CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI

Petition No 29/MP/2018

Coram:
Shri P.K. Pujari, Chairperson
Dr. M.K. Iyer, Member.

Date of Order: 08.05.2019

In the matter Of
Petition under section 79(1)(f) of the Electricity Act, 2003 read with Regulation 33(a) and 33(b) of the Central Electricity Regulatory Commission (Grant of Connectivity, Long term Access and Medium Term Open Access in Interstate Transmission and related matters) Regulations, 2009 and Regulation 111 of the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 seeking directions to PGCIL to facilitate connectivity and long term open access to the special purpose vehicles incorporated by the petitioner to implement the wind power projects awarded to it under the scheme of government of India, Ministry of New and Renewable Energy dated 28.10.2016 for setting up of 1000 MW ISTS-connected wind power projects subject to the provisions of the said scheme dated 28.10.2016.

And
In the matter of

Inox Wind Infrastructure Services Ltd. (IWISL)
Inox Towers, Plot 17
Sector-16A, Noida- 201301

Versus

1. Power Grid Corporation of India Ltd. (PGCIL)
B-9, Qutub Institutional Area,
Katwaria Sarai, New-Delhi-110016

2. Ministry of New and Renewable Energy (MNRE)
Block No. 14, CGO Complex
Lodhi Road, New Delhi-110003

3. Solar Energy Corporation of India Limited (SECI)
D-3, 1st Floor, Wing-A, Religare Building,
District Center, Saket, New Delhi-110017

4. Power Trading Company India Limited (PTC)
2nd Floor, NBCC Tower,
15, Bhikaji Cama Place, New Delhi-110066

.....Respondents
ORDER

The Petitioner, INOX Wind Infrastructure Services Ltd., has filed the present petition for seeking directions to Respondent no.1 to facilitate connectivity and long term open access under sub-clause (f) of clause (1) of Section 79 of the Electricity Act, 2003 (hereinafter referred to as “the Act”) read with clause (a) and (b) of Regulation 33 of the Central Electricity Regulatory Commission (Grant of Connectivity, Long term Access and Medium Term Open Access in Interstate Transmission and related matters) Regulations, 2009 (hereinafter referred as “the 2009 Connectivity Regulations”) and Regulation 111 of the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 to the special purpose vehicles incorporated by the petitioner to implement the wind power projects awarded to it under the scheme of Government of India, Ministry of New and Renewable Energy (hereinafter referred to as “MNRE”) for setting up of 1000 MW ISTS-connected wind power projects subject to the provisions of the said scheme dated 28.10.2016. Respondent No.1, POWERGRID Corporation of India Ltd (also referred as “PGCIL”) is the Central Transmission Utility under the Act. Respondent No. 2 is the MNRE. Respondent No. 3, Solar Energy Corporation of India (also referred as “SECI”), is a Central PSU under the administrative control of the
MNRE, set up to facilitate the implementation of JNNSM and achievement of targets set therein.

2. The Petitioner has stated that the Commission in its order dated 31.10.2017 in Petition No. 173/MP/2017 has addressed the issue of utilizing the connectivity by its fully owned SPVs for execution of the projects subject to the terms and conditions given in Para 122 of the order dated 29.9.2017 in Petition No. 145/MP/2017. The Commission has dealt with the issue of utilisation of connectivity granted to a parent company by one or more of its fully owned subsidiary companies as under:

"13. The Commission vide order dated 29.09.2017 in Petition no.145/MP/2017 has dealt with the issue of utilisation of Connectivity granted to apparent company by one or more of its fully owned subsidiary companies are as under;

120. The Commission has considered this issue. Though there is no provision for transfer of connectivity to any other entity, RfS issued by SECI allows creation of SPVs for project implementation. The Respondents have submitted that such SPVs face difficulties in implementation of their projects since they cannot utilize the connectivity granted to their parent companies.

121. Connectivity Regulations provides for the concept of “lead generator” and “principal generator” as follows:

Regulation 2(1)(b)(i)(c)

“One of the Hydro Generating stations or generating stations using renewable sources of energy, individually having less than 50 MW installed capacity, but collectively having an aggregate installed capacity of 50 MW and above, and acting on behalf of all these generating stations, and seeking connection from CTU at a single connection point at the pooling sub-station under CTU, termed as the lead generator,“}

Regulation 2(1)(b)(i)(e)

"Any renewable energy generating station of 5 MW capacity and above but less than 50 MW capacity developed by a generating company in its existing generating station of the description referred to in sub-clauses (b)(i)(a) to (c) of this clause and seeking connectivity to the existing connection point with inter-State Transmission System through the electrical system of the generating station."

Regulation 8 (1)

"Provided further that the application by the applicant defined under Regulation 2(1) (b)(i) (e) shall be considered by CTU only if the existing generating station agrees to act as the
"Principal Generator" on behalf of the renewable energy generating station(s) seeking connectivity through the electrical system of the generating station and formalizes a written agreement/arrangement among them to undertake all operational and commercial responsibilities for the renewable energy generating station(s) in following the provisions of the Indian Electricity Grid Code and all other regulations of the Commission, such as grid security, scheduling and dispatch, collection and payment/adjustment of Transmission charges, UI charges, congestion and other charges etc., and submit a copy of the agreement to the CTU, alongwith the application for connectivity, with copy to the respective RLDC in whose control area it is located."

122. Keeping in view the fact that creation of SPV is an option under RfS issued by SECI and that a number of companies are executing the projects through creation of 100% subsidiaries after winning the bids, we are of the view that the 100% subsidiary companies should be allowed to utilize the connectivity granted to the parent company. However, in order to obviate the possibility of trading in connectivity, we are of the view that any sale of shares in the subsidiary company(ies) shall be allowed only after one year of the commencement of supply of power from the SPV. In case of more than one SPV, the lock-in period shall apply from commencement of supply of power from the last SPV. Further, in such cases, the parent company will act as principal generator and undertake all operational and commercial responsibilities for the renewable energy generating station(s) in following the provisions of the Indian Electricity Grid Code and all other regulations of the Commission, such as grid security, scheduling and dispatch, collection and payment/adjustment of Transmission charges, deviation charges, congestion and other charges, etc. In case parent company wishes to exit and handover the Connectivity/LTA granted to it to its SPVs, one of the SPV shall have to take over as lead generator and be responsible for all activities stated above."

14. In the light of the above decision, the Petitioner is permitted to utilise the connectivity granted to the Petitioner by its fully owned SPVs for execution of the projects awarded through the competitive bidding carried out by SECI, subject to the terms and conditions given in para 122 of the order dated 29.9.2017 in Petition no.145/MP/2017."

3. The instant petition has been filed by the Petitioner to reconsider para 122 of the order dated 29.9.2017 in Petition No.145/MP/2017 as also the order dated 31.10.2017 passed by the Commission in Petition No.173/MP/2017 on the premise that the said decisions are inconsistent with the terms and conditions of the RFS issued by Respondent No.1, and shall not be applicable to the Petitioner and that the Petitioner shall be governed by the terms and conditions of the RFS issued by Respondent No.1. The petitioner was a party in both these petitions. The petitioner has submitted detailed background of process of bidding leading to the terms and conditions of the RFS. This has been dealt with in relevant paragraphs of the order.

4. The Petitioner has further stated that it has neither filed any review nor challenged the above said orders dated 29.9.2017 passed in Petition No.145/MP/2017 or in order
dated 31.10.2017 passed in Petition No.173/MP/2017. The petitioner cited reasons that the Commission did not have any occasion to consider the contradictions between the contemplated restrictions on 100% shareholding, imposed vide the said orders, vis a vis the specific terms and conditions of the RfS in the present case limiting such restriction upto 51% controlling stake. Further, the review application has a limited scope to its submissions on the pleadings and the material placed on record. Accordingly, the terms and conditions of the RfS governing the bid submitted by the Petitioner in this case, arose for the first time after the aforesaid order dated 31.10.2017, and the Petitioner had no occasion to place the above submissions on record before the Commission for its consideration.

5. The petitioner has submitted as follows is as under:

   a) On 30.5.2016, the petitioner applied for grant of connectivity to the ISTS which was granted by PGCIL through the Bhuj Pooling Station at 220 kV level as per intimation dated 31.3.2017;

   b) On 22.10.2016, MNRE issued guidelines for setting up 1000 MW connected wind power projects and invited proposal vide Request for Selection (RFS) dated 28.10.2016 wherein the Respondent no.4, PTC India Ltd.( hereinafter referred to as PTC ), was designated as the Trading Agency required to enter into PPA with the selected bidders for purchase of wind power. As per Clause 3.7 of the RFS, the wind projects were required to be designed for interconnection upto pooling point for connectivity with transmission network of the Central Transmission Utility (CTU) at voltage level of 220 kV or above. Clause 3.20 of the RFS provided that for the shareholding pattern of a project developer and it laid down that the shareholding pattern of the project
company could change after one year from commencement of supply of power with the permission of Respondent No.3.

That a "bidder" under the bidding process was defined in the RfS as under:

"Bidder" shall mean Bidding Company or a Limited Liability Partnership (LLP) or a Bidding Consortium submitting the Bid. Any reference to the Bidder includes Bidding Company/LLP/Bidding Consortium/Consortium Member of a Bidding Consortium including its successors, executors and permitted assigns and Lead Member of the Bidding Consortium jointly and severally, as the context may require.;"

A bidder thus included the successors and permitted assigns of the bidder. A "Project Developer" or "Wind Project Developer" was defined to mean,

"the Bidding Company or a Bidding consortium participating in the bid and having been selected and allocated a project capacity by SECI through a competitive bidding process".

c) During the course of the bidding process, on 30.11.2016, the Petitioner applied to PGCIL for grant of LTA in the ISTS for a quantum of 500 MW with target regions as Northern Region (400 MW) and Eastern Region (100 MW). The issue of use of LTA granted to a Company by its 100% owned SPVs was discussed in the 10th Meeting of the Northern Region constituents with regard to grant of connectivity/LTAs. The petitioner, after obtaining the LTA has to enter into Transmission Service Agreement (TSA) with CTU for sharing the transmission charges and losses for the ISTS in the manner prescribed under Central Electricity Regulatory Commission (Sharing of inter-State Transmission Charges and Losses) Regulations, 2010.

d) On 23.12.2016, SECI amended clause 3.5.10 of RFS to provide an optional mechanism for setting up a Special Purpose Vehicle (SPV) for execution of the awarded projects. The said clause 3.5.10 read as under:

"3.5.10 A Bidder which has been selected as the successful Bidder based on this RFS can also execute the Project through a Special Purpose Vehicle (SPV) i.e. a Project company specially incorporated as a fully owned subsidiary Company (100% subsidiary) of the successful bidder for setting up of the Project which has to be registered under the Indian Companies Act, 2013, before signing of the PPA."
e) On 9.1.2017, the petitioner submitted bids of 250 MW for setting up five (5) wind power projects near Dayapar, Kutch in the State of Gujarat under the MNRE Scheme. The Petitioner formed five (5) SPVs as its 100% owned subsidiaries namely (i) Wind One Renergy Pvt. Ltd., (ii) Wind Two Renergy Pvt. Ltd., (iii) Wind Three Renergy Pvt. Ltd., (iv) Wind Four Renergy Pvt. Ltd. and (v) Wind Five Renergy Pvt. Ltd. for execution of each of the said five (5) projects. These SPVs were accepted by SECI as per letter of Award dated 05.04.2017. PTC as the designated Trading Agency tied up with distribution licensees for sale of power to be generated from the awarded projects.

f) On 13.6.2017, the petitioner informed CTU of the status of the power project and its intention use 250 MW connectivity and LTA granted in its name for the projects to be developed by its SPVs, referring to the scheme of wind power development under the RFS issued under the Guidelines issued by Respondent No.2:

“As IWISL is the successful bidder for development of 250 MW (5x50) project and LOA has been issued in its name therefore the connectivity issued to IWISL will be used for execution of the projects where IWISL will act as developer of the projects held under ownership of its 100% owned SPVs (as allowed by SECI bid provisions),”

g) The petitioner made the above request in light of the provisions of the RFS issued by SECI under the Guidelines issued by Respondent No.2 under which the successful bidders were given the option of implementing the awarded projects through SPVs established for that purpose with 100% shareholding of the bidder company. However, PGCIL did not accept the Petitioner’s request and replied vide letter dated 01.8.2017 stating that in the provisions of the existing Regulations did not allow this. PGCIL further stated that the Petitioner
was necessarily required to comply with the existing regulatory provisions including of signing the PPAs itself with the beneficiaries of the projects.

h) The petitioner submitted that after successfully participating in the bidding process conducted by Respondent No.3 (SECI) as per the Guidelines issued by Respondent No.2 (MNRE), Letters of Award had been issued in its favour. The Petitioner could not avail the granted connectivity and access for transferring power from its projects to the ultimate beneficiaries because of the existing regulatory mechanism in place.

i) Aggrieved with the situation, the Petitioner had filed a Petition no. 173/MP/2017 on 16.08.2017, seeking relaxation of the provisions of Regulations 2(b)(i), 8,12 and 15 of the 2009 Connectivity Regulations and the corresponding provisions in the Detailed Procedure framed there under and/or provide such additional dispensation in the said Regulations/Detailed Procedure as are necessary so as to give effect to the MNRE Guidelines dated 22.10.2016 for setting up ISTS connected wind based power plants in the country and to enable the Petitioner to evacuate power from the projects awarded to it under the said Guidelines. The Commission has disposed of the petition reiterating the decision in order dated 29.09.2017 in Petition no. 145/MP/2017.

j) Through the instant petition, the petitioner has sought exemption from the directions contained in paragraph 122 of the order dated 29.09.2017 passed
by the Commission in Petition No.145/MP/2017 in so far as they are inconsistent with the terms and conditions of the RFS issued by Respondent No.1, and requested that it shall not be made applicable to the Petitioner. Accordingly, the petitioner sought direction against PGCIL to allow the Petitioner to utilise the connectivity granted to the Petitioner by its fully owned SPVs for execution of the projects awarded through the competitive bidding carried out by SECI.

k) The petitioner has claimed exemption from operation of Para 122 of the order dated 29.09.2017 under provisions 33A (Power to Relax) and 33B (Power to Remove difficulty), of the 2009 Connectivity Regulations.

l) Meanwhile, SECI vide its scheme dated 31.05.2017 issued another similar RFS for setting up of 1000 MW ISTS Connected Wind project. The petitioner has been declared as successful bidder for another 250 MW project. Consequently, the petitioner is now a successful bidder for 500 MW wind energy projects which is proposed to be executed through 10 SPVs. Though the parent company for all the 10 SPVs continues to remain the same, i.e. the petitioner, the lock in period as envisaged in the order dated 29.09.2017 shall now apply from commencement of supply of power from the tenth i.e. last SPV. The petitioner states that such a restriction was never envisaged in the RFS issued by SECI and acts contrary to the mandate of the MNRE that thrusts promotion of participation in Renewable Energy Projects.
6. In the above background, the Petitioner has filed the instant petition with the following prayers;

a) To Direct the Respondent No.1 (PGCIL) to allow the Petitioner to utilise the connectivity granted to the Petitioner by its fully owned SPVs for execution of the projects awarded through the competitive bidding carried out by SECI, only subject to the terms and conditions stipulated in RfS issued by SECI and/or the subsequent Agreements/Contracts entered into between the Petitioner and the Respondents governing the controlling shareholding of the Petitioner and its SPVs.

b) Direct that the directions contained in paragraph 122 of the order dated 29.09.2017 passed by this Hon'ble Commission in Petition No.145/MP/2017 as also the order dated 31.10.2017 passed by this Hon'ble Commission in Petition No.173/MP/2017, in so far as they are inconsistent with the terms and conditions of the RFS issued by Respondent No.1, shall not be applicable to the Petitioner and the Petitioner shall be governed by the terms and conditions of the RFS issued by Respondent No.1;

c) Pass such other or further orders as the Commission may deem fit and proper in the facts and circumstances of the case.

7. The petition was heard on 5.4.2018, 23.1.2019 and 26.2.2019. The petitioner has reiterated its submission during hearing dated 05.04.2018 and the petition was admitted. During hearing on 23.01.2019, the counsel of the Respondent No.1, PGCIL, submitted that subsequent to issuance of the Seventh Amendment to the 2009 Connectivity Regulations on 9th January, 2019, the issue raised by the Petitioner no more survive and the Petition may be disposed of.

**Analysis and Decision**

8. The Petitioner has prayed to the Commission to direct the Respondent no. 1 i.e. PGCIL to allow the Petitioner to utilise the connectivity granted to its parent company by its fully owned SPVs for execution of the projects awarded through the competitive bidding route carried out by SECI, subject to the terms and conditions stipulated in RfS entered into between the petitioner and the Respondents governing the controlling shareholding of the Petitioner and its SPV. The Petitioner formed the SPVs as its 100%
owned subsidiaries for execution of each of the projects awarded to its parent company. The Petitioner vide its letter dated 13.6.2017 requested PGCIL that the Petitioner is desirous to use 250 MW out of LTA granted in the name of the Petitioner for projects to be developed by SPVs. However, PGCIL vide its letter dated 01.8.2017 informed the petitioner that the request for executing the awarded wind projects through SPVs and by acting as the ‘developer’ of the said project cannot be accepted as unlike solar power projects, there is no provision of developer for the wind generation project and it advised the petitioner to comply with the existing regulatory provisions including signing of the PPAs with the beneficiaries of the projects.

9. The petitioner has submitted that in case of petition no. 145/MP/2017, it was one of the parties wherein vide Para 122 of the order dated 29.9.2017, it was allowed to utilize the connectivity and LTA granted to it by 100% subsidiaries with certain conditions. Subsequently, the petitioner filed a petition no.173/MP/2017 seeking relaxation of the provisions of Regulations 2(b) (i), 8, 12 and 15 of the 2009 Connectivity Regulations and the corresponding provisions in the Detailed Procedure to extend the relaxation to the wind generation projects also. The Commission has clarified vide order dated 31.10.2017 in petition no. 173/MP/2017 that the petitioner is permitted to utilize the connectivity granted to the petitioner by its fully owned SPVs in terms of Para 122 of the order dated 29.9.2017.

10. The petitioner has stated that the restrictions imposed by the Commission in the order dated 29.09.2017 passed in Petition no.145/MP/2017 may prove detrimental to the interest of successful bidders who are executing the projects through several SPVs, and particularly in circumstances where commencement of supply of power has begun from
all SPVs except the last SPV, for reasons beyond the control of the successful bidder. In the present scenario, it is not uncommon for Power Projects to get stalled at various stages for reasons beyond the control of the successful bidder and in such cases, the restrictions imposed vide the order dated 29.09.2017 would act to the detriment of the successful bidder since the lock in period would never commence in the absence of commencement of supply of power from the last contemplated SPV.

11. We have considered the submission of the Petitioner and the Respondents. The issue of transfer of connectivity between a parent company and its 100% subsidiary has been addressed in the Seventh Amendment to the 2009 Connectivity Regulations notified on 09.01.2019. The relevant provision of the regulation is extracted below:

“8A. Transfer of Connectivity and LTA: A person shall not transfer, assign or pledge its connectivity or LTA either in full or parts and the associated rights and obligations to any other person:

Provided that the above provision shall not be applicable to applicants defined under Regulation 2(1)(b)(i)(g):

Provided further that 100% subsidiary companies shall be allowed to transfer their connectivity and LTA to the parent company and vice versa one year after achieving commercial operation of Renewable Energy generating station(s):

Provided further that transfer of Connectivity and LTA from the parent company to more than one 100% subsidiary shall be permitted one year after the commercial operation of the generating station of the last subsidiary and subject to minimum capacity as per Regulation 2(1)(b):

Provided also that till such Connectivity and LTA are transferred, the concerned subsidiary company(ies) shall be allowed to utilize the Connectivity and LTA granted to the parent company and vice versa.”

12. Further, the Petitioner has raised similar issues while sending comments in draft Seventh Amendment to the 2009 Connectivity Regulations. The comments of the petitioner and its analysis in the Statement of Reasons (SOR) issued along with the Seventh Amendment to the Connectivity Regulations have been extracted below:
“21.4.4 ……xxx.
… With regard to the concerns raised by IWISL in Petition no. 29/MP/18 in respect of requirement of RFS vis a vis the provisions of regulations and detailed procedure it is clarified that sale of shareholding have been covered in detailed procedure approved by the Commission vide order dated 15.5.2018 as under:

“5.2 Utilisation of Connectivity granted to the Parent Company by its Subsidiary company (ies):

5.2.1 The Connectivity granted to a company may be utilised by its wholly owned (100%) subsidiary company(ies) including SPVs. In such cases, the parent company cannot sell its shareholding in the subsidiary company (ies) before the lock-in period of one year after the commencement of supply of power from such subsidiary.

In case of more than one wholly owned (100%) subsidiary of the same company, the lock-in period of one year shall apply from commencement of supply of power from the last such subsidiary. An illustration is given below:

“A company is granted Connectivity for 1000 MW and it wins a bid for 250 MW. It forms five wholly owned (100%) subsidiaries of 50 MW each. In such a case lock-in period shall be 1 year from commencement of supply from last subsidiary (i.e. subsidiary which is commissioned last) out of this 250 MW.”

5.2.2 In the cases covered under clause 5.2.1, the parent company will act as lead generator and undertake all operational and commercial responsibilities for the renewable energy generating station(s) in following the provisions of the Indian Electricity Grid Code and other regulations of the Commission, related to grid security, scheduling and dispatch, collection and payment/adjustment of Transmission charges, deviation charges, congestion and other charges etc. The consortium agreement amongst lead generator and other generators shall be as per FORMAT – CON – LGN.”

13. In view of the above, we are of the opinion that the concerns raised by the Petitioner in this regard no longer survive.

14. In addition to the above, the Petitioner in its pleading has submitted that while the construction of the project was underway, SECI has come up with another RfS dated 31.05.2017 for setting up of 1000 MW ISTS-connected wind project. The petitioner has been declared as successful bidder for another 250 MW project. Consequently, the petitioner is now a successful bidder/developer for 500 MW wind energy projects which is proposed to be executed through its 10 SPVs. Though the parent company for all the 10 SPVs continues to remain the same, i.e. the petitioner, the lock in period as envisaged in the order dated 29.09.2017 shall now be applicable from commencement
of supply of power from the tenth i.e. last SPV. The petitioner states that such a restriction was never envisaged in the RFS issued by SECI and acts contrary to the mandate of the MNRE that thrusts promotion of participation in Renewable Energy Projects.

15. In regard to the clarification sought by the petitioner for the treatment of last SPV under different tranches of SECI’s bidding, we have perused the relevant provisions of the Detailed procedure dated 15.05.2018 which is provided as follows;

‘5.2 Utilisation of Connectivity granted to the Parent Company by its Subsidiary company (ies)

5.2.1 The Connectivity granted to a company may be utilised by its wholly owned (100%) subsidiary company(ies) including SPVs. In such cases, the parent company cannot sell its shareholding in the subsidiary company (ies) before the lock-in period of one year after the commencement of supply of power from such subsidiary.

In case of more than one wholly owned (100%) subsidiary of the same company, the lock-in period of one year shall apply from commencement of supply of power from the last such subsidiary. An illustration is given below:

“A company is granted Connectivity for 1000 MW and it wins a bid for 250 MW. It forms five wholly owned (100%) subsidiaries of 50 MW each. In such a case lock-in period shall be 1 year from commencement of supply from last subsidiary (i.e. subsidiary which is commissioned last) out of this 250 MW.”

According to above, the last SPV for the purpose of affecting the transfer of shareholding shall be the last SPV for each tranche considered separately i.e. last SPV for tranche-I shall be considered for transfer of connectivity/LTA for first 250 MW and subsequently the last SPV for tranche-II shall be considered for transfer of connectivity/LTA for the next 250 MW.

16. The Petitioner has also raised the issue that the restrictions imposed by the Commission in order dated 29.9.2017, may prove detrimental to the project developer who is executing the projects through several SPVs, particularly so in the circumstances
where the commencement of supply from the last SPV has not begun and gets stalled, for reasons not attributable to and beyond the control of the successful bidder.

17. We are of the view that the Petitioner’s contention is premature and that the argument of the Petitioner is speculative and is based upon conjectures. We are not inclined to go into this matter at this stage. However, the Petitioner in such cases may approach the Commission and the matter shall be dealt with as per the Regulations.

18. Petition No. 29/MP/2018 is disposed of in terms of the above.

Sd/-

(Dr. M. K. Iyer)
Member

Sd/-

(P. K. Pujari)
Chairperson