CENTRAL ELECTRICITY REGULATORY COMMISSION NEW DELHI

Petition No. 195/MP/2017

Coram:

Shri P.K. Pujari, Chairperson Shri I. S. Jha, Member Shri Arun Goyal, Member Shri P. K. Singh, Member

Date of Order: 11.05.2022

In the matter of:

Remit back of the order dated 29.3.2019 in Petition No.195/MP/2017 along with the directions of Appellate Tribunal for Electricity in judgment dated 3.12.2021 in Appeal No. 129 of 2020 and Appeal No.276 of 2021.

And in the matter of:

NRSS XXXI (B) Transmission Limited, A-26/03, Mohan Cooperative Industrial Estate, Mathura Road, New Delhi-110044.

.... Petitioner

Versus

- U.P. Power Corporation Limited, 14th Floor, Shakti Bhawan Extension, 14-Ashok Marg, Lucknow, Uttar Pradesh-226001.
- Ad Hydro Power Limited,
 A-12 Bhilwara Tower, Sector-1, Noida,
 Uttar Pradesh-201301.
- Haryana Power Purchase Centre, Shakti Bhavan Energy Exchange, (Room No.446), Top Floor, Sector-6, Panchkula, Haryana-134109.
- Punjab State Power Corporation Limited,
 D-3, Shakti Vihar, PSPCL,
 Patiala-147001
- Himachal Sorang Power Private Limited,
 D-7, Lane-1, Sector-1, New Shimla,



Shimla, Himachal Pradesh-171009

- Adani Power Limited (Mundra),
 3rd Floor, Achalraj Building,
 Opposite Mayor Bungalow, Law Garden,
 Ahmedabad-380006
- 7. Rajasthan Urja Vikas Nigam Limited, Vidyut Bhawan, Janpath, Jyoti Nagar, Jaipur-302005.
- 8. Lanco Anpara Power Limited, Lanco House, Plot No.397, Udyog Vihar, Phase-3, Gurgaon-122016.
- Lanco Budhi Hydro Power Private Limited, Plot No.397, Udyog Vihar, Phase-3, Gurgaon-122016.
- Power Development Department, Government of Jammu & Kashmir, SLDC Building, 220 kV Grid Station Premises, Gladni,Narwal-Bala, Jammu-180006.
- North Central Railways, Head Quarter's Office, Subedarganj, Allahabad-211033.
- 12. Jaiprakash Power Ventures Limited, Sector-128, Noida-201304.
- BSES Yamuna Power Ltd.
 2nd Floor, Shakti Kiran Building,
 Karkardooma, New Delhi-110092.
- BSES Rajdhani Power Limited,
 BSES Bhawan, Nehru Place,
 New Delhi-110019.
- Tata Power Delhi Distribution Limited,
 NDPL House, Hudson Lines, Kingsway Camp,
 New Delhi-110009.
- 16. New Delhi Municipal Council,



NDMC, Palika Kendra, Parliament Street, New Delhi-110001.

- 17. Electricity Wing of Engineering Department, Union Territory of Chandigarh, Electricity OP Circle, 5th Floor, New Deluxe Building, Sector-9, Chandigarh-160009.
- Power Grid Corporation of India Limited, HVDC Dadri & HVDC Rihand, "Saudamini", Plot No.2, Sector-29, Near IFFCO Chowk, Gurgaon-122001
- 19. PTC (Budhil), PTC India Limited, 2nd Floor, NBCC Tower, 15, Bhikaji Cama Place, New Delhi-110066.
- 20. PTC (Everest), PTC India Limited, 2nd Floor, NBCC Tower, 15, Bhikaji Cama Place, New Delhi-110066.
- 21. Uttarakhand Power Corporation Limited, Victoria Cross Vijeyta Gabar Singh Bhawan, Kanwali Road, Balliwala Chowk, Dehradun-248001, Uttarakhand.
- 22. Himachal Pradesh State Electricity Board Limited, HPSEB Ltd., Vidyut Bhawan, Shimla-171004.

....Respondent(s)

For Petitioner : Shri Sajjan Poovaya, Senior Advocate, NRSS

Shri Vishrov Mukerjee, Advocate, NRSS Shri Rohit Venkat V, Advocate, NRSS Shri Yashaswi Kant, Advocate, NRSS Ms. Juhi Senguttuvan, Advocate, NRSS

Shri Avinash P. Rao, NRSS Shri Vijayanand Semletty, NRSS Shri Neeraj Kumar Verma, NRSS

For Respondent : Ms. Swapna Seshadri, Advocate, PGCIL

Shri Aditya H. Dubey, Advocate, PGCIL Ms. Ranjana Roy Gawai, Advocate, TPDDL

Ms. Vasudha Sen, Advocate, TPDDL Shri Shikher Upadhyay, Advocate, TPDDL

Shri V.C. Sekhar, PGCIL Shri Prashant Kumar, PGCIL



Ms. Supriya Singh, PGCIL Shri Arjun Malhotra, PGCIL Shri B.K Saxena, UPPCL Shri Anurag Bansal, TPDDL Ms. Shefali Sobti, TPDDL Shri Umang Anand, BSPTCL

ORDER

The Appellate Tribunal for Electricity (hereinafter referred to as "the APTEL") vide judgment dated 3.12.2021 in Appeal No. 129 of 2020 and Appeal No.276 of 2021 has set aside the order dated 29.3.2019 in Petition No.195/MP/20127 and remanded the matter to the Commission for passing a reasoned order pursuant to the directions in the said judgement. The relevant extract of the APTEL judgment dated 3.12.2021 is as under:

ORDER

In light of the above, we are of the considered view that some issues raised in the Batch of Appeals have merits and hence the Appeals are allowed. The impugned common order dated 29.03.2019 in Petition No. 195/MP/2017 and 238/MP/2017 passed by Central Electricity Regulatory Commission is hereby set aside to the extent of our findings under Para 23 above.

The matter is remitted back to the Central Commission for passing a reasoned order pursuant to our directions are scrupulously complied with expeditiously and in a time-bound manner and for this purpose shall have recourse to all enabling powers available to it under the law. The appeals are disposed of in above terms. Pending IAs, if any, shall stand disposed of."

Background

- 2. The brief facts of the matter are as follows:
 - (a) NRSS XXXI (B) Transmission Limited (NTL), transmission licensee selected through Tariff Based Competitive Bidding (TBCB) filed Petition No. 195/MP/2017 before the Commission seeking compensatory and declaratory reliefs under the Transmission Services Agreement (TSA) dated 2.1.2014 on account of various "change in law" and "force majeure events", affecting the construction of 400 kV D/C Kurukshetra-Malerkotla and 400 kV D/C Malerkotla-

Amritsar Transmission Lines under "Northern Region System Strengthening Scheme-XXXI (B)".

The Commission vide order dated 29.3.2019 in Petition No. (b) 195/MP/2017 decided the claims of the petitioner as under:

"114. The summary of our decisions with regard to Petitioner's claim is as under:

Sr.	Change in law	Allowed/
No.		Disallowed
1	Unexpected requirement of obtaining forest clearance and expenditure incurred on account of obtaining forest clearance.	Allowed
2	Increase in taxes and duties.	Allowed
3	Change in guidelines issued by MoP for	Disallowed
	compensation towards damages in regard to Right of Way (RoW) for transmission lines.	
4.	Delay in obtaining forest clearance under Force Majeure and extension of SCOD	Allowed
5.	Issue with PSPCL relating to conversion of 66 kV lines from poles to tower.	Disallowed
6.	Extension of SCOD due to (i) Stoppage of work at PGCIL Amritsar S/s entry due to PGCIL request for realignment of 400 kV D/C Malerkotla Amritsar Line; (ii) Fault at PGCIL Malerkotla Substation; (iii) Local unrest, communal violence and Farmer Agitation; a. Conflict between Sikh Community on management of Gurudwara b. Communal tension in Malerkotla c. Farmers agitation in Punjab d. Desecration of Shri Guru Granth Sahib e. Jat Agitation for caste based reservation in Haryana f. Desecration of Quran (iv) Delay due to severe right of way issues in transmission lines; (v) Demonisation (vi) Delay in transfer of SPV, and (vii) Assembly election in Punjab (viii) NGT Order dated 19.5.2016, banning cutting	Not considered on merits as the additional time claimed is subsumed in extension in SCOD.
	of trees in entire State of Punjab and proceedings of Hon'ble High Court of Punjab and Haryana seeking relief from NGT Order.	
7	Change in Kurukshetra and Malerkotla Sub-station gantry coordinates and subsequent change in connection arrangement for 400 kV D/C Kurukshetra- Malerkotla Transmission Line and Delay in confirmation of Coordinates.	The Additional time claimed is subsumed in extended SCOD.

8.	Change in Tower Extension.	The Additional time claimed is subsumed in extended SCOD
9.	Requirement of Multi circuit Towers for transmission line termination at Malerkotla Sub-station end.	The Additional time claimed is subsumed in extended SCOD
10.	IDC beyond scheduled COD till actual COD.	Disallowed

- (c) Aggrieved with the Commission's order dated 29.3.2019 in Petition No.
- 195/MP/2017, NTL filed Review Petition No. 7/RP/2019 seeking review of the order dated 29.3.2019 on the grounds of (i) disallowance of consequential relief of IDC and IEDC from SCOD to actual COD; (ii) additional cost incurred due to PSPCL converting their 66 kV transmission lines from poles to towers; (iii) additional expenditure incurred on account of change in the gantry coordinates at Kurukshetra and Malerkotla Sub-stations; (iv) loss of tariff on account of *force majeure* and 'change in law' events which led to under recovery of tariff; and (v) no methodology provided by the Commission to recover the admissible amount. The Commission vide order dated 15.1.2020 rejected the Review Petition being devoid of merit.
- (d) Aggrieved with the order dated 29.3.2019 in Petition No. 195/MP/2017 and order dated 15.1.2020 in Review Petition No. 7/RP/2019, NTL filed Appeal No. 129 of 2020 before APTEL. Another TBCB transmission licensee, namely, Darbhanga Motihari Transmission Company Limited (DMTCL) challenged the order dated 29.3.2019 of the Commission in Petition No.238/MP/20127 before APTEL by filing Appeal No. 276 of 2021. Since some of the issues raised in both appeals were common, APTEL disposed of the Appeals vide common judgment dated 3.12.2021 in Appeal No. 129 of 2020 and Appeal No.276 of 2021.

- (e) Six issues were considered by APTEL in its judgment dated 3.12.2021 in Appeal No. 129 of 2020 and Appeal No.276 of 2021. Three issues are common in both the Appeals and also pertain to the remand matter under consideration in the present petition. These issues are as under:
 - "Issue No. 1-Whether in the facts and circumstances of the case, the Central Commission is justified in passing the Impugned Order disallowing relief in terms of IDC and IEDC to the Appellant even after declaring forest clearance as a Change in Law event?
 - **Issue No. 2-**Whether the Commission is justified in disallowing claims with respect to change in Kurukshetra and Malerkotla sub-station gantry coordinates and subsequent change in connection arrangement for 400kV D/C Kurukshetra-Malerkotla Transmission Line as Force Majeure event though these changes occurred as a consequence of inaccuracies in the Survey Report prepared by the Bid Process Coordinator, REC Transmission Projects Company Ltd. ("RECTPCL")?
 - **Issue No.3** Whether the Commission has not granted relief to the Appellant for the loss of first year tariff on account of Force Majeure and Change in Law events which delayed COD?"
- (f) Of the above mentioned three issues that pertain to NTL, two were held in favour of NTL by APTEL and the Commission's view was upheld by APTEL on the third issue. The issues were decided as under:
 - "Issue No.1:- As per the discussions held above, the Appellant is entitled to be fully compensated for the IDC and IEDC incurred on account of Change in Law & Force Majeure Events."
 - "Issue No.2:- We hold that the Appellant should be compensated for the actual change in the length of the Transmission lines as against the length of the Transmission lines in case the Gantry Coordinates would have been same as indicated in the Survey Report."
 - "Issue No.3:-We hold that the tariff can be levied only for the services provided and not on account of Force Majeure or Change in Law Events. In the present case the commissioning of the Transmission System of the Appellant has delayed and any Tariff can be billed only once the COD has been achieved. Any change at this stage will result into amendment to the TSA. Therefore, decline to grant any compensation on this account"
- (g) Subsequently, NTL filed an Interlocutory Application No. 2098 of 2021 before APTEL seeking clarification of the judgment dated 3.12.2021. APTEL vide

order dated 21.1.2022 observed that NTL is entitled to be fully compensated for IDC and IEDC for the period from SCOD to actual COD on account of 'change in law' and force majeure events and also to receive compensation on account of change in gantry coordinates and increase in number of power lines crossings. APTEL also directed to consider consequential carrying cost.

Proceedings before the Commission

3. The petition was heard on 8.2.2022 through video conferencing. Learned Senior Counsel for NTL submitted that as per the judgement of APTEL, the Petitioner is entitled to be fully compensated for IDC and IEDC for the period from SCOD to actual COD on account of Change in Law and force majeure events. He further submitted that APTEL in its order dated 21.1.2022 in I.A. No. 2098 of 2021 in Appeal No. 129 of 2020 directed the Commission to consider the consequential carrying cost also. The Commission directed NTL to submit details of IDC and IEDC from scheduled COD to actual COD along with the basis for arriving at the same. The Commission also directed the Respondents including UPPCL to file their replies and the Petitioner to file its rejoinders. Subject to the filing of reply by Respondents including UPPCL and rejoinders by the Petitioner, order I the Petition was reserved.

Submissions of the Petitioner

- 4. The Petitioner vide affidavit dated 25.2.2022 has made the following submissions:
 - (a) As regards the details of IDC and IEDC from scheduled COD to actual COD, the Petitioner has incurred ₹23.80 crore towards IDC. The basis for arriving at the IDC are the interest payments made by Petitioner to its lenders between SCOD to COD i.e., from 13.9.2016 to 27.3.2017. The Auditor Certificate dated 26.6.2018 indicating the IDC amount has been placed on record. The

Petitioner has submitted that the IDC amount would be recovered in terms of Article 12.2 of the TSA in the form of an increase in tariff from the COD of the Project along with carrying cost for past arrears.

- (b) The Petitioner has submitted that it has incurred expenditure of Rs.6.68 crore due to change in length of transmission lines on account of change in gantry coordinates. The Auditor Certificate dated 25.9.2017 has been placed on record in support of the claim. The Petitioner has also placed on record the routes of 400 kV D/C Kurukshetra- Malerkotla Line as provided by BPC in the Survey Report and actual route due to change in gantry coordinates plotted on Toposheets with terminating point at Kurukshetra and Malerkotla Sub-stations of PGCIL.
- (c) The Petitioner has submitted that it is entitled for carrying cost on the above expenditure in the light of the directions of APTEL in in its order dated 21.1.2022 in I.A. No. 2098 of 2021 in Appeal No. 129 of 2020.

Reply of Respondent UPPCL

- 5. UPPCL in its reply filed vide affidavit dated 16.2.2020 has submitted as under:
 - (a) The tariff of NRSS XXXI (B) scheme has been discovered through competitive bidding process under Section 63 of the Electricity Act, 2003 ("2003 Act"). Therefore, the Commission has no jurisdiction to re-determine such tariff or regulate or adjust it in any manner in exercise of duty or function under Section 79(1)(d) read with Section 62 and Section 64 of the 2003 Act. After the tariff is determined under Section 63 of the 2003 Act is adopted by the Commission, if any question arises in relation to extension of SCOD, *force majeure* and 'change in law' and the fact which requires that the bidder should be compensated for the cost it suffered on account such issues by way of

increase in tariff; the remedy should be sought under the provisions of TSA signed between the Petitioner and LTTCs, not under Section 79(1)(d) read with Section 62 and Section 64 of the 2003 Act. The matter related to COD, force majeure and 'change in law' are specified in Article 11 and 12 under the TSA dated 4.1.2014. Hence, in the light of the facts of the instant case and aforesaid provisions of law, Commission has to decide the provision of law under which IDC and IEDC could be allowed to the Petitioner and not since APTEL has remitted the matter for re-hearing on this issue.

- (b) The additional cost incurred on forest clearance has arisen due to BPC not mentioning in RFP that there is a forest enroute the lines. The remedies to such peculiar situation of incorrect information in RFP is neither covered in Article 11.3 (a) nor in Article 11.3 (b) (i) & (ii) of the TSA. The circumstance faced by the Petitioner is covered under Article 11.2.3 which states that any event of 'force majeure' shall be deemed to be an event of 'force majeure' affecting the TSP only if the 'force majeure' event affects and result in late construction, completion and commissioning of the project. The circumstance arising from the requirement of obtaining forest clearance is a 'force Majeure' condition covered under Article 11.2.3 of TSA. The Commission has considered the requirement of forest clearance under 'change in law' and accordingly provided remedy under Article 12.2.1 of TSA as per Commission's order dated 26.9.2019 in Petition No. 195/MP/2017 and 15.1.2020 in 7/RP/2019.
- (c) The TSP has quoted tariff based on the estimated cost of the project based on the information provided by BPC in the RFP. It might have included cost of material/equipment, civil/electrical/mechanical works, interest during construction, pre-operative expenses, financing charges and contingency

charges etc. in the manner planned by the TSP. In case of regulated-tariff-mechanism (RTM), the said components of cost are well recorded in books and known to all stakeholders, verified by statutory auditor of the licensee company and subjected to prudence check by the Commission in the process of regulation/determination of tariff. But, in the present case, the structure of the capital cost of the project is not known to anybody except the Petitioner. Unless IDC and IEDC included in the cost at the stage of bidding are known, the Petitioner cannot be compensated for additional IDC and IEDC as an incidence of cost of forest clearance. The same would be contrary to the provision of Section 63 of the 2003 Act for the Petitioner to disclose it or any court to issue direction to the Petitioner to disclose it.

- (d) There is no provision for estimation of additional IDC and IEDC separately. On application of provisions of Article 12.2.1 of the TSA on the incremental cost incurred in obtaining forest clearance, the impact of additional IDC and IEDC in the project cost or transmission charges gets neutralized automatically; as such there is no requirement of separate estimation of IDC and IEDC because it cannot be estimated unless original level of IDC and IEDC in the project cost is known.
- (e) The Commission in order dated 29.3.2019 in Petition No. 195/MP/2017 has allowed the cost of obtaining forest clearance under 'change in law'. Subsequently, the Petitioner sought review of the order dated 29.3.2019 by filing Petition No. 7/RP/2019. The Commission vide order dated 15.1.2020 clarified that claim against cost incurred on forest clearance shall be settled under Article 12.2.1 of TSA. The combined reading of order dated 26.3.2019 and 15.1.2020 is that the Petitioner will be compensated for the cost incurred on forest clearance

by increasing non-escalable transmission charges in accordance with the provision of Article-12.2.1. Since, enhancement of non-escalable transmission charges under Article 12.2.1 neutralizes the impact of all costs including IDC and IEDC due to any additional cost incurred by TSP during construction of the project, therefore, the Petitioner has already been fully compensated for IDC and IEDC as per order dated 29.3.2019 read with order dated 15.1.2020 and there is no need of over compensation to the TSP by way of determination of additional IDC and IEDC separately, which is also not permissible under law at the same time.

- (f) The Petitioner stays fully compensated for IDC and IEDC automatically on account of additional cost incurred on account of line length increase when it is allowed to recover the cost through transmission charges under the provisions of Article 12.2.1 of TSP;
- (g) Quantify the increase in non-escalable charge under Article 12.2.1 of TSA after discounting the total cost, incurred by the Petitioner on account of forest clearance and line-length-increase, from March, 2017 to December, 2013 level by the discounting factor specified in RFP for computation of the levelized tariff in order to restore the original position of Petitioner as well that of LTTCs to the date of bidding. Suitable guidelines list may also be issued for compliance before issuing RFP in future so that LTTCs are not forced to bear the high cost which had not been subjected to competition.

Rejoinder of the Petitioner to the Reply of UPPCL

6. NTL has filed its rejoinder to the reply of UPPCL vide affidavit dated 21.3.2022. The clarifications given by NTL are as follows:

- (a) The issue of IDC and IEDC has been decided on merits in favour of NRSS vide APTEL judgement dated 3.12.2021 and clarification order dated 21.1.2022. The remit to this Commission pursuant to the judgement dated 3.12.2021 is limited to the determination of quantum of compensation in accordance with Article 12.2 (relief for 'change in law') of the TSA.
- (b) As regards extension of SCOD, force majeure and 'change in law' can only be determined in accordance with the provisions of the TSA and not otherwise, the Petitioner submitted that in Appeal No. 129/2020, APTEL has held that NTL shall be entitled to be fully compensated for IDC and IEDC incurred on account of the 'change in law' and force majeure events. Referring to judgement dated 20.10.2020 in Appeal 208 of 2019 (Bhopal Dhule Transmission Company Limited vs. Central Electricity Regulatory Commission and Ors.), APTEL in Appeal No. 129 of 2020 has held that NTL will be entitled to be fully compensated for IDC and IEDC incurred on account of the 'change in law' and force majeure events. The TSA provisions in the Bhopal Dhule Transmission Company Limited are pari materia with the TSA executed between NTL and the LTTCs. Accordingly, NTL has submitted that Article 12 of the TSA contains and in-built restitutionary mechanism to compensate the affected party to the same economic position as 'change in law' had not occurred. Therefore, Petitioner is entitled to compensation in terms of Article 12 of the TSA, including full compensation for IDC and IEDC.
- (c) UPPCL has contended that NTL had to incur additional costs on account of obtaining forest clearance. Such a situation arose due to incorrect information in RFP and relief for incorrect information in RFP is neither covered under Article 11.3 of the TSA nor the Competitive Bidding Guidelines and standard bid

documents. However, the circumstance faced by Petitioner is covered under Article 11.2.3 of the TSA. The Petitioner has submitted that UPPCL has itself admitted that the information provided by the BPC in the RFP was erroneous due to which NRSS had to incur additional costs. Further, the Commission in its order dated 29.3.2019 has held the unexpected requirement of obtaining forest clearance as a 'change in law' event and the time taken in obtaining the forest clearance as a *force majeure* event in terms of the TSA. As UPPCL has not challenged the findings in the order dated 29.3.2019, the same has attained finality.

- (d) The Petitioner is not claiming additional IDC and IEDC and has only claimed IDC and IEDC which was initially disallowed by this Commission in Petition No. 195/MP/2017 which has now been allowed by the APTEL in terms of Judgement dated 3.12.2021 in Appeal No.129/2020. Hence, UPPCL's contention regarding additional IDC is misconceived and ought to be rejected.
- (e) UPPCL has admitted that Petitioner is entitled to receive ₹6.88 crore as compensation on account of additional cost incurred due to increase in length of transmission lines. However, UPPCL has alleged that Petitioner is not entitled to claim IDC and IEDC on the same since the Petitioner failed to make a separate plea to that effect. The Petitioner has submitted that the UPPCL has not challenged the finding of the APTEL in terms of which Petitioner is entitled to be fully compensated for the additional cost incurred on account of increase in transmission lines. Hence, the same has attained finality. UPPCL is raising such objections of the first time and hence the said submissions ought to be rejected. APTEL vide Judgement dated 3.12.2021 and clarification order dated 21.1.2022 has held that the Petitioner is entitled to be fully compensated on account of

change in gantry coordinates and increase in number of power lines crossing. The grant of IDC and IEDC would not lead to over compensation.

- As regards contention of UPPCL that it would be appropriate to discount (f) the present cost of the Project by the factor which was specified in RFP for computation of the levelized tariff, APTEL has held that NTL ought to be fully compensated for IDC and IEDC incurred on account of 'change in law' and force majeure events. UPPCL has neither challenged the findings of the Commission in Petition No.195/MP/2017 nor in Appeal No. 129/2020 and that the same has attained finality.
- (g) The remand to this Commission pursuant to the APTEL's Judgement dated 3.12.2021 is limited to the determination of quantum of compensation in accordance with Article 12.2 of the TSA, the submissions of UPPCL ought to be rejected. UPPCL is attempting to reagitate issues which have already been addressed by the APTEL and accordingly, UPPCL is precluded from agitating the same.

Analysis and Decision

7. We have considered the submissions made by UPPCL and NTL after remand and also perused the APTEL's judgement dated 3.12.2021. As per APTEL's judgement dated 3.12.2021, NTL is entitled to be fully compensated for IDC and IEDC incurred on account of Change in Law & Force Majeure Events and NTL should be compensated for the actual change in the length of the Transmission lines as against the length of the Transmission lines in case the Gantry Coordinates would have been same as indicated in the Survey Report. However, NTL's claim for compensation towards loss of first year tariff has been disallowed. Thus, there are clear findings of APTEL on all the three issues pertaining to NTL in its judgement dated 3.12.2021.

- 8. UPPCL has contended that the tariff in case of NTL has been discovered through competitive bidding process under Section 63 of the 2003 Act and so the Commission has no jurisdiction to re-determine such tariff or regulate or adjust it in any manner. UPPCL has also contended that the Commission vide order dated 15.1.2020 has already clarified that claim against cost incurred on forest clearance will be settled under Article 12.2.1 of TSA. Further, enhancement of non-escalable transmission charges under Article 12.2.1 neutralizes the impact of all costs including IDC and IEDC due to any additional cost incurred. Therefore, UPPCL has contended that the Petitioner has already been fully compensated for IDC and IEDC as per order dated 29.3.2019 read with order dated 15.1.2020 and there is no need for redetermination of additional IDC and IEDC in the instant case. In response, NTL has contended that the findings of the Commission in Petition No. 195/MP/2017 in Appeal No. 129/2020 have attained finality as they have not been challenged by UPPCL. NTL has contended that remand is limited to the determination of quantum of compensation in accordance with Article 12.2 of the TSA and UPPCL is reagitating the issues which have already been addressed by the APTEL.
- 9. As per sub-section (1) of Section 111 of the Act, any person aggrieved by an order of the Commission may prefer an appeal before APTEL. Under sub-section (3) of the Act, APTEL on receipt of the appeal may, after giving parties to the appeal an opportunity of being heard, pass such orders thereon as it thinks fit, confirming, modifying or setting aside the order appealed against. After the judgement is issued by APTEL in an appeal, the order of the Commission merges with the judgement of APTEL as per the well-established doctrine of merger. There is no room for further consideration on merit by the Commission where clear-cut findings and directions have been issued by APTEL and the Commission is required to issue consequential

orders for implementation of the directions of APTEL. Only in those cases where matter has been remanded for consideration of the issues, the Commission can consider those issues on merit in accordance with law and within the scope of the remand. As already noted in paragraph 7 above, APTEL has recorded clear findings in respect of all the issues. We are of the view that APTEL's findings on these issues are required to be implemented and there is no room for any further reconsideration at the level of the Commission as urged by UPPCL.

10. The first issue decided by APTEL is with regard to entitlement of NTL to be fully compensated for IDC and IEDC incurred on account of Change in Law and Force Majeure Events. The findings and observations of APTEL on this issue is as under:

"16.8 The Appellant has submitted that IDC and IEDC are a direct consequence of delay in SCOD. Once the Commission has declared forest clearance as Force Majeure event and amount paid for it as Change in Law, also allowed extension of SCOD, Commission ought to have allowed the consequential cost implication. In this regard our attention was drawn towards Articles 11 and 12 of the TSA which states that:

"11. FORCE MAJEURE

. . .

88.2. Available Relief for a Force Majeure Event

Subject to Article 11

- (a) no party shall be in breach of its obligations pursuant to this Agreement except to the extent that the performance of its obligations was prevented, hindered or delayed due to a Force Majeure Event.
- (b) every Party shall be entitled to claim relief for a Force Majeure Event affecting its performance in relation to its obligations under this Agreement.

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88.. CHANGE IN LAW

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12.2 Relief for Change in Law

12.2.1 During Construction Period: During the construction period, the impact of increase or decrease in the cost of the project in the transmission charges shall be governed by the formula given below:

For every cumulative increase/decrease of each Rupees One Crore Fifteen Lakh Eighty Thousand Only (Rs. 1.75 Crore) in the cost of the project upto the



Scheduled COD of the project, the increase/decrease in non-escalable transmission charges shall be an amount equal to Zero point Three One Three percent (0.32%) of the non-escalable transmission charges."

16.9 Undisputedly, the survey report prepared by the BPC was misleading and all the issues have arisen due to incorrect information provided therein. The bid of the Appellant was based on the disclosure made in the Survey Report that there was no forest land involved in the project which required forest clearance to be obtained. Presence of forests certainly affected the timely completion of the project in addition to additional cost incurred by the Appellant in getting the forest Clearance. The Central Commission has rightly acknowledged it and granted extension of time and compensation for the extra expenditure incurred by the TSA. However, the Commission, without assigning reason, has rejected the claim made by the Appellant. The Commission observed that:

"However, we would like to make it clear that the extension of COD of the instant assets does not entail any financial benefit in the form of IDC and IEDC to the Petitioner."

- 16.10 The Central Commission failed to understand that the IDC and IEDC is not a financial benefit to the Appellant but due to the financial liability to be borne by the Appellant. This Tribunal vide Judgment dated 20.10.2020 in Appeal No. 208 of 2019 in - Bhopal Dhule Transmission Company Limited v Central Electricity Regulatory Commission & Ors. ("Bhopal Dhule Judgment") held that the Commission erred in denving Change in Law relief to the appellant for IDC which is a direct consequence of the Change in Law event. The relevant extract of the Judgement is reproduced herewith
 - "8.7 The Central Commission's reasoning in the Impugned Order reads in two exceptions to the grant of Change in Law relief under Article 12.1.2 of the TSA namely: (a) that IDC is not a direct consequence of the Change in Law events and therefore must be denied; and (b) that no relief can be allowed for additional IDC incurred since IDC is not a component that is disclosed or evaluated at the time of bidding. CERC has in the same breath held that uncontrollable events in the form of Changes in Law have impacted the Project, but that the Appellant deserves no compensation for the same. Neither of these find any mention in the text of Article 12 of the TSA.
 - 1.15 Since the spirit of Article 12 of the TSA is to ensure monetary restitution of a party to the extent of the consequences of Change in Law events, such exceptions cannot be read into Article 12 of the TSA. The Appellant has submitted that a crucial factor for the Appellant whilst bidding for the Project was that uncontrollable Change in Law events would be duly accounted for in accordance with Article 12 of the TSA. By the Impugned Order, the Central Commission has wrongly altered the meaning of the Change in Law clause of the TSA long after award of the bid and commissioning of the Project.

1.16 Such a denial of the IDC by the Central Commission is in contravention of the provisions of Article 12.1.1 of the TSA in the facts and circumstances of the present case. By adopting such an erroneous approach, the Central Commission has rendered the Change in Law clause in the TSA completely nugatory and redundant. Such an interpretation by the Central Commission is causing the Appellant grave financial prejudice as it has no other means of recovering the IDC which it was constrained to incur for no fault of its own.

. . .

- 1.17 We are of the view that the Central Commission erred in denying Change in Law relief to the Appellant for IDC and corresponding Carrying Costs on account of admitted Change in Law events after having arrived at unequivocal findings of fact and law that Change in Law events adversely affected the Appellant's Project in accordance with the TSA. Therefore, the impugned order passed by the Central Commission is liable to be set aside as the same is in contravention of settled law laid down by the Hon'ble Supreme Court (Supra) and also the previous orders passed by the Central Commission in Petition Nos. 73/MP/2014 read with 310/MP/2015 and 174/MP/2016 wherein the same issue has been dealt by the Commission differently. In view of these facts, the Appellant is entitled for the change in law relief as prayed for in the instant Appeal. The issue is thus, decided in favour of the Appellant."
- 16.11 Therefore, we are of the opinion that the Appellant is entitled to be fully compensated for the IDC and IEDC incurred on account of Change in Law & Force Majeure Events"
- 11. The second issue decided by APTEL is with regard to NTL should be compensated for the actual change in the length of the Transmission lines as against the length of the Transmission lines in case the Gantry Coordinates would have been same as indicated in the Survey Report. The findings and observations of APTEL on this issue is as under:
 - "17.1 The Commission erred in passing the judgement as the claim of the Appellant in on account of change in length of the transmission line and not due to time overrun. It can well be understood that slackness has not resulted into increase of length of the Transmission lines. The Appellant is not claiming extension of time because of change in the Gantry Coordinates but seeking relief due to change in the length of the Transmission Line as a result of change in Gantry Coordinates.
 - 17.2 Shri Pradeep Mishra, Learned Counsel for Respondent No. 2 submitted that the decision dated 20.11.2019 in Appeal No. 121 of 2015; Sasan Power Ltd. Vs. CERC &Ors. of this Tribunal is not applicable in the present case as the PGCIL vide its letter dated 04.07.2014 had informed the Petitioner as there may be change in north coordinate by few meters during detailed Engineering. Further, submitted that due to any fault on behalf of Appellant or PGCIL the replying Respondent cannot be penalized by making them to pay the higher tariff.
 - 17.3 The submission is devoid of merit as any indication for change of coordinates which results into increased length after the submission of bids can't deny the Appellant with the additional cost incurred due to the erroneous Survey Report. However, we acknowledge that the contention of the Respondent that the Long Term Transmission Customers cannot be penalised by making them to pay the higher tariff



for reason not accountable to them. We are inclined to pass directions to the Central Commission to develop a regulatory mechanism to deal with the matter so that such erroneous reports are dealt with firm hands.

- 17.4 Shri Alok Shankar, Learned Counsel for Respondent no. 19 submitted that the RFP issued by the Bid Process Coordinator, REC Transmission Project Company Limited (RECTPCL) is a standard form document. The RFP expressly instructs the bidders to undertake independent due diligence and disclaims completeness of any information. The learned Central Commission upon review of the provisions of the RFP and the conduct of the Appellant concluded that no relief could be granted.
- 17.5 The Commission has duly acknowledged the fact that the Survey Report is erroneous and misled the Appellant by granting extension of SCOD and cost incurred in obtaining the Forest Clearance. The change in Gantry Coordinates have also been acknowledged, however, compensation has not been granted for reasons as explained in the said judgement of the Commission which is unjustified. The point of challenge is compensation on account of unforeseen and uncontrollable events occurred due to the erroneous Survey Report and not the RFP document.
- 17.6 Therefore, we agree with the Appellant that full compensation has to be granted for the change in the length of the Transmission lines."
- 12. The third issue decided by APTEL is with regard to loss of first year tariff on account of 'force majeure' and 'change in law' events. The findings and observations of APTEL on this issue is as under:
 - "18.9 We inclined to accept the contentions of the Respondents in the light of the fact that the Appellant has already been granted relief in respect of additional expenditures incurred and extended SCOD as mentioned under preceding paras.
 - 18.10 It also need emphasis that tariff can be levied only for the services provided and not on account of Force Majeure or Change in Law Events. In the present case the commissioning of the Transmission System of the Appellant has delayed and any Tariff can be billed only once the COD has been achieved. Any change at this stage will result into amendment to the TSA.
 - 18.11 In the present case, we have agreed to the claims of the Appellant on account of Change in Law and Force Majeure Events:
 - i. Expenses made for obtaining Forest Clearance,
 - ii. Extension of SCOD for Forest Clearance, and
 - iii. Compensation for increased length of the Transmission Lines.
 - 18.12 The time extension granted has also saved the Appellant from levying of any penalty on account of delay in commissioning of the project.
 - 18.13 It may be seen that the Appellant has already been fully compensated for the delay and others as stated above due to Change in Law and Force Majeure Events.
 - 18.14 As such we decline to accept the submission of the Appellant".



13. Subsequently, the Petitioner filed an Interlocutory Application No. 2098 of 2021 before APTEL seeking clarification of judgment dated 3.12.2021. APTEL in its judgement dated 21.1.2022 has observed as follows:

"The Appellants have moved these applications seeking clarification. Having heard the learned counsel for the parties, we are clear in our minds that the Judgment dated 03.12.2021 leaves no scope for doubt that the Appellants have been held entitled to be fully compensated for IDC and IEDC incurred on account of Change in Law and Force Majeure Events and also to receive compensation on account of change in Gantry Coordinates and increase in number of power lines crossing. It is inherent in the findings returned and the directions given that while passing a consequential order in terms of the remit, the Commission will be obliged to grant the reliefs in above nature and also to consider the consequential carrying cost."

14. In the light of above findings and observations of APTEL, the Petitioner is entitled to be fully compensated for IDC and IEDC incurred on account of Change in Law and Force Majeure Events and should be compensated for the actual change in the length of the Transmission lines as against the length of the Transmission lines in case the Gantry Coordinates would have been same as indicated in the Survey Report. Since the expenditures have been incurred during construction period, the compensation shall be admissible in terms of Article 12.2.1 of the TSA which is extracted as under:

"12.2.1 During Construction Period

For every cumulative increase/decrease of each Rupees One Crore Fifteen Lakhs Eighty Thousand only (Rs. 1.158 Cr.) in the cost of the Project up to Scheduled COD of the Project, the increase/decrease in Non-Escalable Transmission Charges shall be an amount equal to Zero Point Three One Three percent (0.313%) of the Non-Escalable.

- 15. It is pertinent to mention that vide order dated 15.1.2020 in Petition No. 7/RP/2019, the Commission has already decided the manner of computation of expenditure on account of forest clearance as under:
 - "44. The Review Petitioner was affected by Change in Law events and is entitled to recover the amount paid by the Review Petitioner to the forest authorities for obtaining



forest clearance and other legitimate expenditure due to change in taxes and duties as allowed in order dated 29.3.2019. Accordingly, as per the above provision of TSA, the Review Petitioner is entitled for increase in non-escalable transmission charges, which shall be equal to 0.313% of non-escalable transmission charges for every cumulative increase of Rs. 1.158 Cr in the cost of the project up to scheduled COD. The Review Petitioner may claim the same from the LTTCs in terms of the above provision in TSA for the amount allowed under change in law in order dated 29.3.2019."

- 16. Accordingly, NTL shall recover from LTTCs the IDC and IEDC incurred for the extended period of SCOD and compensation for the actual change in the length of the Transmission lines as against the length of the Transmission lines in case the Gantry Coordinates would have been same as indicated in the Survey Report in accordance with Article 12.2.1 of the TSA i.e. increase in non-escalable transmission charges at the rate of 0.313% for a cumulative increase of capital cost of Rs.1.158 crore incurred up to the extended SCOD of the project.
- 17. APTEL in its judgement dated 21.1.2022 in the Interlocutory Application No. 2098 of 2021 (quoted in paragraph 13 above) has directed the Commission "also to consider the consequential carrying cost". The Petitioner has contended that APTEL on its clarification application has held that NTL is eligible for carrying cost on the reliefs granted vide judgement dated 3.12.2021. It appears that NTL has interpreted APTEL's direction to the Commission "to consider the consequential carrying cost" as a direction to allow carrying cost to NTL. Therefore, the moot question is what is the scope of the word "consider" in the directions of APTEL? Hon'ble Supreme Court's judgement dated 24.2.2006 in Civil Appeal No.3424 of 2000 in APSRTC & Others. Vs G. Srinivas Reddy & Others. [(2006) 3SCC 674] while examining the significance and meaning of a direction given by the court to "consider" a case has observed as when a court directs an authority to "consider" the matter, the authority has to consider the matter in accordance with law, facts and circumstances of the case. The relevant portions of the judgement are extracted hereunder:

- "14. We may, in this context, examine the significance and meaning of a direction given by the court to "consider" a case. When a court directs an authority to "consider", it requires the authority to apply its mind to the facts and circumstance of the case and then take a decision thereon in accordance with law. There is a reason for a large number of writ petitions filed in the High Courts being deposed of with a direction to "consider" the claim/case/representation of the petitioner(s) in the writ petitions."
- "17. Where the High Court finds the decision-making process erroneous and records it findings as to the manner in which the decision should be made, and then directs the authority to "consider" the matter, the authority will have to consider and decide the matter in the light of its findings or observations of the court. But where the High Court without recording any findings, or without expressing any view, merely directs the authority to "consider" the matter, the authority will have to consider the matter in accordance with law, with reference to the facts and circumstances of the case, its power not being circumscribed by any observations or findings of the court."
- 18. Accordingly, we proceed to consider NTL's entitlement for "carrying cost" in the instant case as per the APTEL's directions "to **consider** the consequential carrying cost" in the light of the judicial pronouncements of APTEL and Hon'ble Supreme Court on the issue of carrying cost.
- 19. The aspect of "carrying cost" was considered by APTEL in its judgement dated 13.4.2018 in Appeal No. 210 of 2017 in *Adani Power Limited v. Central Electricity Regulatory Commission & Ors.* The Adani Power Limited (APL) filed an appeal before the APTEL against the Commission's order dated 4.5.2017 in Petition No. 235/MP/2015 disallowing its claims regarding 'change in law', carrying cost and actual SHR. APL had entered into three Power Purchase Agreements (PPA's) for supply of power with Haryana Discoms dated 7.8.2008 ('Haryana PPA') and with Gujrat Urja Vikas Nigam Ltd. (GUVNL) dated 2.2.2007 (Gujarat Bid-02 PPA) and 6.2.2007 ("Gujarat Bid-01 PPA"). APTEL in its judgment dated 13.4.2018 held that APL will be eligible for recovering "carrying cost" from Haryana Discoms in accordance with the Haryana PPA and GUVNL in accordance with Gujarat Bid-02 PPA, which provide for principle of "restitution". However, "carrying cost" on the claim under 'change in law' in case of the Gujarat Bid-01 PPA with GUVNL was disallowed as the PPA did not

provide for the principle of "restitution". The relevant portion of the APTEL's judgement dated 13.4.2018 is extracted hereunder:

"ix. In the present case we observe that from the effective date of Change in Law the Appellant is subjected to incur additional expenses in the form of arranging for working capital to cater the requirement of impact of Change in Law event in addition to the expenses made due to Change in Law. As per the provisions of the PPA the Appellant is required to make application before the Central Commission for approval of the Change in Law and its consequences. There is always time lag between the happening of Change in Law event till its approval by the Central Commission and this time lag may be substantial. As pointed out by the Central Commission that the Appellant is only eligible for surcharge if the payment is not made in time by the Respondent Nos. 2 to 4 after raising of the supplementary bill arising out of approved Change in Law event and in PPA there is no compensation mechanism for payment of interest or carrying cost for the period from when Change in Law becomes operational till the date of its approval by the Central Commission. We also observe that this Tribunal in SLS case after considering time value of the money has held that in case of re-determination of tariff the interest by a way of compensation is payable for the period for which tariff is re-determined till the date of such re-determination of the tariff. In the present case after perusal of the PPAs we find that the impact of Change in Law event is to be passed on to the Respondent Nos. 2 to 4 by way of tariff adjustment payment as per Article 13.4 of the PPA.

- 13.4 <u>Tariff Adjustment Payment on account of Change in Law</u>
 13.4.1 <u>Subject to Article 13.2, the adjustment in Monthly Tariff Payment shall</u>
 be effective from
- (a) the date of adoption, promulgation, amendment, reenactment or repeal of the Law or Change in Law; or
- (b) the date of order/judgement of the Competent Court or tribunal or Indian Government instrumentality, it the Change in Law is on account of a change in interpretation of Law.
- (c) the date of impact resulting from the occurrence of Article 13.1.1.

From the above it can be seen that the impact of Change in Law is to be done in the form of adjustment to the tariff.

To our mind such adjustment in the tariff is nothing less then re-determination of the existing tariff.

x. Further, the provisions of Article 13.2 i.e. restoring the Appellant to the same economic position as if Change in Law has not occurred is in consonance with the principle of 'restitution' i.e. restoration of some specific thing to its rightful status. Hence, in view of the provisions of the PPA, the principle of restitution and judgement of the Hon'ble Supreme Court in case of Indian Council for Enviro-Legal Action vs. Union of India & Ors., we are of the considered opinion that the Appellant is eligible for Carrying Cost arising out of approval of the Change in Law events from the effective date of Change in Law till the approval of the said event by appropriate authority. It is also observed that the Gujarat Bid-01 PPA have no provision for restoration to the

same economic position as if Change in Law has not occurred. Accordingly, this decision of allowing Carrying Cost will not be applicable to the Gujarat Bid-01 PPA.

- xi. Accordingly, this issue is decided in favour of the Appellant in respect of above mentioned PPAs other than Gujarat Bid 01 PPA."
- 20. Aggrieved with the aforesaid judgment of the APTEL, Haryana Discom and GUVNL filed Civil Appeal No. 5865 of 2018 and Civil Appeal No. 6190 of 2018 respectively before the Hon'ble Supreme Court. Hon'ble Supreme Court vide its judgment dated 25.2.2019 (*Uttar Haryana Bijili Vitran Nigam Limited & Anr. v. Adani Power Ltd. & Ors.*) while upholding the directions of APTEL on payment of "carrying cost" to APL on the principles of restitution held as under:
 - "10. A reading of Article 13 as a whole, therefore, leads to the position that subject to restitutionary principles contained in Article 13.2, the adjustment in monthly tariff payment, in the facts of the present case, has to be from the date of the withdrawal of exemption which was done by administrative orders dated 06.04.2015 and 16.02.2016. The present case, therefore, falls within Article 13.4.1(i). This being the case, it is clear that the adjustment in monthly tariff payment has to be effected from the date on which the exemptions given were withdrawn. This being the case, monthly invoices to be raised by the seller after such change in tariff, are to appropriately reflect the changed tariff. On the facts of the present case, it is clear that the respondents were entitled to adjustment in their monthly tariff payment from the date on which the exemption notifications became effective. This being the case, the restitutionary principle contained in Article 13.2 would kick in for the simple reason that it is only after the order dated 04.05.2017 that the CERC held that the respondents were entitled to claim added costs on account of change in law w.e.f. 01.04.2015. This being the case, it would be fallacious to say that the respondents would be claiming this restitutionary amount on some general principle of equity outside the PPA. Since it is clear that this amount of carrying cost is only relatable to Article 13 of the PPA, we find no reason to interfere with the judgment of the Appellate Tribunal."
- 21. The Gujarat Bid-02 PPA dated 2.2.2007 and Haryana PPA dated 7.8.2008 provides for principle of "restitution" as observed by APTEL and Hon'ble Supreme Court. The relevant portion of the PPA, which is similar in both the cases, is as follows:
 - "13.2 Application and Principles for computing impact of Change in law

While determining the consequence Change in Law under this Article 13, the parties shall have due regard to the principle that the purpose of compensating the Party affected by such Change in Law, is to restore through Monthly Tariffs Payments, to the extent contemplated in this Article 13, the affected party to the same economic position as if such Change in Law has not occurred."



- 22. Considering the provisions of restitutionary principles contained Gujarat Bid-02 PPA and Haryana PPA, it was held that carrying cost was admissible for Change in Law claims from the date of occurrence of change in law and determination of change in law by the Commission. However, carrying cost was specifically denied in case of Gujarat Bid-01 PPA on account of absence of a restitutionary clause on the pattern of Article 13.2 in Bid-02 PPA.
- 23. In the light of above judgment of APTEL and Hon'ble SC, we consider whether NTL is entitled to "carrying cost" in terms of the provisions of TSA dated 2.1.2014. Article 12.2, which provides for "Relief for Change in Law", of the TSA dated 2.1.2014 between NTL and its LTTCs provides as follows:
 - "12.2 Relief for Change in Law
 - 12.2.1 During Construction Period:

During the construction Period, the impact of increase/decrease in the cost of the Project in the transmission Charges shall be governed by the formula given below:

- For every cumulative increase/decrease of each rupees One Crore Fifteen Lakhs Eighty Thousand Only (Rs. 1.158 Cr) in the cost of the Project up to the Schedule COD of the Project, the increase/decrease in Non-Escalable Transmission Charges shall be an amount equal to Zero-Point Three One Three Percent (0.313%) of the Non-Escalable Transmission Charges.

12.2.2 During the Operation Period:

During the Operation Period, the compensation for any increase/decrease in revenues shall be determined and effective from such date, as decided by the Appropriate Commission whose decision shall be final and binding on both the Parties, subject to rights of appeal provided under applicable Law.

Provided that the above mentioned compensation shall be payable only if the increase/decrease in revenues or cost to the TSP is in excess of an amount equivalent to one percent (1%) of Transmission Charges in aggregate for a Contract Year.

12.2.3 For any claims made under Articles 12.2.1 and 12.2.2 above, the TSP shall provide to the Long Term Transmission Customers and the Appropriate Commission documentary proof of such increase/decrease in the cost of the Project/revenue for establishing the impact of such Change in Law."

- 24. Thus, the above referred Article 12.2 of the TSA which deals with the "Relief for Change in Law" does not provide for the principle of "restitution" based on which APTEL and Hon'ble Supreme Court have held that the entity affected by 'change in law' will be eligible for "carrying cost" for the compensation allowed due to 'change in law' events. Accordingly, we are of the view that NTL is not entitled for the "carrying cost" for the IDC and IEDC for the extended period of SCOD and the additional cost incurred due to change in gantry coordinates on account of absence of restitutionary principle in the Change in Law provisions in the PPA.
- 25. This order disposes of Petition No. 195/MP/2017 (on remand) in terms of the above discussions and findings.

sd/- sd/- sd/(P. K. Singh) (Arun Goyal) (I.S. Jha) (P. K. Pujari)
Member Member Member Chairperson