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**Case No.10/2003**

of 60 MW each) capacity at Choudwar in the ICCL's premises to meet the demand of their Ferro Alloys Complex at Therubali, in the district of Rayagada, Orissa.

2. On thorough scrutiny of their proposal, they were asked to rectify some discrepancies & clarify certain points in their filing, which they complied by 10.02.2003.
3. As per the written submissions, the proposal of M/s.IMFA is summarised as follows:-

So far M/s.IMFA, Therubali is getting its power from ICCL, Choudwar wheeled through GRIDCO's Transmission System. The capacity of ICCL's captive power station is 108 MW(2X54 MW) which generates upto 100 MW and meets the demand of both ICCL and IMFA. Surplus power was absorbed by GRIDCO. The present arrangement of wheeling power to IMFA, Therubali from ICCL, Choudwar and sale of surplus power to GRIDCO is being guided by an MOU which was entered into between ICCL and erstwhile OSEB on 15.11.94.

4. It was stated that, ICCL's existing load of 54 MW would go upto 90 MW with the commissioning of another 48 MVA furnace at Choudwar. Thus, the entire generation from ICCL would hardly leave any surplus for M/s.IMFA.
5. To meet its own demand of Ferro Alloys Complex, Therubali, M/s. IMFA proposes to set up a 120 MW capacity coal based thermal power station. The load envisaged would be around 86 MW (including auxiliary consumption of CPP). The power plant is proposed to be set up at ICCL's premises by utilising its available

infrastructural facilities. The power so generated would be wheeled as before through GRIDCO's network to Therubali.

6. The cost of generation of the power plant as stated by M/s.IMFA with 80% PLF would be around Rs.1.60 paise and even after addition of wheeling charges, the cost would remain below Rs.2.00/KWH, which is cheaper than the prevailing tariff.
7. It was explained that, Ferro Alloys industries being power intensive, availability of cheaper and reliable power on a sustained basis is the key to its viability. To achieve this, they propose to use the existing infrastructure of ICCL and obtain coal from Utkal Coal Limited, both being sister concerns of M/s. IMFA on a mutually agreed cost sharing basis.
8. The hearing of the case was taken up on 18.02.2003. Mr. M.M. Nawaj, representing M/s.IMFA gave a detailed account to justify their proposal to set up the power plant of 120 MW capacity.
9. Respondents GRIDCO, SOUTHCO and ICCL were also given the opportunity to submit their replies/counters to IMFA's proposal. ICCL, in this case did not participate.
10. GRIDCO in their submission informed that, it has no objection to the proposal, provided M/s.IMFA abides by the following terms and conditions of GRIDCO:-
  - a) M/s IMFA has to conduct a system stability study arising out of new capacity addition of 2X60 MW at Choudwar and up-gradation of plants & equipment of GRIDCO, (if necessary) at their cost.

- b) GRIDCO would not be responsible for any financial liability, whatsoever, due to loss of load, loss of generation or damage to the plant & equipment of IMFA, while it runs parallel with the grid.
  - c) No third party sale inside the state is to be allowed.
  - d) The sale of surplus power to GRIDCO, if any, may be effected as per GOI guidelines for CPP subject to approval of OERC.
  - e) IMFA is to observe grid discipline while operating the power plant in integrated mode with GRIDCO's network.
  - f) For any excess drawl by IMFA, it has to pay at a rate three times the rate at which GRIDCO purchases the surplus power from them.
  - g) In case of violation of the above conditions, permission granted to them has to be withdrawn.
11. Regarding condition (f) of GRIDCO, the Commission pointed out that it should be uniform for all CPPs and as such, the provision in MOU entered into way back in 1995 should not be valid for this new plant since it would appear discriminatory. Commission feels that the provisions kept in this MOU between erstwhile OSEB and ICCL should remain 'ring fenced' between the two parties and can not be made applicable to other CPPs, even if set up by sister concerns of ICCL.

12. Further, Commission made it clear that emergency power requirement, if any, by IMFA, Therubali should be availed from SOUTHCO, the licensee for the area.
13. SOUTHCO in their submission, however, objected to the proposal stating that since it has acquired exclusive right for distribution and retail supply, IMFA being located in their jurisdiction is bound by the extant regulation to avail supply from SOUTHCO.
14. The Commission pointed out that IMFA was neither a consumer to erstwhile OSEB after commissioning of ICCL nor it is a consumer to SOUTHCO at present. Thus, it is immaterial whether it draws its power from the captive power plant of ICCL or IMFA. It is true that, SOUTHCO stands to benefit if a large chunk of industrial load at EHT comes into its system but the industries have the option to seek for cheaper source of power through CPP and under section 44 of the Electricity (Supply) Act, 1948, permission for installation of CPP by an industry cannot be withheld when power from CPP works out to be cheaper & more reliable.
15. Next issue pointed out by the Commission is that since IMFA proposes to take advantage of the available infrastructural facilities of ICCL, it may have to pay for the same and cost of generation as estimated by them may undergo upward revision. Mr. S. K. Nanda of IMFA explained that in their estimate, they have provided for Rs.50 million under contingency, which may be enough to meet the expenditure (if necessary). Further, this has to be sorted out between M/s. IMFA group of industries.
16. After hearing the arguments of petitioner and the respondents, GRIDCO & SOUTHCO, the Commission comes to the following conclusion:-

- a) M/s.IMFA can obviously avail power more economically through the CPP than grid power since they propose to utilize the existing infrastructural facilities of ICCL and their requirement of coal is proposed to be met through M/s Utkal Coal Ltd. another sister concern.
  - b) GRIDCO does not object to the proposal but keeps floating certain conditions, which M/s.IMFA has agreed to accept.
  - c) SOUTHCO's objections do not relate to the provisions of section 44 of the Electricity (Supply) Act, 1948.
17. Under the above circumstances, the Commission has no objection to issue consent for setting up of the CPP, 120 MW capacity by M/s. IMFA at ICCL's premises at Choudwar, subject to terms and conditions stipulated in Para 10 [except (f)] which should read as under :

"Excess drawl, if any, would be charged at the highest cost of procurement by GRIDCO on that month."

While issuing the consent, the Commission has kept in view the guidelines of Govt. of India in respect of CPP, existing practice directions of Orissa Electricity Regulatory Commission and draft guidelines on CPP furnished to Department of Energy for finalisation.

18. The consent order, however, would be issued in consultation with CEA as required under Section-44 (2A) of the Electricity Supply Act, 1948.

**(B.C.Jena)**  
**MEMBER**

**(H. S. Sahu)**  
**MEMBER**

**(D.C.Sahoo)**  
**CHAIRMAN**