

ODISHA ELECTRICITY REGULATORY COMMISSION
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Present: Shri U. N. Behera, Chairperson
Shri S. K. Parhi, Member
Shri G. Mohapatra, Member

Case Nos. 71/2019

GRIDCO Ltd., Janpath, Bhubaneswar Applicant

-Vrs. –

TPCODL, NESCO Utility, WESCO Utility, SOUTHCO
Utility, OPTCL, SLDC, Department of Energy,
Government of Odisha & others (as per the list enclosed) Respondents

**IN THE MATTER OF: An application filed by GRIDCO Ltd. as per para 340 of
ARR and BSP Order of OERC passed in case No.71 of 2019
dtd.22.04.2020.**

ORDER

Date of hearing: 19.09.2020

Date of order: 23.09.2020

The fact of the case is that the Commission in its Order dated 22.4.2020 in Case No.71 of 2019 had approved the Aggregate Revenue Requirement (ARR) and Bulk Supply Price (BSP) of GRIDCO Ltd. for the year 2020-21. In the aforesaid ARR & BSP Order, the Commission had approved net ARR of Rs.8274.98 Crore with the avg. BSP of 271.09 P/U against GRIDCO's proposal of Rs.11243.72 Crore (BSP of 398.89P/U), recognizing revenue gap of Rs.660.15Crore. The Commission had considered the BSP same as previous year for recovery of costs to the tune of Rs.7614.83 Crore. The gap in the ARR had been allowed by the Commission to provide tariff relief to the consumers of the State considering COVID-19 situation prevailing at that point of time and also Commission in the said order at para 340 mentioned that if the situation improved during the current Financial Year, the Commission might revisit the gap on an application of GRIDCO.

2. In light of the above, GRIDCO Ltd. has filed the present application on 21.08.2020 praying to the Commission to revisit the gap as the COVID-19 situation started

improving and the gap allowed by the Commission is no longer manageable by them. The Commission observed that once the application of GRIDCO Ltd. is considered, it would require redetermination of BSP and consequential revision of the Retail Supply Tariff (RST) of DISCOMs. Therefore, the Commission decided to hear the present petition of GRIDCO Ltd. in presence of the persons/organizations/ institutions, those who were respondents/Objectors in earlier tariff proceedings in Case No.71 of 2019 along with Case Nos. 70, 74, 75, 76, 77, 78, 79 & 80 of 2019 wherein the ARR and RST and Open Access Charges for the Distribution Utilities were determined for the FY 2020-21. Accordingly, the Commission issued notice to all the persons/ organizations/ institutions who were parties in the above noted cases.

3. The case was heard on 19.09.2020 through video conferencing due to prevailing COVID-19 situation in the State. The following persons/organizations/ institutions participated in the hearing through video conferencing.

1. Shri Gagan Bihari Swain, Director (Fin. and Corporate Affairs), GRIDCO Ltd.
2. Shri Ananda Kumar Mohapatra
3. Shri R.P. Mahapatra
4. Shri P.K. Pradhan
5. Shri Manoj Singh,
6. Shri Goutam Jayprakash on behalf of TPCODL
7. Shri K.C. Nanda, DGM (Fin.), WESCO Utility
8. Shri Pratap Mohanty of NESCO Utility
9. The representative of SOUTHCO Utility
10. Shri Laxman Sarangi and Shri Ashok Patnaik on behalf Balasore Alloys Ltd.
11. Shri Ramesh Chandra Satpathy
12. Shri Ritwik Mishra and Shri Haresh Satpathy on behalf OPGC Ltd.
13. Ms. Niharika Pattanayak, ALO, DoE, GoO.

4. Nobody was present on behalf of Shri Akshya Kumar Sahani, Shri Santosh Kumar Agarwal, M/s. Utkal Chamber of Commerce & Industry Ltd., M/s. Grinity Power Tech Pvt. Ltd., ATC Telecom Infrastructure (P) Ltd., Shri Prabhakar Dora, M/s. Ferro Alloys Corporation Limited, East Coast Railway, M/s. Visa Steel Limited, M/s. Tata Steel Limited, North Odisha Chamber of Commerce and Industry (NOCCI), M/s. Confederation of Captive Power Plant (CCPPO), M/s. Indian Energy Exchange Limited, M/s. Visa Steel Limited, M/s. D.D. Iron & Steel Pvt. Ltd., M/s. Shri Jagannath Alloys Private Limited, M/s. Ritika Ispat Private Limited, M/s. Shri Radha Krishna

Ispat (P) Ltd., M/s. Top Tech Steels (P) Ltd., M/s. Subh Ispat Private Limited, M/s. Maa Girija Ispat (P) Ltd., M/s. Shree Salasar Castings Pvt. Ltd., M/s. Dalmia Cement (Bharat) Limited, All India Weavers Welfare and Charitable Trust, Grahak Panchayat, Sambalpur District Consumers Federation, Sundargarh District Employee Association, Confederation of Citizen Association, Odisha Consumers Association, Balasore-Chapter, PRAYAS.

Submission of GRIDCO

5. GRIDCO has submitted that the Commission vide its Order dated 22.04.2020 in Case No.71 of 2019 has approved the Aggregate Revenue Requirement (ARR) and determined the Bulk Supply Price (BSP) of GRIDCO Ltd. (“the Applicant”) for the FY 2020-21 to enable the Applicant’s functions of bulk supply to DISCOM Utilities and emergency supply to CGPs.
6. In the aforesaid ARR & BSP Order dated 22.04.2020 for FY 2020-21, the Commission has approved net ARR of Rs.8274.98 Crore with the BSP of 271.09 P/U against GRIDCO’s proposed ARR of Rs.11243.72 Crore recoverable through the proposed BSP of 398.89 P/U. The Commission has considered the BSP same as previous year for recovery of costs to the tune of Rs.7614.83 Crore leaving a revenue gap of Rs.660.15 Crore.
7. The Commission in the said Order dated 22.4.2020 inter alia observed that:

“340. It is observed from above table that the Commission has estimated the net revenue requirement of GRIDCO to the tune of Rs.8274.98 Crore after adjustment of miscellaneous receipts of Rs.47.70 Crore and GRIDCO would recover Rs.7614.83 Crore from the DISCOM Utilities through Bulk Supply Price during the FY 2020-21 leaving a negative gap of Rs.660.15 Crore. The Commission has estimated the energy availability of 34960.13 MU to GRIDCO from different sources during FY 2020-21 and the State requirement has been estimated at 29018.76 MU, leaving a surplus availability of 5941.37 MU. The Commission directs GRIDCO for trading of the available surplus power on prudent commercial principles in the market after meeting the State requirement and adjust the revenue earnings from trading and UI sources towards meeting the above gap and past losses. In case the above gap of Rs. 660.15 Crore is not met from the trading and the UI accounts, the balance amount shall be treated as regulatory asset to be amortized by the Commission at future date. The gap in the ARR has been allowed by the Commission to provide relief to the consumers of the State considering COVID-19 situation prevailing now. If the situation improves during the current Financial Year, the Commission may revisit the gap on an application of GRIDCO.”

8. In light of the above, and by liberty granted by the Commission, the applicant has filed the present application praying the Commission to revisit the gap as the COVID-19 situation has started improving after initial severe drop in power demand in April and May due to nation-wide lockdown situation. A comparison of actual energy drawl of DISCOMs during first four months of last financial year vis-à-vis current financial year is shown in the table given below:

Table-1

| Month | All DISCOMs drawal in MU | | |
|--------------|--------------------------------------|--------------------------------------|--|
| | FY 2019-20 (Apr-July '20) | FY 2020-21 (Apr-July '20) | % of corresponding month of previous FY |
| April | 2,385.91 | 1,811.55 | 76% |
| May | 2,294.58 | 2,071.28 | 90% |
| June | 2,288.45 | 2,090.48 | 91% |
| July | 2,311.65 | 2,290.16 | 99% |

9. Due to COVID-19, GRIDCO has been affected severely due to reduction in the Domestic, Commercial and Industrial energy consumption in the State. Due to impact of the pandemic starting from the last week of March and continuing till date, industrial/commercial demand has been substantially reduced in April and May. Therefore, Sale/Energy forecasts earlier submitted by GRIDCO before the Commission to the tune of 28,090 MU may not be achieved during the FY 2020-21 due to lower demand caused by Covid-19 period in March to April. However, the demand has started picking up slowly with opening up of commercial and industrial activities in May and June, 2020 and the demand in the month of July 2020 has almost reached to the same level of July previous year. As the situation has now improved, the Commission may revisit the gap and grant consequential relief to GRIDCO.
10. Further, in the ARR & BSP order of GRIDCO for the FY 2020-21, the Commission has not considered the state share of power of 4188.38 MU from Darlipali STPS (2X800 MW) of NTPC and 25% fixed charges of OPGC units 3&4. Similarly, the interest cost which is contractually required to be paid by GRIDCO, has not been allowed in the ARR. The Applicant may take up the above issues to avail reliefs at an appropriate time, as may be necessary.
11. While approving the power purchase quantum & the related costs for the FY 2020-21, the Commission has not approved any energy drawal from four NTPC Thermal Stations, namely, FSTPS- I,II &III & KhSTPS-I&II by following the Merit Order

Principle. But the Fixed Cost of these Stations has not been allowed by the Commission along with all other NTPC-ER Stations whereas the Fixed Costs of NTPC Stations are payable irrespective of energy drawal. GRIDCO has submitted that energy drawal from FSTPS-I, II, & III, KhSTPS-I & II has taken place in the past without exception to meet the varied power demand during peak & off-peak hours vis-à-vis corresponding power availability in the State. In the said ARR and BSP order, the Commission has also held that:

“294. The Commission has not allowed any drawal from some of the Central Generating Stations i.e. FSTPS-I, II & III and KhTPS-I & II, since considering merit order despatch principle these Stations lie beyond the margin of the merit order. GRIDCO has entered into PPAs with numbers of State and Central Generating Stations. If, GRIDCO draws power from those stations it will have surplus availability of power. Even, if GRIDCO does not draw power from the power stations which are having PPA, it will have to pay fixed cost to those power stations which will eventually be passed on to the consumers as Tariff burden. In order to avoid passage of unnecessary cost to the consumer, the Commission has not considered the fixed cost of those power stations from which GRIDCO would not draw power due to surplus availability. Therefore, the GRIDCO should take up this matter with the State Government to whom Central allocation of power has been made for payment of fixed cost of those stations. The estimated extra fixed charge for those stations would be Rs. 348.37 Crore for FY 2020-21.”

12. As per the directives of the Commission, GRIDCO took up the matter with Govt. of Odisha for funding of such unabsorbed Fixed Cost of the above NTPC ER Stations. Govt. of Odisha has intimated that Government is not in a position to provide any budgetary support to GRIDCO towards revenue gap requirement and has advised GRIDCO to take up with OERC for a cost reflective tariff considering all expenditures arising due to contractual obligation. Accordingly, GRIDCO has filed the present Application before the Commission to consider and allow the approved uncontrollable Fixed Cost of Rs.348.37 Crore of aforesaid stations in its ARR for the FY 2020-21 to avoid further financial distressed condition of GRIDCO to meet the contractual obligation. GRIDCO has been adversely affected and feeling the impact of the said order which is having a cascading effect on its power procurement and finances. Hence, GRIDCO has prayed the Commission to allow the approved fixed charge of Rs.348.37 Crore in the ARR of GRIDCO for FY 2020-21 along with the revenue gap of Rs.660.15Crore.

Views of the Objectors:

13. The Commission in the ARR and BSP order of GRIDCO for the FY 2020-21 has observed that the gap in the ARR has been allowed by the Commission, to provide relief to the consumers of the state considering the prevailing COVID-19 situation. If the situation improves during the current financial year, the Commission may revisit the gap on an application of GRIDCO. But now the situation due to COVID-19 is becoming worse day by day. Though ICMR has predicted that the peak may continue for another one and half a month, it cannot be said, when COVID-19 pandemic will be reduced and the situation in the state will be normal. Merely because there has been an increase in consumption of energy during July 2020 does not mean that the situation is normal. Hence, the observations of the Commission have been totally mis-interpreted by GRIDCO. The spread of COVID-19 in Odisha is evident from the increasing number of infections and deaths declared by the government day by day. In fact due to COVID-19 pandemic, the GDP growth in 1st quarter of FY 2020-21 is (-) 24%.
14. In the said ARR and BSP order, GRIDCO has been allowed to trade available surplus power of 5941.37 MU and adjust it towards its revenue gap. As submitted by GRIDCO they have got further surplus of 4188.38 MU from Darlipali STPS of NTPC which is also to be traded. Accordingly the total estimated surplus power is to the tune of 10129.75 MU with GRIDCO for trading and to earn surplus revenue to bridge the deficit gap of Rs.660.15 Crore and it will also recover more revenue towards past losses.
15. GRIDCO is unable to recover full BSP and securitised dues from DISCOMs and it is availing loan to meet the working capital gap due to inadequate tariff and poor performance of DISCOMs. In case of inefficiency of DISCOMs, GRIDCO should not allow escrow relaxation towards their employees cost. Allowing escrow relaxation help the DISCOMs not to be serious for paying BSP which creates burden on the consumers. In previous orders, the Commission has directed GRIDCO to take all necessary actions to collect the arrears from DISCOMs and to file the action taken for liquidation of these arrears. But GRIDCO has not made any action plan and never moves to the Commission regarding recovery of the arrear dues from the DISCOMs. GRIDCO must furnish the amount of outstanding dues of DISCOMs and how much they have recovered till date. Due to its failure to collect the outstanding against DISCOMs, GRIDCO is borrowing money from banks and the interest as well as repayment of this loan is loaded on the consumers of the state along with payment of Guarantee

Commission to the Government. GRIDCO should explain the amount of loan they have incurred so far and the situation in which it has been borrowed. It is not known whether they have obtained the approval of the Commission before borrowing money from the financial institutions.

16. The Commission in its ARR and BSP order dated 22.04.2020 for the FY 2020-21 have stated that *“In case the above gap of Rs. 660.15 Crore is not met from the trading and the UI accounts, the balance amount shall be treated as regulatory asset to be amortized by the Commission at future date”*. Therefore treatment of the gap left by the Commission may be amortised as regulatory asset and the observation of the Commission regarding “re-visiting the gap” may not be implemented considering outstanding of huge uncollected arrears against the DISCOMs.
17. GRIDCO has not replied regarding its plan for additional generation capacity particularly from central generating stations. As the state designated entity for bulk power procurement, GRIDCO has failed to properly assess the requirement of power both on short term and long term basis, due to which excess power is dumped on the state and capacity charges are being levied. Therefore payment of capacity charges of the Central Thermal Stations already disallowed by the Commission may not be considered, because the Commission has not allowed drawal of energy from these stations in the merit order principle. Even though GRIDCO is having surplus power, it has entered into PPA with PTC for availing power from Mangdechhu Hydro Power of Bhutan at a cost of Rs.4.29 p/u excluding trading margin of 7 p/u and CTU charges. For the FY 2019-20, the average cost of power is about Rs.5.47/unit. While considering signing of PPA for Mangdechhu, GRIDCO has not considered its share of 660 MW from OPGC Units-3 & 4 along with share of 800 MW from Darlipali STPS.
18. Regarding claim of fixed cost for 25% share in respect of OPGC Units-3 & 4 (beyond existing share of 50%), the supplementary PPA is yet to be approved. Hence, such claim of GRIDCO can be taken into consideration only after decision on approval of the supplementary PPA.
19. GRIDCO in its application has not informed the amount of energy traded during April to July, 2020 and the revenue earned thereof as six months of the FY 2020-21 has almost been over and in case the revenue deficit of Rs.660.15 Crore is allowed for

balance six months, increase in BSP will be around 42 p/u and consequently RST will be raised by around 72 p/u. This may create havoc amongst the consumers of the state.

20. By following up the precautions as per government guidelines due to Covid-19 Pandemic along with various cascading reasons, the industries are not in a position at present to make 100% production. Further due to non-sale of finished product and lower cash inflow the industries are now financially handicapped. In the event the RST is increased due to increase in BSP then all the industrial units will face forced shut down which may lead to unwanted law and order situation. Further, the tariff for BPL consumers should not be cross-subsidised by the industrial consumers; rather Government should give subsidy to the BPL consumers.
21. There is huge loss of employment and loss of production in industries due to COVID-19 Pandemic. The situation is not going to be normal during the current as well as next financial year, therefore revisiting the gap at this stage does not appear appropriate as the situation has not improved but has deteriorated.
22. Since Covid-19 Pandemic situation is still getting worse, the Commission may not consider the ARR gap of Rs.660.15 and pass through of fixed cost of Rs.343.87 Crore during the FY 2020-21 and in case it is not made good by trading of surplus power for whatsoever reasons, then in that case, the balance amount may be treated as regulatory asset to be amortised by the Commission in future in order to give relief to the consumers of the state in present situation.
23. GRIDCO has received a rebate on the billed fixed charges of Central PSUs amounting to Rs.85 Crore (MoP assistance for lock down period through the Central PSUs) which the Commission may allow GRIDCO to retain instead of passing on to the consumers.
24. GRIDCO has admitted that it is a “Deemed Trading Licensee” under the Electricity Act, 2003. Therefore, no ARR should be determined for a trader and the Commission has to determine only a trading margin. Since GRIDCO is fully owned by the state government, any loss due to non collection of dues from DISCOMs has to be borne by the state government and should not be loaded on the consumers.
25. In view of the above, the objectors have stated that the Commission may not allow the revenue deficit of Rs.660.15 Crore and fixed cost of Rs.343.87 Crore as pass through in the ARR of GRIDCO for the FY 2020-21. The actual revenue gap at the end of FY 2020-21 may be treated as regulatory asset to be amortised in future. Further, the rebate

amount of Rs.85 Crore received from central PSUs is to be retained with GRIDCO instead of passing on to the consumers. Hence, the present petition of GRIDCO may be rejected by the Commission.

26. M/s. TPCODL has submitted that they have no objection to grant of prayer made by the petitioner–GRIDCO Ltd. However, they submitted that the Commission may consider revision of bulk supply tariff in such a way that tariff shock is not given to the consumers, who are already reeling under the impact of COVID-19 situation. M/s. TPCODL submitted that the Commission may consider allowing the prudently incurred cost of GRIDCO in phases so that it does not cause any tariff shock to the retail consumers. The Commission may also consider introducing a quarterly Fuel/Capacity Charge Adjustment formula which can automatically take care of fuel cost etc. variance upto a limit of say 5% without requiring a year end true up.
27. NESCO, WESCO and SOUTHCO Utilities have not filed their written note of submissions. However, during the hearing the representative of NESCO utility stated that the Commission may take a prudent decision on the present petition of GRIDCO. But in case of increase in RST consequent upon the increase in BSP, NESCO utility may not be able to realise its revenue fully in the prevailing Covid-19 situation along with flood in their area. The representative of WESCO utility stated that they agree to the submission of NESCO utility. He further stated that since HT industries are not fully operational now, the prayer of GRIDCO may be deferred for a couple of months. The representative of SOUTHCO utility stated that their collection efficiency had reduced due to Covid-19 situation. If the prayer of GRIDCO is accepted and there is a hike in RST, it may further affect the financial position of SOUTHCO utility.

Rejoinder of GRIDCO

28. GRIDCO is a Deemed Trading Licensee under 5th Proviso to Section 14 of the Electricity Act, 2003. GRIDCO is a wholly owned state undertaking. It is the “State Designated Entity” and also an “Aggregator”, that is engaged in the business of purchase of electricity in bulk from various Generators located in & outside Odisha and the State share of power from the Central Generators for supply of the same in bulk to the four Electricity Distribution Utilities (hereinafter called as “DISCOM Utilities”) in the State of Odisha. GRIDCO makes energy projection of the State demand for a

relatively longer period to meet the demand under different segments to cater to the requirement of the State at large.

29. The uncontrollable costs for supply of electricity need to be recovered from the consumers in the same year, any deferment in cost as regulatory gap would have the impact of carrying cost to be loaded in the Tariff. This impact of carrying cost would be an additional burden to the consumers in future. The approved regulatory gap in GRIDCO is due to the uncontrollable costs of power which are not fully factored in the Tariff. Revised Tariff Policy, 2016 under Section 3 of the Electricity Act, 2003 prescribes as under:

“Uncontrollable costs should be recovered speedily to ensure that future consumers are not burdened with past costs. Uncontrollable costs would include (but not limited to) fuel costs, costs on account of inflation, taxes and cess, variations in power purchase unit costs including on account of hydro- thermal mix in case of adverse natural events.”

30. The proposition of disallowing the gap as proposed by the objectors may not be considered as the gap has been recognized by the Commission in the BSP order and GRIDCO is not able to recover the same through Trading, DSM, Budgetary and Financial support. On the other hand it is obliged to make payment of the approved uncontrollable power procurement costs which are not being recovered through the BSP.
31. As per the directives of the Commission in the BSP order, GRIDCO submitted the proposal before the Government for availing Budgetary Support to meet the revenue deficit and the unabsorbed Fixed Costs. But considering the impact due to the prevailing Covid pandemic resulting in financial deficit of the State, Government could not extend any financial assistance.
32. The present application is for pass through of the approved gap in ARR and approved Fixed Cost of NTPC Stations as already estimated by the Commission.
33. The Commission in Para 358 of the BSP Order for FY 2020-21 has mentioned that:

“Considering the COVID-19 situation there has been no hike in BSP for the FY 2020-21. However, if the situation improves during the course of the current financial year, the revision of BSP may be considered by the Commission at appropriate time under Section 62 (4) of the Act.”
34. GRIDCO has submitted that cost reflective tariff needs to be allowed and reflected in the BSP so as to recover the power procurement costs as GRIDCO is to make payment

to the Generators as per contractual obligation on procurement of power, irrespective of drawal during the financial year. The Commission has considered and recognized the revenue deficit of Rs.660.15 Crore being the difference in total costs to be incurred and revenue to be earned at the approved BSP rate. The learned objectors may appreciate that the actual revenue gap during the FY 2020-21 would be much higher than the approved gap of Rs.660.15 Crore because of lower demand of the state.

35. GRIDCO has seen the impact of pandemic as far as the variation of electricity consumption is considered. There was 24% less drawal in April 2020 vis-a-vis previous year which has become equal in the month of July 2020. The normalization of economic activities is imminent. There is hardly any area of lock down imposed at present. The demand of power normally becomes lower in second half of every year. However, considering the above trend, GRIDCO hardly may get net revenue of Rs. 200 Crore against the Rs.1111 Crore repayment obligation. Further, for a sustainable power supply, GRIDCO needs to meet its uncontrollable power costs and the financing cost. Otherwise, the power supply will be affected which is against the larger interest of public.
36. GRIDCO has submitted that the margin of surplus revenue from trading has decreased substantially due to nationwide surplus capacity as well as subdued Power Market over the last couple of years. The above subdued condition is further worsened due to lock down situation because of Covid-19 Pandemic. However, GRIDCO makes continuous endeavour for trading of the surplus power at optimum price above the variable cost by fetching reasonable margin to recover fully the variable cost of the respective station as per the surplus availability for the period of time following the merit order policy after meeting the State demand so as to compensate the unabsorbed committed Fixed Cost burden as per the contractual obligation because of higher V.C. of FSTPS and KhSTPS. It is not feasible to trade the entire surplus power of 10,129.70 MU in the prevailing market, as stated by some objectors, referring to the order of OERC. GRIDCO has traded only 2373 MU during the five months period from Apr'20 to August'20 due to lower demand as well as the reduced market driven price which even at times is not sufficient to recover variable charges of high cost stations, associated corridor charges, and reasonable margin after meeting the trading expenses.
37. GRIDCO has stated that power market is subdued due to surplus situation at the national level. However, GRIDCO is taking all out efforts to sell its power at any rate

above the marginal cost (Variable Cost). The trading revenue in 1st five months of FY 2020-21 are as under:

Table-2

| Months | Apr'20 | May'20 | June'20 | July'20 | Aug'20 | Total |
|--|---------------|---------------|----------------|----------------|---------------|----------------|
| Energy (MU) | 469.67 | 677.6 | 388.21 | 417.52 | 419.96 | 2373.00 |
| Power Trading (Rs.Crore) | 104.41 | 160.27 | 89.98 | 100.79 | 97.42 | 552.85 |
| Avg. Variable cost of power sold (Rs. Crore) | 86.96 | 133.59 | 75.97 | 92.68 | 83.06 | 462.26 |
| Margin (Rs.Crore) | 17.45 | 26.68 | 14.01 | 8.11 | 14.36 | 90.59 |

38. GRIDCO neither earns any surplus earnings over the cost on trading of surplus power nor has any retained earnings from the past period which can be utilized to meet the revenue gap as recognized by the Commission. The cost of power sold through the trading platform is not adequate to recover the Cost, thereby not creating any surplus.
39. GRIDCO is taking the necessary steps for recovery of the outstanding dues from DISCOMs. During FY 2019-20, GRIDCO has received Rs.7061.18 Crore vis-à-vis billed amount of Rs. 6712.71 Crore. GRIDCO is always taking proactive measures for collection of securitized dues. GRIDCO's legitimate claim, ought not to be denied in the pretext of non-recovery of securitized dues and BSP dues. GRIDCO is availing loan to meet the working capital gap which arises due to inadequate tariff and poor performance of DISCOMs over the years. GRIDCO is availing loans for timely payment of power purchase obligations to the Generators in order to avoid power regulation and to ensure uninterrupted supply of power to the State. This is being done for the overall benefit of the consumers of the State and in greater public interest.
40. The outstanding dues are the uncollected revenue of previous year which corresponds to the costs of supply for the said relevant year. The arrears collected from DISCOMs are meant for payment of power dues or loans incurred in those corresponding years. The said cost of supply and revenue are already submitted in true ups of past years and cannot be treated twice in the ARR 2020-21. Present application is recovery of the approved Revenue cost and Gap for the FY 2020-21 which is required to be recovered in present year Tariff.
41. The Relaxation of Escrow is being allowed by GRIDCO in favour of four DISCOM Utilities since long as per the Orders of the OERC. In fact, the DISCOMs deposit their entire revenue proceeds in the Escrow Account in order to pay the Bulk Supply Price

(BSP)/ Power Purchase Bills of GRIDCO. Thus, the DISCOMs, after paying the BSP bills, are left with little funds to pay towards other pressing dues like the Employees Cost, R&M expenses, etc. In absence of such payment, the entire power supply situation would suffer serious setback and the distribution network in the State would be in the jeopardy. Therefore, relaxation of escrow is being allowed by GRIDCO at the behest/direction of the Commission in greater interest of the public to ensure that the power supply in the State is not affected /disrupted. The distribution system could face break-down due to want of timely Repair & Maintenance. Similarly, non-payment of salaries in turn may lead to employees unrest resulting in crippling of the power supply. In fact, GRIDCO exercises utmost restraint in relaxation of escrow to the DISCOMs when DISCOMs are in dire need of funds to pay for the pressing dues like salary, R&M expenses, etc.

42. GRIDCO has been following “Merit Order Power Procurement Policy” whereby the least cost power is allocated for supply to the DISCOM Utilities for onward retail sale to the State Consumers in greater public interest. The present application is not seeking approval of any additional cost, rather recovery of the approved power costs.
43. GRIDCO makes procurement of power from the central and state generators at tariff approved by the CERC and OERC and as per the provisions of the PPAs with the respective generators. In some occasions, the EREB power is force scheduled due to operation of plants at technical minimum level or the must run plants viz. Hydro and RE stations. The surplus power being available on day to day basis after meeting the state demand, are traded through Energy Exchange in case the trading price exceeds the variable charges of power and CTU charges on the traded power and other associated costs leaving surplus margin to recover fixed cost of costly ER stations. In case the trading price does not compensate the costs as mentioned above, GRIDCO surrenders the surplus power to avoid loss. Thus, it transpires that GRIDCO always optimizes its cost of procurement by following the “Merit Order Policy” and ensures lower cost of power to the State consumers.
44. GRIDCO was facing the power shortage scenario during the FY 2018-19 and was to purchase power from different sources at an average rate of Rs. 3.90/kwh during this period. Keeping in view the need for better Hydro Thermal/Solar Power Ratio, fast depleting of fossil fuel, clean environmental norms, long life time of the hydroelectric power plants, reliable sources of energy, utilization as peaking power and system stability etc., procurement of hydro power would always be beneficial for the State. In

the pretext of the above, GRIDCO is availing hydro power from Mangdechu HEP, Bhutan as per the allocation made by Ministry of Power, Govt. of India.

45. GRIDCO is compelled to meet the contractual obligation of paying the fixed costs to the generators irrespective of drawal during the period. Further, due to the prevailing Pandemic situations, GRIDCO requested Govt. of Odisha for necessary budgetary support as per the directives of the Commission. But there is no budgetary support or financial assistance receivable during the FY 2020-21 from Govt. of Odisha to meet the revenue deficit or the Fixed Cost of NTPC costly stations and accordingly, GRIDCO needs to recover the uncontrollable power procurement costs during FY 2020-21 in order to ensure uninterrupted power supply in the State.
46. Central PSUs (NTPC, NHPC and PGCIL) have given a rebate of Rs. 85 Crore. The amount may be adjusted in the ARR of GRIDCO and passed on to the consumers. GOI also announced the liquidity infusion scheme of Rs.90,000 Crore for the DISCOMs to meet the working capital GAP. The said funding are to be made through REC and PFC in shape of loan backed by State Government guarantee at interest rate of 9.5% p.a. GRIDCO has requested Government for Government Guarantee for availing the loan to meet the working capital requirement. GRIDCO availed loan of Rs.1500 Crore in FY 2019-20 for which the Government Guarantee has been received and for the FY 2020-21, Government has in principle agreed to provide the Guarantee. The scheme is not meant for the bridging the revenue gaps or the power costs.

Views of the State Government

47. The Government of Odisha in department of energy has submitted that Government is not in a position to provide any budgetary support to GRIDCO towards revenue gap requirement but government can provide guarantee for arranging finance from bank for the year 2020-21. GRIDCO was advised to take up this matter with OERC for a cost reflective tariff.
48. The State Government has requested the Central Government, that PFC/REC loan may be extended to DISCOM at a reduce rate of interest. Similarly, State has requested that REC/PFC may be advised to extend concessional loan to GRIDCO to cover the revenue gap of 2019-20. Further as significant part of costly power of CPSU remain unscheduled during this pandemic, state has requested Central Government to allow special rebate equivalent to the fixed charge of CPSU, GENCO and Transco proportionate to unscheduled CPSU power during 2020-21.

Commission's Observation

49. Heard the parties. The Commission observed that in the present application the prayer of the petitioner GRIDCO is to revisit the ARR of GRIDCO for the FY 2020-21 allowing (a) revenue deficit of Rs.660.15 Crore left in the ARR and (b) pass through of fixed cost of Rs.348.37 Crore of the NTPC central stations approved by the Commission.
50. The Commission in its order dated 22.04.2020 vide case No. 71 of 20189 has observed as follows:

“340. It is observed from above table that the Commission has estimated the net revenue requirement of GRIDCO to the tune of Rs.8274.98 Crore after adjustment of miscellaneous receipts of Rs.47.70 Crore and GRIDCO would recover Rs.7614.83 Crore from the DISCOM Utilities through Bulk Supply Price during the FY 2020-21 leaving a negative gap of Rs.660.15 Crore.

XXXXXXX

The gap in the ARR has been allowed by the Commission to provide relief to the consumers of the State considering COVID-19 situation prevailing now. If the situation improves during the current financial year, the Commission may revisit the gap on an application of GRIDCO.”

51. Further at Para 358 of the said order, the Commission has observed as follows:
- “358. Considering the COVID-19 situation there has been no hike in BSP for the FY 2020-21. However, if the situation improves during the course of the current financial year, the revision of BSP may be considered by the Commission at appropriate time under Section 62 (4) of the Act.”*
52. The Commission observed that due to the impact of the Covid-19 pandemic starting from the month of March till date, industrial/commercial demand had substantially fallen in the second fortnight of March and the trend continued in the month of April, 2020. In view of the above, the Commission had taken a conscious view not to increase the BSP in its order dated 22.04.2020 that led to the deficit revenue gap of Rs.660.15 crore for the FY 2020-21. However, the demand has started picking up slowly with opening up of commercial and industrial activities from the month of May, 2020 onwards. By July, 2020 the demand has risen almost to the previous year's level. We feel that substantial deferment of cost will lead to tariff shock to the consumers in future. Therefore, the regulatory gap left in the ARR needs reconsideration. We decide to allow part of the revenue gap to be passed on to the DISCOMs in the form of rise in BSP now. While reviewing the gap in the ARR of GRIDCO, now we find that

GRIDCO has earned a trading revenue of Rs.90.59 Crore during the period from April to August, 2020. GRIDCO has also received an amount of Rs.85 Crore as relief in the bill provided by CPSUs. These revenues need to be factored in.

53. The Commission in its order dt.22.04.2020 in case No.71 of 2019 has not allowed any drawl from the central generating stations viz. FSTPS-I, II & III and KhTPS-I & II for state consumption due to higher tariff following merit order principle. The Commission has also not considered the fixed cost of these power stations in the ARR of GRIDCO for the FY 2020-21. The relevant para-294 of the said order is as follows:

“294. The Commission has not allowed any drawal from some of the Central Generating Stations i.e. FSTPS-I, II & III and KhTPS-I & II, since considering merit order despatch principle these Stations lie beyond the margin of the merit order. GRIDCO has entered into PPAs with numbers of State and Central Generating Stations. If, GRIDCO draws power from those stations it will have surplus availability of power. Even, if GRIDCO does not draw power from the power stations which are having PPA, it will have to pay fixed cost to those power stations which will eventually be passed on to the consumers as Tariff burden. In order to avoid passage of unnecessary cost to the consumer, the Commission has not considered the fixed cost of those power stations from which GRIDCO would not draw power due to surplus availability. Therefore, the GRIDCO should take up this matter with the State Government to whom Central allocation of power has been made for payment of fixed cost of those stations. The estimated extra fixed charge for those stations would be Rs. 348.37 Crore for FY 2020-21.”

54. The Commission observed that GRIDCO had approached the State Government, as per the above direction of the Commission for necessary budgetary support on this matter. The State Government in Department of Energy has submitted that the Government is not in a position to provide any budgetary support to GRIDCO but the Government can provide guarantee for arranging finance from the banks for the year 2020-21. The Government has advised GRIDCO to take up this matter with OERC for a cost reflective tariff. The State Government has further stated that they have requested the Central Government to extend PFC/REC loan to the DISCOMs at a reduced rate of interest and also to extend concessional loan to GRIDCO to cover its revenue gap of 2019-20. The State Government has also requested the Central Government to allow special rebate equivalent to the fixed charge of the Central PSUs, Gencos and Transco proportionate to the unscheduled power of Central PSUs during the present pandemic. It is observed from the letter dated 10.06.2020 of MoP, GoI that the Central

Government has decided that the Central PSUs will offer deferment of capacity charges for power not scheduled and rebate to the DISCOMs on power billed (fixed cost) and inter-state transmission charges for passing on to the end consumers for the lock-down period on account of Covid-19 pandemic. Accordingly, a rebate of about Rs.85.00 Crore has been offered to Odisha by various central PSUs viz. NHPC Ltd., NTPC Ltd. and PGCIL.

55. The Commission observed that in the ARR and BSP order of GRIDCO for the FY 2020-21, the fixed cost amounting to Rs.348.37 Crore in respect of aforementioned central generating stations has not been considered in the ARR since no energy drawl is approved for these central stations. It is also observed that the central PSUs have offered a special rebate of Rs.85.00 Crore as per the decision of the Central Government. Further, it is expected that there may be deferment of capacity charges for power not scheduled during the period of Covid-19 pandemic. GRIDCO and the State Government are advised to pursue the matter with the Central Government for deferment of capacity charges and availing more rebates on this account. Therefore, the Commission is not inclined to re-estimate the ARR of GRIDCO at present. However, the Commission is inclined to revisit the BSP of GRIDCO for the FY 2020-21 in respect of the negative gap of Rs. 660.15 Crore as stated in earlier paragraphs.
56. Tariff determination is essentially intended to balance the conflicting interest of various stakeholders like the distribution Utilities and various groups of consumers as well as the generators. Some amount of judgement is to be exercised while determining the bulk supply price for distribution utilities. The process has to be fair, transparent, with sound logic, so that the revenue earned by the utilities are adequate to service all their expenditures like the cost of employees, servicing the interest burden, meet return on equity in addition to meeting the cost of power purchase which constitute a substantial part of their revenue requirement.
57. In the present order the Commission has decided not to re-determine the annual aggregate revenue requirement of GRIDCO for the FY 2020-21 which was already determined by the Commission in its order dated 22.04.2020 in Case No.71 of 2019. Now, the Commission re-determines only the bulk supply price for the different DISCOM Utilities of the state in order to reduce the negative gap of Rs.660.15 Crore in the ARR of GRIDCO for the FY 2020-21 which shall be applicable w.e.f. 01.10.2020. Hence, the present order of the Commission shall form a part of the earlier order dated 22.04.2020 passed in 71 of 2019. The revised Bulk Supply Price for the current FY

2020-21 w.e.f. 01.10.2020 and the quantum of energy approved by the Commission for each DISCOM Utility are given in the table below:

Table – 3
Bulk Supply Price and Quantum of Energy for FY 2020-21 w.e.f 1st October, 2020

| Name of the DISCOMs | Existing Bulk Supply Price i.e. approved for FY 2020-21 vide order dated 22.04.2020 (P/U) | Quantum of Energy for sale during FY 2020-21 (MU) | Bulk Supply Price approved for FY 2020-21 w.e.f. 1st October, 2020 (P/U) | Total Revenue for FY 2020-21 considering tariff revision (Rs. Crore) |
|----------------------------|--|--|--|---|
| CESU | 261.00 | 9470.00 | 277.00 | 2547.43 |
| NESCO | 298.00 | 6570.00 | 316.30 | 2017.98 |
| WESCO | 304.00 | 8000.00 | 322.60 | 2506.40 |
| SOUTHCO | 186.00 | 4050.00 | 197.40 | 776.39 |
| Total | 271.09 | 28090 .00 | 287.70 | 7848.19 |

58. The above approved revenue is to be realized by GRIDCO from the DISCOM Utilities. In case of any default in monthly BSP dues by the DISCOM Utilities, they are liable for imposition of power regulations. It is directed that GRIDCO should resort power regulation to the DISCOM Utilities to the extent of non-payment of monthly BSP dues.
59. GRIDCO shall earn additional revenue due to the above modification of BSP of DISCOMs resulting in reducing the regulatory gap. The gap will be further narrower when we consider Rs.85 Crore relief the GRIDCO has availed in the form of CPSU dues and Rs.90.59 Crore in terms of earning from trading for the period April to August, 2020. The details of revised revenue gap for FY 2020-21 in the ARR of GRIDCO is given in the table below:

Table-4
Revenue Gap in the ARR of GRIDCO for FY 2020-21 after Revision of BSP

| Particulars | Approved by the Commission vide order 22.04.2020 | Estimated by the Commission due to Revision of BSP on Annual basis for FY 2020-21 | Approved by the Commission due to revision of BSP for six months for FY 2020-21 |
|-------------------------------------|---|--|--|
| Net Revenue Requirement (Rs. in Cr) | 8316.68 | 8316.68 | 8316.68 |
| Less Mis. Receipt (Rs. in Cr) | 41.70 | 42.90 | 42.30 |
| Net Revenue Requirement (Rs. in Cr) | 8,274.98 | 8,273.78 | 8,274.38 |

| | | | |
|--|----------------|----------------|-----------------|
| Revenue Realised (Rs. in Cr) | 7,614.83 | 8,081.55 | 7,848.19 |
| Receipt from CPSU under MOP | | 85.00 | 85.00 |
| Revenue earning from Trading | | 90.59 | 90.59 |
| Gap (Rs. in Cr.) | -660.15 | - 16.64 | - 250.60 |
| Breakup of the gap on half yearly basis | | | |
| April,20 to Sept,20 | | | |
| Rev. Requirement (Rs. in Cr.) | 4,158.34 | 4,158.34 | 4,158.34 |
| Less Mis. Receipt (Rs. in Cr) | 20.85 | 21.45 | 20.85 |
| Net Revenue Requirement (Rs. in Cr) | 4,137.49 | 4,136.89 | 4,137.49 |
| Revenue Realised (Rs. in Cr) | 3,807.42 | 4,040.78 | 3,807.42 |
| Receipt from CPSU under MOP | | 85.00 | 85.00 |
| Revenue earning from Trading | | 90.59 | 90.59 |
| Gap (Rs. in Cr) | -330.08 | 79.47 | - 154.49 |
| Oct,20 to March,21 | | | |
| Rev. Requirement (Rs. in Cr.) | 4,158.34 | 4,158.34 | 4,158.34 |
| Less Mis. Receipt (Rs. in Cr) | 20.85 | 21.45 | 21.45 |
| Net Revenue Requirement (Rs. in Cr) | 4,137.49 | 4,136.89 | 4,136.89 |
| Revenue Realised (Rs. in Cr) | 3,807.42 | 4,040.78 | 4,040.78 |
| Gap (Rs. in Cr.) | -330.08 | -96.12 | -96.12 |
| | | | |
| Total Gap (Rs. in Cr) | -660.15 | - 16.64 | - 250.60 |

60. It is observed from above table that after revision of BSP for the balance six months of the FY 2020-21, there still exists a negative gap of Rs.250.60 Crore in the ARR of GRIDCO for the FY 2020-21. The Commission directs GRIDCO for trading of the available surplus power on prudent commercial principles in the market after meeting the State requirement and adjust the revenue earnings from trading and UI sources towards meeting the above gap and past losses. In case the above gap is not met from the trading and the UI accounts, the balance amount shall be considered in the trading up exercise of GRIDCO.
61. The revised Bulk Supply Price of GRIDCO in respect of the DISCOM Utilities as indicated below will become effective from 1st October, 2020 and shall continue until further order.

Table -5

| Name of the DISCOMs | Paise/ Kwh |
|----------------------------|-------------------|
| CESU | 277.00 |
| NESCO | 316.30 |
| WESCO | 322.60 |
| SOUTHCO | 197.40 |

62. The application of GRIDCO in Case No. 71 of 2019 is disposed of accordingly.

Sd/-
(G. MOHAPATRA)
MEMBER

Sd/-
(S. K. PARHI)
MEMBER

Sd/-
(U. N. BEHERA)
CHAIRPERSON