

**Central Electricity Regulatory Commission
New Delhi**

Coram:

Shri Gireesh B.Pradhan, Chairperson

Shri M. Deena Dayalan, Member

Shri A.K.Singhal, Member

Date of Order : 9.7.2014

Petition No. 127/2012

In the matter of

Application under Section 63 of the Electricity Act'2003 for adoption of Transmission Charges with respect to the Transmission System being established by the Vemagiri Transmission System Limited (a 100% wholly owned subsidiary of Power Grid Corporation of India Ltd.)

And

In the matter of

Power Grid Corporation of India Ltd.
B-9, Qutab Institutional Area,
Katwaria Sarai, New Delhi-110 016

Petitioner

Vs

1. Samalkot Power Ltd
Dhirubhai Ambani Knowledge City,
Mumbai-400 710

2. Spectrum Power Generation Ltd
D.No. 8-2-293/A/231,
Plot No. 231, 3rd Floor, Road No. 36
Jubilee Hills, Hyderabad-500 033

Respondents

Petition No. 128/2012

And

In the matter of

Application under Section 14 of the Electricity Act, 2003 read with Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant

of Transmission Licence and other related matters) Regulations, 2009 with respect to Transmission Licence to Vemagiri Transmission System Limited.

**And
in the matter of**

Vemagiri Transmission System Limited
B-9, Qutab Institutional Area,
Katwaria Sarai, New Delhi-110 016

Petitioner

Vs

1. Samalkot Power Ltd
Dhirubhai Ambani Knowledge City,
Mumbai-400 710

2. Spectrum Power Generation Ltd
D.No. 8-2-293/A/231,
Plot No. 231, 3rd Floor, Road No. 36
Jubilee Hills, Hyderabad-500 033

Respondents

Petition No. 156/MP/2012

**And
In the matter of**

Miscellaneous application for termination of Bulk Power Transmission Agreement/Long Term Access Agreement dated 24.12.2010 and termination of Tri-partite Transmission Service Agreement dated 15.12.2011.

**And
in the matter of**

Spectrum Power Generation Ltd
D.No. 8-2-293/A/231,
Plot No. 231, 3rd Floor, Road No. 36
Jubilee Hills, Hyderabad-500 033

Petitioner

Vs

Power Grid Corporation of India Ltd.
B-9, Qutab Institutional Area,
Katwaria Sarai, New Delhi-110 016 and others

Respondents

ORDER

Petition No. 127/2012 has been filed by Power Grid Corporation of India for adoption of tariff of the Vemagiri Transmission System associated with IPPs of Vemagiri area, Package-A under Section 63 of the Electricity Act, 2003. Based on the competitive bidding carried out by REC Transmission Company Ltd., Power Grid Corporation of India Ltd. was declared as the successful bidder to execute the transmission system.

2. Petition No. 128/2012 has been filed by Vemagiri Transmission System Ltd., a fully owned subsidiary of Power Grid Corporation of India Ltd for grant of transmission licence for inter-State transmission of electricity under Section 14 of the Electricity Act, 2003.

3. Petition No. 156/MP/2012 has been filed by Spectrum Power Generation Ltd.(SPGL) for termination of Bulk Power Transmission Agreement/Long Term Access dated 24.12.2010 and Tri-partite Transmission Service Agreement dated 15.12.2011.

4. The Commission in a common order dated 9.5.2013 in Petition Nos. 127/2012 and 128/2012 had directed as under:

"19. PGCIL had filed Petition No. 154/2011 for regulatory approval for development and execution of certain identified transmission systems which included the transmission system for evacuation of power from various

generation projects planned to be promoted by different developers. The approval was granted vide order dated.13.12.2011. In the said order it was clarified that implementation of various transmission systems should be in accordance with the progress in the generating projects of IPPs. Therefore, in keeping the earlier order, implementation of the transmission system has to keep stride with the construction of the generating stations which were proposed to be set up by Samalkot and Spectrum.

20. Because of problem of availability of gas, Spectrum has discontinued implementation of the generating station and has sought cancellation of the TSA. The other project developer, Samalkot, is also facing problem of availability of gas though it has commissioned some of the units of the generating station. Samalkot has, however, clearly stated that it will not bear the charges of complete transmission system after withdrawal of Spectrum. Generation of power is dependent on availability of gas for which there is no certainty at present. With uncertainty that looms over the operational phase of the generating stations because of unavailability of gas, the transmission assets if raised, are likely to remain unutilized. This is bound to give rise to problem of recovery of the transmission charges as Samalkot has refused to share the entire tariff. The petitioner has represented that with the time overrun it will not be possible to implement the transmission system within the capital cost commensurate with the quoted tariff and has accordingly sought increase in the transmission charges with the increased capital cost when implemented. The capital cost considered by the petitioner while quoting tariff is not known to any person except PGCIL itself. Therefore, it will be difficult to assess the impact of cost overrun on the transmission charges, even if time extension is permitted. In view of the uncertainties and other difficulties being envisaged, no useful purpose is likely to be served by adopting the transmission charges and granting licence to the petitioner for inter-State transmission of electricity. The petitioner itself does not seem to be very keen to implement the transmission system in the present phase of uncertainty unless it is assured of recovery of the transmission charges. There is, according to us, an imperative need to review the requirement of transmission network needed for evacuation of power of the generating stations being or to be established in Vemagiri area in the light of present day developments. There is also a need to examine the possibility of reconfiguring the required network in the Southern Region based on expected generation and the load and some elements of the transmission system may be combined with the other transmission systems being built / proposed to be built in the Region, if required. The Central Electricity Authority and the Central Transmission Utility

are directed to undertake necessary review and re-examination of the entire matter afresh and file their decision/views in the matter by 31.5.2013.

21. In Petition No. 128/2012, the petitioner has sought a declaration to the effect that it is a deemed licensee and in the alternative has sought the transmission licence for execution of the project. In view of our decision to refer the matter to CEA and CTU to reconsider requirement to go ahead with the transmission system, we do not consider it necessary to deal with the prayers of the petitioners in Petition Nos. 127/2012 and 128/2012 at this stage."

5. In response to our directions, CTU in its letter dated 12.9.2013 has submitted that joint studies were carried out with CEA, CTU, APTRANSCO, KPTCL and TANTRANSCO on 29.6.2013 at Hyderabad and the matter was also discussed during the 36th Standing Committee Meeting on Power System Planning of Southern Region held on 4.9.2013. CTU has placed on record a copy of the "Report of Central Transmission Utility on Vemagiri Transmission System". The relevant portion of the report is extracted as under :

"4. Under this background, joint power system studies were conducted with CEA, CTU, APTRANSCO, KPTCL and TANTRANSCO on 29th June, 2013 at Hyderabad to evolve transmission system requirement for dispersal of power beyond Vemagiri to meet deficit in Southern Region, majority of which is in lower part of the Southern Region. The studies were included as an agenda item for the Standing Committee meeting, copy of which is given at Annexure- I, wherein it may be seen that comprehensive transmission system requirement for meeting the projected deficit situation was evolved. For the requirement of transmission system for dispersal of power beyond Vemagiri following three alternatives were considered

- a. Alternative-I
 - i. Vemagiri-Khammam-Hyderabad 765 kV D/c lines
 - ii. Hyderabad-Kurnool 765 kV D/c lines
 - iii. LILO of Kurnool- Thiruvalem of Cuddapah 765 kV S/s
- b. Alternative-II

- i. Vemagiri-Chilakaluripeta-Cuddapah-Salem 765 kV D/c line
- c. Alternative-II
 - i. Vemagiri- Khammam-Hyderabad 765 kV D/c lines
 - ii. Vemagiri-Chilakaluripeta-Cuddapah-Salem 765 kV D/c line

Based on the detailed studies it has been seen that in view of the availability of power at Hyderabad through Wardha- Hyderabad 765 kV D/c line, the power available at Vemagiri does not have tendency to flow towards Hyderabad because of which loading on Vemagiri-Khammam-Hyderabad 765 kV D/c line is marginal. The majority of power flow towards southern part through Vemagiri-Chilakaluripeta-Cuddapah-Salem 765 kV D/c line.

Based on above, it concluded that Alternative-II was preferred.

5. The above studies was discussed in detail during the Standing Committee meeting wherein it was observed that for import through Angul- Srikakulam-Vemagiri 765 kV D/c, following transmission system shall be required for dispersal of power beyond Vemagiri:

- a. Vemagiri-Chilakaluripeta-Cuddapah-Salem 765 kV D/c line
- b. Chilakaluripeta-Podli 400 kV (quad) D/c line
- c. Cuddapah- Hindupur 400 kV (quad) D/c line
- d. Cuddapah-Hoody 400 kV (quad) D/c line
- e. New 765/400 kV substations at Chilakaluripeta and Cuddapah with 2x150 MVA transformers each
- f. New 400/220 kV substations at Podli 2X315 MVA transformers each.

6. In the Standing Committee meeting it was agreed that above mentioned transmission corridor shall be implemented as regional strengthening due to changed scenario in Southern Region. Further there was view that along with above transmission system, Vemagiri-Khammam- Hyderabad 765 kV D/c line may also be undertaken for improving reliability of transmission system.

In this regard, that CTU has opined that in view of the uncertainty of gas based generation projects in Vemagiri area and marginal loading this transmission corridor is not required. Further, for establishing necessity of Vemagiri- Khammam-Hyderabad 765 kV D/c line for improving reliability of the Southern Region grid, constituents were of the opinion that it requires further examination.

7. Accordingly, it was decided that Vemagiri & Hyderabad 765/400 kV substation may be reconfigured for implementation along with Srikakulam-Vemagiri 765 kV D/c line (awarded through TBCB route) and Wandha-Hyderabad 765 kV D/c line respectively."

6. Samalkot Power Ltd. had filed IA Nos. 20/2013 and 28/2013 in Petition No. 127/2012 seeking a direction to restrain PGCIL to encash back guarantee. Spectrum Power Generation Ltd had filed IA No. 31/2013 in Petition No. 156/MP/2012 seeking direction to PGCIL not to invoke bank guarantee. The Commission while disposing the IAs took note of the report filed by CTU and observed as under:

"8. It emerges from the report of the CTU that Vemagiri Transmission System in its present form is not required in view of the uncertainty of gas based generation projects in Vemagiri area and marginal loading. Since, Spectrum Power Generation Ltd. and Samalkot Power Ltd., which are the only LTTCs of the transmission system have sought return of the bank guarantee. Since PGCIL has neither made any investment nor made any progress in the implementation of the transmission system and taking into consideration the report of the CTU as quoted above, it is our considered view that Vemagiri Transmission System cannot be executed in its present form. Accordingly, no purpose will be served to allow CTU to retain the bank guarantee. CTU is directed to refund the bank guarantee to the Samalkot Power Limited and Spectrum Power Generation Ltd. We also direct Samalkot Power Ltd. and Spectrum Power Ltd. to refund the Contract Performance Guarantee given by the CTU.

9. The report of the CEA is awaited, who has sought one week's time to file the report. Accordingly, CEA is directed to submit the report by 4.10.2013. A decision on the re-configuration of the transmission project shall be taken after receipt of the report of CEA."

7. In the meanwhile, Central Electricity Authority (CEA) in its letter dated 30.9.2013 has submitted its report. Relevant extract of the CEA's report is as under:

"8. The first Vemagiri-Khammam-Hyderabad 765 kV D/C line was awarded to PGCIL for implementation and the SPV was acquired by it in April, 2012. As such the scheduled commissioning date for this line was April, 2015. Pre-award activities for this line have been completed and some of the post award activities have already been undertaken. The transmission developer has already applied to CERC for adoption of tariff and issue of transmission licence. Thus, the Vemagiri-

Khammam-Hyderabad 765 kV D/C line may be completed earlier than any new line that may be planned for evacuation of power beyond Vemagiri. The completion of this line would enable evacuation of power from gas based projects in Vemagiri/import of power from Eastern Region into Southern Region, as brought out above.

9. Therefore, it is opined that the Vemagiri-Khammam-Hyderabad 765 kV D/C line that is already awarded to PGCIL may be implemented as soon as possible.

10. The planning for the additional transmission system to cater to the entire power injection at Vemagiri shall be carried out after further consultation with the constituents of Southern Region."

8. The Commission has considered the reports of CTU and CEA as quoted in the para 5 and 7 above. It is noted that both CEA and CTU have taken different views on the utility and necessity of 765 kV D/C Vemagiri-Khammam-Hyderabad transmission line. CTU in its report has submitted that Vemagiri Transmission System cannot be executed in the present form in view of the uncertainty of gas based generation projects in Vemagiri area and marginal loading of the line. On the other hand, CEA has submitted that 765 kV D/C Vemagiri-Khammam-Hyderabad transmission line should be executed as the transmission line would enable evacuation of power from gas based projects in Vemagiri area and import of power from Eastern Region to Southern Region. CEA has further indicated that the planning of additional transmission system to cater to the entire power injection at Vemagiri shall be carried out after further consultation with the constituents of Southern Region.

9. We are of the view that clarity is required with regard to the necessity and utility of the subject transmission line before any decision is taken in Petition Nos. 127/2012, 128/2012 and 156/MP/2012. Accordingly, we direct Central Electricity Authority to urgently convene a meeting of the Standing Committee on Power System Planning of Southern Region to consider the necessity and utility of execution of 765 kV D/C Vemagiri-Khammam-Hyderabad transmission line and submit a report by 16.8.2014. All constituents of the Southern Region are directed to participate in the meeting and place their views for consideration of the Standing Committee. CTU and POSOCO shall also be associated with the Standing Committee meeting.

10. A decision on the petitions will be taken after receipt of the report of the Committee.

Sd/-
(A.K.Singhal)
Member

sd/-
(M. Deen Dayalan)
Member

sd/-
(Gireesh B.Pradhan)
Chairperson