

Present : Shri D.C.Sahoo, Chairman
Shri H.S. Sahu, Member
Sri B. C.Jena, Member

M/s. North Easter Electricity Supply Company
of Orissa Ltd., At/P.O.Januganj, Dist-Balasore ... **Petitioner**

1.	M/s Tata Sponge Iron Ltd., Joda	
2.	M/s Grid Corporation of Orissa Ltd., Bhubaneswar ...	Respondents

For the petitioner : Shri N.C. Dash, M.D.
For the respondent No.1 : Shri B.K. Mohanty, Sr. Advocate
For the respondent No.2 : Shri S. Misra, A.G.M. (P.P.)

Date of argument : 05.02.2003
Date of order : 11.02.2003

The NESCO in consultation with TSIL, Joda has mooted a proposal to buy the surplus power of around 18 million units from TSIL's 7.5 MW captive Co-generation plant and to provide annual banking facilities to TSIL to meet its annual requirement of emergency power to the extent of 3 MU (when the Kiln is down for repairs).

2. The TSIL, Joda had installed 7.5 MW captive co-generation plant in their premises which operates using the waste heat of Kiln No.2 of the plant. The consent for the same was issued by OERC under Section 44 of the Electricity (Supply) Act, 1948 vide order No.OERC-187 dated 26.07.2000 with the direction that the power generated from the captive power plant is to be utilised to meet their own loads. However, the present load is only 4.5 MW and around 3 MW surplus potential is still available for

exploitation. The investment decisions for operation of 3rd Kiln was stated to have been deferred due to economic recession for which the load of about 2.5 MW could not come as envisaged earlier.

3. Initially, TSIL requested OERC to allow this surplus power to be sold to its sister concern M/s.Tata Ferro Alloy Plant, Joda located 7 K.M. away from this plant. The proposal was rejected by OERC vide order on Case No.19/2000 dt.18.07.2002 on the ground that such permission violates the terms and conditions laid down at the time of issue of consent and that the licensee i.e. NESCO could be adversely affected by this arrangement.
4. Aggrieved with the order, TSIL appealed to the Hon'ble High Court against this judgment. However, it again took leave of the Court and requested NESCO to purchase the surplus power at 80 paise/KWH with the condition that NESCO would provide the annual banking facilities of around 3 MU from this surplus power to meet its emergency power requirement.
5. The NESCO agreed with the proposal of TSIL and moved OERC with a petition:
 - a) to allow NESCO to purchase the surplus power (around 18 MU from TSIL @ Rs.80 paise/KWH)
 - b) to provide annual banking facilities to TSIL to meet its emergency power requirement to the extent of 3 MU per annum.
6. However, NESCO in their petition clearly stated that the annual banking with TSIL to meet their emergency requirement has to be restricted to 1/6th of the total energy being sold to NESCO. The Commission heard the case on 05.02.2003. During hearing, TSIL requested OERC to waive above restrictions since the exact requirement is not known. GRIDCO, in their rejoinder expressed some apprehensions regarding the banking provisions. However, they gave their no-objection to this arrangement as

an exception since it is a Co-generation Plant, environment friendly and power requirement is very small.

7. The Commission went into details of the merits of the arrangement and found that the proposal is a win-win situation both for NESCO and TSIL.
 - (a) NESCO would save in power purchase since it would get around 18 MU from TSIL at a very cheap rate of 80 paise/KWH against the prevailing BST of around Rs.1.25 paise/KWH. The loss of NESCO in sale of emergency power to TSIL will be completely offset in case the drawal of TSIL is restricted to 1/6th of the power sold to NESCO.
 - (b) TSIL would gain due to annual banking facilities since purchase of emergency power at Rs.3.80 paise/KWH would now be obviated. Secondly, the captive power plant can now operate at 100% load factor resulting in reduction in cost of generation. Thirdly, the surplus potential of 3 MW, which was hither-to wasted till date would now to be fully utilised.
8. Further, in view of policies of Government of India and Government of Orissa to promote Hydel/Co-generation Plants in the country, the Commission would also like to send a clear signal that facilities of wheeling/banking & third party sale can be progressively introduced in EHT/HT systems and DISTCOs would also be allowed to purchase surplus power from captive units provided it is technically feasible, rates offered are mutually acceptable, revenue loss, if any, has to be borne by them.
9. In fact, the Commission has already prepared a draft policy guideline for CPP and sent it to Deptt. of Energy, Govt. of Orissa for final notification.
10. The Commission after scrutinising the merits of the case came to the conclusion that with the above arrangement both NESCO and TSIL would

stand to gain. NESCO is, therefore, allowed to enter into an agreement with TSIL under the following terms and conditions for a period of one year.

- a) NESCO is allowed to purchase the surplus power of TSIL at the mutually agreed rate of 80 P/KWH.
- b) NESCO can provide banking facilities to TSIL for their annual emergency power requirement limited to 1/6th of the power sold to NESCO. In case, the requirement exceeds, each extra unit would attract the rate as envisaged in the general tariff for emergency power fixed by the Commission.
- c) The banking would be considered for a period of one year from the date of implementation and final transactions to be settled at the end of the period. Banking Commission as envisaged in draft guideline would not apply in this case as it has already been built in the negotiated rate. The terms, conditions and rates can be reviewed only after the completion of the agreement period.
- d) Necessary metering and protective devices should be in place for the above arrangement before final implementation of the agreement.
- e) Both NESCO and TSIL are directed to submit a quarterly statement to the Commission showing energy export and import to the NESCO system for monitoring at this end.
- f) NESCO's drawal from GRIDCO to that extent would undergo change.

(B.C. Jena)
MEMBER

(H.S. Sahu)
MEMBER

(D.C. Sahoo)
Chairman