

ORISSA ELECTRICITY REGULATORY COMMISSION
BIDYUT NIYAMAK BHAWAN,
UNIT – VIII, BHUBANESWAR – 751 012
*** **

Present : Shri B. K. Das, Chairperson
Shri K. C. Badu, Member
Shri B. K. Misra, Member

Case No. 23 of 2011

NESCO, WESCO & SOUTHCO **Petitioner**

- Vrs. -

GRIDCO & Others **Respondents**

In the matter of: Application for direction to GRIDCO and SLDC for maintaining the efficient supply of power to the Distribution Licensees under Sec. 23 of the Electricity Act, 2003

Persons present: -

For NESCO, WESCO : Sri M.K. Das (PT.), CSO &
& SOUTHCO Shri S.D. Bhanja, DGM (RA), NESCO

For GRIDCO : Sri Ranjit Das, Sr. GM (PP), GRIDCO

For SLDC : Sri B.R. Mishra, Sr. GM (PS), SLDC

ORDER

Date of hearing: 18.08.2011

Date of Order: 19.09.2011

1. The CEO (Com.), NESCO, WESCO & SOUTHCO had filed a petition with the submission that SLDC, through a message on 22.02.2011, has imposed 40% load restriction unilaterally without any prior approval from OERC citing that due to shortage of coal, there is a shortage of 450 MW during morning peak, 410 MW during evening peak and average shortage of 525 MW. He had submitted that SLDC's role is to manage the power system on Real Time basis and not to exercise load restriction without necessary approval of OERC. This is also illegal and puts the DISCOMs into inconvenience. Further, GRIDCO, being aware of the shortage situation could have taken steps in advance for arranging power from alternate sources including from State Hydro Generations/Energy Exchanges etc. Although there is ample scope to maximize Hydro Generation, GRIDCO has not taken any step. SLDC has, therefore, directed NESCO, WESCO, and SOUTHCO to do 40% load

restriction during 09.00 hours and 12.00 hours and between 17.00 hours and 22.00 hours every day from 22.02.2011 until further orders. When GRIDCO is unable to meet the demand, purchase of power from other sources may be explored so that the quantity approved by OERC should be available to the DISCOMs for supply to its consumers.

2. The Commission heard the matter on 26.4.2011 and vide interim order Dt.06.5.2011 directed the petitioners to explore the possibility of directly purchasing additional power to meet the deficit within the approved Bulk Supply Price and the mechanism under which the payment is to be ensured to the Supplier / Generators on the event of direct purchase of such additional power.
3. In this regard the Petitioner during the subsequent hearing on 03.06.2011 had submitted that the purchase of deficit power by DISCOMs on day ahead basis can be arranged through power exchanges only, for which DISCOMs requires to be the client of any Power Exchanges Member and can effect power purchase on day ahead basis through bidding process. For power purchase through bidding, DISCOMs would need to deposit amount equivalent to the bid value of power purchase on daily basis in the Account of Member of Power Exchange through RTGS in advance before the trading date to enable Power Exchange member to execute the purchase bid through Power Exchange. The DISCOMs will have to execute following agreement with any of the Power Exchange member for day-ahead purchase of power.
 - a. Member Client Agreement
 - b. Client Registration Form.
 - c. Risk Disclosure Document on Company Head.
 - d. PPA between DISCOMs and Ex-Member for use of services of Member.
 - e. Letter of authorization (Power of Attorney) from full time director of Company authorizing two officers to deal purchase of power through Power Exchange using the services of Member and Coordination with SLDC and Bank Etc.
 - f. Other formalities will be followed before commencement of transaction.
3. The above arrangement will definitely help the DISCOMs to manage their power deficit / Surplus scenario in Intra-ABT real mode of operation. Over drawal from Regional pool and penalties (UI Charges) can be avoided by Odisha State / GRIDCO.
4. To effect purchase of power through power exchange member, DISCOMs would require to submit day-ahead requirement schedule latest by 12.00 Noon to enable bidding by the member. Presently DISCOMs are submitting day ahead schedule of

total power requirement to SLDC by 11 AM but SLDC is intimating allocation by 4 PM which may cause operational difficulties for DISCOMs to arrange power from power Exchange. Therefore, DISCOMs request the Commission to issue direction to SLDC to provide day-ahead allocation to DISCOMs by 11.30 AM every day positively.

5. In view of the above, the Petitioner had prayed the Commission that the DISCOMs may be allowed to
 - Procure power within the pooled purchase price of GRIDCO in place of BSP.
 - Open a separate account in each DISCOM exclusively to be operated for transaction of power purchase on day ahead-basis. Minimum amount equivalent to purchase of 50 MW for NESCO, 30 MW for WESCO and 30 MW for SOUTHCO on average basis at pooled purchase price rate allowed to be maintained in the said account to transfer Purchase bid amount equivalent purchase bid value (daily) before trading date through RTGS to Power Exchange Member Account to execute the Power purchase bid through Power Exchanges.
 - Withdraw an amount equivalent to 7 days power purchase cost on Pooled Purchase Price rate of GRIDCO at first instance to manage power purchase through Power Exchange.
 - Advise SLDC to provide day-ahead allocation of power to DISCOMs latest by 11.30 A.M on every day.
6. GRIDCO had stated that during the last year i.e. 2010-11 all the 4 DISCOMs have overdrawn the energy against the approval of OERC. They have not paid the over drawl charges. Hence, at this moment it is not possible to supply power purchasing from other sources with higher cost. DISCOMs should bring extra working capital and be directed to pay the over drawl charges due against them.
7. Shri Mishra, on behalf of SLDC had submitted that as per Regulation 5.5(1), 5.5(2)(a) and 5.5(2), SLDC had issued direction for demand management in case of the contingency of insufficient generation availability. SLDC is forced to restrict the demand to maintain grid security. Further demand restriction had been made to address the real time situation and in case of crisis situation, SLDC even instructs the OHPC to maximize their generation exceeding the schedule. SLDC does function as per the system requirement in order to maintain grid security.
8. After hearing the parties the Commission at Para-10 to 13 in its interim order dated 25.06.2011 had observed the following:

“10. Though OHPC was impleaded as a party in this case, no body from OHPC was present in the hearing. Also GRIDCO has not submitted the status paper on the relevant issues as directed by us in our order dtd.06.5.2011.

11. After hearing the petitioner and respondents, we direct that Payment security mechanism should be developed to ensure payment by DISCOMs for purchase of additional power from other sources. GRIDCO should take initiative in this regard. The payment security mechanism should be so developed so as to ensure the payment to GRIDCO and outside sources including power exchanges. GRIDCO may, therefore, in coordination with the DISCOMs should work out a proper mechanism to secure payments to all the selling entities including the quantum of additional working capital as may be required by the DISCOMs.

12. Further, we reiterate our earlier direction to the petitioners to explore the possibility of directly purchasing additional power to meet the deficit within the approved bulk supply price or GRIDCO's pooled procurement price for the FY 2011-12 and set out a proper proposal in the matter.

13. Put up the matter after necessary compliance from GRIDCO and the DISCOMs”.

9. In complying to the above directions of the Commission the representative of the Reliance Based DISCOMs, during the next hearing on 18.08.2011 submitted that from the data of months of June and July 2011 it is found that allocation made by SLDC is less than the average daily entitlement MU derived from the DISCOM-wise yearly quantum of energy approved by the Commission in the Tariff Order for FY 2011-12 in most of the days. The maximum deficit has been observed on 25th and 26th July 2011 as depicted in a table below:

	WESCO	NESCO	SOUTHCO
Entitlement (MU)	18.16	14.58	7.49
Allocation made by SLDC (MU)	16.26	12.87	6.20
Max short fall in MU (Entitlement-Allocation)	1.90	1.71	1.29
Shortfall in MW (average)	80	72	54
Shortfall in MW (Peak)	124	102	79

10. The representative of the Reliance Based DISCOMs submitted that if the DISCOMs would have purchased short-fall quantum of power from the power exchange then benefit would have been achieved by DISCOMs considering both the options of procurement of power during non-peak hour and peak hours. There will be a saving to DISCOMs in case of availing power through power exchange during the period in a day when power is available at much lower rate than GRIDCO's pooled procurement price for the FY 2011-12. The same arrangement will also help in saving of hydro power for utilization during the summer seasons when power rate in the market is high.

11. He further submitted that for availing power through power exchange by DISCOMs and to manage smooth fund transfer to supplier a separate account would require to be opened in each DISCOM exclusively to be operated for transaction of power purchase on day-ahead basis. Minimum amount equivalent to purchase 80 MW for WESCO, 70 MW for NESCO and 50 MW for SOUTHCO would require to be maintained in the said account to transfer amount equivalent to purchase bid value (daily) before trading date through RTGS Power Exchange Member Account to execute the power purchase through Power Exchange.
12. To maintain the minimum the amount for effecting power purchase, DISCOMs may be allowed to draw amount equivalent to power purchase cost comprising 7 days period in first instance, Requirement of amount DISCOM wise are given in a table below.

		WESCO	NESCO	SOUTHCO
1	Requirement of purchase of power from power Exchange in MW	80	70	50
2	Equivalent Purchase for 7 days MU	13.44	11.76	8.4
3	Pooled Procurement Price from GRIDCO + Transmission Charges + SLDC fees	2.57	2.57	2.57
4	Max. amounts required to be maintained in a separate account for 7 days Rs in Lakhs (2 * 3)	345.18	302.03	215.74

13. The representative of Reliance Based DISCOMs prayed the Commission to
 - a. Allow Licensees to procure power within the pooled purchase price of GRIDCO in place of BSP.
 - b. Allow Licensees to open a separate account in each DISCOM exclusively to be operated for meeting transactions towards power purchase on day-ahead basis. Minimum amount equivalent to purchase of 80 MW for NESCO, 70MW for WESCO and 50 MW for SOUTHCO on average basis at pooled purchase price rate may be allowed to be maintained in the said account to transfer purchase bid amount equivalent purchase bid value (daily) before trading date through RTGS to power exchange Member Account to execute the power purchase bid through power exchange.
 - c. Allow Licensees to withdraw an amount equivalent to 7 days power purchase cost on pooled purchase price rate of GRIDCO at first instance to manage power purchase through Power Exchange.

- d. Advise SLDC to provide day-ahead allocation of power to DISCOMs latest by 11.00 AM on every day positively.
14. GRIDCO submitted that DISCOMs purchase Bulk Power from GRIDCO and GRIDCO procures powers from different Generators to fulfill the requirement of DISCOMs. The power position in the state is on neck to neck condition. The minimum demand during a day is around 2300 MW to 2350 MW, the average demand is around 2600 MW & the maximum demand is between 3300 MW to 3350 MW. In normal conditions, GRIDCO is able to meet the above requirement of the state by sourcing power from various available sources of the state & allocation from Central Generating Stations.
15. Forced outage of generating units cannot be ruled out. In case of forced outage the shortfall is met from the spinning reserve, maximizing hydro & maximizing drawal from CGP. In case of further shortfall, there is no alternative than to go for load regulation on real time basis as per the requirement. This normally happens during peak hours. Advance procurement of power to meet the shortfall is very difficult as the shortage is on real time basis. In case the frequency is good, deficits of power is met by drawing power through UI.
16. As mentioned by the petitioner regarding the deficit during 25th & 26th July, 2011 and less allocation to DISCOMs by SLDC than the entitlement, GRIDCO submitted that on 25th & 26th July, 2011 both NESCO & SOUTHCO have drawn more than their entitlement as approved by OERC, However, the drawal by WESCO was more than the schedule but less than the entitlement. In the month of July 2011 taken as a whole, NESCO & SOUTHCO have drawn more than the entitlement, but WESCO has drawn less. This may be due to under drawal by steel industries. On many days in the month of June, 2011, the drawal by DISCOMs is less than the schedule. This is due to break down of lines and grid sub-stations for maintenance, which is a usual phenomenon in the month of June.
17. The average rates of off-peak and peak power during June & July 2011 were Rs. 2.39/ Kwh and Rs. 3.38/ Kwh respectively. In the event of power shortage on real time basis the effort of DISCOMs to procure power through exchange for uninterrupted power supply is not practicable. For last so many years, the DISCOMs have not been able to restrict their drawal as per the quantum of energy, rather they have exceeded the drawal and never paid the extra cost involved for procurement of such additional energy for their requirement. Procurement of power during off-peak period by DISCOMs is illegal as the state is able to meet its own requirement. In case they are

allowed, then the state power may flow at zero cost through UI to other states. The DISCOMs may procure the shortfall in power during evening peak period subject to the conditions that they may do so after paying the full monthly BSP bills & other outstanding bills of GRIDCO, OPTCL & SLDC.

18. Further, since intra ABT has not yet been implemented in the state, it is not clear how the UI implications, arise out of such direct transaction by any DISCOM with PX shall be transferred to the DISCOMs.
19. The respondent GRIDCO prayed the Commission,
 - a. Not to allow the petitioner to procure power in any manner, even by opening their own account as they have not yet cleared the outstanding dues of GRIDCO. Rather the Commission may kindly direct the DISCOMs to clear all the outstanding dues on them so that GRIDCO may be financially sound to some extent and procure power from different sources at higher rates under emergency condition to meet the shortfall demand in the State.
 - b. To direct DISCOMs to reduce the distribution loss at least to the stipulated limit, prescribed by the Commission in the ARR and RST Order from time to time so as to overcome the power shortage scenario in Odisha besides relieving GRIDCO of the pressure of procuring high cost power for the State.
20. After hearing the petitioner and respondent, we direct that GRIDCO should take all-out effort to procure least cost power from different sources to meet the state demand. GRIDCO should also monitor properly the power purchase through UI. The Commission had approved the annual energy drawal in the ARR Order of DISCOMs as well as of GRIDCO after considering the projection made by the DISCOMs. Therefore, there should not be normally any variation from the approved drawal.
21. We further direct the DISCOMs to limit their drawl to the approved quantum of energy by reducing distribution loss. The licensees must also try to stick to the annual energy drawal as approved by the Commission.
22. In our earlier Order, we had directed the petitioners to explore the possibility of directly purchasing additional power to meet the deficit within the approved Bulk Supply price. We reiterate our earlier stand that DISCOMs be permitted to purchase the additional power required by them at the Bulk Supply Price in a situation when GRIDCO is not able to supply the power as required by them in order to ensure uninterrupted power supply in the State. However, this additional power so purchased by DISCOMs including power purchase from GRIDCO should not exceed the approved quantum of drawal for the year.

23. This may be tried on a weekly basis to the extent of shortage of power supply by GRIDCO during a week. This is an additional purchase by DISCOMs over and above the schedule of drawal allowed by GRIDCO which includes the direct purchases made by the DISCOMs from certain CGPs allowed by the Commission. The overall ceiling for such direct purchase by DISCOMs shall not exceed 10% on an annual basis. The payment by the DISCOMs in respect of direct purchase from the CGPs approved by the Commission forms a part of the priority of release of fund from Escrow account by GRIDCO. The proposed additional purchase of power over and above the quantum allocated by GRIDCO will be treated in like manner as for the purchase of power from CGPs directly by DISCOMs approved by the Commission which is already a part of the Escrow relaxation mechanism enunciated vide para 516 of the RST Order for FY 2011-12. The Escrow accounts shall be opened and operated only in such Banks and such branches as in the Escrow Agreement. Unilateral deviations in banks and branches from the agreement shall not be made. A change in bank or the concerned branch should be made for proper reasons such as operational convenience or better financial terms by mutual consultations and only with prior approval of GRIDCO. Deviations otherwise would be deemed to be a violation of the directions of the Commission which will attract penalties as laid down in Section 142 of the Act.
24. The case is disposed off accordingly.

Sd/-
(B.K. Misra)
Member

Sd/-
(K.C. Badu)
Member

Sd/-
(B.K. Das)
Chairperson