

**Central Electricity Regulatory Commission  
New Delhi**

**Coram:**

**Shri Gireesh B. Pradhan, Chairperson**

**Shri A. K. Singhal, Member**

**Shri A. S. Bakshi, Member**

**Date of Hearing : 8.1.2015**

**Date of Order : 6.4.2015**

**Petition No. 127/2012**

**with**

**I.A No. 24/2014**

**In the matter of**

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

**And**

**In the matter of**

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

**Petitioner**

**Vs**

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

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

**Respondents**

**Petition No. 128/TL/2012**

**And**

**In the matter of**

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



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

**And**

**In the matter of**

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

**Petitioner**

**Vs**

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

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

**Respondents**

**Petition No. 156/MP/2012**

**And**

**In the matter of**

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

**And**

**In the matter of**

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

**Petitioner**

**Vs**

1. Power Grid Corporation of India Ltd.  
B-9, Qutab Institutional Area,  
Katwaria Sarai, New Delhi-110 016  
2. Vemagiri Transmission System Limited  
B-9, Qutub Institutional Area,  
Katwaria Sarai, New Delhi-110 016

3. REC Transmission Projects Co. Ltd.  
Core-4, SCOPE Complex,  
7 Lodhi Road, New Delhi-110 001

**Respondents**



4. Samalkot Power Limited  
Dhirubhai Ambani Knowledge City  
I Block, Ist Floor, North Wing,  
Thane-Belapur Road,  
Kopakhairne, Navi Mumbai-400 710

**Proforma Respondent**

**Parties present:**

Shri M.G.Ramachandran, Advocate, PGCIL  
Ms. Poorva Saigal, Advocate, PGCIL  
Shri B.Vamsi, PGCIL  
Shri Dilip Rozeker, CTU  
Shri Deepak Khurana, Advocate, RECTPCL  
Shri Matrugupta Mishra, SPGL

**ORDER**

**Background of the case:**

The Central Transmission Utility (CTU) had filed Petition No. 154/2011 for granting regulatory approval in the development and execution of certain identified transmission systems for evacuation of power from various planned generation projects promoted by different developers. Regulatory approval was granted by the Commission vide its order dated 13.12.2011 and included implementation of the 'Transmission system associated with IPPs of Vemagiri Area-Package-A' for evacuation of power from the generation projects of Spectrum Power Generation Limited (SPGL) and Samalkot Power Limited (SPL). The said order for regulatory approval clearly provided that the transmission system would be developed in phases matching with the progress of the generation projects.

2. It was decided in the Empowered Committee on Transmission Planning that the 'Transmission system associated with IPPs of Vemagiri Area-Package-A' (hereinafter 'the Transmission Project') would be executed through the Tariff Based Competitive



Bidding route. Government of India, Ministry of Power (MoP) vide its Resolution No. 11.5.2005-PG (i) dated 17.4.2006 notified the 'Tariff based Competitive Bidding Guidelines for Transmission Service' (hereinafter referred to as "the Guidelines") under Section 63 of the Electricity Act, 2003. In accordance with these Guidelines, REC Transmission Project Company Limited (hereinafter referred to as 'RECTPCL') was notified by MoP vide letter No. 15.1.2011-Trans dated 16.3.2011 as the Bid Process Coordinator (BPC) for the purpose of selection of the Transmission Service Provider (TSP) for the Transmission Project through a tariff based competitive bidding process. Vemagiri Transmission System Ltd was incorporated on 20.4.2011 under the Companies Act, 1956 as a wholly owned subsidiary of RECTPCL. The scope of the Transmission Project was as under:

S. No.	Transmission lines	Voltage Class (kV)	Conductors per Phase
1	Vemagiri Pooling station-Khammam 765 kV D/C line-I Nos.	30 Months from the effective date	6 x Zebra ACSR or AAAC. The transmission line design should be corresponding to 85 <sup>o</sup> c conductor temperature operation
2.	Khamman-Hyderabad 765 D/C line-I	30 Months from the effective date	6 x Zebra ACSR or AAAC. The transmission line design should be corresponding to 85 <sup>o</sup> c conductor temperature operation

3. RECTPCL as the Bid Process Coordinator completed the bidding process on 20.3.2012 as per the Guidelines. On the basis of the competitive bidding, M/s Power Grid Corporation of India Limited (PGCIL) was selected as the successful bidder having quoted the lowest levelised transmission charges to establish the Transmission Project on build, own, operate and maintain basis and provide transmission service to Samalkot

Power Limited and Spectrum Power Generation Limited (hereinafter “Long-Term Transmission Customers” or LTTC). A Transmission Service Agreement was entered into between the Long Term Transmission Customers and Vemagiri Transmission Company Limited on 15.12.2011. In compliance with the requirements in the Request for Proposal, PGCIL furnished Contract Performance Guarantee to Samalkot Power Limited (₹22.31 crore) and Spectrum Power Limited (₹13.69 crore) and thereafter acquired Vemagiri Transmission Company Limited. The entire equity of RECTPCL in Vemagiri Transmission Company Limited was acquired by PGCIL on 18.4.2012 on payment of ₹18,27,93,533 crore. PGCIL filed Petition No. 127/2012 under Section 63 of the Act for adoption of tariff and Petition No. 128/TL/2012 under Section 14 of the Act for grant of licence to Vemagiri Transmission Company Limited for implementation of the Transmission Project.

4. During the pendency of the Petitions No. 127/2012 and 128/TL/2012, Spectrum Power Generation Ltd. (SPGL), which is one of the LTTCs of the project filed Petition No. 156/MP/2012 on 10.7.2012. SPGL averred in the said petition that MoP in its letter dated 14.3.2012 notified the following for information of all gas based project developers:

“As per information made available by MoP&NG regarding NELP gas, the production is likely to go down by 15.03 mmscmd in 2012-13 and additional 3.42 mmscmd in 2013 against the availability of 42.67 mmscmd of gas in 2011-12. MoP&NG has not given any projections for the years 2014-15 and 2015-16, additional domestic gas was unlikely to be available till the year 2015-16.

It is evident from the above that no additional domestic gas is likely to be available till 2015-16. Hence developers are advised not to plan projects based on domestic gas till 2015-16. The same may be placed on the website of CEA also. When MoP&NG indicates availability of gas, developers will be intimated.”

CEA posted the above in its website vide letter dated 19.3.2012. SPGL has submitted that as soon as it became aware of the non-availability of domestic gas, it requested PGCIL vide its letter dated 30.3.2012 not to take further action for execution of the transmission system based on the LTA Agreement and the Transmission Service Agreement and return the Bank Guarantee of ₹67.50 crore. SPGL vide its letter dated 6.4.2013 requested RECTPCL to cancel the Transmission Service Agreement with RECTPCL. After the Vemagiri Transmission Company Limited was acquired by PGCIL on 18.4.2012, SPGL vide its letter dated 7.6.2012 requested for cancellation of the TSA and to stall the bidding process. SPGL has submitted that PGCIL and RECPTCL have failed to respond to its notices of termination. SPGL has sought the following directions:

- (a) Terminate the Agreement for Bulk Power Transmission Agreement between PGCIL and the applicant with three others entered on 24.12.2010;
- (b) Direct PGCIL to return the Bank Guarantee of ₹67.50 crore (Rupees Sixty Seven crore and Fifty Lakh) issued by ICICI Bank Limited dated 15.6.2011 furnished by the applicant to PGCIL; and
- (c) Terminate the Tri-partite Transmission Service Agreement dated 15.12.2011, entered by Spectrum Power Generation Ltd. with Vemagiri Transmission System Ltd. and Smalkot Power Ltd.

5. PGCIL in its affidavit dated 27.6.2012 in Petition No. 127/2012 submitted that in view of request of SPGL for cancellation of TSA on account of non-availability of gas, one LTTC namely, Samalkot Power Limited (SPL) was left who would be required to

pay the entire transmission charges. SPL in its affidavit dated 31.7.2012 submitted that it was not liable to pay full transmission charges but would be obliged to pay only PoC charges as determined by the Commission. In response to the directions of the Commission to submit the schedule of completion of generation activities and availability of gas for its generating station, SPL vide its affidavit dated 1.8.2012 submitted that the shortfall of availability of gas was only temporary in nature and its parent company, Reliance Power Limited, was working on setting up of terminals for liquefied natural gas in close proximity to the proposed generating station which would offer additional fuel to enable operation.

6. After consideration of the above facts, the Commission vide order dated 9.5.2013 observed as under:

“19. PGCIL had filed Petition No.154/2011 for regulatory approval for development and execution of certain identified transmission systems which included the transmission system for evacuation of power from various generation projects planned to be promoted by different developers. The approval was granted vide order dated.13.12.2011. In the said order it was clarified that implementation of various transmission systems should be in accordance with the progress in the generating projects of IPPs. Therefore, in keeping the earlier order, implementation of the transmission system has to keep stride with the construction of the generating stations which were proposed to be set up by Samalkot and Spectrum.

20. Because of problem of availability of gas, Spectrum has discontinued implementation of the generating station and has sought cancellation of the TSA. The other project developer, Samalkot is also facing problem of availability of gas though it has commissioned some of the units of the generating station. Samalkot has, however, clearly stated that it will not bear the charges of complete transmission system after withdrawal of Spectrum. Generation of power is dependent on availability of gas for which there is no certainty at present. With uncertainty that looms over the operational phase of the generating stations because of unavailability of gas, the transmission assets if raised, are likely to remain unutilized. This is bound to give rise to problem of recovery of the transmission charges as Samalkot has refused to share the entire tariff. The petitioner has represented that with the time overrun it will not be possible to implement the transmission system within the capital cost commensurate with the quoted tariff and has accordingly sought increase in the transmission charges with the increased capital cost when implemented. The capital cost considered by the petitioner

while quoting tariff is not known to any person except PGCIL itself. Therefore, it will be difficult to assess the impact of cost overrun on the transmission charges, even if time extension is permitted. In view of the uncertainties and other difficulties being envisaged, no useful purpose is likely to be served by adopting the transmission charges and granting licence to the petitioner for inter-State transmission of electricity. The petitioner itself does not seem to be very keen to implement the transmission system in the present phase of uncertainty unless it is assured of recovery of the transmission charges. There is, according to us, an imperative need to review the requirement of transmission network needed for evacuation of power of the generating stations being or to be established in Vemagiri area in the light of present day developments. There is also a need to examine the possibility of reconfiguring the required network in the Southern Region based on expected generation and the load and some elements of the transmission system may be combined with the other transmission systems being built / proposed to be built in the Region, if required. The Central Electricity Authority and the Central Transmission Utility are directed to undertake necessary review and re-examination of the entire matter afresh and file their decision/views in the matter by 31.5.2013.

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

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

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



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

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

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

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

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

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

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

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

8. In the meanwhile, SPL filed IA Nos. 20/2013 and 28/2013 in Petition No. 127/2012 and SPGL filed IA No. 31/2013 in Petition No. 156/MP/2012 seeking directions to restrain PGCIL from encashing the bank guarantees. The Commission after hearing the parties disposed of the IAs vide order dated 27.9.2013 with the following observations:

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

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

9. Central Electricity Authority (CEA) in its report submitted vide letter dated 30.9.2013 recommended as under:

"8. The first Vemagiri-Khammam-Hyderabad 765 kV D/C line was awarded to PGCIL for implementation and the SPV was acquired by it in April, 2012. As such the scheduled commissioning date for this line was April, 2015. Pre-award activities for this line have been completed and some of the post award activities have already been undertaken. The transmission developer has already applied to CERC for adoption of tariff and issue of transmission licence. Thus, the Vemagiri-Khammam-Hyderabad 765 kV D/C line may be completed earlier than any new line that may be planned for evacuation of power beyond Vemagiri. The completion of this line would enable evacuation of power from gas based projects in Vemagiri/import of power from Eastern Region into Southern Region, as brought out above.

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

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

10. The Commission after considering the reports of CTU and CEA as quoted in the paras 8 and 10 above directed CEA vide order dated 9.7.2014 to convene a meeting of the Standing Committee on Power System Planning of Southern Region to consider the necessity and utility of execution of 765 kV D/C Vemagiri-Khammam-Hyderabad transmission line and submit a report by 16.8.2014. All constituents of the Southern Region were also directed to participate in the meeting and place their views for consideration of the Standing Committee. The meeting of the Standing Committee on Transmission in the Southern Region was held on 31.7.2014. CEA vide its letter dated 10.10.2014 submitted copy of the minutes of the said meeting. According to the minutes of the meeting, the constituents of Southern Region opined that 765 kV D/C Vemagiri-Khammam-Hyderabad transmission line was not required under the changed circumstances. The Commission thereafter specifically sought comments of CEA on the minutes of the meeting of the Standing Committee on Transmission in Southern Region held on 31.7.2014. In response, CEA vide its letter dated 17.11.2014 reiterated its opinion submitted vide letter dated 30.9.2013. (Extracted in para 10)

11. In the meanwhile, PGCIL filed IA No. 24/2014 in Petition No.127/2012 and 128/TL/2012 seeking suitable directions for refund/recovery of acquisition price and audited cost of the company incurred from the date of Share Purchase Agreement till the date of winding up of the company. PGCIL has stated that since the Bank Guarantee and Contract Performance Guarantee stand cancelled and the project cannot be executed in the present form, the acquisition price and additional cost of the company incurred from the date Share Purchase Agreement need to be adjusted in favour of PGCIL before the winding up of the applicant company which has been

initiated. PGCIL has claimed an amount of ₹19,40,63,338 comprising acquisition price and audited cost of the company incurred from the date of Share Purchase Agreement (18.4.2012) till 31.3.2014.

12. The petitions alongwith IA No. 24/2014 were heard on 8.1.2015. The representative of CEA submitted that initially Vemagiri Khammam-Hyderabad 765 kV D/C transmission line was planned for evacuating power from the generating stations of SPGL, SPL and GMR. Of the three generators, only SPL has established the generating station but its actual operation depends on the availability of gas. When the generating station gets gas, it will require the transmission line. The representative of the CEA submitted that Angul-Srikakulam-Vemagiri transmission line is under construction with scheduled completion of two years from now. There is requirement for transmission system beyond Vemagiri to carry the power from Vemagiri area and Vemagiri-Khammam-Hyderabad 765 kV D/C transmission line is the only line which can be implemented within two years.

13. Learned counsel for PGCIL submitted that during the Standing Committee Meeting of Southern Region constituents held on 31.7.2014, Member Secretary, SRPC based on the opinion of the constituents of the Southern Region clarified that since these lines would only duplicate the transmission lines which were later on planned and agreed by the constituents for import of power to Southern region, the execution of Vemagiri-Khammam-Hyderabad 765 kV D/C line should be dropped. The representative of CTU submitted that Vemagiri-Khammam-Hyderabad 765 kV D/C line was planned for evacuation of power from the gas based projects in Vemagiri complex

upto Wardha. In view of the generation projects not coming up in the Southern Region, CTU has now planned for import of power from South-East part of Maharashtra, Chhattisgarh and Odisha. Import from Odisha shall be through Angul-Srikakulam-Vemagiri transmission line. Import of power from South-East part of Maharashtra shall be through Warora-Warangal transmission line. From Chhattisgarh, the power shall flow through Wardha-Hyderabad transmission line. Hyderabad will get power from Wardha and Warora pool. Since the gas projects are not coming up in Vemagiri region, Hyderabad will not get supply of power from Vemagiri. The representative of CTU submitted that Vemagiri-Khammam-Hyderabad transmission line cannot be executed as a system strengthening line.

**Analysis and decision:**

14. We have considered the submissions of the petitioners, CEA and CTU.

15 As regards the status of the generating stations associated with Vemagiri-Khammam-Hyderabad 765 kV D/C line, CTU vide letter dated 12.4.2013 has submitted as under:

<b>Project</b>	<b>Status</b>
Samalkot Power Limited (LTA:2200 MW)	Is partially completed and the works for the balance is under progress. Two GTs of 250 MW each were synchronized once and are idle for want of gas.
Spectrum Power Generation Limited (LTA : 1350MW)	No physical progress citing non-availability of gas.
GMR (LTA 775 MW)	First module of Gas and Steam turbine were synchronized with the grid in August, 2011 and December, 2011 respectively and remaining idle since then for wants of gas allocation. Second Module has also completed first fire and FSNL test and waiting for permission for diversion of gas to carry out synchronization test.

16. Keeping in view the status of the generating stations in Vemagiri Area, the Commission vide order dated 9.5.2013 directed CTU to undertake necessary review and re-examination of the Vemagiri Transmission System in consultation with CEA. CTU in its letter dated 12.9.2013 submitted that in the 36<sup>th</sup> Standing Committee Meeting on Power System Planning of Southern Region held on 4.9.2013, the following three alternatives were considered regarding requirement of transmission system for dispersal of power beyond Vemagiri:

(a) **Alternative-I:**

- (i) Vemagiri- Khammam- Hyderabad 765 kV D/C lines
- (ii) Hyderabad- Kurnool 765 kV lines
- (iii) LILO of Kurnool- Thiruvalem of Cuddapah 765 kV S/S

(b) **Alternative-II:**

- (i) Vemagiri- Chilakaluripeta- Coddapah- Salem 765 kV D/C line

(c) **Alternative-III:**

- (i) Vemagiri- Khammam- Hyderabad 765 kV D/C line
- (ii) Vemagiri- Chilakaluripeta-Coddapah-Salem 765 kV D/C line

In the meeting, the constituents preferred Alternative-II i.e. Vemagiri-Chilakaluripeta- Cuddapah-Salem 765 kV D/C line as the power flow on Vemagiri-Khammam- Hyderabad was expected to be marginal.

17. CTU placed on record a copy of the “Report of Central Transmission Utility on Vemagiri Transmission System”. After examination of the report, the Commission came to the conclusion in order dated 27.9.2013 that Vemagiri Transmission System in its present form was not required due to uncertainty of gas based generation projects in Vemagiri area and marginal loading of the proposed transmission line. The relevant portion of the said order dated 27.9.2013 has been extracted at para 9 of this order.

However, CEA in its letter dated 30.9.2013 recommended for execution of the transmission line. On account of the differences of views between the two planning bodies, we directed CEA vide our order dated 9.7.2014 to urgently convene a meeting of the Standing Committee on Power System Planning of Southern Region to consider the necessity and utility of execution of 765 kV D/C Vemagiri-Khammam-Hyderabad transmission line and submit a report in this regard. CEA in its letter dated 10.10.2014 informed that the issue of necessity and utility of execution of 765 kV D/C Vemagiri-Khammam Hyderabad transmission line was discussed in the 37<sup>th</sup> meeting of the Standing Committee on Power System Planning of Southern Region held on 31.7.2014 wherein majority of the constituents opined that the subject transmission system should be dropped. Relevant portion of the minutes of the meeting dated 31.7.2014 is extracted as under:

“17.19. Based on the above discussion it may be inferred that the majority of the constituents opined that Vemagiri-Khammam-Hyderabad 765 kV D/C lines awarded to a company of PGCIL may be dropped as of now. However, based on the availability of gas/requests for LTAs from generating stations/prevaling demand-generation scenario, the necessity and utility of these lines may be evaluated at that time.”

18. Despite the opinion of the majority of the constituents of Southern Region to drop the Vemagiri-Khammam-Hyderabad 765 kV D/C lines as of now and to evaluate its necessity and utility based on the availability of gas and request for LTA by the generating stations in Vemagiri area in future, CEA in its letter dated 17.11.2014 has reiterated the necessity for execution of the transmission line. During the hearing, the representatives of CEA and CTU reiterated their respective position. It appears to us that the difference of views between the two planning bodies, namely CTU and CEA, is whether Vemagiri-Khammam-Hyderabad 765 kV D/C lines should be considered as a

system strengthening line or as an evacuation line. We have examined the necessity and usefulness of Vemagiri-Khammam-Hyderabad 765 kV D/C line both as a system strengthening line and as an evacuation line as under (Single line diagram is attached as Annexure):

(a) **As System Strengthening Line:** CTU has submitted that in view of the generating stations not coming up in the Southern Region, it has planned transmission system for import power by the constituents of the Southern Region from Wardha, Warora Pool and Angul. Power will flow from Wardha to Hyderabad and also from Warora to Hyderabad through Warangal. From Hyderabad, power will flow down to Kurnool. The power imported through Angul-Srikakulam-Vemagiri line will flow down using Vemagiri-Chilakaluripeta-Cuddapah-Salem transmission line. Therefore, Vemagiri-Khammam-Hyderabad line if implemented will be a corridor parallel to Vemagiri-Chilakaluripeta-Cuddapah-Salem to carry power down South via Hyderabad. CTU has further stated that in view of changed scenario of import of power by Southern Region, the alternate line of Vemagiri-Chilakaluripeta-Cuddapah-Salem which has already been approved would be more appropriate for evacuation of power to Southern Region as discussed during 36<sup>th</sup> Standing Committee Meeting of Southern Region held on 31.7.2014.

(b) **As Evacuation Line:** The position in regard to availability of gas beyond 2015-16 is still not clear and even if gas becomes available, the availability of gas will increase gradually and the gas would be required by a number of projects including the projects around Vemagiri area. An alternative transmission system (Vemagiri – Chilakaluripeta – Cuddapah - Salem 765 kV D/C transmission



line) for catering to import of power from Angul as well as evacuation of power from gas based plants in Vemagiri area has already been evolved and agreed in the meeting of the Standing Committee on Transmission Systems in Southern Region. Moreover, Vemagiri-Chilakaluripeta-Cuddapah-Salem 765 KV D/C line is likely to be ready by the time adequate gas is available for the power projects in Vemagiri area. Therefore, probability of non-availability of transmission system for evacuation of power from the generating stations in Vemagiri area is very low.

19. In the light of the above discussion, we are of the view that in the changed circumstances, Vemagiri-Khammam-Hyderabad 765 kV D/C lines is neither required as an evacuation line nor as a system strengthening line. Moreover, after considering the status of the transmission line and the request of SPGL and SPL, the Commission vide order dated 27.9.2014 directed CTU to refund the bank guarantee and SPGL and SPL to refund the Contract Performance Guarantee. Therefore, LTTCs have no claim to seek evacuation of power from their gas based generation projects in Vemagiri area through 765 kV D/C Vemagiri-Khammam-Hyderabad transmission line. The representative of SPGL during the course of hearing on 11.7.2013 submitted that as and when a new system emerged, the BPTA and bank guarantee would be furnished by the LTTCs pertinent to that system. The option of developing 765 kV D/C Vemagiri-Khammam-Hyderabad transmission line which may remain substantially underutilized, that too with accrual of time and cost over-run whose quantum cannot be ascertained at present, is not preferable. In the 36<sup>th</sup> Standing Committee Meeting on Power System Planning of Southern Region held on 4.9.2013, alternate transmission lines i.e.

Vemagiri-Chilakaluripeta-Cuddapah-Salem 765 kV D/C transmission line has been approved. The Regional Power Committee and Empowered Committee on Transmission have accorded approval for implementation of these lines through tariff based competitive bidding.

20. Since we have held that in the changed circumstances, Vemagiri-Khammam-Hyderabad 765 kV D/C lines is neither required as an evacuation line nor as a system strengthening line, no useful purpose will be served by adopting the transmission charges and granting licence to the petitioner for the said transmission line. Accordingly, we dispose of the Petition No.127/2012 and 128/TL/2012 without any relief as the said petitions have been rendered infructuous on account of developments which took place after the project was awarded to PGCIL through tariff based competitive bidding.

21. SPGL has prayed in Petition No.156/MP/2012 that direction be issued to PGCIL to terminate the BPTA. It is noticed that CTU vide letter dated 10.10.2013 has cancelled the LTA granted to SPGL. The said letter dated 10.10.2013 is extracted as under:

“This is with reference to the letter No.SPGL/PGCIL/13-14/1682

In view of the above as the Vemagiri Transmission System cannot be executed in its present form and construction stage Bank Guarantee of the LTA applicants for the transmission system have already been returned, they shall not remain the LTA customers. Therefore, the Connectivity and Long-term Access granted vide our intimation Nos. C/SEF/TA/C/S/10/09 dated 10.12.2010 & C/ENG/SEF/TA/L/S/10/007 dated 10.12.2010 for 2400 MW and 2200 MW respectively stands withdrawn and Connectivity & LTA applications closed.”

By another letter dated 10.10.2013, CTU has withdrawn the connectivity and LTA granted to Samalkot Power Limited. The said letter is extracted as under:

“This is with reference to the letter no. SMPL/RC/PGCIL/002 dated 3.9.2013 & letter dated 20.6.2013 vide which it was requested for termination of BPTA and return of constructions stage Bank Guarantee. Further as per the CERC order dated 27.9.2013 in the Petition No. 127/2012 & 128/2012, the Vemagiri Transmission System cannot be executed in its present form and accordingly directed to return the construction stage Bank Guarantee. As per the directions of CERC, the Bank Guarantees of Samalkot Power Limited & Spectrum Power Generation Limited, for whom the Vemagiri Transmission System was required, was returned in original.

In view of the above as the Vemagiri Transmission System cannot be executed in its present form and construction stage Bank Guarantee of the LTA applicants of the transmission system have already been returned, they shall not remain the LTA customers. Therefore, the Connectivity and Long-term Access granted vide our intimation nos. C/SEF/TA/C/S/10/9 dated 10.12.2010 & C/ENG/SEF/TA/L/S/10/007 dated 10.12.2010 for 2400 MW & 220 MW respectively stands withdrawn and Connectivity & LTA applications closed.”

Subsequently, CTU vide its letters dated 2.12.2013 has annulled the Long Term Access Agreements dated 24.12.2010 signed with SPL and SGPL. In view of the above, there does not exist any requirement to issue any directions for cancellation of BPTA or the Transmission Service Agreement as prayed by SPGL. It is clarified that whenever SPL and SGPL establish and operationalize their generating stations and intend to schedule power on long term basis by using the ISTS, they shall be required to obtain the LTA from CTU.

22. Since the Transmission Project is not required to be implemented, the regulatory approval accorded vide our order dated 13.12.2011 for the Transmission Project is withdrawn.

23. PGCIL has filed I.A. No. 24/2014 in Petition No.127/2012 and 128/TL/2012 for seeking directions for refund/recover of acquisition price and the audited cost of the

company incurred from the date of Share Purchase Agreement till the winding up of the company. The LTTCs have not submitted their replies on the IA despite notice. It is noted that based on the LTA applications made by SPL and SGPL, regulatory approval was granted for execution of the transmission project for evacuation of power from their generation projects. The project was decided to be executed through tariff based competitive bidding. On completion of the bidding process, RECTPCL in its capacity as Bid Process Coordinator issued LOI to PGCIL on 20.3.2012. It is noticed that SPGL after taking note of the non-availability of gas has intimated PGCIL vide its letter dated 30.3.2012 for not going ahead with the execution of the project based on the LTA granted to it. SPGL has also written a letter to RECTPCL with a similar request. The said letter dated 30.3.2012 whose copies were endorsed to MoP, CEA and RECTPCL is extracted as under:

"We have been granted Long-Term Open Access granted vide PGCIL letter No.. CC/ENG/SEF/TA/L/S/10/007 dated 10.12.2010 for grant of Long Term Open Access for our 1350 MW Gas Based Power Project SPGL, Kakinada, Andhra Pradesh.

The BPTA on the basis of Long-term Open Access granted by PGCIL has been signed on 24th Dec'2010 jointly with M/s. Reliance Infrastructure Limited, M/s. GVK Gautami Power Limited and M/s. GVK Industries Limited. The System strengthening requirement as per Annexure – 3 of BPTA was designed to evacuate 5150 MW power. However, M/s. GVK Gautami Power Limited and M/s. GVK Industries Limited have not deposited the Bank Guarantee and the revised BPTA is yet to be signed. We had also signed the TSA with REC Transmission Project Company Ltd for execution of the Transmission System.

We have made substantial progress in the execution of the project and have necessary land and clearances for the project. We have also invited bids for the execution of the project on EPC basis which have already been evaluated and we were about to place order on the selected Bidder. However, based on the Notification dated 19.03.2012 (copy enclosed) issued by Ministry of Power, Government of India, wherein it has been intimated that no additional Gas supply is to be available upto 2015-16, we have had to defer the award of EPC Contract for the 1st Phase of 350 MW.

Keeping in view of the above, it is not possible to go ahead with the implementation of the project since the project Lenders and Share holders would not like to fund the project

when the government itself is advising developers not to plan gas based power projects till 2015-16.

It is therefore requested that no action may please be taken for implementing the execution of the transmission projects in the scope of PGCIL based on the Long Term Open Access and the BPTA signed with PGCIL. The CEA/MoP have undertaken vide notification dated 19.03.2012 that the Project Developers shall be intimated when MOP&NG indicates the availability of Gas. On receipt of such intimation about the Gas availability SPGCL shall intimate to PGCIL about the transmission system thereafter. Since no project is likely to be commissioned before 2017-18 there is no purpose to block the Bank Guarantee for such a long period. Accordingly it is requested that **the** Bank Guarantee deposited by us for ₹67.50 Crores issued by ICICI Bank Limited submitted on 15th June, 2011 may kindly be returned.

Similar request is being made to REC Transmission Project Company Ltd for cancellation of the Transmission Service Agreement and you may also kindly write to them not to proceed ahead for execution of the Transmission work.”

Since one of the two LTTCs for whom the Transmission Project was being implemented had made a written request for non-execution of the line to both CTU and BPC, it was incumbent on both these agencies to take up the matter with MoP for a decision as to whether the Transmission Project should be executed or not. On the other hand, RECTPCL intimated about the acquisition price of SPV on 9.4.2012 and PGCIL acquired the SPV after paying the acquisition price of ₹18,27,93,533/. PGCIL also furnished a Contract Performance Guarantee of ₹63 crore to SPGL and SPL on 18.4.2012. PGCIL filed Petition Nos.127/2012 and 128/TL/2012 for adoption of tariff and grant of transmission licence respectively. In the said petitions, there was no reference to the letter written by SPGL. It is further noted that SPGL wrote another letter dated 7.6.2012 to the Vemagiri Transmission System Ltd., a wholly owned subsidiary of PGCIL, for cancellation of the TSA which is extracted as under:

“We have signed the Transmission Service Agreement jointly with M/s. Reliance Infrastructure Ltd. for execution of the transmission package as per the Long Term Open Access granted by PGCIL vide letter No.. CC/ENG/SEF/TAL/S/10/007 dated 10.12.2010 for 1350 MW Gas Project.

MOP&NG has vide notification dated 19.03.2012 (copy enclosed) intimated that no additional gas supply is to be available upto 2015-16 hence developers are advised not to plan gas based projects till 2015-16. In terms of the said notification, the Central Electricity Authority has further undertaken that that it shall intimate the developers about the availability of Gas as and when the same is indicated by the MOP&NG.

Accordingly, it is not possible to go ahead with the implementation of the project since the project lenders and shareholders would not like to fund the project when the government itself is advising developers not to plan gas based power projects till 2015-16.

We have already addressed the issue to PGCIL vide our letter no. spgl/pgcil/TSA/11-12/1317 dated 30.03.2012 for not implementing the execution of the transmission projects based on the LTOA granted and BPTA signed with PGCIL.

Keeping in view of the above, it is requested that the TSA signed may kindly be cancelled under intimation to us. The bidding process initiated shall also have to be stalled as SPGL shall not be able to accept the award of contract for execution”

24. PGCIL vide its affidavit dated 27.6.2012 placed on record the letter dated 7.6.2012 written by SPGL and submitted that on account of the request of SPGL for cancellation of TSA, the remaining LTTC i.e. Samalkot Power Limited would be required to pay the transmission charges for the project. At that stage also, PGCIL did not assess the utility of the transmission line and assist the Commission in taking an appropriate decision. PGCIL has not even filed its reply to Petition No.156/MP/2012 which was made by SPGL for cancellation of TSA. Only when it emerged during the hearing that SPL is not prepared to bear the transmission charges, the Commission in its order dated 9.5.2013 directed CEA and CTU for re-examination and review of the transmission project. In our view, had CEA and CTU taken a decision regarding the viability of the transmission line on receipt of the request of SPGL, the transmission system could have been reconfigured and process for selection of a Transmission Service Provider for the reconfigured line could have been taken at that time. It is on record that Vemagiri-Chilakaluripeta-Cuddapah-Salem 765 kV D/C transmission line

has now been planned for import of power by Southern Region to be executed through tariff based competitive bidding.

25. On the basis of the commitment given by SPL and SPGL through the LTA granted to them and the LTA Agreement signed by them, the process for selection of a Transmission Service Provider was undertaken as per the Guidelines. After selection of PGCIL as TSP, PGCIL acquired the Vemagiri Transmission System Limited and paid an amount of ₹18,27,93,533/-. Though SPGL approached for cancellation of TSA vide its letter dated 30.3.2012, it accepted the Contract Performance Guarantee furnished by PGCIL. SPL did not have any objection to the execution of the transmission system but declined to bear the full transmission charges. Since the process of competitive bidding was undertaken by RECTPCL on the basis of commitment of SPL and SPGL, we are of the view that they are liable to bear the cost of acquiring the Vemagiri Transmission System Limited and the expenditure incurred by PGCIL subsequently. Both PGCIL and RECTPCL have not acted upon the letter of SPGL dated 30.3.2012 in which it was requested not to proceed with the execution of the project based on the LTA granted to SPGL. Accordingly, we direct that 80% of the acquisition price incurred by Vemagiri Transmission Company Ltd shall be reimbursed by SPL and SPGL to PGCIL in proportion to the LTA granted to them. The balance 20% and the expenditure incurred by VTSL from the date of acquisition till the liquidation of the company shall be borne by PGCIL. In case there is any realization from the assets of VTSL in future, the same shall be apportioned between the LTTCs and PGCIL in the ratio of 80:20.

26. With the above, Petition Nos. 127/2012, 128/TL/2012, I.A. No. 24/2014 and Petition No. 156/MP/2012 are disposed of.

**Sd/-**  
**(A. S. Bakshi)**  
**Member**

**sd/-**  
**(A. K. Singhal)**  
**Member**

**sd/-**  
**(Gireesh B. Pradhan)**  
**Chairperson**





