

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No.159/2011 (Suo-motu)**

Coram

1. Dr. Pramod Deo, Chairperson
2. Shri S.Jayaraman, Member
3. Shri V.S.Verma, Member

**DATE OF HEARING: 22.12.2011**

**DATE OF ORDER: 19.9.2012**

**In the matter of**

Default in payment of Unscheduled interchanges (UI) charges for the energy drawn in excess of the drawn schedule by Tamil Nadu Generation and Distribution Corporation Ltd., Chennai.

**And**

**In the matter of**

1. Tamil Nadu Generation and Distribution Corporation Ltd, Chennai
  2. Chairman-cum-Managing Director, Tamil Nadu Generation and Distribution Corporation Ltd.
- Respondents**

**Following were present:**

Shri S.Vallinayagam, Advocate, TANGEDCO  
Shri Rajeev Ranjan, CMD, TANGEDCO  
Shri V.K.Jain, TANGEDCO  
Shri S.Akshaya Kumar, TANGEDCO  
Shri Shamreena Verghese, SRLDC

**ORDER**

It was noticed from the report of Southern Regional Load Despatch Centre that an amount of ₹ 29.00 crore including surcharge was



outstanding against the Tamil Nadu Generation and Distribution Company Ltd. (TANGEDCO) on account of arrears of Unscheduled Interchanges (UI) charges as on 31.5.2011. The Commission in its order dated 12.7.2011 had directed First and Second respondents to show cause under Section 142 of the Electricity Act, 2003 for non-compliance of the provisions of the Central Electricity Regulatory Commission (Unscheduled Interchange charges and related matters) Regulations, 2009 (hereinafter referred to as 'UI regulations).

2. The Commission in its order dated 21.10.2011 had directed as under:

*"6. We note with concern that some of the constituent States have not understood the UI mechanism in its correct perspective. Any constituent utility drawing power from the grid over and above its schedule is getting the power at the cost of other constituents. Consequently, it is under obligation to make prompt payment for consuming the power, which legitimately belongs to other constituents. By not making prompt payment for the power drawn under UI, the first respondent has not only deprived the other constituents of their legitimate UI dues, but has created impediments in the operation of the commercial mechanism. The respondents have therefore, clearly violated the provisions of Regulation 10 of the UI regulations. Accordingly, we impose a penalty of ₹ one lakh on the first respondent under Section 142 of the Act which shall be deposited within 15 days from the date of issue of this order.*

*7. We further direct the second respondent to ensure that the outstanding dues including current UI dues are liquidated by 31.10.2011. If the outstanding UI dues are not liquidated on or before 31.10.2011, we direct the second respondent to personally appear before us on 15.11.2011 to explain the reasons for non-compliance with the provisions of UI regulations and our directions in this order."*

3. During the course of hearing on 15.11.2011, the learned counsel appearing for the respondents had submitted that the respondents had deposited the outstanding UI dues along with the penalty imposed by the

Commission. We had during the hearing on 21.10.2011 issued direction for personal appearance of Chairman-cum-Managing Director of TANGEDCO on the next date of hearing to understand the reasons for persistent default in making UI charges payments and to share our concern about the consequences of such default on the grid discipline.

4. Shri Rajeev Ranjan, Chairman and Managing Director of TANGEDCO along with Shri S. Vallinayagam, Advocate, appeared before the Commission on 22.12.2011. Shri Rajeev Ranjan submitted as under:

- (a) All payments towards UI charges including surcharge due to TANGEDCO has been paid to the UI Pool Account;
- (b) TANGEDCO has filed a petition before Tamil Nadu Electricity Regulatory Commission (TNERC) for comprehensive revision of the power tariff in the State of Tamil Nadu including request for tariff corrections for over a period of last 10 years. The petition has been admitted by TNERC. It is expected that after the tariff is determined by the TNERC, such a situation would not arise in future;
- (c) The planning for the ensuing summer is a tough job as erstwhile Tamil Nadu Electricity Board has an accumulated loss of around Rs. 50,000 crore and banks and financial institutions

were not forthcoming for the loans due to general negative sentiments in regard to power sector;

(d) TANGEDCO had never defaulted on the payment of UI charges before, 2010. It was not intentional but have been forced on resulting in default in UI payments;

(e) TANGEDCO is working on multitudes of programmes to address the issue faced by it;

(f) With regard to existence of a planned load shedding scheme and implementation of the Automatic Demand Management Scheme as mandated in the Indian Electricity Grid Code, TANGEDCO has a planned rotational load shedding which sheds load in rotation in the cities and suburbs and due to the huge demand and supply gap, the same is not effective.

5. We have heard Shri Rajeev Ranjan, Chairman and Managing Director of TANGEDCO. It has been submitted that the power available with TANGEDCO from various sources is insufficient to meet the consumer load in the State and therefore, TANGEDCO is overdrawing from the grid and further TANGEDCO was unable to procure power through Power exchanges due to transmission constraints. As regards the default in payment, it has been submitted that due to non- revision of tariff of the distribution company,

TANGEDCO is facing acute financial crunch which has resulted in default in payment of the UI charges.

6. First of all we would like to clarify that UI mechanism is not a scheduled source of power for meeting the consumer demand. It has been clearly held by the Hon`ble Supreme Court of India in Central Power Distribution Company Ltd Vs. Central Electricity Regulatory Commission that "*UI charges are a commercial mechanism to maintain grid discipline. The UI charges penalises whoever causes grid indiscipline, whether generator (NTPC) or distributor is neglect to payment of UI charges who are not following the schedule. The UI charges not payable if the appellants maintain their drawal of electricity consistent with the schedule given by themselves*". Thus a constituent who maintains its drawal as per its schedule is not liable to UI charges. Only when a constituent voluntarily exceeds its schedule of drawal of power, its becomes liable for UI charges. The respondents are aware of their requirement of power. Any gap in the demand and supply of power should be met by buying power through long-term, medium-term and short-term open access. In case of non-availability of power under any form of access or inability to arrange power, TANGEDCO should resort to rotational load shedding in order to maintain load generation balance. TANGEDCO should refrain from meeting shortage of power through UI.

7. As regard the failure to pay the UI charges in time, we cannot appreciate that non-revision of tariff should be a ground of such

non-payment. Power overdrawn from scheduled drawal belongs to another State or distribution company. The overdrawal of power by the respondents is at the cost of other constituents. It is therefore, essential that such payment gets top priority. It is the responsibility of the respondents to ensure early liquidation of the UI dues.

8. The second respondent is directed to devise the contingency procedures and arrangements that will enable demand disconnections as per the directions of Regional Load Despatch Centre or State Load Despatch Centre under normal and contingency situations. The second respondent is further directed to submit the current status of the Automatic Demand Management Scheme, indicating date of implementation of the scheme, its maintenance and operational preparedness to meet the normal and contingent situation.

9. CMD, TENGEDCO had assured during the hearing that overdrawal would be curtailed by adopting a slew of measures like procurement of additional power, implementing rotational load shedding and automatic demand management schemes. From the report received by SRLDC, it emerges that the respondent has overdrawn power under the UI from 12.3.2012 till 6.5.2012 and a cumulative amount of Rs. 20.42 crore was outstanding including interest as on 15.5.2012 which has been liquidated on 21.5.2012. As per the report from SRLDC, as on date, no UI charges are

outstanding against the TANGEDCO. Taking note of the improved behaviour of TANGEDCO in the matter of overdrawal from the grid and the assurances and commitments made by CMD, TANGEDCO, we direct that these proceedings be closed and we discharge the notice against CMD, TANGEDCO. We expect TANGEDCO to ensure strict compliance in future with the UI regulations in the matter of overdrawal from the grid and timely payment of UI charges dues.

10. The petition is disposed of in terms of the above.

Sd/-

**(V.S.VERMA)**  
**MEMBER**

sd/-

**(S.JAYARAMAN)**  
**MEMBER**

sd/-

**(Dr. PRAMOD DEO)**  
**CHAIRPERSON**