



3. GRIDCO had earlier filed an application on 04.08.1999 for approval of the PPA which was registered as Case No.16/99. The case was heard on 28.02.2000 when GRIDCO prayed for adjournment for one month for assessment of impact of ABT which was to be implemented w.e.f. 01.06.2000. After hearing the case on points of admission, the Commission dismissed the petition of GRIDCO with the following remark:

“It appears to the Commission that there is complete lack of preparedness of the petitioner to quantify and estimate its power requirement so as to finalise PPA with M/s KPCL, that being the position the Commission is of the opinion that there is no merit in the petition to grant time. Accordingly, the proceeding is dismissed allowing liberty to the petitioner to file a fresh application when they are ready with relevant materials”.

4. GRIDCO filed a fresh application on 19.09.2000 under 110(3) of OERC (Conduct of Business) Regulation, 1996 for approval of the amended PPA dated 20.11.97 between GRIDCO and KPCL for purchase of power from Duburi TPS (2x250 MW), which was registered as Case No.26/2000.
5. After receipt of the application, the Commission wrote back to GRIDCO that it had not complied with the observations of the Commission made in order No.2/28.02.2000 in Case No.16/99 which was communicated to GRIDCO in OERC letter No.484 dt.15.03.2000.
6. In compliance with Commission’s observations, GRIDCO filed a supplementary application on 08.11.2000. Further, to a query from OERC, GRIDCO clarified that the load forecast submitted by them on 04.10.2000 be considered for approval of the PPA vide their letter No.1123 dt.23.03.2001.
7. We have heard both Mr. B.K. Mohanty, Director (Comm.), GRIDCO and Mr. S.N. Mishra, Executive Director of KPCL at length. The demand forecast submitted by GRIDCO (04.10.2000) upto 2009-2010 was perused. As per the

forecast, there is no deficit in respect of peak requirement even by 2004-05 in spite of the fact that the peak capability of OHPC power stations have been understated in comparison to norms set by CEA. While calculating energy availability, availability from UIHEP station has been also underestimated. Power from AES Ib Valley for which PPA has been submitted to OERC for approval does not find place in the projection. As such, upto 2004-05, with the existing load forecast, we find no justification for any capacity addition unless some major industries come with a large demand.

The Director (Comm.), GRIDCO pleaded that GRIDCO is pursuing with other states like Karnataka, West Bengal to trade the surplus power and as such the power to be available from Duburi TPS can be traded through bilateral agreement with other states.

8. The Director (Tariff), OERC who was asked by the Commission to comment factual aspects pointed out that GRIDCO in their submission in FRP petition made it clear that no capacity addition has been envisaged till financial year 2010.
9. Director (Comm.) GRIDCO admitted that as of now there is a surplus situation and GRIDCO does not have escrow capability. He, however, pleaded that with trading of surplus power, the situation may improve and with a valid PPA with KPCL, GRIDCO can pursue bilateral contracts for sale of power.
10. S.N. Mishra, Executive Director of KPCL stated that MOU for the project was signed with Govt. as early as January 1992. Since then, they have been trying to obtain various permits and clearances as required for establishment of TPS. He furnished a status report of the project as on 30.06.2001 for perusal of the Commission. He has further submitted that GRIDCO in their Board meeting on 18.09.2000 decided the commissioning of the plant by 2005. He confirmed that except Govt. guarantee, escrow cover of GRIDCO, sanction of mining lease and signing of coal transport agreement with S.E. Railways and final approval of PPA by OERC, all other issues have been taken care of. As such he requested the Commission to admit the case for public hearing.

11. We have heard the case in detail. With ABT, which has come into force 01.05.2001, GRIDCO is required to fully utilise its central sector share of 679 MW. As it stands, in spite of bilateral agreement with AP, GRIDCO's committed power is still surplus and no firm commitment from other states have so far been obtained. Under ABT, without scope for full utilisation of existing surplus power the consumers of the state as well as GRIDCO can be adversely affected. Further GRIDCO's financial standing at present, cannot provide Escrow cover. GRIDCO has a financial incapacity from which it is making effort to recover through a financial restructuring plan. The said plan has not yet borne fruit and prospect of financial solvency of GRIDCO in near future is bleak. In the circumstances of surplus power situation and financial incapacity, it is strange that GRIDCO proposes to have a long term commitment to contract additional capacity. We do not find it possible to approve such proposal at this stage.
  
12. The Commission also does not feel that it is appropriate for GRIDCO to commit for purchase of power from KPCL solely for the purpose of trading. Commission has made it very clear in several hearings that priority has to be given for load growth inside state and to that extent, contracting additional capacity has to be allowed without hesitation. Licensee can legitimately pursue all power purchases required for supply to Distribution Companies inside the State. Export outside the State is being allowed so as to dispose of existing surplus power which will result in cash flow for cash-starved GRIDCO and will also reduce the revenue requirement to be raised through increased tariff from consumers of Orissa. Export trading of power outside Orissa is not the main line of GRIDCO's business in terms of its license and hence it is not appropriate to allow GRIDCO to contract additional capacity from KPCL so as to enable it to export power.
  
13. The Commission is not against the development of KPCL's Duburi Thermal plant. As an IPP, it is not within purview of regulation except for the purpose of PPA with licensees in Orissa. But Commission cannot allow GRIDCO, a regulated entity, to enter into a commercially enforceable PPA exclusively for the purpose of trading, which is fraught with regulatory risks and other uncertainties

or for uncertain future load growth of the State of which no evidence is available as yet.

14. In the result, the application for approval of PPA is not admitted. GRIDCO is at liberty to file fresh application for approval of the PPA at an appropriate time when it can justify additional demand of power within the State.

**(H.S. SAHU)**  
**MEMBER**

**(D.K. ROY)**  
**CHAIRMAN**