

**ORISSA ELECTRICITY REGULATORY COMMISSION,
BIDYUT NIYAMAK BHAVAN
UNIT – VIII, BHUBANESWAR**

CASE NO.4/2007& 5/2007

**Present : Shri B.K.Das,Chairperson
Shri S.K.Jena,Member**

Orissa Power Transmission Corporation Ltd.Petitioner

Vs.

Grid Corporation of Orissa Ltd.Respondent

ORDER

31.03.2007

The Orissa Power Transmission Corporation (OPTCL) has filed two applications under Clause 7.7 of its licence conditions to accord the Commission's approval to issue a corporate guarantee in favour of Union Bank of India on behalf of GRIDCO to avail a term loan of Rs.100 crore by GRIDCO and also to advance an inter corporate loan of Rs.70 crore to GRIDCO. These two applications were registered as Case No.5/2007 and 4/2007 respectively. Shri U.P. Singh, CMD, OPTCL and Shri K.C. Behera, Sr. G.M. (R&T) were present during the hearing on behalf of the petitioner and Shri U.K. Panda, Director (Finance) was present on behalf of the respondent.

2. CMD, OPTCL on behalf of the petitioner submitted a brief history of the case before the Commission. During October 2000, pursuant to the minutes of discussions of 24.10.2000 with NTPC, BSES (now REL) and WESCO, NESCO & SOUTHCO, GRIDCO then dealing with transmission and bulk supply of

electricity agreed to convert outstanding BST and loan dues payable by the three DISTCOs to GRIDCO aggregating to Rs.400 crores into secured debentures/bonds which were subsequently (March 2001) transferred to NTPC to liquidate the outstanding dues payable by GRIDCO to NTPC towards power purchase. Though the DISTCOs had the obligation to service the bonds directly they failed to do so and consequently NTPC relying on the fall back arrangement as per the minutes of discussions, adjusted Rs.276.70 crore refundable to GRIDCO against the defaults made by the DISTCOs. NTPC also required GRIDCO to make good the subsequent defaults in servicing of bonds. As this was not possible, NTPC issued a notice of regulation of power supply to GRIDCO. In order to avoid regulation of power supply, State Govt. advised GRIDCO to negotiate with NTPC for a onetime settlement of redemption of bonds by mobilizing funds from the Banks/Financial Institutions to the extent of the settlement amount. This settlement is to be made by 31st March 2007 so as to avoid regulation of power supply to GRIDCO. Hence this petition for emergency disposal.

3. CMD, OPTCL has further submitted that NTPC is not releasing 200 MW from TSTPS Stage II even though PPA has been signed between NTPC and GRIDCO for want of the settlement of the aforesaid outstanding dues of NTPC.
4. CMD, OPTCL submitted that GRIDCO has negotiated with NTPC for settlement of the power purchase dues payable by GRIDCO to NTPC, which is covered under the subject bond and the settlement amount is expected to be in the range of Rs.215.218 crore.
5. It is further submitted that GRIDCO has approached Union Bank of India, Bhubaneswar to consider sanction of a term loan of Rs.250 crore for settling the

NTPC dues. However, Union Bank of India has sanctioned a term loan of Rs.100 crore subject inter alia to the condition that GRIDCO shall procure a corporate guarantee of OPTCL in favour of the Bank as security for repayment of the said term loan. GRIDCO has therefore requested OPTCL to furnish a corporate guarantee in favour of Union Bank of India to enable them to avail the term loan of Rs.100 crore for settlement of NTPC dues. It is submitted that the Board of Director, OPTCL in their meeting held on 28.03.2007 have also approved furnishing of a corporate guarantee to the Bank subject to the approval of OERC pursuant to clause 7.7 of License Conditions.

6. CMD, OPTCL submitted that OPTCL is having a temporary surplus of funds and Board of Directors of OPTCL in their meeting held on 28.03.2007 have considered the request of GRIDCO and have sanctioned an inter corporate loan of Rs.70 crores at an interest rate of 10% with a tenure of one year subject to approval of OERC pursuant to clause 7.7 of License Conditions of OPTCL.
7. Based on the submission stated above CMD, OPTCL requested the Hon'ble Commission to accord necessary approval to the inter corporate loan of OPTCL to GRIDCO and issuing corporate guarantee to UBI by OPTCL on behalf of GRIDCO.
8. After hearing the parties at length and perusal of the petition and other documents filed by them, the Commission is of the view that such inter corporate loan arrangement and inter corporate guarantee will meet the present emergency situation, as also, it will also facilitate one time settlement of NTPC Bonds to avoid power regulation. Further, by this arrangement GRIDCO will be benefited by getting incentives from NTPC which would be beneficial for the power sector as a whole.

9. In the above circumstance the Commission feels it appropriate to accord its approval of the aforesaid arrangements under Clause 7.7 of the OPTCL licence conditions subject to that, such arrangement shall not have any adverse impact on the consumers of the State. By this common order we dispose of the matter.
10. The true copy of this order may be immediately served to the parties concerned.

**Sd/-
MEMBER (SK)**

**Sd/-
CHAIRPERSON**