

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 167/MP/2019

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

Date of Order: 17th of July, 2019

In the matter of

Anticipated delay in the declaration of Commercial Operation Date (COD) of Unit 1 and Unit-II of the 2x500 MW NLCIL-Neyveli New Thermal Power Project (NNTPP).

And

In the matter of

Seeking Commission`s permission to maintain status-quo for drawal of startup power and injection of infirm power under UI mechanism till declaration of COD of Unit-I and Unit-II or 31.12.2019, whichever is earlier.

And

In the matter of

NLC India Limited,
No.8, 1st Floor, Mayor Sathyamuthy Road,
FSD, Egmore Complex of FCI, Chetpet,
Chennai-600 031

...Petitioner

Vs.

1. Southern Regional Power Committee
29, Race Course Cross Road,
Bangalore- 560 009.

2. Executive Director (SEF & CE),
Power Grid Corporation of India Limited,
'Saudamini', Plot No. 2, Sector-29,
Near IFFCO Chowk, Gurgaon-122 001

3. The General Manager (Commercial)
Power Grid Corporation of India Limited,
Southern Region Transmission System-II,
Near RTO Driving Test Track,
Singnayakanahalli, Yelahanka-Dodaballapur Road,
Bangalore-560 064

4. The General Manager

POSOCO, Southern Regional Load Despatch Centre,
29, Race Course Cross Road,
Bangalore- 560 009

5. The Chief Engineer (Planning)
Tamil Nadu Generation and Distribution Corporation Ltd.,
6th Floor, Eastern Wing, 144, Anna Salai, Chennai-600 002

6. The Chief Engineer (Corporate Planning TRAC)
Kerala State Electricity Board,
8th Floor, Vidyuthi Bhavanam,
Pattom, Thiruvananthapuram-695 004.

7. Director (Commercial),
State Power Purchase Co-ordination Committee,
Power Company of Karnataka Ltd.
Kaveri Bhawan, Bangalore-560 009

8. The Superintendent Engineer
Puducherry Electricity Department,
137, NSC Bose Road, Puducherry-605 001

9. The Chief Engineer (Commercial)
Andhra Pradesh Power Co-ordination Committee,
Vidyuth Soudha, 48-12-4/1, Elluru Road,
Gundala, Vijaywada,
Andhra Pradesh-520 008

10. Chief Engineer (Commercial)
Telangana State Power Co-ordination Committee,
Vidyuth Soudha, Khairatabad, Hyderabad-500 082

...**Respondents**

The following were present:

Shri M.G. Ramachandran, Senior Advocate for the Petitioner
Ms. Anushree Bardhan, Advocate for the Petitioner
Shri Subham Arya, Advocate for the Petitioner
Shri J. Dhamasekaran, NLCIL
Shri C. Sankara Kuttalam, NLCIL
Shri S. Vallinayagam, Advocate, TANGEDCO

ORDER

This Petition has been filed by the Petitioner, NLC India Limited, seeking permission of the Commission for drawal of start-up power and injection of infirm power into the grid upto 31.12.2019 or till declaration of commercial operation of

Unit-I and Unit-II of 1000 MW Lignite based Neyveli New Thermal Power Project (hereinafter referred to as 'generating station') at Neyveli district in the State of Tamil Nadu in terms of clause (7) of Regulation 8 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 (hereinafter referred to as 'Connectivity Regulations') as amended from time to time.

2. The Petitioner has submitted that the generating station consists of two units (2X500 MW). Scheduled COD of Unit-I and Unit-II were 9.6.2015 and 9.12.2015 respectively. Unit-I of the generating station was synchronized with grid on 28.3.2019. However, CoD of Unit-I and Unit-II could not be declared under commercial operation due to the following reasons:

(a) Delay in tender stage: Subsequent to issuance of the Expression of Interest, tender was floated in the month of June, 2011 wherein only two bidders, namely, M/s Ansaldo and Vitkovice participated. However, tender process was hampered due to certain allegations against bidders. After examining the matter, the tender was re-floated during the month of September, 2012 increasing the completion period as advised by the project consultant. Three bidders, namely M/s Ansaldo, BHEL and LANCO were shortlisted. However, LANCO was disqualified based on techno commercial issues. Meanwhile, LANCO approached the Hon`ble Madras High Court against its disqualification and in the month of October, 2013, Hon`ble High Court directed the Petitioner to proceed with the tender. Subsequently, two bidders, namely M/s BHEL and Ansaldo, were shortlisted and BHEL emerged as lowest bidder and LOA was awarded to BHEL on 31.10.2013. Therefore, the above reasons had contributed the ultimate delay for award of the contract.

(b) Delay due to Force Majeure: In November, 2015, unprecedented rain had severely damaged the project site. On 10.11.2015, Neyveli received heavy rainfall of 45 cm within few hours between 0830 hrs and 1730 hrs. Since all the roads leading to Neyveli project site had been cut off from Chennai, logistic of material movement of project site was hampered.

(c) Sand Quarry closure: While the construction activities were in full swing, ban of sand quarry by Government of Tamil Nadu had affected the progress of project

activities during March to June, 2017. Therefore, the project had suffered delay in all construction activities for four months.

(d) GST Implementation: Due to cost implication on account of GST implementation, the vendors had delayed the supply and had requested for appropriate price increase in the contract price. This had delayed the project by three months.

(e) The project was delayed due to technological surprises, namely, requirement of steel and specialised material, shortage of main steel structures, requirement of fabrication facilities for the heavy structure, material transportation, specialised welding joints, non-availability of skilled labour, flue gas duct, flue gas recirculation system, milling system, high elevation wind velocity due to tower type boiler and requirement of higher capacity crane based on wind velocity.

(f) LOA has been issued to EPC constructions India Limited (EPCCIL) (formerly known as Essar Projects India Ltd.) for balance of plant (NTA-3) package of the Project on 30.4.2014. Right from the beginning, EPCCIL was unable to make the payment due to the sub vendors in time and the payments were pending for months together. Subsequently, insolvency proceedings commenced before National Company Law Tribunal (NCLT) against EPCCIL and NCLT vide its order dated 20.4.2018 appointed Insolvency Resolution Professional (IRP) and EPCCIL was restrained from acting independently. Therefore, due to change in the Power Centre from EPCCIL to IRP, the total work of the project got delayed from 11.5.2018.

(g) Boiler of Unit-I was lighted up first time on 28.12.2018 and this has been achieved within span of four months against the schedule of six months after boiler hydro test on 14.8.2018. After acid cleaning of boiler on 4.1.2019 and Steam Blow Out by 20.2.2019, Unit-I was synchronized with grid along with secondary fuel oil on 28.3.2019. Unit was tripped on the same day and was shutdown in order to carry out the following pending activities:

- Readiness of milling system (8 mills) for lignite firing after refractory dry out to achieve full load;
- Readiness of Super-heater and Re-heater Attemperation system along with controls and Re-heater Attemperation system along with controls;
- Completion of all auto loops and control systems;
- Completion of balance insulation works in ducts;
- Readiness of TDBFP's (Turbine Driven Boiler Feed Pump);
- Completion of all balance works like SSC (Submergible Slag Conveyor) and ABG (After Burning Grate) for full load operation;
- Unit-I Insulation issues;
- Control and Instrumentation sub-agency; and
- Steam Soot blowers and water lancers-erection and commissioning.

(h) Due to recent Lok Sabha Election from 10th April, 2019 to 19th May, 2019 and recent festival seasons like Holi and Ram Navami, etc. number of workers move to

their native places absenting from the project site which hampered the progress of commissioning works.

(i) DCS is the vital system which controls the entire operation of the Boiler and Turbine. Several technical problems were faced in the system frequently during the commissioning activity and the same required the support from German supplier which took time to make the system operational.

(j) Certain difficulties were faced in carrying out the Refractory Dry out of Unit-I Boiler, namely, needs special and safety arrangement in the application of refractory in all the vertical FGRS duct above 12 ML to 65 ML, the availability of front and approach has raised challenges in timely completion due to interface and safety issues and drying of refractories as per procedure in phased manner with available front has prolonged and delayed the completion of respective schedule, etc.

(k) The boiler is equipped with direct tangential fired pulverized lignite system consisting of 8 nos. of beater wheel type mills, 3 feeders in each mill, lignite chutes, fuel pipes fuel burners and wind boxes. It involves erection of 8 mills after completion of civil works along with the respective hydro coupling unit and lube oil system with detachable type beater wheels with necessary dampers and gates for maintenance with shifting/positioning arrangements. The various challenges in integrating the controls and measurements due to C & I sub-agency issue is causing delay in mill commissioning and is being taken up expeditiously.

3. The Petitioner has submitted that it has been actively pursuing with all the contractors to complete the pending works expeditiously in order to achieve COD of the generating station which is likely to be achieved during the months of June, 2019 and September, 2019 for Unit-I and Unit-II respectively.

4. The Petition was heard after notice to the Respondents. TANGEDCO in its reply dated 27.6.2019 *inter alia* has submitted that the Petitioner is responsible to sort out the technological issues with the supplier/contractors. Therefore, the delay cited by the Petitioner on this ground is not justifiable and is liable to be rejected. It has been submitted that the Petitioner is trying to include the expenditure incurred due to delay in the capital cost of the project. Accordingly, TANGEDCO has prayed

to direct the Petitioner to compensate the utilities for the loss caused in purchase of power to meet the demand due to the delay caused in commissioning of the project.

5. During the course of hearing, the learned senior counsel for the Petitioner reiterated the submissions made in the Petition and requested to allow the Petitioner for injection of infirm power into the grid for commissioning tests including full load test of Unit-I and Unit-II beyond 26.7.2019 and upto 31.12.2019 or COD of the project, whichever is earlier. Learned counsel for TANGEDCO submitted that as per the investment approval, scheduled COD of Unit-I and Unit-II is 9.6.2015 and 9.12.2015 respectively. However, after the prolonged delay of 4 years from the SCOD, the Petitioner could not commission the units and accordingly, capital cost of the project has been revised. Learned counsel for TANGEDCO further submitted that due to non-commissioning of the generating station, TANGEDCO is meeting the demand of the State through the Power Exchange and is forced to shed additional expenditure to purchase the same. *Per contra*, learned senior counsel for the Petitioner submitted that the issues raised by TANGEDCO are not relevant to this Petition. TANGEDCO may raise these issues at the time of deciding the tariff for the generating station.

6. During the course of hearing, the Petitioner was directed to submit the anticipated commercial operation date of the generating station. The Petitioner vide its affidavit dated 9.7.2019 has submitted that the anticipated commercial operation date of the Unit-I is 31.7.2019 and of Unit-II/entire generating station is 31.12.2019.

7. We have considered the submission of the Petitioner. The Fourth Proviso to Regulation 8 (7) of the Connectivity Regulations, as amended from time to time, provides as under:

“Provided that the Commission may in exceptional circumstances, allow extension of the period for inter-change of power beyond the period as prescribed in this clause, on an application made by the generating station at least two months in advance of completion of the prescribed period:

Provided further that the concerned Regional Load Despatch Centre while granting such permission shall keep the grid security in view.”

8. The Petitioner has submitted that it has made all efforts to ensure completion of activities of Unit-I and Unit-II of the generating station within stipulated time but could not succeed for reasons beyond its control. The Petitioner has submitted that due to various reasons, namely due to delay in technological issue/hindrances, completion of balance insulation works in ducts, completion of all auto loops and control systems, delay in readiness of turbine driven boiler feed pump and completion of all balance works like Submergible Slag Conveyor & After Burning Grate for full load operation, etc. it was not able to complete testing including full load testing within the prescribed period from the date of first synchronization of Unit-I and Unit-II of the generating station. The Petitioner has submitted that time is required beyond 26.7.2019 to complete the balance works as specified in Annexure A to the Petition and to carry out the operation of testing and commissioning including injection of infirm power into the grid. Considering these facts, the Petitioner has requested for permission to inject infirm power till 31.12.2019 or actual date of commercial operation, whichever is earlier. Taking into consideration the difficulties expressed by the Petitioner and in terms of the proviso to Regulation 8(7) of the Connectivity Regulations as quoted in Para 7 above, we allow injection of infirm power into the grid for commissioning tests including full load test of Unit-I

and Unit-II upto 31.12.2019 or actual date of commercial operation, whichever is earlier. We expect the Petitioner to make all efforts to ensure the commercial operation of the unit by this date. It is, however, clarified that extension of time granted as above shall not automatically entitle the Petitioner for IEDC/IDC for the delay in declaration of COD from the scheduled COD which will be decided in accordance with the relevant provisions of the Tariff Regulations. Accordingly, the Respondent, TANGEDCO may raise the issues with regard to delay in commissioning of the generating station and increase in capital cost at the time of determining of tariff of the generating station which will be dealt in accordance with law.

9. With the above, the Petition No. 167/MP/2019 is disposed of.

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

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

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