

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

1. **Shri Ashok Basu, Chairperson**
2. **K.N. Sinha, Member**
3. **Shri Bhanu Bhushan, Member**
4. **Shri A.H. Jung, Member**

Petition No.95/2005

In the matter of

Direction to NTPC to tie up and procure adequate quantum of gas at economical rates for Kawas and Gandhar Power Stations and give consent to Gujarat State Petronet Ltd. for laying pipeline in the premises of Kawas and Gandhar Power Stations for supply of gas from Gujarat State Petroleum Corporation Ltd.

And in the matter of

Gujarat Urja Vikas Nigam Ltd., Vadodara **Petitioner**

Vs

1. National Thermal Power Corporation Ltd., New Delhi
2. Madhya Pradesh State Electricity Board, Jabalpur
3. Maharashtra State Distribution Co. Ltd., Mumbai
4. Chattisgarh State Electricity Board, Raipur
5. Electricity Department, Admn of Dadra & Nagar Haveli, Silvassa
6. Electricity Department, Admn of Daman and Diu, Daman
7. Western Regional Electricity Board, Mumbai ... **Respondents**

The following were present:

1. Shri S.B. Khayalia, GM(TRPP), GUVNL
2. Shri Kamlesh P. Jangid, GUVNL
3. Shri V.B.K. Jain, NTPC
4. Shri I.J.Kapoor, NTPC
5. Shri A.S. Pandey, NTPC
6. Shri S.K. Johar, NTPC
7. Shri N.N. Sadasivan, SM, NTPC
8. Shri S.D. Jha, NTPC
9. Shri S.K. Sharma, Sr. Manager (C), NTPC
10. Shri S.D. Prasad, NTPC
11. Shri D.D. Khandelwal, ACE, MPSEB
12. Shri D.K. Shrivastava, EE, MPSEB
13. Shri U.V. Jiwane, EE, MSEDCL
14. Shri G.S. Trimukhe, MSEDCL

ORDER
(DATE OF HEARING: 24.1.2006)

The petitioner seeks direction to the first respondent, NTPC, to immediately give consent for laying the gas pipeline by Gujarat State Petronet Ltd (GSPL) a subsidiary of Gujarat State Petroleum Corporation Ltd. (GSPC) into the premises of Kawas and Gandhar power stations. The petitioner also prays for direction to NTPC for making sincere efforts for procurement of adequate gas at economical rates through firm and long-term arrangements for generation of electricity at these generating stations. It has been further prayed that the Commission may not allow recovery of capacity charges on the availability declared on liquid fuel by NTPC for Kawas Gas Power Station (Kawas GPS). The other directions sought in the petition are that NTPC should bear the financial burden of differential gas transportation charges arising on account of "unnecessary and prolonged delay" in giving consent for laying the gas pipeline of GSPL and accordingly to reduce the capacity charges in proportion to the loss of generation that could otherwise have been possible in case NTPC had given timely consent for laying of gas pipeline.

2. The petitioner is a successor entity of Gujarat Electricity Board. Therefore, any reference to the petitioner in the present order includes the present petitioner as well as the erstwhile Gujarat Electricity Board.

3. Kawas GPS has been in operation since 1992-93 and Gandhar GPS since 1995 in Western Region. Both these generating stations were originally conceived with natural gas as the fuel. However, because of acute shortage, these two generating stations could not get sufficient quantity of gas to achieve the optimum level of generation. Therefore, with the consent of the beneficiaries in Western

Region, additional liquid fuel firing facility (Naptha) was commissioned at Kawas GPS in June-July 1997. However, because of prohibitive cost, liquid fuel firing facility could not be commissioned at Gandhar GPS. The beneficiaries also agreed that NTPC could divert gas supply from Kawas GPS to Gandhar GPS for optimum utilization of the available capacity at these two generating stations. Accordingly, Gandhar GPS was connected with HBJ pipeline through which, gas supply was received by Kawas GPS and this facilitated diversion of gas from Kawas GPS to Gandhar GPS. Nevertheless, despite these arrangements, the two generating stations could not achieve the normative target availability level. Therefore, the beneficiaries have been pressing NTPC to take steps for procurement of adequate quantity of gas to achieve maximum utilization of the generating stations.

4. It has been stated that Gujarat State Petroleum Corporation Limited (GSPC) vide letter dated 30.12.2004, had approached NTPC with a request to allow it to lay gas pipeline inside Kawas and Gandhar generating station premises at former's risk and cost to enable NTPC to purchase gas on spot/firm basis as and when required, the proposal reportedly having been pursued by GSPC since 2002. Because of the alleged lack of response from NTPC, GSPC approached the petitioner on 4.4.2005 intimating supply of 0.5-0.75 MMSCMD of gas for short to medium term period for Kawas GPS and Gandhar GPS through its existing network of pipeline in case NTPC gave consent for connectivity to Kawas receiving station with GSPC network terminating at a point outside Kawas GPS. On receipt of the proposal from GSPC, the petitioner vide its letter dated 13.4.2005 took up the matter with NTPC for purchase of gas and extension of gas pipeline. The petitioner seems also to have taken up the matter with Gas Authority of India Limited (GAIL) to indicate the quantum of gas,

price and other terms and conditions for making available PMT JV gas for Kawas and Gandhar generating stations. In response, GAIL confirmed availability of 2.1 MMSCMD of gas initially up to 31.3.2006 at a basic price of Rs.2850 per 1000 SCM + US \$ 0.75 per MMBTU. As the petitioner found the offer made by GAIL to be reasonable and affordable, it approached Ministry of Power to intervene in the matter and impress upon NTPC to arrange the gas supplies for Kawas GPS and Gandhar GPS and simultaneously made a similar request to NTPC. NTPC replied the petitioner that supply of gas through GAIL from PMTJV was from the quantum of APM allocated gas withdrawn with effect from 1.4.2005 and was released to market for sale at market price. In that context, NTPC considered the proposal of GAIL to be unreasonable. On the question of extension of gas pipeline by GSPC, NTPC informed that it could be considered after finalization of the lay out and coordinates of pipeline for the extension of projects, namely, Kawas GPS Stage-II and Gandhar GPS Stage-II. Subsequently, in a meeting held on 26.4.2005 under the Chairmanship of Hon'ble Minister of Power, Government of India, NTPC indicated its no objection to laying of pipeline for supply of gas by GSPC though NTPC desired to take up the matter with GAIL, its supplier, for supply of gas and work out the modalities to operationalise the arrangement.

5. The petitioner has submitted that there has been an inordinate delay in giving consent for laying of gas pipeline by GSPC. As a result, the additional supply of gas to these generating stations could not be resumed in time, further resulting in loss of generation. The prayers noted in the opening part of this order are to be seen in this context.

6. NTPC in its reply has submitted that the consent for laying of pipeline, “no objection” for which was informally conveyed in the meeting held on 26.4.2005 has been formally conveyed under its letter dated 16.8.2005. It has also listed a number of steps taken on various levels for procuring gas for these two generating stations. We do not consider it necessary to extract *in extenso* these efforts of NTPC.

Permission for Laying of Gas Pipeline

7. The permission for laying of gas pipelines by GSPC has already been conveyed by NTPC on 16.8.2005. As such, the petitioner’s grievance on this account does not survive.

Efforts to Procure Gas

8. On perusal of the reply of NTPC we are satisfied that it has made efforts for procuring gas supply for Kawas GPS and Gandhar GPS. The evidence made available on record by NTPC leads us to believe that in the past NTPC has been pursuing the matter diligently and sincerely. At times its efforts met with partial success. It could procure 2.7 MMSCMD gas supplies from GAIL, 0.45 MMSCMD gas (RLNG) from GIPCL and 1.0 MMSCMD from GSPC. NTPC has also taken up the matter with GSPC for supply of additional 2 MMSCMD of gas. In fact, the efforts made by NTPC have been appreciated by the beneficiaries in the region at 127th WREB meeting held on 20.5.2005. We hope and trust NTPC will continue its efforts with equal, if not more, vigour and force so that the two generating stations are able to utilize the full available capacity.

Recovery of Capacity Charge for Kawas GPS

9. As we have noted above, Kawas GPS has dual fuel firing facility. Liquid fuel firing facility at this generating station was commissioned in 1997 after the beneficiaries had given their consent to avail power generated by using liquid fuel. Therefore, the petitioner, and for that matter the other beneficiaries in the region, cannot escape their liability to pay the capacity charge for the station, in case availability of the generating station is so declared by NTPC. We do not find any force in the petitioner's contention that NTPC should not be allowed to recover capacity charges on the basis of target availability of liquid fuel.

NTPC's Liability to Bear Financial Burden

10. The only question that remains to be considered is NTPC's liability to bear the financial burden for allegedly delaying its consent for laying of gas pipeline. On perusal of the record we are satisfied that there has not been any undue delay on the part of NTPC in giving consent for laying of gas pipeline. Two letters written by GSPL in May 2002 do not relate to laying of gas pipeline, but concern Gas Transmission Agreement. Some tentative offer was made by GSPC in December 2004 and the matter remained under consideration of NTPC thereafter. NTPC in a bonafide manner has been examining the commercial viability of the proposal. The time taken in giving consent on 16.8.2005, is considered to be reasonable. Therefore, NTPC is not liable to bear any financial burden for the time taken in giving consent. We were informed at the hearing that despite the fact that consent was given in August 2005, the work is likely to be completed by April this year. In any case, the issue raised is a commercial issue between NTPC on the one hand and GSPC/GSPL on the other.

Result

11. In view of the above, the petition stands disposed of. No further directions to NTPC, in view of the facts and circumstances noticed above, are considered necessary.

**Sd/-
(A.H. JUNG)
MEMBER**

**SD/-
(BHANU BHUSHAN)
MEMBER**

**Sd/-
(K.N. SINHA)
MEMBER**

**SD/-
(ASHOK BASU)
CHAIRPERSON**

New Delhi dated the 16th February 2006