

**BEFORE THE ORISSA ELECTRICITY REGULATORY COMMISSION
BHUBANESWAR**

**CASE NO. 63/2008
FILING NO.-----**

IN THE MATTER OF: An application for approval of Annual Revenue Requirement and Transmission Tariff under Section 62, 64 and all other applicable provisions of the Electricity Act, 2003 read with relevant provisions of OERC (Terms and Conditions for Determination of Tariff) Regulations, 2004; and OERC (Conduct of Business) Regulations, 2004, and other Tariff related matters, for the Financial Year 2009-10.

AND

IN THE MATTER OF: Orissa Power Transmission Corporation Limited, Janpath, Bhubaneswar

.. ... Applicant

**Submission of OPTCL on Reactive Energy Charge.
The Humble Applicant above named;**

MOST RESPECTFULLY SHOWETH:

(1) That OPTCL in its application filed before the Hon'ble Commission on 01.12.2008 for approval of ARR and Transmission Tariff for FY 2009-10 at last Para of page 40 had submitted as under:

“ As per direction of Commission vide letter No. JD (EA)/Tariff/306/07/1678 dated 21.09.2007, OPTCL has engaged PRDC, Bangalore as consultant for determination of Reactive Energy Charges. PRDC has submitted the draft report during July 2008 and made a presentation before the Hon'ble Commission on 16.09.2008. The said report is under scrutiny and finalization.”

(2) That OPTCL has received and perused the Executive Summary of the study report of PRDC on the Reactive Energy Pricing enclosed to the OERC letter No. JD (EA)-306/07/2689 dated 16.12.2008.

(3) That OPTCL has finalised its views on the Reactive Energy Charge which are mentioned as under:

(i) OPTCL's transmission network is integrated with the PGCIL's inter-state network at 25 nos. interface points. The intra-state generators inside Orissa including NTPC & CGPs, Distribution Network and PGCIL's inter-state lines contribute to generation/absorption of reactive power which is reflected in the OPTCL's network in the form of a wide ranging voltage profile across Orissa.

(ii) OPTCL as a deemed Transmission Licensee is obliged to keep the voltage profile within the limits as per the Orissa Grid Code. In spite of generation/absorption of

reactive power by users of the intra-state transmission system, OPTCL has been able to maintain the voltage profile in most of the places by adopting suitable operational procedures. It is admitted that in some locations, voltage profile is not remaining within the statutory limits and OPTCL has envisaged some special proactive measures by way of installing shunt capacitors at strategic locations.

(iii) OPTCL in its ARR & Transmission Tariff application for FY 2009-10 has proposed for allowing R&M expenditure of Rs. 3.75 Crore for Reactive Power Compensation (towards installation of 75 MVAR Shunt Capacitors @ Rs. 5 lakh each MVAR). Similarly, for another 75 MVAR Shunt Capacitors, proposal is being made in the revised Business Plan for procurement and installation during 2010-11 under R&M head. If the proposed expenditure is approved by Hon'ble Commission, OPTCL will initiate action for procurement and installation of the Shunt Capacitors during 2009-10. Only after these Shunt Capacitors become fully operational, the voltage profile would improve.

(iv) As per the study report and recommendations of PRDC, the transmission company i.e. OPTCL would be penalized if the net reactive power pool account is negative i.e., reactive power pool payment is higher than the reactive power pool receipt. The negative reactive power pool account indicates that the transmission company is not maintaining the voltage profile within limits in spite of contribution from all other stakeholders.

In the above context, Para 8 of Annexure-1 to Chapter-6 [Refer Clause 6.1 (c)] of Orissa Grid Code is reproduced hereunder:

“ Para 9- In case the voltage profile of state grid improves to an extent that the total pay-out from the state VAr charges account for a week exceeds the total amount being paid-in for that week, and if the state reactive account has no balance to meet the deficit, the pay-outs shall be proportionately reduced according to the total money available in the above account.”

In view of the above, the suggestion of PRDC on payment of negative reactive power pool is not acceptable to OPTCL.

(vi) OPTCL is of the view that reactive energy charge should not be mere money spinning exercise but instead it should be targeted to eliminate local voltage problems faced by the utilities. The reactive energy recorded in different lines should be analyzed and used to improve voltage profile of different substations by using

appropriate remedial measures. In the intra-state level, there should be a coordinated plan among CTU, STU and Distribution Companies for optimal resource utilization towards installation of reactive compensation equipment.

- (4) That in view of the submissions in the foregoing paragraphs, the Hon'ble Commission may consider not to levy any Reactive Energy Charge during the FY 2009-10. OPTCL will make all out efforts to install the shunt capacitors once the Hon'ble Commission approves the proposed expenditure in the ensuing Tariff order.
- (5) The OERC (Intra-State ABT) Regulations, 2007 although came into force on 14.02.2008 is not yet implemented due to various reasons and it may take some more time for implementation. In the first stage, Hon'ble Commission may consider implementation of Fixed Charges/Capacity Charges, Energy Charges as well as UI Charges and in the second stage Levy of Reactive Power Price may be considered.

PRAYER

In view of the facts and submissions made herein above, OPTCL humbly prays before Hon'ble Commission to kindly consider OPTCL's proposal not to levy any Reactive Energy Charge during FY 2009-10.

BY THE APPLICANT
THROUGH

Bhubaneswar
February 12, 2009

SENIOR GENERAL MANAGER
REGULATION AND TARIFF

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.. ... Applicant

Submission of OPTCL on Reactive Energy Charge.

Affidavit verifying the Application

I, Sri Adhar Prasad Mohanty , son of Late Natabara Mohanty , aged about 57 years, residing at Plot No. N-5/247, IRC Village, Nayapalli, Bhubaneswar, do solemnly affirm and say as follows:

I am the Senior General Manager (R&T) of Orissa Power Transmission Corporation Limited, the applicant in the above matter, and am duly authorised by the said applicant to make this affidavit on its behalf.

The statements made in the paragraphs herein above are based on information and I believe them to be true.

Bhubaneswar
February 12, 2009

DEPONENT