

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

- 1. Shri Ashok Basu, Chairman**
- 2. Shri G.S. Rajamani, Member**
- 3. Shri K.N. Sinha, Member**

Petition No.79/2002

In the matter of

Maintaining of Regional Grid Frequency at 49.0 Hz and above and compliance of direction of Regional Load Despatch Centre.

And in the matter of

Southern Regional Load Despatch Centre

....Petitioner

Vs

APTRANSCO & Others

.....Respondents

The following were present:

1. Shri R.G. Yadav, PGCIL
2. Shri S.K. Soonee, AGM, SRLDC, PGCIL
3. Shri V. Mittal, PGCIL
4. Shri Sunil Agrawal, PGCIL
5. Shri Bhanu Bhushan, D(O), PGCIL
6. Shri Padmakumar, Ex. Engineer, KSEB
7. Shri R Balachandran, MD, KSEB
8. Shri K Srinivasa Rao, S.E., SREB
9. Shri S Sivan, MS, SREB
10. Shri K.K. Garg, GM, NTPC

**ORDER
(DATE OF HEARING 19.12.2002)**

The notice for hearing on the procedure to be followed for recovery of UI charges was issued.

2. From the letter dated 28.10.2002 from Member Secretary, SREB, it transpired that in the Western Region, where ABT was implemented w.e.f. 1.7.2002, UI charges

were settled through UI pool account maintained by WRLDC. This procedure was also proposed to be followed in Southern Region after introduction of ABT in that region w.e.f. 1.1.2003 where pool account would be maintained by SRLDC.

3. The first issue of IEGC, approved by the Commission in December, 1999, stipulated a Pool Account for settlement of frequency linked UI charges and reactive energy charges and the function of operating Pool Account was entrusted to REBs. In its subsequent order dated 4.1.2000 in Petition No.2/1999, the Commission, in view of the practical difficulties anticipated in operation of Pool Account, opted for settlement of UI charges on one-to-one basis between the utilities. CTU was, therefore, directed to lay down the procedure for distribution of UI charges. However, at the hearing of IA No.50/2000 filed by Power Grid Corporation of India Ltd on 26.9.2000, Member Secretary, REBs informed a Bench of the Commission that a mechanism for settlement of UI charges, without routing them through the Pool Account was agreed to by the different constituents.

4. Another IA (No.55/2000) was filed by PGCIL wherein it was suggested that Pool Account mechanism with weekly billing and accounting was the only practical and pragmatic way to handle UI charges as CTU had not been able to work out any other fool proof system for UI charges. PGCIL, therefore, sought clarification on the issue. After hearing, the Commission ordered that the issue would be addressed in its order to be issued on Review Petition No.13/2000, filed by NTPC against the Commission's order dated 4.1.2000 in Petition No.2/1999. The Commission in its order dated 15.12.2000 in Review Petition No.13/2000 directed that the detailed procedure on UI account should be considered by IEGC Review Panel. IEGC Review

Panel which met on 12.2.2001 and 26.3.2001 did not deliberate upon the issue. Meanwhile, the Commission in its order dated 19.3.2001, while reviewing the progress of implementation of ABT categorically held that UI accounting was to be done on one-to-one settlement basis, reinforcing the view it had earlier taken in its order dated 4.1.2000 in Petition No.2/1999. The Commission in its order dated 22.2.2002 in the matter of first review of IEGC, approved the amendment of caption of 'Pool Account for UI charges' in IEGC to 'UI settlement system'. Thus the orders of the Commission on the subject are undoubtedly in favour of one-to-one settlement of UI charges.

5. In the light of letter dated 28.10.2002 from Member Secretary, SREB, that UI Pool Account was operated by RLDCs, the Commission found that the procedure in force in Western Region since 1.7.2002 was directly contravening the Commission's order on the subject and, as already noted, similar procedure was proposed for Southern Region as well. Therefore, the Commission issued a notice for hearing of the parties concerned.

6. The Commission asked Shri Bhanu Bhushan, Director (Operations), PGCIL, as to the basis on which the Pool Account has been introduced for UI charges, which is in contravention of the Commission's earlier orders. Shri Bhanu Bhushan contended that in the Commission Order dated 15.12.2000, in the Review Petition No. 13/2000, the Commission had indicated that the CTU could suggest an interim accounting arrangement in the matter. This was the basis on which it was decided to proceed for a pool account for UI charges. He also said that the decision to introduce the Pool Account operated by the RLDCs was taken in a Meeting which was held in the Western Region and attended by the Secretary, Ministry of Power and Chairman,

CEA, among others. We have examined this aspect. We are constrained to point out that the reference to the interim accounting arrangement as mentioned in the order dated 15.12.2000 by Shri Bhanu Bhushan, is more in the nature of a shelter for the procedure introduced in contravention of the Commission's orders dated 19.3.2001, in the matter of review of progress of implementation of ABT. This order, subsequent to the earlier order of 15.12.2000, clearly lays down that the UI accounting may be done on one-to-one settlement basis in line with the ABT order dated 4.1.2000. It was further indicated in the order that, "all the constituents shall furnish payment of status of bills for UI charges to respective REBs on monthly basis. The REBs in turn shall analyse this information and report to the Commission on payment default of these bills. The Commission makes it clear that default, if any, in payment on UI charges, shall be viewed seriously". In view of this, the reason accorded by Shri Bhanu Bhushan for introduction of UI Pool Account does not hold good.

7. Shri Bhanu Bhushan was, however, asked to clarify if there were any practical difficulties in settlement of UI charges on one-to-one basis, which led him to introduce the UI Pool Account. To this, Shri Bhanu Bhushan, Director (Operation), PGCIL averred that there were practical difficulties in settlement of UI charges on one-to-one basis in view of the large number of transactions involved. He submitted that after introduction of ABT in Western Region w.e.f. 1.7.2002, three bills for settlement of UI charges on one-to-one basis were sent, namely, on 19.7.2002, 20.7.2002 and 1.8.2002. However, in view of the difficulties experienced in their settlement, a meeting was held on 3.8.2002 wherein it was decided to operate settlement of UI charges through the Pool Account to be maintained and operated by WRLDC. This methodology was agreed to by the constituents of Western Region. According to him,

though as per IEGC approved by the Commission in December, 1999, the Pool Account was to be maintained and operated by REBs secretariat, in view of the difficulties expressed by REBs secretariat, it was decided that pool account would be maintained and operated by the officer incharge of RLDCs. The procedure adopted by Western Region for settlement of UI charges in Western Region was being followed in Northern Region w.e.f. 1.12.2002 after introduction of ABT and would be followed in the case of Southern Region as well as the same had been accepted by the constituents of the Region at REB forum. He emphasised that there could be no problem in maintenance and operation of Pool Account by RLDCs and settlement of interest on account of late payment of UI charges, as UI payments have priority over other charges.

8. Shri K.K. Garg, GM (Comm), appearing on behalf of NTPC, submitted that NTPC favoured one-to-one arrangement for settlement of UI charges, though it had reluctantly agreed to the settlement through pool account on trial basis. He also submitted that NTPC could be permitted to settle the charges with concerned state utilities on one-to-one basis without involving Pool Account.

9. We notice to our utmost dismay that the orders of the Commission relating to two aspects on the subject of settlement of UI charges, have been completely ignored. The Commission's recent orders on the subject were for one-to-one settlement of UI charges. The procedure envisaged in IEGC for settlement through Pool Account had been completely discarded and was given quietus, but its settlement through Pool Account has now been resurrected. We further noticed that the Commission's view on operating agency for the Pool Account too has not been respected and the initial

stipulation for maintenance and operation of Pool Account for settlement of UI charges by REBs has been replaced and the task has been entrusted to RLDCs. It is unfortunate that these changes have been effected from without coming to the Commission for approval or modification. The Commission is not at all happy on such developments as these do not augur well for the nascent regulatory regime in India.

10. However, for the present, taking a practical view of the situation, we feel that the procedure for settlement of UI charges as already introduced may not be disturbed at this stage. We direct that this procedure may continue till 31.3.2003 at the end of which the Commission would address itself to the question based on actual experience. For this purpose, the Commission directed that the authorities shall maintain two accounts up to 31.3.2003, one for settlement on the basis of Pool Account system and other, a proforma account, on one-to-one basis. We direct the Director (Operations), PGCIL to file an affidavit placing on record the pros and cons in the light of practical experience of the respective procedures by 4.4.2003. This petition be listed for hearing on 08.04.2003 for proper appreciation of merits and demerits of the two procedures and taking a view on the issues under consideration.

Sd/-
(K.N. SINHA)
MEMBER

Sd/-
(G.S. RAJAMANI)
MEMBER

Sd/-
(ASHOK BASU)
CHAIRMAN

New Delhi dated the 7th January 2003