CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI

Petition No. 41/MP/2018

Coram:
Shri P.K.Pujari, Chairperson
Shri A.K. Singhal, Member
Shri A.S.Bakshi, Member
Dr. M.K. Iyer, Member

Date of Order: 21st February, 2018

In the matter of
Petition under Section 79(l)[b) of the Electricity Act, 2003 read with statutory framework governing procurement of power through Competitive bidding and (a) the PPA dated 9.11.2011 between GMR Kamalanga Energy Ltd and Bihar State Electricity Board and (b) the PPA dated 28.9.2006 (revised on 4.1.2011) between GMR Kamalanga Energy Ltd and GRIDCO Limited for approval of the amendment of the aforesaid PPAs in compliance with the provisions of the Scheme for Harnessing and Allocating Koyala (Coal) Transparently in India.

And

In the matter of
GMR Kamalanga Energy Limited
New Shakti Bhawan, Building No. 302
New Uddan Bhawan, Opposite Terminal-3,
Indira Gandhi International Airport
New Delhi - 110037

Vs

1. GRIDCO Limited,
Janpath, Bhubaneswar-751022

(a) Central Electricity Supply Utility of Orissa
2nd Floor, Idco Tower, Janpath,
Bhubaneswar-751022,

(b) North Eastern Electricity Supply Company of Orissa Limited
Januganj, Balasore, 756019, Odhisa

(c) Western Electricity Supply Company of Orissa Limited
Burla-Distt-Sambalpur-768017, Odhisa

(d) Southern Electricity Supply Company of Orissa Limited
Court peta, Berhampur, Ganjam-760004, Odhisa
ORDER

The Petitioner has filed this Petition with the following prayers:

“(a) Allow this present Petition and approve the Amended PPAs dated 01.02.2018 and 08.02.2018 executed between GKEL and BPHCL, NBPDC and SBPDC and as well as between GKEL and GRIDCO respectively, for passing on the discount to Procurers; and

(b) Pass any such other and further reliefs as this Hon'ble Commission deems just and proper in the nature and circumstances of the present case.”

Background

2. The Petitioner, GMR Kamalanga Energy Limited was incorporated as a public limited company under the Companies Act, 1956, to set up a 1400 MW Thermal Power Project (hereinafter referred to as the “Power Project”) at village Kamalanga, District Dhenkanal in the State of Odisha. The Power Project comprises of two stages - the first stage having three units of 350 MW each and the second stage having one unit of 350 MW. Stage 1 of the Power Project has been accorded Mega Power Project status by the Ministry of Power, Government of India on 1.2.2012.
3. The Petitioner had entered into the following long-term PPAs for supply of power from the Power Project:

(a) Supply of 350 MW gross power (Stage 1: 262.5 MW and Stage 2: 87.5 MW) to Grid Corporation of Odisha Limited (GRIDCO) in terms of PPA dated 28.9.2006 (as amended on 4.1.2011 with delivery point as Odisha STU Order interconnection point).

(b) Supply of 282 MW gross power (260 MW net of auxiliary consumption) to Bihar State Electricity Board in terms of PPA dated 9.11.2011, with delivery point as the Bihar STU interconnection point.

(c) Supply of 350 MW gross power (300 MW net of transmission losses and auxiliary consumption) to Haryana Discoms based on the competitive bidding through back to back arrangements:

   (i) The PPAs dated 7.8.2008 entered into between PTC India Limited and Haryana Discoms with delivery point as Haryana STU bus bar;

   (ii) Back to back PPA dated 12.3.2009 between GMR Energy Limited (holding company of GKEL) and PTC India Limited.

4. The Petitioner in this Petition has submitted the following:

(a) The Petitioner has a composite scheme for generation and sale of electricity in more than one State and this Commission has jurisdiction to regulate the tariff under Section 79(1)(b) of the Electricity Act, 2003. The discount under the Shakti Scheme, 2017 has a direct bearing on tariff under the various PPAs executed with multiple States by the Petitioner from its Project and accordingly this Commission is the appropriate forum.

(b) The Hon'ble Supreme Court of India in its judgment dated 11.4.2017 in Energy Watchdog v CERC& Ors, reported as 2017 SCC Online SC 378 (Energy Watchdog Judgment) has held that in case of the Petitioner, there is a composite scheme and the jurisdiction lies with this Commission. The Court has held that 'composite scheme' means nothing more than a scheme wherein the generation and sale of electricity takes place in more than one State.

(c) The Government of India on 22.5.2017 has notified a New Coal allocation Policy called the Scheme for Harnessing and Allocating Koyla (Coal) Transparently in India called the Shakti Scheme, 2017. The said Shakti Scheme 2017 contemplates inter
alia the grant of coal linkages on auction basis to Power producers/IPPs having already concluded long term Power Purchase Agreements (PPAs). The Shakti Scheme, 2017 also contemplates amendment of the relevant PPAs to pass on the discount to the procurer and for approval of such amended/supplemented PPA by the Appropriate Commission. (d) On 20.7.2017, Coal India Ltd (CIL) had issued a notice inviting registration for interested entities for grant of coal linkages on notified price on auction basis for power producers/IPPs having already concluded long term PPAs (under Section 62 and Section 63 of Electricity Act, 2003) based on domestic coal.

(e) On 16.8.2017, CIL issued the Scheme Document for Auction of Coal Linkages to IPPs having already concluded long term PPAs (Scheme Document). In terms of Paragraph 3.6.8, each provisional successful bidder is required to submit a copy of the amended PPA along with approval letter of Appropriate Commission within a period of 45 days from the date of issuance of letter of intent.

(f) On 12.9.2017, CIL conducted the auction of coal linkages under the SHAKTI Scheme. The Petitioner emerged as a successful provisional bidder by offering a discount of Rs. 0.03 / kWh on 1500000 Tonnes per annum and Rs. 0.01 / kWh on 4300 Tonnes per annum.

(g) On 21.12.2017, Mahanadi Coalfields Ltd. (MCL), a subsidiary of CIL issued Letter of Intent (LOI) bearing nos. MCL/ SBP/ COMM/ HOD (M&S)/2017-18/1994 and MCL/ SBP/ COMM/ HOD (M&S)/2017-18/1995 (LOIs) declaring the Petitioner to be the Provisional Successful Bidder with 1500000 Tonnes per annum to be supplied from MCL (Talcher) and 4300 Tonnes per annum from MCL (lb valley & Basundhara). The LOIs also contemplate compliance of Clauses 3.6.6 and 3.6.8 of the Scheme Document, which inter alia includes submission of the amended/ supplementary PPA duly approved by the Appropriate Commission as a precondition for execution of the Fuel Supply Agreement between the Petitioner and MCL.

(h) On 4.1.2018, the Ministry of Power, GOI had issued a communication to all State Electricity Regulatory Commissions directing that the Appropriate Commissions should adopt/approve the amended or supplemented PPAs between the developers and the procurer to pass on the discount quoted in the bidding for
coal linkages to the procurers. The approval should be done in minimum possible time by devising a procedure for adoption of such reduced tariff in long term PPAs so that the benefit of discounted tariff is passed on to the consumer. The Appropriate Commission in the present case is this Commission.

(i) On 1.2.2018, the Petitioner and Respondent Nos. 6 to 8 executed an Amended Power Purchase Agreement, in accordance with Clause B(ii)(b) of the Shakti Scheme 2017 read with Clause 3.6.8 of the Scheme Document. Similarly, on 8.2.2018, the Petitioner and Respondent No. 1 executed a Supplementary Power Purchase Agreement.

(j) Upon execution of the Fuel Supply Agreement, the Petitioner would be in a position to off take 1500000 plus 4300 tonnes per annum of linkage coal from MCL to be sourced from MCL (Talcher) and MCL (Ib valley & Basundhara) respectively and offer the discount which would eventually benefit the consumers.

(k) The coal procured under the Shakti Scheme, 2017 is at CIL notified price and the Petitioner has offered a discount of 3 paise per kWh for the energy generation utilizing the coal from MCL (Talcher) and a discount of 1 paise per kWh for the energy generated using coal from MCL (Ib valley and Basundhara). The coal procured under Shakti Scheme 2017 is cheaper than the coal being procured presently from CIL through e-auctions. It will be in the interest of the parties and the consumers if the procurement under Shakti Scheme 2017 is approved.

(l) Since the discount bid by the Petitioner is to be on the gross billing, approval of the Amended PPAs and procurement of coal under Shakti Scheme, 2017 will have no bearing on disputes pending between the parties. The Petition is limited to approval of the amended PPAs for purposes of procurement of coal under Shakti Scheme, 2017. The 45-day period since the day of grant of LOI envisaged under the Scheme Document for obtaining approval of the Appropriate Commission has ended on 3.2.2018. On 30.1.2018, the Petitioner had written to CIL requesting for an extension to obtain the approval from the appropriate commission. On 3.2.2018, CIL issued a notification extending the 45-day period to 75 days. The period is expiring on 5.3.2018.
5. In the above background, the present Petition has been filed by the Petitioner seeking the approval of this Commission for the amended PPAs dated 1.2.2018 and 8.2.2018 executed between the Petitioner and the discoms of Respondent No.2 and the Respondent No.1 respectively.

6. The Petition was heard for ‘admission’ on 15.2.2018. Based on consent of the parties, the Commission after hearing the learned counsels and representatives of the parties reserved its order in the Petition.

**Analysis and decision**

(A) Jurisdiction

7. Sub-section (b) of Section 79(1) of the Electricity Act, 2003 provides that Central Commission shall regulate the tariff of generating company, if such generating company enters into or otherwise have a composite scheme for generation and sale of electricity in more than one State. The issue of composite scheme was dealt with by the full bench of the Tribunal in the some of the appeals (Appeal Nos. 100/2013 and 98/2014 Appeal No. 44/2014 and Appeal No. 74/2014 and other related appeals) and by judgment dated 7.4.2016 upheld the jurisdiction of the Central Commission under section 79(1)(b) of the Act in case of Mundra Power Project of Adani Power Limited and GMR Kamalanga Power Plant of GMR Energy Limited, even though the PPAs for supply of power from these projects were approved and tariff adopted by the respective SERCs. Also, in the light of the judgment dated 11.4.2017 in the Civil Appeals titled Energy Watchdog v CERC & ors (2017 (4) SCALE 580), this Commission has the jurisdiction to regulate the tariff of the Project of the Petitioner under Section 79 (1) (b) of the 2003 Act since it has the PPAs to supply electricity to the distribution companies in the States of Odisha and Bihar.
8. Another point which was raised during the hearing is that the PPAs are required to be approved by the respective SERCs, since the original PPAs were approved by the respective SERCs. In our view, once the composite scheme emerges after the commencement of supply from a generating station to more than one State, this Commission will have jurisdiction to regulate the tariff which will include the amendments to the PPAs to factor in the discount offered by the Petitioner in the tariff for the coal linkage under SHAKTI Scheme. After approval of the amendments to the PPAs, the concerned distribution companies may approach the respective SERCs for approval of the electricity purchase and procurement by the distribution companies under Section 86(1)(b) of the Act.

(B) Reliefs

9. The Petitioner has sought for approval of the amendments to the PPAs dated 1.2.2018 and 8.2.2018 entered into between the Petitioner and the Respondent Nos. 1 and 2 for passing on discount to the Procurers in terms of clause (B)(ii)(b) of the ‘SHAKTI scheme’ of the GOI dated 22.5.2017 and the LOIs issued by CIL. The relevant portions of Clause (B) of the Policy guidelines for allocation of Coal linkages to Power Sector under ‘SHAKTI scheme’ are extracted under:

“(B) The following shall be considered under a New More Transparent Coal Allocation Policy for Power Sector, 2017-SHAKTI (Scheme for Harnessing and Allocating Koyala (Coal) Transparently in India):

(i) CIL/SCCL may grant Coal linkages for Central Government and State Government Gencos at the notified price of CIL/SCCL. Similarly, coal linkages may be granted for JVs formed between or within CPSUs and State Govt/PSUs. The recommendations shall be made by Ministry of Power.

(ii) CIL/SCCL may grant coal linkages on notified price on auction basis for power producers/IPPss having already concluded long term PPAs (both under section 62 and section 63 of The Electricity Act, 2003) based on domestic coal. Power producers/ IPPs, participating in auction will bid for discount on the tariff (in paise/unit). Bid Evaluation Criteria shall be the non-zero Levelised Value of the discount (applying a pre-notified discount rate) quoted by the bidders on the existing tariff for each year of the balance period of the PPA. Ministry of Coal may, in consultation with Ministry of
Power, work out a methodology on normative basis to be used in the bidding process for allocation of coal linkages to IPPs with PPAs.

(a) The discount by generating companies would be adjusted from the gross amount of bill at the time of billing, i.e., the original bill shall be raised as per the terms and conditions of the PPA and the discount would be reduced from the gross amount of the bill. The discount shall be computed with reference to scheduled generation from linkage coal supplied under this auction. This would be applicable to both the PPAs contracted under Section 62 as well as Section 63 of the Electricity Act, 2003.

(b) Accordingly, PPA may be amended or supplemented mutually between the developer and the procurer to pass on the discount to the procurer and the approval of the Appropriate Commission obtained, as per the provisions of the PPA or Regulations.

(c) FSA shall be signed with the successful bidders after the terms and conditions for signing of FSA are met and the Appropriate Commission has approved the amendment or supplement to the PPA.

(iii) CIL/SCCL may grant future coal linkages on auction basis for power producers/IPP without PPAs that are either commissioned or to be commissioned. All such power producers/IPP may participate in this auction and bid for premium above the notified price of the coal company. The methodology for bidding of linkages shall be similar to the bidding methodology in the policy on auction of linkages of Non-Regulated Sector dated 15.02.2016. Coal drawal will be permitted only against valid long term and medium term PPA with Discoms/State Designated Agencies (SDAs), which the successful bidder shall be required to procure and submit within two years of completion of auction process...”

10. In accordance with the above scheme, the Petitioner, who had already concluded the long term PPAs based on domestic coal was eligible to participate in the bidding process. The grant of coal linkage on notified price from each source will be based on the discount offered by the power producer on the existing tariff for the balance period of the PPA. The discount would be computed with reference to linkage coal supplied and received under the ‘SHAKTI scheme’. Moreover, the discount offered by the generating companies would be adjusted from the gross amount of the monthly bill raised in terms of the PPA.

11. The quantum of coal allocation in the LOIs under the ‘Shakti scheme’ issued by the subsidiary of CIL is as under:
<table>
<thead>
<tr>
<th>Source</th>
<th>Description</th>
<th>Details of LOI</th>
<th>Allocation (Tonnes)</th>
<th>Levelised Discount Value (Paise/kWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Quantities</strong></td>
<td></td>
<td></td>
<td>1504300</td>
<td></td>
</tr>
</tbody>
</table>

12. In terms of the above, the Petitioner has entered into supplementary agreements with the Respondent Nos. 1 and 2, thereby amending the respective PPAs by insertion of a clause to provide for the methodology for adjustment of discount in the monthly bills to the Procurers. The details of the amended /supplementary PPAs are as under:

<table>
<thead>
<tr>
<th>Procurer</th>
<th>Date of Original/Revised PPA</th>
<th>Date of Amended / Supplementary PPA</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRIDCO Respondent Nos. 1 (a to d)</td>
<td>28.9.2006/4.1.2011</td>
<td>8.2.2018</td>
</tr>
<tr>
<td>BSP(H)CL Respondent Nos. 2(a &amp; b)</td>
<td>9.11.2011</td>
<td>1.2.2018</td>
</tr>
</tbody>
</table>

13. The relevant clause including the formula provided in the amended PPA dated 8.2.2018 of the GRIDCO PPA is as under:

“4-Tariff Discount

I The year on year Discount in tariff based on the “Tariff Discount Stream” for each of the allocated sources shall be as indicated at Anaexure-1 and shall be applicable on units generated and sent out using linkage coal actually consumed under the Fuel Supply Agreements to be executed pursuant to the LOIs for the balance period of the Concluded PPA. The accounting of coal quantity consumed shall be done based on opening and closing stock positions on monthly basis and same shall be reconciled at the end of each Contract Year.

II The gross amount of Monthly Bill shall be as per the terms and conditions of the Concluded PPA and CERC Tariff regulations and the discount applicable for the respective year shall be reduced from the gross amount of each such Monthly Bill.
III For the actual application of the year on year discount, the First Year or Year-1 shall mean the period from the date of commencement of coal supply under the Fuel Supply Agreement entered into by GKEL and the relevant fuel supplier as provided under the Shakti Policy and ending on the immediately succeeding March 31 and thereafter each period of twelve (12) months commencing on April 1 and ending on March 31. Further, that the last contract Year of this Agreement shall end on the last day of the Term of the Concluded PPA.

IV The amount to be passed on as discount to the Procurer shall be computed with reference to the units delivered using the corresponding linkage coal supplied and used for schedule generation under the Shakti Auction. The same will be calculated for each source separately. The Energy Charges portion of monthly bill (Monthly Energy Charges) raised by GKEL on GRIDCO will be as per the formula mentioned below:

\[
\text{Monthly Energy Charges} = \text{EB PPA} - \text{DA}
\]

Where:

- **EB PPA** the amount specified in the Monthly Bill raised by Seller as per the terms and conditions of PPA & CERC Tariff Regulations.
- **DA Total** Total Discount Amount for all the sources from where linkage coal has been allocated under the SHAKTI Policy. DA Total will be calculated as:
  \[
  \text{DA Total} = \text{DA Source 1} + \text{DA Source 2} + \ldots + \text{DA Source N}
  \]
- **DA Source 1** Discount Amount for linkage coal received from source 1 (MCL, Talcher) under the SHAKTI Policy.
- **DA Source 2** Discount Amount for linkage coal received from source 1 (MCL, lb Valley and Basundhara) under the SHAKTI Policy.
- **DQ (1or2)** is the discount offered by the Seller for Source 1 or Source 2 on year on year basis as stated in Table-1 and Table-2 respectively in Annexure-1.

**Step-1:** Calculation of Energy Sales at Ex-Bus corresponding to actual source-wise quantity of coal consumed at Power Station and will be calculated as:

\[
\begin{align*}
\text{Sales}_1 & = \frac{(\text{GCV}_i \times \text{Q}_i \times (1 - \text{Aux}))}{\text{SHR}} \\
\text{Sales}_2 & = \frac{(\text{GCV}_2 \times \text{Q}_2 \times (1 - \text{Aux}))}{\text{SHR}}
\end{align*}
\]

Where,

- **Sales** = Sales Units from Source [MCL (Talcher)]
- **GCV** = As received GCV of SHAKTI coal from Source (kCal / Kg) at Station
- **SHR** = Total Sales

\[
\begin{align*}
\text{SalesGridco}_1 & = \frac{\text{Sales}_1}{\text{Total Sales}} \\
\text{SalesGridco}_2 & = \frac{\text{Sales}_2}{\text{Total Sales}}
\end{align*}
\]
Qi = Quantity of SHAKTI Coal Consumed from Source 1 at Station (Kg)

Q2 = Quantity of SHAKTI Coal Consumed from Source 2 at Station (Kg)

Aux = Actual Auxiliary Consumption of Station (%)

SHR = Normative SHR as per CERC Tariff Regulations, 2014 (kCal/ kWh)

SalesGRIDCO = Scheduled Energy to GRIDCO in respective month eligible under Shakti Policy

Total Sales = Sum of Scheduled Energy from the power station to all Long Term PPAs in respective month eligible under Shakti Policy

**Step-2: Calculation for Monthly Discount in Rs. for GRIDCO PPA**

DA = \(D_{Q1} \times Sales_1 + D_{Q2} \times Sales_2\)

DA = Discount for GRIDCO PPA in Rupees

DQ1 = Quoted Discount in Rs./ kWh for Source 1

DQ2 = Quoted Discount in Rs./ kWh for Source 2

14. The relevant clause including the formula provided in the amended PPA dated 1.2.2018 of the Bihar PPA is as under:

3. "TARIFF DISCOUNT"

I. The year on year discount in tariff based on the "Tariff Discount Stream" provided in Annexure-1, for each of the allocated sources shall be applicable on units generated and sent out using linkage coal actually consumed under the Fuel Supply Agreements to be executed pursuant to the LOIs for the balance period of the Concluded PPA. The accounting of coal quantity consumed shall be done based on opening and closing stock positions on monthly basis and same shall be reconciled at the end of each Contract Year.

II. The gross amount of Monthly Bill shall be as per the terms and conditions of the Concluded PPA and the discount applicable for the respective year shall be reduced from the gross amount of each such Monthly Bill.

III. For the actual application of the year on year discount, the First Year or Year-I shall mean the period from the date of commencement of coal supply under the Fuel Supply Agreement entered into by Seller and the relevant fuel supplier as provided under the Shakti Policy and ending on the immediately succeeding March 31 and thereafter each period of twelve (12) months commencing on April 1 and ending on March 33. Further, that the last Contract Year of this Agreement shall end on the last day of the Term of the Concluded PPA;

IV. The amount to be passed on as discount to the Procurer shall be computed with reference to the units delivered using the corresponding linkage coal consumed under the Shakti FSAs. The same will be calculated for each source separately. The Energy Charges portion of Monthly Bill (Monthly Energy Charges) raised by the Seller on the Procurer will be as per the formula mentioned below:

\[
\text{Monthly Energy Charges} = EB_{PPA} - DA
\]
Where:

EB\_PPA the amount specified in the Monthly Bill raised by Seller as per the terms and conditions of 260 MW PPA, without applying the adjustment/ discount as provided for in Annexure-I.

DA Total Discount Amount for all the sources from where linkage coal has been allocated under the SHAKTI Policy. DA will be calculated as:

Source1- MCL (Talcher)

Source2- MCL (Ib valley & Basundhara)

DQ\(_{1}\) or \(_{2}\) is the discount offered by the Seller for Source 1 or Source 2 on year on year basis as stated in Table-1 and Table-2 respectively in Annexure-1.

Step -1: Calculation of Energy Sales at Interconnection Point corresponding to actual source-wise quantity of coal consumed at Power Station and will be calculated as:

\[
Sales_1 = \left(\frac{GCV_1 \times Q_1 \times (1 - Aux) \times (1 - T)}{SHR}\right) \times \frac{Sales\_BIHAR}{Total\ sales}
\]

\[
Sales_2 = \left(\frac{GCV_2 \times Q_2 \times (1 - Aux) \times (1 - T)}{SHR}\right) \times \frac{Sales\_BIHAR}{Total\ sales}
\]

Sales\_1 = Sales units for BSPHCL from Source 1
Sales\_2 = Sales units for BSPHCL from Source 2

GCV\_1 = As received GCV of SHAKTI coal from Source 1 (kCal/ Kg) at Station
GCV\_2 = As received GCV of SHAKTI coal from Source 2 (kCal/ Kg) at Station
Q\_1 = Quantity of SHAKTI coal consumed from Source 1 at Station (Kg)
Q\_2 = Quantity of SHAKTI coal consumed from Source 2 at Station (Kg)
Aux = Actual Auxiliary Consumption of Station (%)
T = Actual Transmission Loss applicable till Delivery Point (%)
SHR = Normative SHR as per CERC Tariff Regulations, 2014 (kCal/kWh)
Sales\_BIHAR = Schedule energy to BSPHCL in respective month eligible under SHAKTI Policy

Total Sales = Scheduled Energy to all Long term PPAs in respective month eligible under SHAKTI Policy

Step - 2: Calculation for Monthly Discount lit Rs. for Bihar PPA

\[
DA = D_{Q1} \times Sales_1 + D_{Q2} \times Sales_2
\]

DA = Discount for Concluded PPA in Rupees
D\_Q\_1 = Quoted Discount in Rs./ kWh for Source 1
D\_Q\_2 = Quoted Discount in Rs./ kWh for Source 2
15. Considering the fact that the amended /supplementary PPAs provides for the methodology for adjustment of the discount in the monthly bills to the Procurers in terms of the ‘SHAKTI scheme’, the amendments to the PPAs between the Petitioner and Respondents Nos. 1 and 2 as stated above are approved. Issues, if any, arising out of such adjustment shall be mutually settled by the parties.

16. Petition No. 41/MP/2018 is disposed of in terms of the above.

_Sd/-_  
(Dr. M.K. Iyer)  
Member

_Sd/-_  
(A. S. Bakshi)  
Member

_Sd/-_  
(A. K. Singhal)  
Member

_Sd/-_  
(P. K. Pujari)  
Chairperson