for efficiency, reliability or life extension, the prudence of such expenditure must be examined in tariff proceedings in accordance with applicable Regulations.

7.28 Approval of the Supplemental PPA does not amount to automatic approval of R&M expenditure. All capex, additional capitalisation and related tariff impact shall be subject to prudence check.

7.29 In view of the above, the Commission decides that R&M expenditure shall be dealt with in tariff proceedings. It does not justify rejection of the Supplemental PPA.

8. We further note the submission of GSECL that coal-based stations have FSAs with SECL and WCL and that no penalty has been paid in recent years for lower coal off-take. Existence of fuel supply arrangements supports reliability of these stations. Any penalty, fuel cost or related claim shall be considered only in tariff proceedings subject to prudence check. Accordingly, Fuel supply concerns also do not justify rejection of the PPA extension.

9. We note that FGI has requested directions regarding disposal of retired units and passing on salvage value to consumers. In this regard it is to state that retired units

are not the subject matter of the present Petition. The present Petition concerns only operational transferred generating stations aggregating to 2912 MW. Therefore, the issue of disposal of retired units is outside the limited scope of the present proceeding. GSECL may take appropriate action in accordance with law, accounting principles and applicable tariff treatment.

10. The PPA dated 07.01.2010 itself does not confer an unconditional or automatic right of extension on identical terms. Article 2.3.2 specifically provides that extension may be on such terms including period of extension, tariff, capacity and operating characteristics as the parties may mutually agree.

10.1 In view of the forgoing discussion, the Commission decides to approve the supplementary PPA dated 18.02.2025 for extension of PPA dated 07.01.2010 for transfer power station having a total capacity of 2912 MW for further period upto 01.04.2030 or the actual useful life of the plant whichever is earlier. However Commission also considers the concerns of the stakeholder about fixed cost burden of old power plants on the consumers. The Commission notes that said PPA does not confer any unconditional or automatic right upon GSECL to continue the arrangement on the same tariff terms during the extended period. On the contrary, Article 2.3.2 of the PPA expressly contemplates that, upon notice for extension, the parties shall discuss extension on such terms including the period of extension, tariff, capacity and operating characteristics as may be mutually agreed. Thus, the original PPA itself recognises that extension is not a mere continuation of the earlier arrangement, but a fresh contractual and regulatory arrangement requiring consideration of tariff-related terms for the extended period. The Supplemental PPA dated 18.02.2025 is also expressly subject to approval of the Commission. Therefore, while considering approval under Section 86(1)(b) of the Electricity Act, 2003, the Commission is required to examine not only the need for continuation of procurement from these stations, but also whether the tariff consequences of such continuation are prudent, economical and consistent with consumer interest.

10.2 The Commission notes that the generating stations covered under the Supplemental PPA are not new generating assets. They are old transferred generating stations which have already served the State power system for several decades. Some of the units forming part of the present portfolio were commissioned as early as 1979 and

are, therefore, more than four decades old. The present approval is consequently not comparable to approval of tariff for a fresh greenfield generating station, where higher normative RoE may be required to attract new investment, compensate development risk and incentivise fresh equity deployment. The present case concerns existing, operational and aged assets which have already completed their original contractual arrangement and have substantially served their original regulatory and economic purpose.

10.3 The Commission is conscious that these stations continue to have system value. The extension is being approved because they provide dispatchable and regulated capacity within the State, which assists in meeting reliability requirements, peak demand, non-solar hour demand, grid security and renewable energy balancing. The basis of approval is, therefore, the continued usefulness of these stations during the transition period up to 01.04.2030 or actual useful life, whichever is earlier. However, where the continued availability of such aged assets is being retained in consumer interest, the tariff treatment during the extended period must also reflect their changed character and reduced risk profile. These are existing assets; they are already connected to the grid; their operating characteristics are known; their historical performance is available; fuel supply arrangements exist for coal-based stations; tariff continues to be regulated on normative principles; and recovery of fixed cost remains linked to availability under the MYT framework. Many of the risks ordinarily associated with new generation investment are therefore absent or substantially moderated.

10.4 The Commission notes that the Return on Equity is a regulated return allowed to compensate equity capital deployed in regulated utility assets and to incentivise investment, operation and maintenance during the normal economic or useful life of such assets. In the present case, the historical tariff treatment of these stations demonstrates that the core purpose of assured regulated RoE has already been substantially achieved. In the pre-unbundling period, the generation assets of erstwhile GEB were dealt with under the regulated reasonable-return framework. After unbundling, GSECL's generating stations, including the stations covered in the present Order, have consistently been dealt with under the regulated RoE framework. During the original PPA period from 01.04.2010 to 01.04.2025, the tariff

determination mechanism for these stations were governed under Section 62 of the Electricity Act, 2003 and the applicable GERC tariff regulations / orders.

The Commission considers it appropriate to examine and record the year-wise regulatory return / RoE treatment applicable to these assets / stations broadly stated as under:

Period / FY	**Regulated return / RoE treatment**	**Relevance to Stations in the present Petition**
FY 2004-05	Transition from GEB to successor entities	Present transferred stations moved into successor generating-company tariff framework.
FY 2005-06	RoE under regulated tariff framework at 12%	Stations became subject to generating-company tariff determination.
FY 2006-07	RoE under regulated tariff framework at 12%	Continued assured regulated return.
FY 2007-08	RoE under regulated tariff framework at 13%	Continued assured regulated return.
FY 2008-09	RoE under regulated tariff framework at 14%	Continued assured regulated return.
FY 2009-10	RoE under regulated tariff framework at 14%	Ukai, Gandhinagar, Wanakbori, KLTPS and hydro stations were dealt with under station-wise tariff treatment.
FY 2010-11	RoE under regulated tariff framework at 14%	Commencement year of the PPA dated 07.01.2010 from 01.04.2010.
FY 2011-12	RoE under regulated tariff framework at 14%	Assured RoE continued during original PPA term.
FY 2012-13	RoE under regulated tariff framework at 14%	Assured RoE continued.
FY 2013-14	RoE under regulated tariff framework at 14%	Assured RoE continued.
FY 2014-15	RoE under regulated tariff framework at 14%	Assured RoE continued.
FY 2015-16	RoE under regulated tariff framework at 14%	Assured RoE continued.
FY 2016-17	RoE under regulated tariff framework at 14%	Assured RoE continued under the GERC MYT Regulations, 2016.
FY 2017-18	RoE under regulated tariff framework at 14%	Assured RoE continued.
FY 2018-19	RoE under regulated tariff framework at 14%	Assured RoE continued.
FY 2019-20	RoE under regulated tariff framework at 14%	Assured RoE continued.
FY 2020-21	RoE under regulated tariff framework at 14%	Assured RoE continued during original PPA term.

FY 2021-22	RoE under regulated tariff framework at 14%	Assured RoE continued during original PPA term.
FY 2022-23	RoE under regulated tariff framework at 14%	Assured RoE continued for transferred generating stations.
FY 2023-24	RoE under regulated tariff framework at 14%	Assured RoE continued immediately before expiry of original PPA term.
FY 2024-25	RoE under regulated tariff framework at 14%	Last year of original PPA term; assured RoE continued up to the expiry of the original arrangement.
FY 2025-26 to FY 2029-30	Base RoE at 13%, grossed up to post-tax RoE of 14.68%, considered in MYT Order	MYT approval was prior to approval of the Supplemental PPA and shall be aligned with the present conditional approval.

The above historical position is material. It shows that the transferred generating stations have not been deprived of regulated return during their original regulatory and contractual life. On the contrary, they have received assured regulated return treatment through successive tariff periods, generally at 14% under the earlier GERC MYT framework up to FY 2024-25, and thereafter at 13% base RoE under the GERC MYT Regulations, 2024 for the Control Period FY 2025-26 to FY 2029-30. The Commission therefore finds that the core purpose of allowing higher assured RoE in the regulated regime, namely to provide reasonable return on equity capital during the useful life and original contractual / regulatory life of the generating assets, has substantially stood satisfied.

10.5 The Commission is also conscious of the statutory framework under Section 61 of the Electricity Act, 2003. Section 61 requires the Commission, while specifying terms and conditions for determination of tariff, to be guided by the principles and methodologies specified by the Central Commission for generation and transmission tariff. However, Section 61 also requires the Commission to be guided by commercial principles, efficiency, economical use of resources, good performance, optimum investment, safeguarding of consumer interest and recovery of cost of electricity in a reasonable manner. The statutory exercise is therefore one of balanced tariff determination. The Central Commission's norms are important guiding benchmarks, but the State Commission is also required to apply its own notified tariff regulations and account for State-specific circumstances, including the age of assets, the nature of procurement, consumer interest and the purpose for which extension is being approved.

10.6 In this context, the GERC MYT Regulations, 2024 provide the immediate tariff framework for the extended period from 01.04.2025 to 31.03.2030. Regulation 35 adopts a structure of Base RoE and Additional RoE linked to actual performance. Regulation 35.2 specifies Base RoE at 13% per annum. At the same time, the proviso to Regulation 35.2 expressly recognises that a generating company may claim RoE at a rate lower than the normative rate for a particular year, provided such claim is unconditional and the reduction is permanently foregone and not recouped at the stage of Mid-Term Review or true-up. The Regulations therefore themselves contemplate that normative RoE is not an inflexible figure in every factual situation and that a lower RoE may be adopted where the generating company agrees to such treatment.

10.7 The Commission considers that the present case is an appropriate case for applying the lower-RoE mechanism recognised under Regulation 35.2. The extension is being granted because the stations continue to have system value, not because they require the same investment incentive as a new project. Consumers have already borne regulated return on these assets over the original regulatory period and the original PPA term. During the extended period, consumer interest requires that the tariff reflect both the continued reliability value of these stations and their aged, lower-risk character. Therefore, as per our considered view, this is the proper case to consider eligibility for lower RoE. Reduction of RoE from 13% to 11% appropriately balances these considerations. It permits continued availability of dispatchable capacity while moderating the fixed cost burden for consumers.

10.8 The Commission also clarifies the relationship between the present Order and the MYT Order of GSECL for FY 2025-26 to FY 2029-30. The MYT tariff for these stations was approved before the Supplemental PPA was approved in the present proceedings. At that stage, the tariff was considered on the basis of the then applicable MYT framework and before the Commission had occasion to examine the terms on which the PPA should be extended beyond 01.04.2025. The earlier MYT approval, therefore, cannot be construed as conferring an indefeasible right upon GSECL to claim Base RoE at 13% for the extended PPA period. Once the Supplemental PPA is approved subject to the specific condition of 11% RoE, tariff treatment during the extended period must be aligned with this Order.

10.9 Accordingly, the Commission approves the Supplemental PPA dated 18.02.2025 for extension of the PPA dated 07.01.2010 up to 01.04.2030 or actual useful life of the respective station / unit, whichever is earlier, subject to the condition that Return on Equity for Ukai Units 3 to 5, Gandhinagar Units 3 and 4, Wanakbori Units 1 to 6, KLTPS Unit 3, Ukai Hydro and Kadana Hydro totalling to 2912 MW shall be restricted to 11% during the extended period. GSECL shall submit an unconditional undertaking to the Procurer, GUVNL, under intimation to the Commission, within 30 days from the date of this Order, stating that it shall claim RoE at 11% instead of the normative RoE for the transferred generating stations covered under the Supplemental PPA; that such claim shall be voluntary and unconditional; that the reduction from normative RoE shall be permanently foregone for the relevant period; and that the same shall not be recouped at the time of Mid-Term Review, truing-up or in any subsequent tariff proceeding. To give effect to this condition, GUVNL and GSECL shall incorporate a suitable modification in the Supplemental PPA under intimation to the Commission.

10.10 While undertaking Mid-Term Review and / or truing-up for FY 2025-26 to FY 2029-30, Base RoE for the transferred generating stations covered under the Supplemental PPA shall be considered at 11% and not 13%. For FY 2024-25, RoE shall be considered in accordance with the earlier approved framework up to 17.02.2025 and at 11% from 18.02.2025, being the date of execution of the Supplemental PPA. The reduction from normative RoE shall be permanently foregone and shall not be recouped in any subsequent proceeding.

11. Order accordingly.

12. With this Order, the present Petition stands disposed of.

Sd/-
[Hiren Shah]
Member

Sd/-
[Pankaj Joshi]
Chairman

Place: Gandhinagar.

Date: 26/05/2026.