BEFORE THE GUJARAT ELECTRICITY REGULATORY COMMISSION
GANDHINAGAR

Petition No. 2434 of 2024.

In the Matter of:

Petition under Section 86 (1) (b) read with Section 62 of the Electricity Act, 2003 for approval of the Supplemental PPA dated 13.11.2024 for extension of PPA dated 22.01.1997 for 210 MW Unit 7 Wanakbori Thermal Power Station for further period up to 01.04.2030 or the actual useful life of the plant whichever is earlier.

Petitioner : Gujarat Urja Vikas Nigam Limited

Represented By : Ld. Adv. Ms. Rupinder Kaur alongwith Mr. Sanjay Mathur and Mr. H.P. Patel

V/s.

Respondent : Gujarat State Electricity Corporation Limited

Represented By : Mr. Nitin Kansara, Mr. A.B. Tadvi and Mr. H.N. Bhatt

CORAM:

Pankaj Joshi, Chairman
Hiren Shah, Member

Date: 17/06/2026.

ORDER

1. The Petitioner has filed the present Petition seeking following reliefs

inter-alia:

(a) *To admit the present petition.*

(b) *To approve the Supplemental Power Purchase Agreement dated 13.11.2024.*

(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 is 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 also a Company incorporated under the provisions of the Companies Act, 1956 and also a generating company within the meaning of Section 2 (28) of the Electricity Act, 2003.

2.3. Pursuant to the reorganization 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 Petitioner GUVNL and the Respondent GSECL had entered into the PPA on 22.01.1997 for supply of power from the Wanakbori Thermal Power Station - 210 MW Unit No. 7 for a period of 25 years.

2.5. The subsequent developments in regard to the aforesaid PPA are as under:

(a) The erstwhile GEB vide letter dated 12.05.1999 had communicated certain amendments which had been accepted by GSECL.

(b) In pursuance to the Order dated 10.10.2000 in Petition No. 19 of 1999 by the Commission for reduction of costs from Independent Power Producers, the Negotiating Committee was constituted and the revised terms after re-negotiation were placed before the Commission in Petition No. 90 of 2002 and the Commission vide Order dated 22.12.2005 held that the directions in the Order dated 10.10.2000 had been complied with.

(c) In Minutes of Meeting dated 03.12.2004, the recommendations of the Negotiating Committee held by Mr. Shelat, Advisor to the Chief Minister were decided to be implemented from December 2004 and the recommendations were so implemented.

(d) Government of Gujarat vide letter dated 06.10.2006 has decided for change in return on equity to 13% with effect from 01.04.2006 and this was so implemented.

(e) 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 WTPS Unit 7 also.

2.6. Article 8 of the PPA dated 22.01.1997 *interalia* recognizes that the term

can be extended by mutual consent and that all provisions of this agreement shall continue till its renewal or replacement.

2.7. It is stated that the tariff for the Unit 7 WTPS is determined by the Commission under Section 62 of the Electricity Act, 2003.

2.8. The Respondent GSECL vide its letter dated 28.03.2024 requested the Petitioner GUVNL for extending the validity of the PPA at the same terms and conditions for a further period of 10 years.

2.9. GUVNL has examined the GSECL's proposal and agreed to extend the PPA in regard to GSECL's WTPS Unit 7 till 01.04.2030 or actual useful life of the project, whichever is earlier. The said agreement was subject to the approval of the Commission.

2.10. The proposal for procurement of power from WTPS 7 Station was placed before Board of Directors of GUVNL for approval. The Board deliberated the matter and through B.R. No. 135.12/2183 dated 26.06.2024 has accorded approval to the purchase from 210 MW Unit 7 WTPS subject to approval from the Commission.

2.11. It is submitted that after due approval of the Board of GUVNL, a Supplementary Power Purchase Agreement dated 13.11.2024 has been executed between GSECL and GUVNL for extension of the PPA period, subject to approval of the Commission.

2.12. That at present, the Respondent GSECL is supplying electricity to GUVNL and GUVNL is processing the invoices as per the Tariff Order, subject to reconciliation based on the approval of the Commission.

2.13. It is stated that the WTPS Unit-7 is one of the most reliable units in order

to meet the base load demand in the State of Gujarat. The Unit 7 has been consistently operating at rated load. The details of the performance of the unit during the last few years is as under:

Sr. No.	Year	PAF (%)		PLF (%)		SHR (Kcal/ Kwh)		Aux. Cons. (%)	
		Approved	Actual	Approved	Actual	Approved	Actual	Approved	Actual
1	2020 -21	85	95.8	70.00	31.14	2460	2466	9.5	10.06
2	2021 -22	85	87.0	70.00	64.8	2460	2488	9.5	10.08
3	2022 -23	85	77.6	70.00	68.99	2460	2519	9.5	10.51
4	2023 -24	85	91.97	67.08	76.25	2460	2458*	9.5	9.56*
5	2024 -25 [till Sep 24]	85	90.60	70	69.76	2460	2466*	9.5	9.58*

** Provisional data as received from GSECL.*

2.14. The said Project is based on domestic coal and GSECL also has the fuel supply agreement already in place for WTPS as under:

Name of Supplier	Annual Contracted Quantity (LMT)	Validity of FSA
SECL	78.20 LMT	Till 31st March 2029 (Likely to be further extended beyond 2029)
WCL	7.00 LMT	Till 30th March 2041.

2.15. It is stated that the tariff for the GSECL Unit 7 WTPS is determined by the Commission. As per the Tariff Order dated 31.03.2023 for FY 2023-24, the fixed cost was Rs. 0.53 per unit and the variable charges was Rs. 4.10 per unit. As per the Tariff Order dated 01.06.2024, the net fixed charges are Rs. 84.33 crores [normative fixed cost works out to Rs. 0.60 per unit] and energy charges are Rs. 4.885 per unit. In terms of the above, the WTPS unit had been scheduled as per the Merit Order Dispatch protocol.

2.16. It is submitted that the above tariff does not include the costs for FGD. GSECL has not yet installed the FGD which may involve costs. The indicative expenditure for FGD as claimed by GSECL is as under:

Sr. No.	Project Details	Estimated Cost	Status
1	FGD Installation at WTPS Unit No. 7	Rs. 0.93 Cr/MW	The approval is awaited
2	SCR Installation at WTPS Unit No. 7	--	Not required

2.17. However, as of now, there is no confirmation and therefore at this stage the indicative cost is provided. Recently in Niti Aayog, it was indicated that the FGD may not be necessary. 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.

2.18. It is further stated that there is a 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.

2.19. 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.

2.20. In view of the above and in accordance with Section 86 (1) (b) of the Electricity Act 2003, the Petitioner has filed the present Petition for approval regarding extension of period of PPA dated 22.01.1997 as amended and approval of the Supplementary Agreement dated

13.11.2024 in regard to the procurement of power of 210 MW from WTPS Unit 7 Thermal Power Plant of GSECL.

3. The Commission vide Daily Order dated 27.06.2025 and 22.09.2025, in the present matter sought certain details from the Petitioner and Respondent in relation to the current market price, the reasons for higher tariff for Wanakbori Unit No. 7, why there is delay on part of GUVNL and GSECL to approach the Commission when the PPA in respect to 210 MW WTPS Unit No. 7 was expired in the month April 2024 along with the reasons and justification for such delay and during the non-existing period of PPA and whether the Petitioner has paid the amount to the Respondent for energy supplied by the Respondent. The Commission further sought details and justification showing that how the tariff discovered in the country in different bids and agreed between the parties are prevailing market aligned tariff with consideration of the transmission charges/losses etc. and proposed tariff agreed between the parties. The Commission also directed the Petitioner to issue public notice for inviting comments and suggestions from the stakeholders in the present matter.

4. Pursuant to the directions issued by the Commission vide Daily Orders dated 27.06.2025 and 22.09.2025, the Petitioner GUVNL filed affidavits dated 04.07.2025, 29.07.2025 and 03.10.2025, and the Respondent GSECL filed affidavit dated 01.10.2025 and 01.11.2025, placing on record the details sought by the Commission. The submissions made by the Petitioner and the Respondent in the said affidavits are summarised as under:

4.1 The Petitioner submitted that, it has published public notices inviting

comments/suggestions/objections from stakeholders in one English Newspaper i.e. "The Indian Express" on 01.07.2025 and in two daily Gujarat Newspaper i.e. "Sandesh" and "Divya Bhaskar" on 01.07.2025, having circulation in the State of Gujarat. The Petitioner has also uploaded the public notice and copy of the Petition on its website. It is further submitted that no comments/objections/suggestions were received from any stakeholder in response to the said public notice within stipulated period of 15 days of issuance of the notice.

4.2 It is further submitted that the Commission, vide Tariff Order dated 31.03.2025, has approved the tariff for WTPS Unit-7 with per unit normative fixed cost of Rs. 0.63/kWh and per unit variable cost of Rs. 4.72/kWh for FY 2025-26. It is submitted that the variable cost of WTPS Unit-7 is on the higher side mainly because the Unit is old and its Station Heat Rate is slightly higher. It was further submitted that the Unit is located far from the coal source and transportation cost is also high, therefore variable cost is slightly higher. However, despite the said factors, WTPS Unit-7 is regularly scheduled by SLDC under Merit Order Dispatch protocol and procurement from the said Unit provides an economical, reliable and flexible option.

4.3 The Petitioner submitted the indicative tariff (Rs./Kwh) for upcoming Coal projects, which is as under:

Sr No	Developer	Project	Fixed Cost	Variable Cost	Tariff at Generator level	Estimated Landed Tariff at Gujarat Periphery
1	NTPC	Talcher - III	2.12	1.48	3.60	4.24
2	Damodar Valley Corporation	RTPS - II	1.98	2.13	4.11	4.75
3	NTPC	Sipat – III	2.15	1.4	3.55	4.19
4	Damodar Valley Cor.	Koderma TPS – II	2.00	1.77	3.77	4.41

5	Damodar Valley Cor.	Durgapur TPS – II	2.16	1.90	4.06	4.70
6	NTPC	Nabinagar STPP - II	2.61	2.35	4.96	5.60
7	NTPC	Telangana STPP - II	3.00	2.70	5.70	6.34
8	NTPC	Jhabua Power Limited	3.17	2.79	5.96	6.60

The tariff are indicative as conveyed by project developers and actual tariff will be determined by Regulatory Commission based on actual project costs.

4.4 The Petitioner further referred to tariff approved/discovered in other States i.e. Maharashtra Electricity Regulatory Commission, vide their Order dated 26.09.2024 in Petition No 155 of 2024, has approved the tariff of Rs 5.39 /Kwh in terms of Section 63 of Electricity Act 2003 for long term power procurement of 1230 MW from thermal power station for the period of 25 years.

4.5 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.

4.6 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.

4.7 It submitted the details of major discovered tariff under Medium term tenders on DEEP portal, as under:

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

4.8 The Petitioner further submitted that prices discovered on Power Exchanges are volatile and are primarily driven by the dynamic demand-supply position across the country. This volatility makes reliance on Power Exchanges an uncertain and impractical option for meeting large-scale, time-critical power requirements. It was submitted that during evening peak hours, Market Clearing Price frequently touches the ceiling rate of Rs. 10/kWh and despite such high prices, the power clearance remains extremely limited on many days due to mismatch between buy bids and sell bids, leading to pro-rata allocation. Therefore, even if the Petitioner places bids for substantial quantum of power, actual allocation may remain marginal and insufficient to meet real-time demand.

4.9 It is submitted that the challenge is further exacerbated by the variability in Renewable Energy 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 evening peak hours, its power demand generally ranges from 1500 MW to 2500 MW and occasionally exceeds 2500 MW,

whereas the total quantum of power available in the national market during such hours may be only around 3000 MW to 4000 MW. Therefore, it is difficult and practically unachievable to source 2000 MW or more power solely through Power Exchanges during such periods. The limited availability and low clearance rates undermine the feasibility of meeting peak demand through market.

4.10 It is stated that Round the Clock ("RTC") market prices are subject to daily fluctuations based on the nationwide power situation, making it difficult to predict or plan economic power procurement through this route. The average RTC rate for the year 2024 was around Rs 5.22 per Unit, including 3.5% Transmission loss and Transmission Charges. Further, if we opt for RTC, the payment is to be made instantly It was further submitted that RTC procurement is not always aligned with system requirements. Procuring RTC power implies that the Petitioner would receive power even during solar hours when the grid is already saturated with must-run solar generation that cannot be curtailed. This results in power surplus during off-peak hours, putting stress on the grid and causing financial inefficiencies that ultimately burden end consumers.

4.11 In contrast, power sourced from dedicated stations like WTPS-7 Plant provides operational flexibility and seems controllable on several occasions at the Petitioner'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. The Petitioner further submitted that, as per the Resource Adequacy Report published by the Central Electricity Authority (CEA), the Petitioner is mandated to tie up long-term power capacity to meet its future demand obligations to cater

uninterrupted power to the State consumer.

4.12 The Petitioner submitted that as per the GERC Guidelines for Procurement of Power by Distribution Licensees, distribution licensees are required to have long-term/medium-term tie-up to meet load requirement of at least 75% duration of the fifth year and at least 85% duration of the third year. Therefore, adequate tie-up at reasonable cost is necessary to ensure uninterrupted power supply to consumers.

4.13 It is submitted that considerable renewable energy capacity 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 materialized until after 2028.

4.14 With regard to delay in filing the present Petition for approval of the Supplemental PPA dated 13.11.2024, the Petitioner submitted that the delay was not deliberate but was on account of procedural and administrative steps involved in finalising and executing the Supplemental PPA. It was submitted that GSECL's request for extension of the PPA for WTPS Unit-7 was received on 28.03.2024. Upon receipt of the same, the Petitioner initiated internal process and the proposal was placed before its Board' meeting held on 13.06.2024. The Board Resolution approving the extension was issued on 26.06.2024.

4.15 It is further submitted that after Board approval, the draft Supplemental

PPA was prepared and sent for legal vetting on 03.07.2024. The legally vetted version was received on 27.08.2024. After internal approval of the draft Supplemental PPA on 02.09.2024, the Supplemental PPA was executed on 13.11.2024. Thereafter, the Petition was prepared, legally vetted and submitted for final internal approval, following which the same was filed before the Commission on 13.12.2024. The Petitioner therefore submitted that it had acted with due diligence at each stage and that the delay, if any, was neither intentional nor avoidable and was purely procedural.

4.16 With regard to payment for energy supplied after expiry of the original PPA, the Petitioner submitted that after expiry of the original PPA dated 22.01.1997 in April 2024, GSECL continued to generate and supply power from WTPS Unit-7 in order to meet the power demand of the State of Gujarat. The Petitioner relied upon Article 8.1 of the PPA dated 22.01.1997, which provides that the Agreement shall remain in force for 25 years from the effective date unless terminated earlier pursuant to the other provisions thereof. The term can further be extended by mutual consent and all other provisions of this Agreement shall continue to operate till its renewal or replacement.

4.17 It is submitted that although the Supplemental PPA was executed subsequently on 13.11.2024, the Petitioner, relying on the mandate of the Condition 8.1 of Article 8 of the PPA, and the tariff Order dated 31.03.2025 determined for the subject WTPS-7 Plant, the Petitioner continued to supply of electricity from WTPS-7, made payments to GSECL during the said period. It was submitted that such payments were made in good faith and in continuation of the contractual relationship under the PPA dated 22.01.1997, which governed the procurement of

power from WTPS-7 until its expiry. Pending execution and approval of the SPPA, the said payments were made provisionally, in line with the regulated tariff which stands determined upto FY 2029-30.

4.18 With regard to details and justification showing how the tariff of WTPS Unit-7 is different from tariff discovered in the country in different bids and whether the tariff agreed between the parties is market aligned after considering transmission charges/losses, the Petitioner, GUVNL, has submitted the details as under:

TABLE-A

Sr.	***Developer***	***Project***	***Fixed Cost***	***Variable Cost***	***ISTS Charges @266883 Rs./Mwh***	***ISTS Losses at 3.72%***	***Tariff at Generator Level***	***Estimated Landed Tariff at Gujarat Periphery***
1.	*NTPC*	*Talcher-III*	*2.12*	*1.48*	*0.44*	*0.15*	*3.6*	*4.19*
2.	*Damodar Valley Corporation*	*RTPS-III*	*1.98*	*2.13*	*0.44*	*0.17*	*4.11*	*4.72*
3.	*NTPC*	*Sipat-III*	*2.15*	*1.4*	*0.44*	*0.15*	*3.55*	*4.13*
4.	*Damodar Valley Corporation*	*Koderma TPS-II*	*2*	*1.77*	*0.44*	*0.16*	*3.77*	*4.36*
5.	*Damodar Valley Corporation*	*Durgapur TPS-II*	*2.16*	*1.9*	*0.44*	*0.17*	*4.06*	*4.66*
6.	*NTPC*	*Nabinagar STPP-II*	*2.61*	*2.35*	*0.44*	*0.20*	*4.96*	*5.60*
7.	*NTPC*	*Telangana STP P-II*	*3*	*2.7*	*0.44*	*0.23*	*5.7*	*6.36*
8.	*NTPC*	*Jhabua Power Limited*	*3.17*	*2.79*	*0.44*	*0.24*	*5.98*	*6.36*

The above the tariff are indicative as conveyed by project developers and actual tariff will be determined by Regulatory Commission based on actual project costs.

4.19 The Respondent, GSECL, submitted that the PPA was signed on 22.01.1997 between GSECL (The seller) and Erstwhile GEB (The

procurer) for purchase of power from 210 MW Unit no. 7 Wanakbori Thermal Power Station. The PPA term was 25 years and expired on 01.01.2024. As per the mutual consent, GSECL and GUVNL have signed supplementary PPA for purchase of power from this unit further period up to 01.04.2030 or till the actual useful life of the project whichever is earlier at the same terms & conditions of the original PPA.

4.20 The Respondent further submitted that 210 MW WTPS-Unit-7 mostly operates at the rated load and is one of the most efficient stations. The performance of WTPS-Unit-7 is mostly in line with the approved parameters. Further, WTPS-Unit-7 is being regularly scheduled by SLDC to meet demand of the State. The actual performance parameters observed during last five years has also been submitted, which are as under:

Sr. No.	***Year***	***PAF (%)***		***SHR (Kcal/kWh)***		***Aux. Cons. (%)***	
		Approved	***Actual***	***Approved***	***Actual***	***Approved***	***Actual***
1	*2020-21*	*85%*	*95.86%*	*2460*	*2466*	*9.5%*	*10.06%*
2	*2021-22*	*85%*	*87.03%*	*2460*	*2488*	*9.5%*	*10.08%*
3	*2022-23*	*85%*	*77.62%*	*2460*	*2519*	*9.5%*	*10.51%*
4	*2023-24*	*85%*	*91.97%*	*2460*	*2458*	*9.5%*	*9.56%*
5	*2024-25*	*85%*	*81.64%*	*2460*	*2462*	*9.5%*	*9.86%*
6	*2025-26 (Upto August 2025)*	*85%*	*96.49%*	*2460*	*2463*	*9.5%*	*10.92%*

4.21 It submitted that the fixed cost of WTPS Unit-7 approved by the Commission for FY 2025-26 is Rs. 89.59 crore. Accordingly, per unit fixed cost at normative plant availability factor works out to Rs. 0.63 per kWh only. The variable cost of power of this unit is Rs. 4.72 per kWh as

approved by the Commission for FY 2025-26 to FY 2029-30 vide Tariff Order dated 31.03.2025 in Petition No. 2418 of 2024.

4.22 It is further submitted that this unit is capable of supplying reliable power as and when required to meet base load demand as well as to meet the demand as and when required of the State. It further submitted that availability of power in bulk on Power Exchanges is not reliable and extremely uncertain. In fact, during morning & evening peaks, power available in the exchanges is grossly insufficient to meet the State demand. This puts the entire State in the risk of load shedding. Under such circumstances, WTPS Unit-7 is a reliable source of power for the State.

4.23 In case of procurement of power from power market platforms like IEX & PXIL, the additional cost of transmission charges & transmission losses of Western Region & GETCO's grid shall be added which thus increases the landed cost of power. Whereas Wanakbori TPS-Unit-7 is connected with GETCO's transmission system and no such additional losses/costs are applicable. This station is capable of meeting base load demand during non-solar hours and can be highly helpful in meeting heavy demand scenarios in the State. Approval of the Supplemental PPA is essential to ensure reliability of power supply to consumers of Gujarat.

4.24 The Respondent submitted that it has already planned implementation of R&M works for improvement of efficiency and performance of this unit even during low load conditions without oil support. The Commission has approved total capitalization of Rs. 214.87 crore during the MYT Control Period of FY 2025-26 to FY 2029-30. The R&M works

include boiler back-pass modification for flexible operation, refurbishment of Wagon Tippler No. 5, R&M of coal plant, coal feeding system and Primary Crusher House, Ash Plant PLC upgradation and modification of gravimetric feeders.

4.25 It is stated that that long-term Fuel Supply Agreements ensure coal supply during the entire PPA period and are important for ensuring round-the-clock power generation and supply reliability. Moreover, following Fuel Supply Agreement (FSA) is already in place for Wanakbori - TPS.

Name of Supplier	***Annual Contracted Quantity (LMT)***	***Validity of FSA***
SECL	*78.20 LMT*	*Till 31st March 2029 (Likely to be further extended beyond 2029)*
WCL	*7.00 LMT*	*Till 30th March 2041.*

4.26 In view of the performance of the unit, cost factors, fuel linkages and R&M works planned. GSECL requested the Commission to approve the Supplementary PPA dated 13.11.2024 in the interest of the consumers of the State as this unit is regularly scheduled and useful to meet the base load demand in the State.

5. Heard the parties. We have considered the submissions made by the Petitioner and the Respondent.

5.1. We note that the present Petition has been filed under Section 86(1)(b) read with Section 62 of the Electricity Act, 2003 seeking approval of the Supplemental PPA dated 13.11.2024 executed between GUVNL and GSECL for extension of the PPA dated 22.01.1997 in respect of 210 MW Unit No. 7 of Wanakbori Thermal Power Station.

5.2. We note that the Petitioner, GUVNL undertakes bulk power procurement for the distribution licensees of the State. The Respondent GSECL is a generating company within the meaning of Section 2(28) of the Electricity Act, 2003. The Supplemental PPA concerns about continuation of procurement of power from WTPS Unit-7 for distribution and supply within the State of Gujarat.

5.3. We further note the submission of the Respondent that WTPS Unit-7 is supplying power to GUVNL and that the Unit is regularly scheduled by SLDC to meet the demand of the State. Further, the fixed cost and variable cost of the Unit have been approved by the Commission in the Tariff Orders of GSECL.

5.4. We note that Section 86(1)(b) of the Electricity Act, 2003 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 through agreements for purchase of power for distribution and supply within the State. Further, tariff for WTPS Unit-7 is determined under Section 62 of the Electricity Act, 2003 and applicable tariff regulations.

5.5. Therefore, the present Petition falls within the jurisdiction of this Commission under Section 86(1)(b) read with Section 62 of the Electricity Act, 2003. The Commission also clarifies that approval of the Supplemental PPA does not amount to automatic approval of all tariff components. Tariff determination, Mid-Term Review and truing-up shall continue to be governed by the applicable Regulations and tariff orders of the Commission.

6. The Commission notes the submission of the Petitioner that the PPA dated 22.01.1997 was originally executed for a period of 25 years and Article 8.1 of the said PPA provides that the term of the Agreement may be extended by mutual consent of the parties. GUVNL examined the proposal of GSECL for extension of the PPA in respect of WTPS Unit-7 upto 01.04.2030 or actual useful life of the project, whichever is earlier. The proposal was placed before the Board of Directors of GUVNL and approval was accorded for purchase of power from WTPS Unit-7, subject to approval of the Commission. Pursuant thereto, the Supplemental PPA dated 13.11.2024 was executed between GUVNL and GSECL.

6.1. We further note the submission of the Petitioner that the Commission, in its Tariff Order dated 31.03.2025, approved tariff for WTPS Unit-7 with per unit normative fixed cost of Rs. 0.63/kWh and per unit variable cost of Rs. 4.72/kWh for FY 2025-26. It is submitted that the variable cost of WTPS Unit-7 is on the higher side mainly because the Unit is old and its Station Heat Rate is slightly higher. The Unit is located far from the coal source and transportation cost is also high, therefore variable cost is slightly higher. However, despite the said factors, WTPS Unit-7 is regularly scheduled by SLDC under Merit Order Dispatch protocol and procurement from the said Unit provides an economical, reliable and flexible option.

6.2. The Commission notes the submission of the Respondent that WTPS Unit-7 mostly operates at rated load and its operational performance is generally in line with the approved parameters. The Unit is regularly scheduled by SLDC and continues to contribute significantly towards meeting the demand of the State.

6.3. Further, availability of bulk power through Power Exchanges is uncertain, particularly during morning and evening peak periods, and therefore dependence on market purchases alone may not be sufficient to meet the demand of the State. Renovation and Modernization (R&M) works have been planned for improvement of efficiency and performance of WTPS Unit-7 and that the Commission has approved capitalization of Rs. 214.87 crore during the MYT Control Period FY 2025-26 to FY 2029-30. The Respondent has also stated about the Fuel Supply Agreements with SECL and WCL.

6.4. The Commission further notes the submissions of the Petitioner and the Respondent with regard to the CEA advisory dated 20.01.2023, wherein thermal generating units were advised not to retire before 2030 and necessary measures including R&M were recommended to ensure continued availability of generation capacity.

6.5. We note that the PPA dated 22.01.1997 contains a provision under Article 8.1 permitting extension of the Agreement by mutual consent of the parties. The Supplemental PPA dated 13.11.2024 has been executed between GUVNL and GSECL for extension of the PPA upto 01.04.2030 or actual useful life of the plant/unit, whichever is earlier. Thus, the proposed extension is for a defined period and not for an indefinite duration.

6.6. We further note that WTPS Unit-7 continues to remain operational and is regularly scheduled under the Merit Order Dispatch mechanism. The submissions of both the Petitioner and the Respondent indicate that the Unit continues to provide reliable and dispatchable generation capacity for meeting the demand of the State.

6.7. The Commission further notes that the variable cost of WTPS Unit-7 may be comparatively higher owing to the age and technical characteristics of the Unit, the overall assessment of competitiveness cannot be restricted only to variable cost. Factors such as landed cost of alternative power, transmission charges and losses, firmness of supply, reliability and dispatchability are also relevant considerations.

6.8. 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. The existence of Fuel Supply Agreements with SECL and WCL further supports continued operation of the Unit during the proposed extension period.

6.9. In view of the above facts, the Commission is of the considered view that extension of the PPA dated 22.01.1997 in respect of 210 MW Unit No. 7 of Wanakbori TPS upto 01.04.2030 or actual useful life of the plant, whichever is earlier, is justified, subject to conditions imposed in this Order.

7. In view of the forgoing discussion, the Commission decides to approve the Supplemental PPA dated 13.11.2024 for extension of the PPA dated 22.01.1997 in respect of 210 MW Wanakbori Thermal Power Station Unit-7 upto 01.04.2030 or actual useful life of the plant/unit, whichever is earlier. However, the Commission also considers the concerns of the stakeholder about fixed cost burden of old power plants on the consumers. The Commission notes that the said PPA dated 22.01.1997 itself does not confer an unconditional or automatic right of extension on

identical terms. Article 8.1 specifically contemplates extension by mutual consent and continuation till renewal or replacement. 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 13.11.2024 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 power procurement from WTPS Unit-7, but also whether the tariff consequences of such continuation are prudent, economical and consistent with consumer interest.

7.1 The Commission notes that WTPS Unit-7 covered under the Supplemental PPA is not a new generating asset. It is an old thermal generating unit which has already served the State power system for several years and has substantially served its original regulatory and economic purpose. 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 an existing, operational and aged generating asset which has already completed its original contractual arrangement and have substantially served its original regulatory and economic purpose.

7.2 The Commission is conscious that WTPS Unit-7 continues to have system value. The extension is being approved because it provides dispatchable

and regulated capacity within the State, which assists in meeting reliability requirements, base load requirement, peak demand, non-solar hour demand, grid security and renewable energy balancing. The basis of approval is, therefore, the continued usefulness of WTPS Unit-7 during the transition period upto 01.04.2030 or actual useful life, whichever is earlier. However, where continued availability of such aged asset is being retained in consumers' interest, the tariff treatment during the extended period must also reflect its changed character and reduced risk profile. The Unit is already connected to the grid; its operating characteristics are known; historical performance is available; fuel supply arrangements exist; 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.

7.3 The Commission notes that Return on Equity (RoE) 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 WTPS Unit-7 demonstrates that the core purpose of assured regulated RoE has already been substantially achieved. During the original PPA period, tariff determination mechanism for WTPS Unit-7 has consistently been governed under Section 62 of the Electricity Act, 2003 and applicable GERC tariff Regulations/Orders. The Unit has continuously received assured regulated return treatment under the applicable tariff framework for PPA based stations.

7.4 The Commission considers it appropriate to examine and record the year-wise regulatory return / RoE treatment applicable to WTPS Unit-7 broadly stated as under:

Period / FY	Regulated Return / RoE Treatment	Relevance to WTPS Unit-7
FY 2005-06	RoE under regulated tariff framework at 11.75%	Covered under PPA based station, RoE approved as per PPA.
FY 2006-07 to FY 2024-25	RoE under regulated tariff framework at 13%	Covered under PPA based station, RoE approved as per PPA.
FY 2025-26 to FY 2029-30	Base RoE at 13%, grossed up to post-tax RoE under MYT Order	MYT approval was prior to approval of the Supplementary PPA and shall be align with present conditional approval.

7.5 The above historical position is material. It shows that WTPS Unit-7 has not been deprived of regulated return during its original regulatory and contractual life. On the contrary, it has received assured regulated return treatment through successive tariff periods, generally at 13% under the applicable tariff framework for PPA based stations upto FY 2024-25 and thereafter, at 13% base RoE under GERC MYT Regulations, 2024 for 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 asset, has substantially stood satisfied.

7.6 The Commission is also conscious of the statutory framework under

Section 61 of the Electricity Act, 2003. Section 61 states that the Commission, while specifying terms and conditions for determination of tariff, to be guided by the principle and methodology specified by the Central Commission for generation and transmission tariff. However, Section 61 also states that the Commission to be guided by commercial principles, efficiency, economical use of resources, good performance, optimum investment, safeguarding consumers' 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, consumers' interest and the purpose for which extension is being approved.

7.7 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.

7.8 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 WTPS Unit-7 continues to have system value, not because it requires the same investment incentive as a new project. The Consumers have already borne regulated return on this generating asset over the original period and the original PPA term. During the extended period, consumers' interest requires that the tariff reflect both the continued reliability value of WTPS Unit-7 and its aged, lower-risk character. Therefore, as per our considered view, this is an appropriate 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 on consumers.

7.9 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 tariff for WTPS Unit-7 was approved before execution and approval of the Supplemental PPA 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 its original contractual period. The earlier MYT approval, therefore, cannot be construed as conferring a 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.

7.10 Accordingly, the Commission approves the Supplemental PPA dated 13.11.2024 for extension of the PPA dated 22.01.1997 in respect of 210

MW Wanakbori Thermal Power Station Unit-7 upto 01.04.2030 or actual useful life of the plant/unit, whichever is earlier, subject to the condition that Return on Equity for Wanakbori Thermal Power Station Unit-7 shall be restricted to 11% during the extended period. GSECL shall submit an unconditional undertaking to the Procurer, i.e. 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 WTPS Unit-7 covered under the Supplemental PPA, and that such claim shall be voluntary and unconditional, and the reduction from normative RoE shall be permanently foregone for the relevant period, and also 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.

7.11 The Commission further observes that as per Article 8.1 of the PPA dated 22.01.1997, the Agreement shall remain in force for a period of 25 years from the Effective Date unless terminated earlier, and the term can further be extended by mutual consent. The said Article also provides that all provisions of the Agreement shall continue to operate till its renewal or replacement. The Commission notes that the PPA does not specifically define the effective date. It is also seen from the record that GSECL, vide its letter dated 28.03.2024 addressed to GUVNL, had stated that the effective date is not specifically mentioned in the PPA and considered the expiry of the PPA around April, 2024. However, in its subsequent affidavit dated 01.10.2025 filed in the present petition, the Respondent GSECL has stated that the PPA term was 25 years and expired on 01.01.2024.

7.12 The Commission notes that commissioning date of WTPS Unit-7 is 31.12.1998, which has also been considered in the tariff orders of GSECL. Accordingly, having regard to the commercial operation date of the Unit and the subsequent submission of GSECL, the original PPA period may be reckoned as having expired on 31.12.2023 and the extended period may commence from 01.01.2024 for the purpose of contractual continuity. However, the Commission also notes that the tariff determination and truing-up for FY 2023-24 and FY 2024-25 are governed under the earlier MYT framework, i.e., the GERC (MYT) Regulations, 2016. The said Regulations do not contain a specific proviso similar to the proviso to Regulation 35.2 of the GERC (MYT) Regulations, 2024, which expressly recognises that a generating company may claim Return on Equity at a rate lower than the normative rate for any particular year, subject to such claim being unconditional and the reduction being permanently foregone. Therefore, the Commission does not consider it appropriate to apply the lower RoE condition for the period governed by the earlier regulatory framework.

7.13 In view of the above, RoE to 11% shall be applied from 01.04.2025, i.e., from the commencement of the Control Period FY 2025-26 to FY 2029-30 governed under the GERC (MYT) Regulations, 2024. Accordingly, while undertaking Mid-Term Review, including truing-up for the first two years of the Control Period FY 2025-26 to FY 2029-30, Base RoE for WTPS Unit-7 covered under the Supplemental PPA shall be considered at 11% and not at the normative rate of 13%. The reduction from normative RoE shall be permanently foregone and shall not be recouped at the time of Mid-Term Review, truing-up or in any subsequent tariff proceeding.

8. Order accordingly.

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

Sd/-	**Sd/-**
[Hiren Shah]	**[Pankaj Joshi]**
Member	**Chairman**

Place: Gandhinagar.
Date: 17/06/2026.