



सत्यमेव जयते

Dr. Pramod Deo
Chairperson

केन्द्रीय विद्युत विनियामक आयोग
CENTRAL ELECTRICITY REGULATORY COMMISSION



D.O. No. 10/4/2011-Statutory Advice/CERC
July 28, 2011

Dear *Shri Uma Shankar,*

I am writing to highlight the need for setting up of peaking power plants to meet peaking demand in the country.

2. Traditionally, planning for capacity addition has been done keeping in view only the base load demand and no conscious effort has been made to set up capacities dedicated for meeting peak demand. This has resulted in continued high level of peaking shortages in the country. Projections show that although energy availability in the country by 2011-12 is expected to improve substantially thereby reducing the energy shortages to as low as 2%, the peak shortages may continue to be at 6.5%.
3. The Central Commission had constituted a one Member Task Force under the Chairmanship of Shri Rakesh Nath, the then Chair of CEA and ex-officio Member, CERC to examine these and related issues. The Task Force recommended the urgent need to set up capacities separately for meeting peak demand, especially in high load centers like metros, big cities and industrial estates. The Task Force also suggested a differential tariff structure for such peaking power plants.
4. Based on the recommendations of the Task Force, CERC came out with a proposal for amendment in its Tariff Regulations to provide for separate tariff dispensation for peaking power plants. However, given that the Tariff Policy (para 5.1) did not provide for any exemption from competitive bidding requirement for peaking power plants post 5th January, 2011, the Commission dispensed with the provisions for separate tariff structure for peaking power plants in the draft amendments to its Tariff Regulations.
5. The Commission would, however, like to reiterate the need for pro-active action for setting up separate capacity for meeting peak demand in different parts of the country. Although, there is a provision in the competitive bidding guidelines for separate bids for peaking power plants, past experience shows that the DISCOMs rarely requisition peak load servicing capacity through the competitive bidding route.

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6. In the absence of peaking capacities, the distribution companies resort to load shedding and overdrawal from the grid. Neither is desirable in the interest of consumer welfare and grid security. The need for planning for generation capacity in States was also reiterated in the recent Power Minister's Conference held on 12th July, 2011 and in this exercise peaking capacity should get due importance.

7. In view of the above, the Commission would like to advise, in exercise of its powers under Section 79(2) of the Act, the Ministry of Power to impress upon the State Governments / distribution companies to invite separate bids for meeting peak demand in their States.

Best regards.

Yours sincerely,

Pramod Deo

(Dr. Pramod Deo)

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