

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 129/MP/2017**

**Coram:**  
**Shri P.K. Pujari, Chairperson**  
**Dr. M.K. Iyer, Member**  
**Shri I. S. Jha, Member**

**Date of Order: 5<sup>th</sup> of February, 2020**

**In the matter of:**

Petition seeking surrender of 146 MW (135 MW in Western Region and 11 MW in Southern Region) out of total Long-term Access quantum of 546 MW granted under the Bulk Power Transmission Agreement dated 24.2.2010 read with Annexure – I as modified vide amendments dated 2.1.2012 and 17.10.2012

**And**

**In the matter of**

Simhapuri Energy Limited (SEL)  
Madhucon Greenlands  
6-3-866/2, 3<sup>rd</sup> Floor, Begumpet  
Hyderabad-500016

**.....Petitioner**

**Vs**

Power Grid Corporation of India Limited  
B-9, Qutab Industrial Area  
Katwaria Sarai  
New Delhi-110016

**.....Respondent**

**Parties present:**

- 1) Shri Hemant Singh, Advocate, SEL
- 2) Shri Lakshyajit Singh, Advocate, SEL
- 3) Shri Ali Moid, Advocate, SEL
- 4) Ms. Suparna Srivastava, Advocate, PGCIL
- 5) Ms. Nehul Sharma, Advocate, PGIL
- 6) Dr. V.N. Paranjape, PGCIL
- 7) Ms. Jyoti Prasad, PGCIL

## **ORDER**

The Petitioner, Simhapuri Energy Limited (SEL) has filed the present petition under the Regulation 18 read with Regulation 32 of the Central Electricity Regulatory Commission (Grant of Connectivity, Long-term Access and Medium-term Open Access in inter-State Transmission and related matters) Regulations, 2009 (Connectivity Regulations) seeking surrender of 146 MW (135 MW in Western Region and 11 MW in Southern Region) out of total Long-term Access quantum of 546 MW granted under the Bulk Power Transmission Agreement (BPTA) dated 24.2.2010 read with modified amendments dated 2.1.2012 and 17.10.2012.

### **Brief Facts of the Case:**

2. The Petitioner is a generating Company under Section 7 of the Electricity Act, 2003 (the Act) and has setup a 600(4x150 MW) power plant at Tamminapatnam and Mommidi Villages, Chillakur Mandal, SPSR Nellore District, Andhra Pradesh. For the purpose of evacuation of power, the Petitioner approached CTU for grant of LTA of 491 MW vide its letter dated 2.8.2007. CTU granted LTA vide intimation dated 6.7.2009 for 446 MW with target regions as Southern Region for 311 MW and Western Region for 135 MW. Subsequently, the LTA quantum was revised to 491 MW vide letter dated 24.2.2010 (Southern Region-356 MW and Western Region-135 MW). The Petitioner requested for an additional quantum of 55 MW vide application dated 20.6.2011. CTU vide intimation dated 23.12.2011 granted the additional quantum of 55 MW in the Southern Region. Accordingly, the Petitioner's LTA was of 546 MW with target region as (411 MW in Southern Region and 135 MW in Western Region). The Petitioner signed a Bulk Power Transmission Agreement dated 24.2.2010 which was modified vide amendment dated 17.10.2012. After commissioning of the transmission system for evacuation of power from the

Petitioner's generation project, CTU vide its letter dated 7.2.2015 requested the Petitioner to open letter of credit for an amount of Rs. 25.36 crore which was opened by the Petitioner on 13.6.2016. CTU operationalized the LTA w.e.f. 16.6.2016. The Petitioner made regular payment of the transmission charges. CTU also realized the transmission charges for the month of August 2016, September 2016 and part of October 2016 through invocation of LC in January 2017. The Petitioner reinstated the LC and made payment of transmission charges till January 2017. The Petitioner stopped payment of transmission charges from February 2017 and approached the Commission through Petition No. 103/MP/2017 seeking suspension of the transmission charges to the Respondents in terms of the BPTA read with the TSA till the commencement of supply of power under its agreement with the beneficiaries. The Commission in its order dated 6.7.2017 in Petition No. 103/MP/2017 decided as under:

“14. In the light of the above discussion, we are of the view that since the Petitioner has been granted LTA to target regions and is under statutory as well as contractual obligations to pay transmission charges after COD of the transmission system executed based on the LTA, the Petitioner is liable to pay the transmission charges, irrespective of whether it actually avail the long term access or not. Accordingly, no relief can be granted on the prayers of the Petitioner.

15. We also observe that even though the transmission lines were ready in February, 2016, PGCIL has operationalized the LTA only in July, 2016. Since the LTA customers carry the liability to pay the transmission charges from the date of commissioning of the transmission system based on which LTA has been granted, any delay in operationalisation of the LTA beyond the COD of the concerned transmission system goes against the letter and spirit of the Connectivity Regulations and BPTA. In our view, CTU should take immediate steps to operationalize the LTA after commissioning of the transmission system without being at the mercy of the LTA customers to open the LC in order to operationalize the LTA.”

The Petitioner filed a Writ Petition (C) No. 5708/2017 before the Hon'ble High Court of Delhi challenging the above order dated 6.7.2017. The Hon'ble High Court directed the Petitioner to approach the Appellate Tribunal for Electricity. The Petitioner filed an Appeal No. 205/2017 before the Appellate Tribunal for Electricity

(APTEL) along with IA No. 542/2017 seeking restraint on CTU not to take any coercive action including invocation and encashment of letter of credit. The APTEL disposed of the IA vide order dated 1.8.2017 holding that the Petitioner is not entitled to any relief. Consequently, CTU encashed the LC furnished by the Petitioner towards the transmission charges payable upto March 2017. The Petitioner thereafter filed a Civil Appeal No. 10012/2017 in the Hon'ble Supreme Court against the judgment of the APTEL which was dismissed vide order dated 3.8.2017.

3. The Petitioner vide its letter dated 28.4.2017 intimated CTU that it has been unable to enter into any long term Power Purchase Agreement with distribution companies in Western Region qua 135 MW and in Southern Region qua 11 MW on account of inadequate number of such bids being called in these regions. The Petitioner requested for relinquishment on the ground of force majeure and requested CTU not to levy any transmission charges for the said capacity. CTU vide its letter dated 22.5.2017 asked the Petitioner to renew/open the LC for Rs. 25.36 crore due for expiry on 8.6.2017 for PoC billing. CTU vide its letter dated 30.5.2017 intimated the Petitioner that LC amount as calculated based on average monthly billing came to Rs. 20.1001 crore. The Petitioner vide its letter dated 31.5.2017 disputed the said LC amount on the ground that it included the quantum of 146 MW surrendered by the Petitioner. CTU vide its letter dated 6.6.2017 intimated the Petitioner that its request for relinquishment for LTA has not been accepted and the revised calculation of LC towards the LTA for 546 MW is Rs. 18.8046 crore. The Petitioner vide its letter dated 6.6.2017 disputed the LC amount on the ground that it is not liable to pay the transmission charges for the quantum surrendered by the Petitioner. CTU vide its letter dated 13.6.2017 rejected the request of the Petitioner to surrender 146 MW of LTA without payment of any relinquishment charges. CTU

vide letter dated 15.6.2017 asked the Petitioner to furnish an LC of Rs. 3.8 crore towards the payment security mechanism considering the quantum of 146 MW LTA.

4. In the above background, the Petitioner has filed the present petition with the following prayers:

- “(a) hold and declare that the LTA of 146 MW under BPTA dated 24.02.2010 stands surrendered with effect from 28.04.2017 (date of issuance of letter to PGCIL), without any liability upon the Petitioner;
- (b) direct the Respondent not to raise any demand upon the Petitioner for opening of Letter of Credit pertaining to 146 MW;
- (c) direct the Respondent not to raise any invoice upon the Petitioner, pertaining to transmission or POC charges for 146 MW;
- (d) quash the following letters/ communications issued by the Respondent to the Petitioner:
  - i) letter dated 22.5.2017 issued by the Respondent;
  - ii) letter dated 30.5.2017 issued by the Respondent;
  - iii) e-mails and bill dated 6.6.2017 issued by the Respondent;
  - iv) letter dated 13.6.2017 issued by the Respondent; and
  - v) letter dated 15.6.2017 issued by the Respondent.”

#### **Submissions of the Petitioner**

5. The Petitioner in support of its contention and prayers in the petition has submitted as under:

- (a) At the time of executing the BPTA for the total quantum of 546 MW in 2017 and 2011, the Petitioner had relied upon the reports of CEA and other agencies qua the projected demand/supply scenario in the target regions which clearly indicated that target regions were power supply deficient and power in the said regions was primarily being imported. Pursuant to the execution of the BPTA, there were very limited bids floated by the Utilities in the target regions. Though the Petitioner managed to tie up long term PPA for 400 MW in Southern Region, it was unable despite



its best efforts to tie up any long term power purchase agreement for 135 MW in Western Region and 11 MW in Southern Region on account of inadequate number of bids which was beyond the control of the Petitioner and is a force majeure condition in terms of the BPTA. In terms of Section 38 of the Act, CTU is vested with the functions of planning and co-ordination relating to development and operation of the inter-state transmission system (ISTS) for smooth evacuation and delivery of electricity as per the market condition. CTU has failed to develop the high capacity transmission corridors as per the statutory mandates as contained in Section 38(2)(b) and 38(2)(c) of the Act.

(b) In pursuance of the mandate of Section 38 (2) (b) of the Act, CTU conducts various coordination meetings for the purpose of implementing a new transmission system as well as augmentation of the existing ISTS network, apart from granting and operationalizing LTA, MTOA and STOA. CTU based on the existing requirement of LTA, requirement of power by various distribution licensees and the actual long term PPAs executed by the generating companies has to proceed with the development of transmission corridor. However, the development of the high capacity transmission corridor is not in consonance with the statutory mandate contained in Section 38 (2) (b) and (c) of the Act as CTU has failed to take a holistic view and ensure that the transmission system to be developed would be efficacious or purposeful and commensurate with the actual power demand supply in the target region, long term power procurement processes initiated by the distribution companies in the target region and the actual long term PPAs executed by the generating companies



including the Petitioner. In the event, it becomes clear in the coordination meetings that generators have not been able to execute long term PPAs or that there has been no long term power procurement bids/processes by the distribution companies, CTU is required to withhold construction of the system, as otherwise the system built would be uneconomical and inefficient. CTU is required to implement the transmission project in alignment with the ground realities for fulfilment of its statutory functions under Section 38 of the Act.

(c) Under Clause 22.7 of the Detailed Procedure issued under the Connectivity Regulations, LTA can be granted for target regions but the applicant who has been granted LTA shall have to firm up the exact source of supply or destination three years prior to the intended date of availing LTA atleast for a capacity equivalent to 50% of the quantum of power for which LTA has been sought through signing of the PPAs with the distribution companies. CTU was therefore required to enquire about the status of the long term PPAs executed by the generating companies and in the event of non-execution of the same, CTU is mandated not to augment the transmission system till the above PPAs are executed.

(d) Under Clause 7.1 of the Billing, Collection and Disbursement Procedure (BCD Procedure), it is mandated that even though LTA can be granted based on the target regions without firm beneficiaries, the scheduling of power for injection/drawal shall be only for that portion of the quantum for which there are firm long term PPAs. Therefore, execution of the long term PPAs with the distribution licensees is a sine qua non for system

strengthening as well as for operationalisation of the LTA granted under the BPTA. Therefore, failure of the distribution licensees to undertake long term power procurement processes in the target regions constitutes an event which is beyond the control of the Petitioner and is a force majeure event with respect to the BPTA and within the confines of Clause 9 of the BPTA.

- (e) Long term power purchase tie ups in the regions is substantially disproportionate to the commissioned IPPs since 2010 which is a situation beyond the control of the Petitioner and is tantamount to force majeure event in terms of the BPTA.
- (f) Regulation 18 of the Connectivity Regulations provides for relinquishment of LTA and payment of relinquishment charges. The said regulation is to be ignored as the same is against the mandate of the Act.
- (g) Under Regulation 18 of the Connectivity Regulations, the Petitioner has a statutory right to relinquish the Long Term Access before the expiry of the full term LTA subject to payment of compensation towards the stranded capacity resulting from such relinquishment in the manner provided in the said regulation. The question of stranded capacity in the present case does not arise as per the Connectivity Regulations read with the BCD Procedure since the LTA granted to the Petitioner cannot be implemented in the absence of adequate number of long term power procurement exercise being conducted by the Discoms and consequently, no relinquishment charges are payable by the Petitioner.

- (h) Grant of LTA to a generator does not guarantee flow of power or operationalisation of the LTA. A long term PPA is a condition precedent for operationalisation of the LTA which is evident from Clause 7.1 of the Billing, Collection and Disbursement Procedure (BCD Procedure) issued under the Connectivity Regulations read with the order dated 2.12.2013 in Petition No. 244/MP/2012. Since the year 2009, there have been only few successful long term bids floated by the Discoms in the Western Region till December, 2014 with a requisitioned capacity of around 10,000 MW as against 42471 MW of installed capacity commissioned by the Independent Power Producer (IPPs) in the country.
- (i) Since the Petitioner has already relinquished the LTA capacity of 146 MW, CTU vide its letter dated 22.5.2017, 30.5.2017, 13.6.2017, 15.6.2017 and e-mail dated 6.6.2017 could not have raised any invoices pertaining to the transmission charges on account of commissioning of the transmission lines nor could have demanded for opening of Letter of Credit.

### **Reply of the Respondent**

6. The Respondent, (PGCIL/CTU) vide affidavit dated 22.9.2017 has submitted the following:

- (a) Based on the Petitioner's unequivocal representation and under an expressed direction of the Commission in Petition No. 233/2009, CTU proceeded to implement the transmission corridors for evacuation of power from various projects including that of the Petitioner. Therefore, the Petitioner contention that CTU had undertaken development of high capacity transmission corridor without taking into account the ground

realities for fulfillment of the statutory objective behind Section 38 of the Act is unfounded. Further, the allegations of the Petitioner regarding commissioning of the transmission corridor without taking into consideration the concerns of the stakeholders as pointed in the Coordination Committee meetings are unfounded.

(b) As per Clause 2.0(a) of the BPTA, the Petitioner agreed to share and pay to the Respondent the transmission charges in accordance with the Regulations/Tariff Orders issued by the Commission corresponding to the capacity of power contracted from the generation project through open access from the scheduled date of commissioning of the project. Under Clause 5.0, the Petitioner has undertaken not to relinquish or transfer its rights and obligations under the BPTA without the prior approval of PGCIL and the Commission and subject to the payment of compensation in accordance with the Regulations issued by the Commission from time to time. Clause 9.0 of the BPTA deals with occurrence of force majeure conditions which is in the context of compliance of the terms of the BPTA. Any issues of the long term customer prior to operationalisation of LTA were neither conceived nor were a matter of contractual agreement with PGCIL under the BPTA which is evident from the last sentence of Clause 9.0 which provides that “transmission/drawal of power shall be started as soon as practicable by the parties concerned after such eventuality has come to an end or ceased to exist”. Therefore, the BPTA contemplated such events of force majeure owing to occurrence of which the ongoing transmission/drawal of power had been disrupted. In the light of the clear provisions in the BPTA, the Petitioner cannot contend that non-availability

of long term bids in the target region was a force majeure condition within the meaning of Clause 9.0 of the BPTA. Therefore, the issues affecting the Petitioner prior to operationalisation of the LTA cannot be covered under Clause 9.0 of the BPTA.

(c) Regulation 3 of the Sharing Regulations cast a statutory obligation upon the Respondent to collect the charges under the Regulations and disburse them to the DICs in proportion to their monthly charges as approved by the Commission. The LTA of 546 MW came under operation from 16.6.2016, hence, the Respondent vide letter dated 7.2.2015 requested the Petitioner to open a Letter of Credit (LC) for the sum of Rs.25.36 crore upon commissioning of the transmission system for evacuating power. The Petitioner made regular payments till the bills of January 2017 but stopped paying transmission charges from February 2017 and approached the Commission by filing Petition No. 103/2017 seeking suspension of payment of transmission charges to the Respondent in terms of the BPTA read with the TSA till the commencement of supply of power under its agreements with the beneficiaries on the ground of being affected by force majeure events which was dismissed by the Commission vide order dated 6.7.2017. The Petitioner had been granted LTA to target regions and as under statutory as well as contractual obligations to pay transmission charges, hence, the Petitioner was liable to pay the transmission charges, irrespective of whether it actually availed the long term access or not. The Petitioner thereafter approached the Hon'ble Delhi High Court [by filing WP(C) No.5708.2017], the Hon'ble Appellate Tribunal [by filing Appeal No.205/2017] as also the Hon'ble Supreme Court [by filing Civil Appeal

No. 10012] seeking a restraint on the Respondent from invoking the LC, but to no avail. Further, the Petitioner failed to discharge its liability to pay transmission charges under the subject LTA except by invocation of LC and through Court Orders.

(d) Once a transmission line came into existence and became a part of the inter-state transmission system (ISTS), then it became liable to be included under the Sharing Regulations for computation of transmission charges. The transmission system which had been created/strengthened by the PGCIL after incurring substantial (approved) investment became a part of ISTS. Commercial arrangement for power sale by a concerned generating station is made a condition precedent for the sharing mechanism to become applicable for payment of a transmission charges for the transmission system or transmission assets that are already been commissioned then it would result in unjust burden on other DICs would be require to additionally service the cost of the transmission line that had been built at the instance of the generator.

(e) The Respondent has rightly rejected the request of the Petitioner for relinquishment of 146 MW of LTA under the BPTA such rejection is in accordance with the provisions of the applicable regulations and the BPTA and therefore, the Petitioner's grievance for declaration that LTA of 146 MW stood surrender w.e.f. 28.4.2017 is not sustainable. The Petitioner is accordingly liable to keep the LC alive with respect to the entire LTA quantum of 546 MW and also pay the monthly transmission charges for the said quantum.

## **Rejoinder by the Petitioner**

7. The Petitioner in its rejoinder has reiterated its submissions made in the main petition. The Petitioner has mainly contended that it is not liable to pay the relinquishment charges for relinquishing 146 MW LTA capacity on account of the following:

- (a) The CEA revised power demand projections downwards, in its latest report for 2016-17 where the CTU was required to undertake steps in a manner conducive to the requirements under Section 38 of the Electricity Act, 2003 qua planning, coordination and development of ISTS network. Therefore, the Petitioner was compelled to surrender 146 MW of the LTA quantum out of the total BPTA/ LTA quantum of 546 MW vide letter dated 28.04.2017.
- (b) The non-floating of adequate number of bids by the Discoms in the target regions qua the BPTA of the Petitioner is an event beyond the control of the said Petitioner which is a force majeure event as per the said BPTA and as per the order of the Commission in Petition No. 118/MP/2012, in Lanco Babandh Power Ltd. Gurgaon v. PGCIL and Anr. where it was held that non-availability of coal linkage for Lanco Babandh was an event beyond the control of the said generator.
- (c) As per Regulation 18 of the Connectivity Regulations, the Petitioner has a right to relinquish the LTA, and there is no prior permission which is required to be sought from either this Commission or from the Respondent.

### **Submissions during the hearing**

8. During the hearing of the petition, learned senior counsel for the Petitioner submitted as under:-

- (a) Once a contract has been entered into on account of provisions in the statute or regulations and the principles in the regulations have been incorporated in the contract, it cannot be said that the regulation will operate independent of the contract. Since the incident of relinquishment charge is on account of a contract executed in terms envisaged under Regulation 15 of the Connectivity Regulations, Regulation 18 would then be required to be applied in a manner envisaged by the parties in the contract/BPTA. Accordingly, Clauses 5 and 9 of the BPTA becomes relevant and would control the obligations of the parties.
- (b) The Commission in Petition No. 69/MP/2014 (Aryan MP Power Generation Pvt. Ltd. Vs. PGCIL) and in Petition No. 317/MP/2013 (Navbharat Power Pvt. Ltd. Vs. PGCIL) and other orders has interpreted Clause 9 of the BPTA to cover a temporary phase when the project developer is unable to utilize the transmission system or when the licensee is unable to make its transmission system available due to any force majeure event and has held that the said provision cannot be used for making an exit from BPTA. Force Majeure cannot be of “temporary nature” for the reason that the definition of force majeure includes war, rebellion, mutiny, fire, flood, change in law etc. and some of these events creates a permanent disability to jeopardize the ability of the Petitioner to

start operation again. Therefore, Clause 9 of the BPTA is without any limitations as to the time for which force majeure period can be claimed.

- (c) Clauses 1 to 11 of the BPTA unambiguously provide that the obligation contained under the terms relating to payment of transmission charges (Clause 2) and relinquishment charges (Clause 5) shall stand discharged in the event of occurrence of force majeure situation (Clause 9). Therefore, Clause 9 is an omnibus clause that cuts right through the agreement and includes the failure to carry out the obligation to pay the transmission charges and relinquishment charges as envisaged in Clauses 3 and 5 of the BPTA. The functional basis of a power project is long term PPAs and if the same are not executed due to reasons not attributable to the project developer, the existence of force majeure events as provided in Clause 9 cannot be denied. Further, Clause 6 of the BPTA has no application to the present case as this is not a case of exit/abandonment of the project.
- (d) The event narrated by the Petitioner i.e. non-availability of long term PPA is an event of force majeure within the meaning of Clause 9 of the BPTA and on occurrence of such force majeure event, the obligation to pay the relinquishment charges under Regulation 18(1) of the Connectivity Regulations stands extinguished. An analysis of the various provisions of the BPTA would show that the statutory right of CTU to collect transmission charges was made in terms of the contract/BPTA. As per the minutes of the 37<sup>th</sup> and 40<sup>th</sup> Reports of the Parliamentary Standing Committee issued in March, 2018 and August, 2018 respectively, there

was no possibility of signing of PPAs which resulted in the assets being stranded/stretched and several companies being declared NPAs. Lack of agreement for supply of power between generators and distribution licensees is an event of force majeure which is recognized by the Central Government.

8. The Learned Counsel for CTU submitted as under:

(a) The Commission in its order dated 8.3.2019 in Petition No. 92/MP/2015 has decided the issue of stranded capacity and payment of relinquishment charges. The Commission has held that Regulation 18 of the Connectivity Regulations was in conformity with the provisions of the Act and in advancement of the objects of the Act with regard to Open Access. Further, the Commission has held that the Relinquishment Charges were in the nature of the compensation which a long term customer was obliged to pay as transmission charges in accordance with the mechanism envisaged in the Regulation 18 of the Connectivity Regulation. Therefore, the issue as regards the liability of payment of relinquishment charges has been settled by the Commission which is binding on the petitioner being a party in the Petition No. 92/MP/2015.

(b) In line with the direction of the Commission in order dated 8.3.2019 in Petition No. 92/MP/2015, CTU has computed the stranded capacity and relinquishment charges of the various generators including the Petitioner. The Petitioner is liable to pay Rs. 44.12 Crs. as Relinquishment Charges.

- (c) The allegations made by the Petitioner as regards the responsibility of the CTU to execute the transmission corridors taking into account the actual long term PPAs entered by the Petitioner has been dealt with by the Commission in Para 94 of the Order dated 8.3.2019 in the Petition No. 92/MP/2015. Since, signing of the PPAs is not a pre-condition for implementation of transmission corridors, the same cannot be pleaded as a Force Majeure event relieving the Petitioner from paying the relinquishment/transmission Charges under the BPTA.
- (d) The Commission in the Order dated 8.3.2019 in Petition No. 92/MP/2015 has held that since BPTA is in terms of the Connectivity Regulations, it is in the nature of a statutory contract. The relationship between the CTU and the LTA customer being statutory in nature has to be governed by the provisions of the Connectivity Regulations. Further, the liability for payment towards the relinquishment charges is to be determined based on Regulation 18 of the Connectivity Regulations. Since, the issue as regards the applicability of the Regulation 18 in the context of BPTA stands adjudicated, the submission of the Petitioner in this regard is liable to be rejected.
- (e) Under Clause 5.0 of the BPTA, the obligation to pay the transmission charges under the BPTA is absolute and the Petitioner cannot transfer/relinquish its rights and obligations without the prior approval of the Commission. Since, the relinquishment is to be upon the payment of necessary compensation in accordance with the regulations, Regulation 18 of the Connectivity Regulation has been included as an operating

contractual provision under the express terms of Clause 5.0 of the BPTA. Therefore, the inter argument of the statute ousting the Regulation is of no consequence.

- (f) While interpreting a contract what is of essence is the intention of the parties in the context which it appears and the nature of the rights and obligations agreed there under`. As such the Force Majeure Clause under BPTA must be construed accordingly and cannot be given a wider area of applicability than what has been intended by the parties. The BPTA is a contract for use of transmission line of a transmission licensee by a DIC wherein the DIC agrees to bear the transmission charges as a consideration for use of the said transmission lines irrespective of the actual power flow. In other words, so long as a DIC is connected to the transmission lines of the licensee and retains the rights to access the system, it is liable to pay transmission charges to the licensee. It is in this context that Clause 9 of the Connectivity Regulations provides for an exclusion Clause in the nature of the force majeure event which temporarily absolves the parties from any liabilities arising from a breach of contract. This is evident from the last sentence of the Clause 9 which says that power flow should be started as soon as the force majeure event is over. Therefore, Clause 9 of the BPTA being temporary in nature and being restrictive in application cannot be relied upon by the Petitioner to contend that the entire BPTA including Clause 5.0 of the BPTA ceases to operate as between the parties. The liabilities under Clause 5 of the BPTA and Regulation 18 of the Connectivity Regulations must be distinguished from the liabilities under Clause 9 of the BPTA. Clause 9 of the BPTA only



provides for a departure of payment from the transmission charges and by no means can provide for departure from obligation under the Clause 5 of the BPTA.

(g) As per the findings of the Commission in various cases and of the Appellate Tribunal in Appeal No. 54 of 2014, the absence of long term PPA cannot be construed as a force majeure event. The Petitioner is accordingly liable to pay the Relinquishment Charges.

9. Learned Senior Counsel for the Petitioner has submitted as under:

(a) Relinquishment Charges have been made as part of the contractual obligations under Clause 5 and therefore, the same is amenable to the Clause 9 of the BPTA. While the relinquishment charges can be computed in terms of the protocol provided under Regulation 18, levy of the same is subject to the terms and subject of the BPTA. Further, the BPTA does not contain any exception or non obstante clause specifying that the relinquishment charges will be levied as per the Connectivity Regulations. In the absence of such stipulations, CTU cannot argue that the compensation for relinquishment is a statutory charge which is payable de-hors the provisions of the BPTA.

(b) The argument by PGCIL that PPA is not at all relevant while considering the LTA application is fundamentally flawed. Regulation 12 of the Connectivity Regulations provides that an agreement for sale/purchase of power is a consideration at the time of applying for LTA. Clause 22.7 of the Detailed Procedure under the Connectivity Regulation casts an

obligation on an LTA customer to confirm the exact details of the PPA executed 3 years prior to the intended date of operationalization of the LTA. Clause 7.1 of the BCD Procedure provides that an LTA cannot be operational in the event firm long term PPA is not available. Regulation 15-B of the Connectivity Regulations provides that LTA can only be availed by having a contract of above one year. In view of the above provisions, the Commission is precluded from taking a view that non-availability of long term PPAs as a result of non-initiation of a long term power purchase processes by the distribution licensees will have no impact on the BPTAs.

- (c) Ministry of Power issued the guidelines for procurement of power under Design, Build, Finance, Own and Operate (DBFOO) basis on 8.1.2013. As per DBFOO, coal cost is a pass through in certain scenarios which relate to the source of coal. For example, if the bids are called for scenarios relating to domestic coal linkage or from domestic coal mines, then power plants based on imported coal cannot participate in such bids. The said stipulation is a departure from the earlier Case 1 bidding regime where coal source was at the discretion of the bidders. This factor has materially affected the Petitioner from entering into long term PPA. The aforesaid reason cannot be ignored by the Commission and in the event of relinquishment of BPTA/LTA on account of the said force majeure reasons, no relinquishment charges can be levied.
- (d) The BPTA is not an underlying contract for underwriting the costs of PGCIL. Where a generator is not able to evacuate power on account of

reasons which are beyond its control, the said generator cannot be made liable to underwrite the cost of PGCIL on account of non-usage of the transmission system. As per Section 38(2)(b) of the Act, CTU is required to effectively coordinate the construction of transmission systems with various entities including the generators. It follows therefrom that when the generators have raised their concerns pertaining to non-evacuation of power on account of reasons beyond their control, CTU cannot just proceed with the transmission corridors only on the basis of BPTAs being signed with the generators. As per Para 5.3.2 of the National Electricity Policy, CTU is required to undertake network expansion after identifying requirements in consultation with the stakeholders and taking up the execution after the due regulatory approval. When PGCIL develops transmission corridors without execution of contracts/BPTA with the beneficiaries, the risks in developing the transmission network cannot be entirely attributable to the LTA customers. CTU has to take the risk of developing transmission infrastructure in the event of occurrence of any unforeseeable or uncontrollable event.

- (e) CTU's interpretation of clause 9 of the BPTA is only applicable to the extent of "transmission of electricity in a transmission system", and not for the purpose of injection or withdrawal of power is completely erroneous. After injection of power by the generator from its generating station, it has no role qua such generation of power. If the force majeure clause is interpreted as per the argument of CTU, then it will be applicable for the benefit of CTU, and for no other entity. Any issues qua the flow of power in the transmission system can only be attributable to CTU and in such an

event, any benefit of force majeure will always be availed by CTU. The above interpretation will render Clause 9 otiose as only CTU can invoke the said clause since the generator does not have any role after injection of power in the transmission system from its power plant.

### **Analysis and Decision**

10. We have considered the submissions of the Petitioner and Respondents and perused all relevant documents on record and the regulations of the Commission and the orders issued by the Commission having bearing on the adjudication of disputes raised in the petition. The following issues arise for our consideration:

**(a) Issue No. 1: Whether Clause 9 of the BPTA dealing with force majeure is an omnibus provision cutting across all provisions of the BPTA including clause 3 and 5 and in the event force majeure is proved, relieves an affected party from its liability to pay the transmission charges or relinquishment charges as the case may be, or is a standalone provision applicable for disruption in injection/supply of power of temporary nature?**

**(b) Issue No.2: Whether the case of the Petitioner is covered under clause 9 of the BPTA?**

**(c) Issue No.3: What should be the date of relinquishment of LTA?**

**(d) Issue No.4: What are the reliefs admissible to the Petitioner in terms of its prayers in the Petition?**

These issues have been dealt with ad seriatim in the succeeding paragraphs of this order.

**Issue No. 1: Whether Clause 9 of the BPTA dealing with force majeure is an omnibus provision cutting across all provisions of the BPTA including clause 3 and 5 and in the event force majeure is proved, relieves an affected party from its liability to pay the transmission charges or relinquishment charges as the case may be, or is a standalone provision applicable for disruption in injection/supply of power of temporary nature?**

11. The Petitioner has set up a 600 MW (4x150) power project at Tamminapatnam and Mommidi Villages, Chillakur Mandal, SPSR Nellore District,

Andhra Pradesh. It applied for grant of LTA of 491 MW and entered into a BPTA dated 24.2.2010. The Petitioner sought additional quantum of 55 MW to Southern Region vide its letter dated 26.6.2011. Accordingly, the Petitioner was granted LTA of 546 MW {411 MW in (SR) and 135 MW in (WR)} and BPTA was modified on 17.10.2012. After completion of the transmission system the LTA was operationalized from 16.6.2016. The Petitioner vide its letter dated 28.4.2017 sought to relinquish 146 MW (135 MW to Western Region and 11 MW to Southern Region) with effect from 28.4.2017 without any relinquishment charges on the ground that it has been affected by force majeure under Clause 9 of the BPTA on account of absence of long term procurement bids by the distribution companies. CTU rejected the claim of the Petitioner that non-availability of long term procurement bids is not covered under Clause 9 of the BPTA. The Petitioner in the present petition has sought a declaration that the LTA of 146 MW under BPTA dated 24.2.2010 stands relinquished with effect from 28.4.2017 without any liability to pay the relinquishment charges since the relinquishment is on account of force majeure reasons.

12. The Petitioner has submitted that CTU accorded long term access in terms of the Connectivity Regulations. The Petitioner and CTU entered into BPTA as required under Regulation 15 of the Connectivity Regulations for payment of transmission charges (Clause 2 of the BPTA). Clause 5 of the BPTA recognized the ability to relinquish or transfer obligations specified in the BPTA subject to approval of CTU and the Commission and further subject to payment of compensation. In terms of Clause 9 of the BPTA, the parties have agreed to limit their liability for loss or damage arising out of failure to carry out the terms of the agreement if such loss or damage is on account of force majeure. Further, force majeure has been defined in broad terms to include change in law or any other cause beyond the control of the

defaulting party. Therefore, the statutory right of CTU to collect the transmission charges was made in terms of the contract/BPTA. The Petitioner has submitted that the agreed terms of the BPTA, being Clauses 1 to 11 are unambiguous which provide that the obligations contained under the terms relating to payment of transmission charges (Clause 2) and relinquishment charges (Clause 5) shall stand discharged in the event of occurrence of force majeure situation (Clause 9). The Petitioner has submitted that Clause 9 is an omnibus clause that cut right through the agreement since it provides that “no party is liable to any claim for any loss or damages whatsoever arising out of the failure to carry out the terms of this Agreement”. The Petitioner has submitted that use of the phrase “this agreement” includes the failure to pay the transmission charges and relinquishment charges as envisaged in Clauses 3 and 5 of the agreement. The parties entering into contract are fully aware of the nature of the contract including the contingencies (i.e. Clause 9 of the BPTA) and it would not be proper if any other interpretation or meaning is given to the same which is contrary to the original intention of the parties i.e. inspite of occurrence of force majeure events under clause 9, the contractual obligations under Regulation 5 to pay the relinquishment charges continues to be alive.

13. The Petitioner has further submitted that a question which needs to be considered is whether the Petitioner would be liable for payment of relinquishment charges in terms of Regulation 18 of Connectivity Regulations read with the order dated 8.3.2019 in Petition No.92/MP/2015 irrespective of whether the Petitioner has demonstrated existence of force majeure events. The Petitioner has submitted that once a contract has been entered into on account of provisions in a statute/regulation, and the principles in the regulations have been incorporated in the contract, it cannot be said that the regulation will operate independent of the

contract. The Petitioner has submitted that the incident of relinquishment charge is on account of the contract executed in terms envisaged under Regulation 15 and hence Regulation 18 would require to be applied in a manner envisaged by the parties in the BPTA. It is in this context that Clauses 5 and 9 become relevant and would control the obligations of the parties, irrespective of whether such obligation has reference to determination made under the regulations.

14. CTU has submitted that the issue regarding liability of payment of relinquishment charges and method of determination of stranded capacity has been settled by the Commission in order dated 8.3.2019 in Petition No.92/MP/2015 and is binding on the Petitioners who were also parties in the said proceedings (subject to order in the appeals). The Petitioners cannot now be heard to contend that they are not liable to make payment of the compensation in the manner provided under Regulation 18 of the Connectivity Regulations. CTU has submitted that the Petitioner in terms of Clause 2.0 of the BPTA has undertaken to share and pay to the CTU the transmission charges in accordance with the Regulations/Tariff orders of the Commission. Further, Clause 6 of the BPTA have bound the generators to pay the transmission charges when they are abandoning the project or making an exit. CTU has emphasized that it is in pursuance of the said provision that the Petitioner has furnished to the CTU the bank guarantee corresponding to the LTAs granted to them which can be encashed by the CTU in case of any adverse progress of the generating unit assessed in the Coordination Meeting. CTU has further submitted that Clause 5.0 of the BPTA prevents the Petitioner to relinquish or transfer its rights and obligations specified in the BPTA without the prior approval of the Commission and CTU and subject to payment of compensation in accordance with the regulations of the Commission issued from time to time. Therefore, Regulation 18

has been included as an operating contractual provision under the express terms of Clause 5.0 of the BPTA and therefore, the entire argument of the contract ousting the regulation is of no consequence. CTU has submitted that the contention of the Petitioner that the right to claim relinquishment charges based upon exit/surrender/relinquishment of LTA is subject to provisions of BPTA which has become frustrated on account of force majeure event, already stands adjudicated in order dated 8.3.2019 in Petition No.92/MP/2015 wherein the Commission has held that BPTAs or LTA Agreements are in accordance with the Connectivity Regulations and they are in the nature of statutory contract and are to be governed by the provisions of Connectivity Regulations. CTU has submitted that the interpretation supplied by the Petitioner to Clause 9 of the BPTA so as to broaden its applicability to situations which were never intended to be covered, is absolutely erroneous and has occurred on account of the unwarranted comparison by the Petitioner of the force majeure clause in the BPTA with the force majeure clause in the Power Purchase Agreement between the generating companies and distribution licensees. CTU has submitted that the force majeure clause in the BPTA must be interpreted on the principle of interpretation of contract i.e. the intention of the parties, the context in which they appear and the nature of rights and obligations agreed thereunder and cannot be given a wider area of applicability than what has been intended by the parties. CTU has submitted that the BPTA is a contract for use of transmission lines of a transmission licensee by a DIC wherein the DIC agrees to bear the transmission charges as a consideration for use of the said transmission lines irrespective of the actual power flow, meaning thereby that so long as a DIC is connected to the transmission lines of the licensee and retains the right to access the system, it is liable to pay the transmission charges to the licensee. It is in this

context that Clause 9 provides for an exclusion clause in the nature of force majeure which temporarily absolves the parties from any liability arising out of the breach of contract if the same has occurred on account of force majeure which prevents the use of the transmission lines and suspends the power flow. That is why the clause says that power flow is to be started as soon as force majeure event is over. CTU has submitted that clause 9 of the BPTA being temporary in nature and restrictive in its application cannot be relied upon by the Petitioner to contend that once it becomes applicable, the entire BPTA including clause 5.0 ceases to operate between the parties. CTU has emphasized that the applicability of Clause 9 cannot be extended to matters which are beyond the eventualities affecting “transmission/drawal of power”. CTU has submitted that the attempt of the Petitioner to misinterpret the provisions of Clauses 9 and 5 of the BPTA read with Regulation 18 of the Connectivity Regulations so as to evade its liability of payment of relinquishment charges at the time of relinquishment of the LTA, is also negated by the clear language of Clause 9 of the BPTA.

15. We have considered the submissions of the Petitioner and CTU. The main contention of the Petitioner is that once the BPTA has been signed as required under Regulation 15 of the Connectivity Regulations, the rights and liabilities of the parties to the BPTA shall be governed by the provisions of the BPTA and not in accordance with the provisions of the Connectivity Regulations. To be specific, the Petitioner’s contention is that the relinquishment charges determined under Regulation 18 of the Connectivity Regulations cannot be levied if the Petitioner is excused for performance on account of force majeure in terms of Clause 9 of the BPTA. Therefore, the question for consideration is whether the relinquishment charges are statutory or contractual in nature. The Commission has dealt with the issue in its

order dated 8.3.2019 in Petition No.92/MP/2015. Relevant observations and findings of the Commission in the said order are extracted as under:

“97. We have considered the submissions of the parties. Long Term Access rights have been granted to the LTA customers under provisions of Regulation 12 of the Connectivity Regulations and such access rights carry with itself the corresponding commitment under Regulation 26 to pay the transmission charges for the transmission systems included in the LTA grants. Further, in terms of the Connectivity Regulations, the LTA customers have signed the Bulk Power Transmission Agreements or Long Term Access Agreement making unconditional commitment to pay the transmission charges throughout the term of the LTA. Regulation 18 deals with the relinquishment of long term access rights by the LTA customers. Regulation 18 provides for an exit provision for the long term customers to relinquish the LTA rights subject to payment of transmission charges for a maximum period of 12 years with a notice period of one year or payment of transmission charges in lieu thereof. Since BPTA or LTA Agreements are in terms of the Connectivity Regulations, they are in the nature of statutory contract. Therefore, the relationship between the CTU and the LTA customers are basically statutory in nature and has to be governed by the provisions of the Connectivity Regulations. As a corollary, the relinquishment of access rights of the LTA customers has to be strictly construed in terms of the provisions of the Connectivity Regulations.

98. Regulation 18 which deals with the relinquishment of long term access rights by LTA customers is extracted as under:

“18. Relinquishment of access rights

(1) A long-term customer may relinquish the long-term access rights fully or partly before the expiry of the full term of long-term access, by making payment of compensation for stranded capacity as follows:-

(a) Long-term customer who has availed access rights for atleast 12 years

(i) Notice of one (1) year – If such a customer submits an application to the Central Transmission Utility at least 1 (one) year prior to the date from which such customer desires to relinquish the access rights, there shall be no charges.

(ii) Notice of less than one (1) year – If such a customer submits an application to the Central Transmission Utility at any time lesser than a period of 1 (one) year prior to the date from which such customer desires to relinquish the access rights, such customer shall pay an amount equal to 66% of the estimated transmission charges (net present value) for the stranded transmission capacity for the period falling short of a notice period of one (1) year.

(b) Long-term customer who has not availed access rights for at least 12 (twelve) years – such customer shall pay an amount equal to 66% of the estimated transmission charges (net present value) for the stranded transmission capacity for the period falling short of 12 (twelve) years of access rights:

Provided that such a customer shall submit an application to the Central Transmission Utility at least 1 (one) year prior to the date from which such customer desires to relinquish the access rights;

Provided further that in case a customer submits an application for relinquishment of long-term access rights at anytime at a notice period of less than one year, then such customer shall pay an amount equal to 66% of the estimated transmission charges (net present value) for the period falling short of a notice period of one (1) year, in addition to 66% of the estimated transmission charges (net present value) for the stranded transmission capacity for the period falling short of 12(twelve) years of access rights.

(2) The discount rate that shall be applicable for computing the net present value as referred to in sub-clause (a) and (b) of clause (1) above shall be the discount rate to be used for bid evaluation in the Commission's Notification issued from time to time in accordance with the Guidelines for Determination of Tariff by Bidding Process for Procurement of Power by Distribution Licensees issued by the Ministry of Power.

(3) The compensation paid by the long-term customer for the stranded transmission capacity shall be used for reducing transmission charges payable by other long-term customers and medium-term customer in the year in which such compensation payment is due in the ratio of transmission charges payable for that year by such long term customers and medium-term customers."

99. Regulation 18 provides for relinquishment of access rights fully or partly before expiry of the full term of long term access by making payment of compensation for the stranded capacity. The regulation has fixed a period of maximum of 12 years for the purpose of compensation for access rights even though the tenure of the LTA is 25 years. Further, the compensation has been fixed at an amount of 66% of the transmission charges (net present value) for the stranded transmission capacity for a period falling short of 12 years. In other words, the long term customers relinquishing the access rights are exempted from paying 34% of the transmission charges (net present value) for a period falling short of 12 years. Thus on account of the exit of a long term customer through relinquishment, the entire transmission charges from 13th year to 25th year and 34% of the transmission charges from 1st year to 12th year for the relinquished capacity has to be borne by other long term customers and medium term customers. This aspect becomes clear from Regulation 18(3) which provides that the compensation received on account of relinquishment shall be applied for reducing the transmission charges of other long term and medium term customers which are required to bear the additional transmission charges which would have been borne by the relinquishing long term customers but for the relinquishment of long term access rights. Therefore, Regulation 18 statutorily provides for a compensatory mechanism for relinquishment of access rights by long term customers by apportioning the risks between the relinquishing long term customers and the other long term and medium term customers keeping in view the likely utilization of the relinquished transmission assets. It is pertinent to mention that neither BPTA nor Long Term Access Agreements between the long term customers and CTU provide for any compensatory mechanism but only mention that it shall be determined as per the regulations of the Commission. In other words, the compensatory mechanism for long term access rights is statutory in nature. Therefore, the Commission does not agree with the contention of relinquishing long term customers that the compensation on account of relinquishment of long term access rights shall have to be decided on the principles of section 73 and 74 of the Indian Contract Act, 1872....."

In the light of the above findings of the Commission, the issue whether the relinquishment charges shall be governed by the Connectivity Regulations or the



provisions of the BPTA stands settled. Since appeals have been filed against the said order, it is needless to say that the above findings are subject to the decision of APTEL. As the matter stands today, the issue is settled and cannot be reopened in the present proceedings.

16. Another argument of the Petitioner is that Clause 9 of the BPTA is an omnibus clause that cut right through the agreement and the use of the words “this agreement” includes the failure to carry out the obligation to pay the transmission charges and relinquishment charges, as envisaged in Clauses 3 and 5 of the BPTA. The Petitioner has submitted that the Commission has taken a view qua Clause 9 in Aryan Coal (Petition No. 69/MP/2014) and other related matters that the said clause provides temporary amnesty and appeals are presently pending against these orders. Despite being aware that the Commission has become functus officio qua the interpretation of Clause 9 of the BPTA, the Petitioner has urged the Commission to take an independent view on account of the submissions made in the petition. Therefore, without any prejudice to our findings in our earlier order, we are examining the submissions of the Petitioner.

17. The relevant provisions of the BPTA dated 24.2.2010 are quoted hereunder:

“1.0 In accordance with Central Electricity Regulatory Commission Regulations, 2009 and Electricity Act 2003 (including there amendment, if any) and in accordance with the term mentioned above, POWERGRID agrees to provide such open access required by these Long Term Transmission Customers from the date and in the manner mentioned in the Annexure 1, Annexure 2 , Annexure 3 and Annexure 4 of this agreement for a period of 25 years from the schedule date of open access of individual long-term open access customers (as specified in Annexure I).

2.0 (a) Long term transmission customer shall share and pay the transmission charges in accordance with the regulation/tariff order issued by Central Electricity Regulatory Commission from time to lime of POWERGRID transmission system of concerned applicable Region i.e, Northern Region, Western Region, Southern Region including charges for inter-regional links/ULDC/NLDC charges and any additions thereof. These charges would be applicable corresponding to the capacity

of power contracted from the said generation project through open access from the scheduled date of commissioning of generating projects as indicated at Annexure-I irrespective of their actual date of commissioning.

(b) Long term transmission customer shall share and pay the transmission charges of the transmission system detailed in Annexure-3 in accordance with tile sharing mechanism detailed in Annexure-4. In case, in future, any other long-term transmission customer(s) is/are granted open access through the transmission system detailed at Annexure-3 (subject to technical feasibility), he/they would also share the applicable transmission charges.

(c) Each Long transmission customer (including its successor/assignee) shall pay the applicable transmission charges from the date of commissioning of the respective transmission system which would not be prior to the schedule commissioning date of generating units as indicated by the respective developer as per Annexure-I. The commissioning of transmission system would be preponed only if the same is agreed mutually by concerned parties.

(d) In addition to opening of LC for 105% of estimated average monthly billing for charges mentioned at 2(a) and 2(b) above, Long-Term Transmission customer would provide security in the form of irrevocable Bank Guarantee (BO), in favor of POWER GRID, equivalent to two months estimated average monthly billing, three months prior to the scheduled date of commissioning of generating units as indicated at Annexure-I. Initially the security mechanism shall be valid for a minimum period of three (3) years and shall be renewed from time to time till the expiry of the open access.

3.0 POWERGRID agrees to provide Long Term Access required by Long term transmission customer as per the details mentioned above and in accordance with the Regulations under the Central Electricity Regulatory Commission (Open Access in Interstate Transmission) Regulations 2009 and conditions specified by the CERC from time to time.

However, during the tenure of this agreement if any of the covenants and conditions recited in this agreement including agreements at Annexure- A, Band C found inconsistent with the provisions of the Electricity Act 2003 and/or applicable notifications/rules/regulations issued either by CERC or by GOI as per the provisions of the Electricity Act, then notwithstanding anything contained in the agreement referred to above, the said rules and regulations shall prevail.

5.0 The Long term transmission customer shall not relinquish or transfer its rights and obligations specified in the Bulk Power Transmission Agreement, without prior approval of POWERGRID and CERC and subject to payment of compensation in accordance with the CERC Regulations issued from time to time.

6.0 (a) In case any of the developers fail to construct the generating station or dedicated transmission system or makes an exit or abandon its project, POWERGRID shall have the right to collect the transmission charges and/or damages as the case may be in accordance with the notification/regulation issued by CERC from time to time. The developer shall furnish a Bank guarantee from a nationalised bank for an amount which shall be equivalent to Rs.5 (five) Lakhs/MW to compensate such damages. The bank guarantee format is enclosed as Annexure-Y. The details and categories of bank would be in accordance with clause 2 (h) above. The Bank guarantee would be furnished in favour of POWERGRID in accordance with the time frame agreed during the meeting held at CEA on 1.2,2010.



(b) This bank guarantee would be initially valid for a period upto six months (after the expected date of commissioning schedule of generating units) mentioned at Annexure-I (however, for existing commissioned units, the validity shall be the same as applicable to the earliest validity applicable to the generator in the group mentioned at Annexure I), The bank guarantee would be encashed by POWER GRID in case of adverse progress of individual generating units assessed during coordination meeting as per para 7 below. However, the validity should be extended by the concerned Long Term transmission customer(s) as per the requirement to be indicated during co-ordination meeting.

(c) The POWERGRID shall build transmission system included at Annexure-3 keeping view of various commissioning schedules, however, till the completion of identified transmission elements the transfer of power will be based on the availability of system on short term basis.

(d) In the event of delay in commissioning of concerned transmission system from its schedule, as indicated at Annexure-4 POWERGRID shall pay proportionate transmission charges to concerned Long Term Access Customer(s) proportionate to its commissioned capacity (which otherwise would have been paid by the concerned Long Term Access Customer (s) to POWERGRID) provided generation is ready and POWERGRID fails to make alternate arrangement for dispatch of power.

9.0 The parties shall ensure due compliance with the terms of this Agreement. However, no party shall be liable for any claim for any loss or damage whatsoever arising out of failure to carry out the terms of the Agreement to the extent that such a failure is due to force majeure events such as war, rebellion, mutiny, civil commotion, riot, strike, lock out, fire, flood, forces of nature, major accident, act of God, change of law and any other cause," beyond the control of the defaulting party. But any party claiming the benefit of this clause shall satisfy the other party of the existence of such an event and give written notice of 30 days to the other party to this effect. Transmission/drawal of power shall be started as soon as practicable by the parties concerned after such eventuality has come to an end or ceased to exist.

10. In the event of finalisation of beneficiaries by the developers the applicable transmission charges and other charges covered under this agreement would be payable by the concerned beneficiary. These charges would be effective only from the date of signing of agreement by concerned beneficiary with POWERGRID for the validity period of open access."

18. Perusal of the above provisions makes the scheme envisaged in the BPTA clear. As per Clause 1, CTU has agreed to grant long term access to the Petitioner in accordance with the Act and Connectivity Regulations from the date and in the manner mentioned in Annexure 1 to 4 of the BPTA for a period of 25 years from the scheduled date indicated in Annexure-1. According to Clause 2, the Petitioner is under obligation to pay the transmission charges in accordance with the regulations and tariff order of the Commission issued from time to time. The applicable charges



are payable by the Petitioner from the date of commissioning of the transmission system which should not be prior to the scheduled date of commissioning of the generating station irrespective of actual date of commissioning of the generating station. Further Clause 2 (d) provides for opening of LC and BG as security. As per Clause 3, CTU has agreed to provide the long term access as per the BPTA in accordance with the regulations and conditions as specified by the Commission from time to time. During the tenure of the agreement, if any of the covenants and conditions recited in the agreement are found inconsistent with the provisions of the Act or applicable notification, rules/regulations issued by the Commission or by GOI as per the provisions of the Act, then the said rules and regulations shall prevail. Therefore, the parties to the BPTA have expressly agreed that the provisions of the applicable notification/rules/regulations issued by GOI or the Commission shall prevail over any covenant or conditions of the BPTA. Clause 5 enjoins upon the Petitioner not to relinquish or transfer its rights and obligations under the BPTA without prior approval of CTU and the Commission and subject to compensation determined in accordance with the regulations of the Commission issued from time to time. This means that the BPTA incorporates the relinquishment charges determined under Regulation 18 of the Connectivity Regulation as compensation for relinquishment in terms of Clause 5 of the BPTA. Clause 6 deals with four eventualities attributable to the Petitioner i.e. failure to construct the generating station, failure to construct the dedicated transmission system, exit from the project or abandonment of the project, on occurrence of which CTU has the right to collect the transmission charges and/or damages in accordance with the regulation/notification issued by the Commission from time to time. For compensating the damages, the Petitioner is required to give a bank guarantee

@Rs.5 lakh/MW which could be encashed on account of adverse progress of the individual generating units assessed during the coordination meeting as per Clause 7. Clause 9 enjoins upon both parties to ensure due compliance of the terms of the agreement. However, a party is discharged from its liability for claim for any loss or damages if it fails to carry out the terms of the agreement to the extent such failure is due to force majeure events. There is also provision for notice by the party claiming force majeure to the other party. The Clause further enjoins on the parties to resume transmission/drawal of power as soon as practicable by the parties concerned after the eventuality ceased to exist or come to an end.

19. The parties have argued at length with regard to applicability of force majeure clause in case of relinquishment of LTA and liability of parties to pay the relinquishment charges. It is a settled principle that while interpreting the contract, the intention of the parties, the context in which they appear and the nature of rights and obligations agreed thereunder are relevant considerations which should be kept in view. Therefore, Clause 9 of the BPTA has to be interpreted with due consideration of the above principle of construction. Different elements of Clause 9 are as under:

- (a) The parties shall ensure due compliance with the terms of the agreement.
- (b) No party shall be liable for any claim of damages or loss arising out of failure to carry out the terms of the agreement.
- (c) The party shall be relieved of the liability to the extent that such a failure is due to force majeure events such as war, rebellion, mutiny, civil commotion,

riot, strike, lock out, fire, flood, forces of nature, major accident, act of God, change of law and any other cause beyond the control of the defaulting party.

(d) The defaulting party shall satisfy the other party of the existence of such an event and give a written notice of 30 days.

(e) Transmission/drawal of power shall be started as soon as practicable by the parties concerned after such eventuality has come to an end or ceased to exist.

It is evident from the above that the intention of the parties is to ensure due compliance of the terms of the BPTA. BPTA is a contract for use of the transmission lines of a transmission licensee by a long term customer wherein the transmission licensee agrees to provide open access to its transmission lines and the long term customer agrees to pay the transmission charges as a consideration of use of the said transmission lines. In other words, so long as the long term customer is connected to the transmission lines of the licensee and retains the right to access to the system, it is liable to pay the transmission charges irrespective of actual power flow. Clause 9 provides for an exclusion in the form of force majeure which absolves a party from its liability to any loss or damages arising out of its failure to carry out the terms of the BPTA if it has occurred on account of force majeure which prevents the use of the transmission lines by the long term customer and suspends the power flow. The clause does not visualize the failure to be of permanent nature, It says that as soon as the event ceases to exist, the transmission/drawal of power shall be started as soon as practicable, meaning thereby that the clause is envisaged to be applicable for a temporary period. Therefore, Clause 9 of the BPTA covers situation of temporary in nature and has a restrictive application. The scope of the said clause

cannot be given wider application to cover the cases under Clause 5 wherein the long term customer has an option to relinquish the LTA on payment of compensation in accordance with the regulations issued from time to time. We are of the view that Clause 9 of the BPTA cannot be considered as an omnibus provision to cover under its sweep clause 5 which deals with relinquishment of the LTA. Therefore, the Petitioner cannot escape its liability to pay the relinquishment charges under Clause 5 of the BPTA and Regulation 18 of the Connectivity Regulations by resorting to Clause 9 of BPTA.

20. The Commission in its order dated 31.10.2017 in Petition No.69/MP/2014 (Aryan MP Power Generation Pvt. Limited Vs. Powergrid Corporation of India Ltd) has dealt with clause 9 of the BPTA in the context of clause of the BPTA as under:

“18. Next we consider whether the Petitioner is entitled to be discharged from its liability to pay the transmission charges on account of force majeure under clause 9 of the BPTA. Clause 9 of BPTA says that no party shall be liable to any claim for any loss or damage arising out of the failure of the other party to carry out the terms of the agreement to the extent such failure is on account of force majeure events such as war etc. and any other causes beyond the control of the defaulting party. In our view, losses or damages referred to in clause 9 of the BPTA shall not cover the liability of payment of transmission charges. In this connection, clause 6 of the BPTA is relevant which is extracted as under:

“6.0 (a) In case any of the developers fail to construct the generating station/dedicated transmission system or makes an exit or abandon its project, POWERGRID shall have the right to collect the transmission charges and/ or damages as the case may be in accordance with the notification/regulation issued by CERC from time to time.....”

Thus clause 6 says about both transmission charges and damages. Therefore, if a project developer is affected by force majeure, it will only be discharged from paying the damages only and not the transmission charges. Further, Clause 9 of the BPTA cannot be used to relinquish the LTOA under the BPTA. It is clear from the last sentence of the said clause which says that “Transmission/drawal of power shall be started as soon as practicable by the parties conferred after such eventuality has come to an end or ceased to exist.” Therefore, the situation covered under clause 9 of the BPTA covers a temporary phase when the project developer is unable to utilise the transmission system or the when licensee is unable to make its transmission system available due to any force majeure event. It cannot be used for making an exit from BPTA which is governed in terms of clause 6.0 of the BPTA.”

Further in order dated 14.7.2017 in Petition No.317/MP/2013 (Navbharat Power Private Limited Vs. Power Grid Corporation of India Ltd & Another), the Commission has treated clause 9 of the BPTA as providing temporary amnesty and not for seeking an exit from the LTA. Relevant portion of the order is extracted as under:

“19. The Petitioner has abandoned the project for the purely commercial reasons and the Petitioner cannot be said to be affected by reasons beyond its control. The Petitioner has relied upon the findings of the Hon“ble Appellate Tribunal for Electricity dated 4.2.2014 in Appeal No. 123 of 2012. In the said case, the Appellate Tribunal held that the approval under the Bombay Tenancy and Agricultural Land (Vidarbha Region and Kutch Area) Act,1958 and for water source under the Environment Protection Act,1986 and CRZ Regulations are statutory/ legal approvals under the PPA and accordingly, it fall under *force majeure* events and the period of delay is required to be suspended or excused and to that extent the period of Commercial Operation Date, Date of construction default and Scheduled Commercial Operation Date were to be extended under the LTA Agreement. In the present case, the Petitioner has abandoned the project on account of delay in obtaining clearances and is seeking to wriggle out of the LTA Agreement. From the analysis of Clause 9 of the LTA Agreement, it clearly emerges that the said clause is for providing temporary amnesty to the parties affected by force majeure in order to make their agreement work. The provision of Clause 9 of the LTA Agreement does not permit a defaulting party to abandon the LTA which is evident form the last sentence of the said clause which states that drawal/transmission of power shall be started as soon as practicable by the parties concerned after such eventuality has come to an end or ceased to exist.”

21. In the light of the analysis on the issue and our findings in the orders as quoted above, we hold that Clause 9 of the BPTA gives a temporary amnesty from the compensation for loss or damages to the party affected by force majeure and cannot be used for evading relinquishment charges on account of relinquishment of LTA. Both Clause 5 of the BPTA and Regulation 18 of the Connectivity Regulations require that in case of relinquishment of LTA, the Petitioner is required to pay the relinquishment charges. Since CTU has determined the liability of the Petitioner for relinquishment charges pursuant to the order of the Commission dated 8.3.2019 in Petition No.92/MP/2015, the Petitioner is liable to pay the relinquishment charges.

**Issue No.2: Whether the case of the Petitioner is covered under force majeure in terms of clause 9 of the BPTA?**

22. The Petitioner has submitted that pursuant to the execution of the BPTA, it made best efforts to enter into PPA but could only succeed upto 400 MW in Southern Region. Since the long term power procurement in the Western Region is substantially disproportionate to the commissioned IPPs, the situation is beyond the control of the Petitioner. The Petitioner has submitted that its inability to enter into long term PPA is an event of force majeure rendering the BPTA/LTA Agreement impossible to perform and therefore, the Petitioner be allowed to relinquish the LTA of 146 MW out of total quantum of 546 MW without any liability for relinquishment charges.

23. CTU has submitted that nowhere in the BPTA, there is any reference to the PPA to be executed by the LTA Customers. Since LTA was granted to the Petitioner without executing the PPAs, non-execution of PPA cannot be interpreted as a force majeure event.

24. The Petitioner has submitted that PPA became a material requirement while granting as well as operationalizing the LTA. Therefore, absence of PPA resulted in frustration of the LTA. The Petitioner has quoted the following provisions of the Regulations, Procedures and orders of the Commission in support of its contention:

- (a) Regulation 12 of the Connectivity Regulations requires the applicant for long term access to indicate the entity to whom power is to be supplied or procured and the quantum of power to be supplied or procured and therefore, the agreement for sale/purchase of power is a consideration at the time of applying for LTA.

- (b) Para 22.7 of the Detailed Procedure issued under the Connectivity Regulations requires the LTA Customer to confirm to CTU with the exact details of the PPA executed by the said customer, three years prior to the intended operationalization of the LTA.
- (c) Clause 7.1 of the BCD Procedure provides that LTA cannot be operationalized in the event a firm long term PPA is not available.
- (d) The Commission in order dated 2.12.2013 in Petition No.244/MP/2012 relying on Clause 7.1 of the BCD Procedure has held that execution of long term PPA is a necessary condition for availing long term access.
- (e) Ministry of Power issued the guidelines for procurement of power under Design, Build, Finance, Own and Operate (DBFOO) basis on 8.1.2013. As per DBFOO, coal cost is a pass through in certain scenarios which relate to the source of coal. For example, if the bids are called for scenarios relating to domestic coal linkage or from domestic coal mines, then power plants based on imported coal cannot participate in such bids. This factor has materially affected the Petitioner from entering into long term PPA.

The Petitioner has submitted that non-availability of long term PPA has close link with the utilization of the LTA and therefore, lack of long term PPA is a force majeure condition which is beyond the control of the Petitioner.

25. We have considered the submissions of the Petitioner and Respondent CTU. The subject transmission system based on which LTA was granted to the Petitioner were executed on the basis of the regulatory approval granted by the Commission vide its orders dated 25.2.2010, 26.3.2010 and 31.5.2010 in Petition No.233/2009.

The Petitioner was a party to the said petition. The issue of signing of the PPA was considered at the time of according regulatory approval. Relevant para of the order dated 26.3.2010 is extracted as under:

“17. As regards the requirement for signing of PPAs with the beneficiaries, we observe that the IPPs have not been able to come forward to sign the PPAs, primarily because the States have not yet gone ahead with the bidding process for evacuation of power. However, linking the signing of the PPAs with regulatory approval will hamper the progress of the transmission projects. The Tariff Policy issued vide Govt. of India in para 7.1.4 does not make it mandatory for network expansion by the CTU/STU. The said para reads as under:

*“In view of the approach laid down by the NEP, prior agreement with the beneficiaries would not be a pre-condition for network expansion. CTU/STU should undertake network expansion after identifying the requirements in consonance with the National Electricity Plan and in consultation with stakeholders, and taking up the execution after due regulatory approvals.”*

In view of the above mandate of the Tariff Policy, we are of the view that the CTU should carry out consultation with the stake holders and satisfy itself about the bonafide nature of generation projects which are likely to materialize during the next three years and submit the detailed report about such projects, including the physical progress made wherever feasible and approach the Commission by first week of April, 2010.”

Therefore, the Petitioner is aware that the regulatory approval was granted to the Petitioner on the basis of the LTA and without linking it to PPAs. It was left to the Project Developer for tie-up with the beneficiaries for PPA. When availability of PPA was not a condition precedent either for applying for LTA or for regulatory approval, it cannot be pleaded at this stage that PPA is a necessary pre-condition of the PPA and hence its absence cannot be considered as force majeure frustrating the operation of the LTA. The Petitioner has in fact entered into long term PPA for 440 MW and the Petitioner’s failure to enter into PPA for the balance capacity cannot be considered as force majeure.

26. As regards the reasons adduced by the Petitioner to prove that the existence of long term PPA is a necessary condition for availing the LTA and absence of long term PPA has led to frustration of the LTA, we are of the view that these provisions

in the Connectivity Regulations and Detailed Procedure have been specified to cater to different requirements and cannot be pleaded as the basis for grant of LTA in the absence of which LTA stands frustrated. Regulation 12 requires an applicant for long term access to indicate the entity from which power is to be procured or supplied and the quantum of power to be supplied. But the first proviso provides that where the source or quantum has not been fixed up, then the applicant has to indicate the quantum of power alongwith the name of the region where the electricity is to be interchanged. Thus, PPA is not an essential condition for applying for LTA. Para 22.7 of the Detailed Procedure requires the LTA Customer to give details of the PPA three years prior to operationalization of LTA, the purpose being that the last mile connectivity could be planned and implemented. As regards Clause 7.1 of the BCD Procedure, scheduling can be done against the LTA quantum when there is long term, medium term and short term PPA. This provision is regarding scheduling and from the said provision, inference cannot be drawn that in the absence of long term PPA, LTA would be frustrated. In fact, Regulations allow for scheduling of medium term and short term power against the LTA quantum and offset is allowed. Regulation 15B of the Connectivity Regulations facilitates operationalization of LTA with PPA of the duration of more than one year. In other words, if the LTA Customer is able to make a medium term PPA of more than one year, it can schedule its power under MTOA. This provision does not support the case of the Petitioner that in the absence of long term PPA, LTA stands frustrated. The requirement for participating in Shakti Scheme or procurement under DBFOO or the observation of the Parliamentary Standing Committee cannot absolve the Petitioner from its liability towards LTA under the BPTA. In our view, the Petitioner had applied for and was granted LTA in the absence of long term Power Purchase Agreements and the

Petitioner has taken the business risk by entering into BPTA in the absence of long term PPA. Failure of the Petitioner to enter into long term or medium term PPA for 146 MW cannot be considered as the reasons beyond the control of the Petitioner and hence, is not covered under Clause 9 of the BPTA. This finding of ours is without prejudice to our finding in response to Issue 1 that Clause 9 is not applicable in case of relinquishment of LTA under Clause 5 read with Regulation 18 of the Connectivity Regulations.

**Issue No.3: What should be the date of relinquishment of LTA?**

27. The Petitioner has submitted that it has relinquished 146 MW vide its letter dated 28.4.2017 without the liability to pay the relinquishment charges. CTU has submitted that there is no provision either in the BPTA or in the Connectivity Regulations which permits the Petitioner to relinquish the LTA without the liability to pay the relinquishment charges. Accordingly, CTU has not accepted the dates of relinquishments intimated by the Petitioner.

28. The Commission in para 99 of the order dated 8.3.2019 in Petition No.92/MP/2015 has held as under:

“99.....Relinquishment of long term access rights is a statutorily permissible option which entails payment of compensation for the stranded capacity on account of such relinquishment. Since the compensation has been designated in the form of transmission charges (net present value) for the period of maximum 12 years if access rights is not availed or for the period falling short of 12 years where access rights is partially availed, compensation under Regulation 18 of the Connectivity Regulations is payment of the share of transmission charges by the long term customers to service the transmission assets comprised in the ISTS in terms of its long term access to the extent it remains stranded consequent to the relinquishment. Stranded Capacity has been defined in Regulation 2(1)(v) of the Connectivity Regulations as “the transmission capacity in ISTS which is likely to remain unutilized due to relinquishment of access rights by a Long Term Customer”. Therefore, relinquishment charges are in the nature of compensation which a long term customer is obliged to pay as transmission charges (net present value) in terms of the mechanism envisaged in Regulation 18 for relinquishment of the capacity out of its long term access rights to the extent such capacity is likely to remain unutilized.

Payment of compensation for relinquishment of long term access rights is a statutory obligation on the part of long term customers relinquishing the access rights, subject to the determination of stranded capacity.”

Thus the Commission held that relinquishment of long term access rights is a statutorily permissible option and payment of compensation for relinquishment of long term access rights is a statutory obligation on the part of long term customers relinquishing the access rights, subject to the determination of stranded capacity. Therefore, the Petitioner has a statutory right to relinquish 146 MW of its capacity subject to payment of compensation for the stranded capacity. Further, in para 138 of the said order, the Commission decided the effective date of relinquishment as under:

“138. Regulation 18(1)(a) and 18(1)(b) provide that the long term customer intending to relinquish long term access rights shall have to make an application to CTU one year prior to the date it desires to relinquish the LTA. If the notice period is less than one year, then it has to pay the transmission charges (net present value) for the period falling short of one year. Therefore, the cases of LTA relinquishment prior to date of start of LTA or after date of start of LTA shall be considered in accordance with Regulation 18 of the Connectivity Regulations. In certain cases (through Orders in respective petitions), the Commission has directed the CTU to accept the LTA relinquishment subject to the payment of relinquishment charges to be determined in the instant petition. In such cases, notice period shall be considered from the date the application was made to CTU for relinquishment of access rights and if no application was made, then from the date from which the Commission directed the CTU to accept the relinquishment.”

29. In the light of the above decision, the date of relinquishment of 146 MW shall be considered as 28.4.2017 and relinquishment charges shall be payable by the Petitioner as determined by the Commission in accordance with order dated 8.3.2019 in Petition No.92/MP/2015.

30. CTU in its written submission has stated that in accordance with the directions in order dated 8.3.2019 in Petition No.92/MP/2015, CTU has computed the stranded capacity and relinquishment charges of various generators including the Petitioner who have relinquished the LTA. It is noticed from the website of CTU that the date of



relinquishment for 146 MW has been considered as 1.6.2018. CTU has not given any reason for considering 1.6.2018 as the date of relinquishment. Since we have decided in the preceding para that the date of relinquishment shall be reckoned as 28.4.2017, CTU is directed to work out the relinquishment charges accordingly.

**Issue No.4: What are the reliefs admissible to the Petitioner in terms of the prayers in the petition?**

31. The first prayer of the Petitioner is for a declaration that LTA of 146 MW under BPTA dated 24.2.2010 stands relinquished with effect from 28.4.2017 without any relinquishment charges. In terms of our order dated 8.3.2019 in Petition No.92/MP/2015, the Petitioner has a statutorily permissible right to relinquish its LTA subject to payment of compensation determined under Regulation 18 of the Connectivity Regulations.

32. The second prayer of the Petitioner is for a direction to CTU not to raise any demand upon the Petitioner for opening the Letter of Credit pertaining to 146 MW LTA. Since the relinquishment of 146 MW LTA has been accepted from 28.4.2017, the Petitioner is not required to open Letter of Credit (LC).

33. In third prayer, the Petitioner has sought that no invoice should be raised by the Respondent pertaining to transmission or PoC charges for 146 MW. It is directed that the Petitioner shall be liable to pay the PoC charges for 146 MW from 16.6.2016 upto the date of relinquishment.

34. In the fourth prayer, the Petitioner has sought for quashing the letters dated 22.5.2017, 30.5.2017, 13.6.2017, 15.6.2017 and e-mail dated 6.6.2017 issued by CTU for opening LC. Since we have decided the date of relinquishment and the



issue of LC, no further directions are required to be issued on the letters/e-mail of CTU as mentioned in this prayer.

35. Petition No. 129/MP/2017 is disposed of in terms of the above.

**sd/-**  
**(I.S. Jha)**  
**Member**

**sd/-**  
**(Dr. M.K. Iyer)**  
**Member**

**sd/-**  
**(P.K. Pujari)**  
**Chairperson**