

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

1. **Shri Bhanu Bhushan, Member**
2. **Shri R. Krishnamoorthy, Mmember**

Petition No. 157/2007

In the matter of

Application for grant of transmission licence to Essar Power Transmission Company Limited.

And in the matter of

Essar Power Transmission Company Limited. **.....Applicant**

The following were present:

1. Shri G.Umapathy, Advocate EPTCL
2. Shri R. K. Narayan, EPTCL
3. Shri R.K. Verma, EPTCL

**ORDER
(DATE OF HEARING: 8.4.2008)**

The application has been made under Section 14 of the Electricity Act, 2003 (hereinafter to be referred to as 'the Act') for grant of transmission licence for implementing the transmission system (the transmission system) associated with Mahan Thermal Power Plant (the generating station) being constructed by Essar Power MP Limited in Madhya Pradesh, a sister company of the applicant under Essar group.

2. Essar Power M. P. Ltd. is stated to have signed a memorandum of understanding (MOU) with Government of Madhya Pradesh for setting up the generating station. According to the MOU, the generating station would supply about 80 MW (7.5% of net power) on real time basis at variable cost. In addition, Government of M.P has the first right of refusal for getting another 360 MW (30% of aggregate capacity) with the tariff to be decided through competitive bidding.

700 MW of power from the generating station is proposed to be supplied to Essar group's steel plant at Hazira in the State of Gujarat.

3. The main objects of the applicant company include undertaking the business of establishing, commissioning, setting up, operating and maintaining electric power transmission systems/networks and selling and purchasing of electricity. The elements of the transmission system in respect of which the application for licence has been made are as under:

Transmission lines

Sr. No.	Transmission lines	Approximate line length (kms)
1.	400 kV D/C (triple conductor) transmission line from Mahan to Sipat Pooling sub-station	315
2.	LILO of existing 400 kV S/C Vindhyachal-Korba transmission line of Powergrid at Mahan	20
3.	400 kV D/C (twin conductor) transmission line from Gandhar NTPC switchyard to Hazira	97

Sub-stations

4.	3X500 MVA 400 /220 kV sub-station at Hazira
5.	2x50 MVAR line reactors at Sipat pooling sub-station
6.	2x50 MVAR line reactors at Mahan

4. The identified long-term customers of the proposed transmission system are,-

- (i) Essar Steel Limited
- (ii) Essar Steel Hazira Limited
- (iii) GoMP or its nominated Agency

5. The applicant has submitted that as a part of the power to be transmitted through the transmission system is meant for inter-State users, it should be considered as an inter-State transmission system in terms of sub-section (36) of

Section 2 of the Act. Accordingly the Commission has been approached for grant of licence.

6. The applicant sent a copy of its application to the Central Transmission Utility in accordance with sub-section (3) of Section 15 of the Act.

7. The Central Transmission Utility by virtue of provisions of sub-section (4) of Section 15 of the Act has not raised any objection to grant of transmission licence to the applicant for the construction, operation and maintenance of the proposed transmission system. The Central Transmission Utility in its letter dated 18.1.2008, has advised the list of elements to be included in the proposed transmission system, according to which following are required to be added in the scope of the applicant:

- (i) 1x80 MVAR, 420 kV switchable bus reactor at Mahan TPS along with its associated 400 kV bay;
- (ii) 2 nos 400 kV line bays at Sipat pooling station;
- (iii) 2 nos 400 kV line bays at Gandhar (NTPC) switchyard;
- (iv) 4 nos 400 kV line bays at Mahan TPS.

8. The applicant had no objection to inclusion of the above in the transmission system.

9. Based on the material on record, the Commission by its order dated 29.2.2008 had proposed to grant transmission licence to the applicant for the elements noted at paras 3 and 7 above.

10. A notice under clause (a) of sub-section (5) of Section of the Act was published by the Commission, inviting suggestions/objection to the above proposal of the Commission. However, no objections have been received in response to the public notice.

11. On consideration of the material on record, we direct that licence for transmission of electricity in favour of the applicant, Essar Power Transmission Company Ltd. for the assets noted in paras 3 and 7 above be issued. The licence granted shall be subject to the terms and conditions as contained in the Act, the rules prescribed by the Central Government and the Regulations specified by the Commission from time to time, including statutory amendment and re-enactment thereof. The payment of licence fee during the validity of the licence shall be regulated in terms of fee to be notified by the Commission separately by virtue of power under sub-clause (g) of sub-section (1) of Section 79 of the Act, along with other terms and conditions of the transmission licence. Till such time the fee is so notified by the Commission, the applicant shall pay provisional licence fee at the rate of Rs. 2 lakh per annum during the period of construction and up to the date of commercial operation of the transmission system and thereafter, the licence fee shall be payable @ Rs. 25 lakh per annum. Licence fee for a part of the year shall be paid on pro-rata basis. The licence shall be valid for a period of 25 years, unless revoked earlier.

12. We may make it clear that the Commission should not be deemed to have expressed any opinion on or having accepted the averment made in the application regarding commercial arrangements for sale of electricity from the generating station.

13. It is further made clear that the Commission does not propose to treat the transmission system as a “dedicated” transmission system, for construction, maintenance and operation of which licence is not needed by the generating company, since the system may be utilized in future for carrying power other than that for which it is being proposed to be constructed presently.

14. The applicant in its application had indicated the estimated completion cost of the transmission system as Rs. 857.77 crore, which it proposes to finance with debt equity in the ratio of 70:30. The completion schedule for the transmission system has been indicated as October, 2010. The construction of the transmission system shall be executed through suitable packages and contract for these packages shall be awarded through competitive bidding.

15. With the above directions, Petition No. 157/2007 stands disposed of.

Sd/-
(R.KRISHNAMOORTHY)
MEMBER
New Delhi, dated the 10th April 2008

sd/-
(BHANU BHUSHAN)
MEMBER