

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 153/MP/2013

Coram:

**Shri Gireesh B. Pradhan, Chairperson
Shri M. Deena Dayalan, Member
Shri A.K Singhal, Member**

Date of Hearing: 13.5.2014

Date of Order : 24.7.2014

In the matter of

Approval under Central Electricity Regulatory Commission (Grant of Regulatory Approval for execution of Inter-State transmission Scheme to Central Transmission Utility) Regulations, 2010 read with Central Electricity Regulatory Commission (Grant of Connectivity, Long Term and Medium term Open Access to the inter-State transmission and related matters) Regulations, 2009, for grant of Regulatory Approval for execution of transmission system required in connection with grant of connectivity to NCC Power Project Limited.

And in the matter of

Power Grid Corporation of India Limited
B-9, Qutab Institutional Area,
Katwaria Sarai,
New Delhi-110017

...Petitioner

Vs

1. NCC Power Projects Limited
6th floor, NCC House, Madhapur,
Hyderabad- 500081, Andhra Pradesh
2. Karnataka Power Transmission Corporation Limited
Cauvery Bhavan, Bangalore- 560009
3. Bangalore Electricity Supply Company Limited
KR Circle, Bangalore
560001, Karnataka



4. Gulburga Electricity Supply Company Limited
Navanagar, PB Road,
Hubli, Karnataka
5. Hubli Electricity Supply Company Limited
Navanagar, PB Road,
Hubli, Karnataka
6. Mangalore Electricity Supply Company Limited
Paradigm Plaza AB Shetty Circle,
Mangalore- 575001, Karnataka
7. Chamundeshwari Electricity Supply Corporation Limited,
927, LJ Avenue, GF New Kanthraj Urs Road,
Saraswathipuram, Mysore- 570009, Karnataka
8. Transmission Corporation of Andhra Pradesh Limited,
Vidyut Soudha, Hyderabad- 500049
9. Eastern Power Distribution Company
Of Andhra Pradesh Limited,
P&T Colony, Seethammadhara,
Visakhapatnam, Andhra Pradesh
10. Southern Power Distribution Company
Of Andhra Pradesh Limited,
Srinivasa Kalyana Madapam Backside,
Tiruchanoor Road, Kesvayana Gunta,
Tirupathi- 517501, Chittoor District, Andhra Pradesh
11. Central Power Distribution Company
Of Andhra Pradesh Limited,
Mint Compound, Hyderabad, 500063, Andhra Pradesh
12. Northern Power Distribution Company
Of Andhra Pradesh Limited,
Opp. NIT Petrol Pump, Chethanyapuri, Kazipet,
Warangal- 506004, Andhra Pradesh
13. Kerala State Electricity Board
Vaidyuthi Bhavanam,
Pattom, Thiruvananthapuram- 695004
14. Tamil Nadu Electricity Board



800, Anna Salai, Chennai- 600002

15. Electricity Department,
Govt. of Pondicherry
Pondicherry- 605001

....Respondents

Following were present:

Shri A.M. Pavgi, PGCIL
Shri Kedar Guttikar, NCC Power Project Ltd.

ORDER

The petitioner, Power Grid Corporation of India Limited, has filed this petition for grant of Regulatory Approval under Central Electricity Regulatory Commission (Grant of Regulatory Approval for execution of Inter-State transmission scheme to Central Utility) Regulations, 2010 read with Central Electricity Regulatory Commission (Grant of Connectivity, Long Term and Medium Term Open Access to the inter-State Transmission and related matters) Regulations, 2009 (hereinafter referred to as "Regulatory Approval Regulations" and "the Connectivity Regulations" respectively) for execution of transmission system required in connection with grant of connectivity to NCC Power Projects Ltd. The petitioner has made the following prayers:

"(a) Grant Regulatory Approval for taking up implementation of identified transmission systems for transmission of power from NCC Power Projects Ltd. who have been granted Connectivity/LTA;

(b) Grant approval for inclusion of the assets for which the transmission charges are to be recovered through the PoC charge methodology or any other sharing mechanism notified by CERC from time to time; and

(c) Grant approval for inclusion of system under TSA to be notified by CERC".



Background

2. The Connectivity/LTA to NCC was granted in 14th Meeting of Southern Region constituents for LTA and connectivity held on 16.4.2012 as per the following details:

- (i) Installed Capacity : 1320 (2x660 MW)
- (ii) Connectivity Required : From June, 2014
- (iii) Connectivity Applied : For 1240 MW
- (iv) LTA applied : For 740 MW
- (v) Target beneficiaries : SR constituents (for entire quantum)
- (vi) LTA required : From April, 2015
- (vii) The present case pertains to re-issue of the connectivity and LTA to generation project, which was earlier being developed by Nelcast and now being developed by NCC.
- (viii) The connectivity is granted from availability of the Nellore pooling station (expected by September, 2014) or availability of the connectivity line whichever is later. Regarding LTA, Power Grid is already implementing "Common System Associated with ISGS projects in Krishnapatnam Area of AP" and "Associated Transmission System of Krishnapatnam UMPP Part-C1". In Krishnapatnam area,

LTA of 2776 MW has already been granted through the above system. With additional LTA quantum of 740 MW of NCC, the total LTA shall be about 3516 MW. The under implementation LTA strengthening and Nellore Pooling Station-Gooty 400 kV D/C quad line shall be adequate for above power transfer.

3. The petitioner has submitted the salient features of the Project Inception Report (PIR) as under:

(a) Generation developer had requested that the transmission system is required by March, 2015.

(b) Transmission system for connectivity and transfer of power to target beneficiaries in various regions was evolved through load flow studies carried out by considering various alternatives/options based on the transmission needs incident on the system because of LTA requirements. The studies for the evolution of transmission system were discussed and finalized in consultation with CEA, generation developers and various State utilities. It was agreed that the charges of the Transmission System are to be borne by generation developers till the time beneficiaries are firmed up and agree to bear the charges.

(c) Generation developer has signed TSA for connectivity and Long Term Access on 28.6.2012 and furnished Bank Guarantee accordingly.



(d) Transmission system for connectivity of NCC Power Projects Ltd. (NCPPL) is as under:

Element	Length/Nos
NCCPPL Switchyard-Nellore Pooling Station 400 kV D/C (quad) line	37 km (Approx.)
2 nos. 400 kV line bays at Nellore Pooling Station for terminating above lines	2 Nos

4. The petitioner has submitted the details of the identified scheme as under:

- (a) Name of the scheme : Transmission System for connectivity for NCC Power Projects Ltd.
- (b) Scope of the scheme : NCC Generation Switchyard-Nellore Pooling Station 400 kV D/C (Quad) line
- (c) Objective/justification : For connectivity of the proposed IPP generation project in the Krishnapatnam area of Andhra Pradesh being developed by NCC Power Projects Limited.
- (d) Estimated cost : ₹ 100 crore
- (e) Impact on tariff for the first five years : ₹ 18 crore per annum @ 18%

5. The petitioner has submitted that the agreement for connectivity and Long Term Access was signed on 28.6.2012 with NCC Power Projects Ltd. The petitioner has submitted that in the 29th meeting of Empowered Committee on Transmission system held on 15.6.2012, it was decided that the Transmission System for connectivity shall be implemented through competitive bidding and CTU may seek

Regulatory Approval for the same. Accordingly, the Transmission System is being implemented through Tariff Based Competitive Bidding. Accordingly, competitive bidding was carried out by REC Transmission Company Ltd. Based on the evaluation of the RfP, the levelized Transmission charges were worked out as under:

Name of the Bidder	Levelized Tariff (₹ Million)	Capital Cost (Considering levelised tariff as 19% of Capital Cost)*
POWERGRID	395.6090	₹ 208.22 crore
NCC Ltd.	509.8395	₹. 268.34 crore

** It is tentative cost for approximate value*

6. The petitioner has submitted that in the 32nd Empowered Committee meeting held on 6.2.2014, bidding process for the Transmission System was annulled due to very high per km cost of project. The petitioner has submitted that the matter of higher discovered tariff in the bidding process was discussed in Ministry of Power and it was decided to award the transmission scheme on regulated tariff mechanism.

7. The petitioner, vide Record of Proceedings for the hearing dated 7.11.2013, was directed to submit documents to the effect that the scheme was discussed at SRPC level. In response, the petitioner, vide affidavit dated 8.11.2013, has submitted that the matter was discussed in the 19th SRPC meeting held on 1.6.2012 at Bangalore.

8. The Commission, vide Record of Proceeding for the hearing dated 24.4.2014, directed the petitioner to file on affidavit as to whether CTU has already obtained Regulatory Approval for NCC Power Project-Nellore pooling station 400 kV D/C (Quad) transmission line, if not, how the competitive bidding process was undertaken without obtaining the Regulatory Approval. In response, the petitioner, vide its affidavit dated 12.5.2014, has submitted that the process for competitive bidding was initiated as a parallel activity for matching the implementation of the connectivity system with the generation project.

9. During the course of hearing on 13.5.2014, the representative of the petitioner submitted that CEA vide its letter dated 3.4.2014 informed CTU that Unit-I boiler erection started on 10.5.2013 and boiler erection works are in progress. The representative of the petitioner further submitted that according to CEA, Unit-I and Unit-II of the project are expected to be commissioned in December, 2015 and March, 2016 respectively. The representative of NCC Power Projects Ltd. confirmed that its project is in advanced stage of construction. However, PGCIL is yet to award the contract for line execution, since it is awaiting regulatory approval for the same. The representative of NCC Power Projects Ltd requested for issue of direction to PGCIL to initiate process for award of contract for execution of the transmission system at the earliest.

10. In response to out directions, the petitioner, vide its affidavit dated 4.6.2014, has submitted the revised Project Inception Report (PIR) which includes project cost estimate based on February 2014 price level as ₹ 188.75 crore including IDC of ₹.11.40 crore.

11. None of the respondents have filed any reply to the petition.

12. The petitioner has also published a notice in the newspapers in accordance with the Regulatory Approval Regulations. In response to the public notice, no suggestions/objections have been received.

13. We have considered the submissions made by the petitioner. It is observed that the capital cost of the transmission project has been changed during the course of petition as under:

Original PIR	Competitive Bidding (Considering tariff as 19% of capital cost)	As per Revised PIR#
₹ 100 crore	₹ 208.22 crore*	₹ 188.75 crore

* It is tentative cost for approximate value

Submitted on 4.6.2014

14. It is observed that the generator has signed TSA for connectivity and LTA on 28.6.2012 and has furnished bank guarantee on 3.8.2012. On perusal of PIR, it is noted that the generator has made significant advances and has awarded EPC

contracts. During the course of the hearing on 13.5.2014, the representative of NCC Power Projects Ltd. informed that the work on the project is at advanced stage.

15. The petitioner has sought Regulatory Approval for execution of the transmission system required in connection with grant of connectivity to NCC Power Projects Limited. Para 5.3 of the National Electricity Policy notified by the Government of India under Section 3 of the Electricity Act, 2003 vide 23/40/2004-R&R (Vol.II) dated 12.2.2005 recognizes the importance of adequately augmenting the transmission capacity keeping in view the massive increase planning in generation for development of power market and catering to load growth. The policy further emphasizes the need for network expansion as under:

“Network expansion should be planned and implemented keeping in view the anticipated transmission needs that would be incident on the system in the open access regime. Prior agreement with the beneficiaries would not be a precondition for network expansion. CTU/STU should undertake network expansion after identifying the requirements in consultation with stakeholders and taking up the execution after due regulatory approvals.”

From the above provision of the National Electricity Policy, it is apparent that in the absence of prior agreement with the beneficiaries, CTU can undertake planned network expansion after taking Regulatory Approval from the Commission if the network expansion has been identified in consonance with the National Electricity Policy and in consultation with the stakeholders.

16. Regulation 8(8) of the Connectivity Regulations provides that dedicated transmission line for thermal generating station such as NCC Power Projects Ltd. it to be considered a part of coordinated transmission planning and may be implemented by CTU. Regulation 8(8) further provides that the execution of the connectivity system shall be taken up after ensuring that generator has made significant advances and has awarded EPC contracts. Relevant extract of the Connectivity Regulation is as under:

"8. An applicant may be required by the Central Transmission Utility to construct a dedicated line to the point of connection to enable connectivity to the grid:

Provided that a thermal generating station of 500 MW and above and a hydro generating station or a generating station using renewable sources of energy of capacity of 250 MW and above, other than a captive generating plant, shall not be required to construct a dedicated transmission line to the point of connection and such station shall be taken into account for coordinated transmission planning by the Central Transmission utility and Central Electricity Authority:

Provided further that the construction of such dedicated transmission line may be taken up by the CTU or the transmission licensee in phases corresponding to the capacity which is likely to be commissioned in a given time frame after ensuring that the generating company has already made the advance payment for the main plant packages i.e. Turbine island and steam generator island or the EPC contract in case of thermal generating station and major civil work packages or the EPC contract in case of hydro generating stations for the corresponding capacity of the phase or the phases to be commissioned, subject to a minimum of 10% of the sum of such contract values:

Provided also that the transmission charges for such dedicated transmission line shall be payable by the generator even if the generation project gets delayed or is abandoned."

17. Regulation 3 of the Regulatory Approval Regulations provides as under:

"(1) These regulations shall apply to:

(i) an ISTS Scheme proposed by Central Transmission Utility, for which generators have sought long-term access as per the Central Electricity Regulatory Commission (Grant of Connectivity, Long-Term Access and Medium-Term Open Access to the Inter-State Transmission and Related Matters) Regulations, 2009, and for which consultation with Central Electricity Authority and beneficiaries if already identified has been held for setting up the ISTS Scheme, but for which Power Purchase Agreements with all the beneficiaries have not been signed on the date of application.

(ii) an ISTS Scheme for system strengthening / up-gradation, identified by Central Transmission Utility to enable reliable, efficient, co-ordinated and economical flow of electricity within and across the region for which consultation with Central Electricity Authority and beneficiaries if identified has been held. "

18. The transmission systems for which the petitioner has approached the Commission for Regulatory Approval are covered under the provisions of Regulation 3 of the Regulatory Approval Regulations.

19. The Regulation 6 of the Regulatory Approval Regulations empowers the Commission to grant Regulatory Approval. Relevant extract of the Regulation 6 of the Regulatory Approval Regulations is as under:

"6. Regulatory Approval of Proposed ISTS Scheme

(1) The Commission shall, on receipt of the application, complete in all respect from the Central Transmission Utility, consider the objections/ suggestions received in response to the publication of the application, the prudence of the proposed expenditure and estimated impact on tariff and thereafter, shall:

(a) Accord regulatory approval to the ISTS Scheme with such modifications or conditions as the Commission may deem appropriate; or

(b) Reject the application for reasons to be recorded in writing; or

(c) Require the Central Transmission Utility to submit a fresh application with such particulars and after considering such factors as the Commission may direct:

Provided that for any change in scope of work of the approved scheme of minor nature like addition of bays, loop-in and loop-out of existing line, and such other matters depending on field requirement, proposal after due consultation in the Central Electricity Authority/ State Transmission Utilities, the Central Transmission Utility shall go ahead with the implementation of such changes under intimation to the Commission and shall reflect the same in tariff petition thereof.

(2) The Central Transmission Utility shall implement the transmission elements out of the approved ISTS Scheme in a coordinated manner considering the progress of the generation project(s) in accordance with the Central Electricity Regulatory Commission (Grant of Connectivity, Long-term Access and Medium term open access to the Inter-State Transmission and Related Matters) Regulations, 2009:

Provided that elements of System Strengthening Scheme shall be implemented as per initial schedule:

Provided further that, as far as possible, elements specific to one generation project shall be matched with that project and elements common to more than one generation project shall be matched with the first one and the scheme shall be implemented accordingly."

20. The petitioner has requested for Regulatory Approval for the transmission system for NCC Power Projects Ltd. We are of the view that the power which would become available due to setting up of these corridors would provide impetus to the development of industry in particular and the economy as a whole. The power project is located in coastal areas and power from these projects has to be brought to the load centers in the Southern or other regions through the National Grid, which



requires development of transmission system. Therefore, there is necessity to implement the transmission system so that the generation from the generating station is not stranded. Accordingly, we accord regulatory approval under Regulation 8 (8) of the Connectivity Regulations read with Regulations 3 and 6 of the Regulatory Approval Regulations for execution of the transmission system for connectivity to NCC Power projects Ltd as per Annexure attached to this order.

21. The petitioner has prayed to grant approval for inclusion of the transmission system under TSA notified by the Commission. In this regard, it is clarified that since these schemes are part of coordinated planning of transmission system by CTU and CEA, the transmission system shall be part of TSA approved by this Commission under Sharing Regulations. We direct CTU to submit quarterly progress report of the connectivity line along the progress of the generation projects of the IPPs.

22. We find that the petitioner has filed the present petition for grant of Regulatory Approval very late. LTA was granted in June 2012 and accordingly, in the same month, Empowered Committee had advised CTU to seek Regulatory Approval for the project. However, the petitioner filed the present petition in the month of August 2013. The petitioner has failed to discharge its duty in regard to seeking Regulatory Approval for execution of the transmission system in time. The



Regulatory Approval should have been obtained before processing for the bidding. Now, at this stage, when the generating station is in advanced stage of construction, any further delay in execution of work would amount to bottling up of power. It was incumbent on the part of CTU to coordinate the activities as specified under Section 38 of the Act and advise PGCIL as an ISTS licensee to take timely actions. We direct CTU and PGCIL to explain the reasons for not taking appropriate actions in this regard, within 15 days of issue of this order.

23. Petition No. 153/MP/2013 is disposed of in terms of the above order .

Sd/-
(A. K. Singhal)
Member

sd/-
(M. Deena Dayalan)
Member

sd/-
(Gireesh B. Pradhan)
Chairperson



Annexure

Transmission System for Connectivity of NCC Power Projects Ltd.

S. No.	Element	Length/Nos
1	NCCPPL Switchyard-Nellore Pooling Station 400 kV D/C (quad) line	37 kms (approx.)
2	2 nos. 400 kV line bays at Nellore Pooling Station for terminating above lines	2 nos