#### IN THE APPELLATE TRIBUNAL FOR ELECTRICITY

(Appellate Jurisdiction)

#### **APPEAL No. 318 of 2019**

Dated: 8th April, 2025

Present: Hon'ble Mr. Sandesh Kumar Sharma, Technical Member

Hon'ble Mr. Virender Bhat, Judicial Member

#### In the matter of:

### NTPC Tamil Nadu Energy Company Ltd.

NTPC Bhawan Core-7, Scope Complex 7, Institutional Area, Lodhi Road New Delhi-110 003

... Appellant

#### **VERSUS**

### 1. A.P. Transmission Corporation Limited

Through its Managing Director, Vidyut Soudha, Khairatabad, Hyderabad-500082

# 2. A.P. Eastern Power Distribution Company Ltd.

Through its Managing Director, P&T Colony, Seethammadhara, Vishakapatnam-503013

## 3. A.P. Southern Power Distribution Company Ltd.

Through its Managing Director, Beside Srinivassakalyana Mandapam, Tiruchanur Road, Kesavayana Gunta, Tirupati- 517501

## 4. Transmission Corporation of Telangana Ltd.

Through its Managing Director, Vidyut Soudha Khairatabad, Hyderabad - 500 082

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### 5. Telangana State Southern Power Distribution Company Ltd

Through its Managing Director, Mint Compound, Corporate Office Hyderabad – 500 063.

### 6. Telangana Northern Power Distribution Company Ltd

Through its Managing Director, H. No. 2-5-31/2, Vidyut Bhavan, Nakkalagutta, Hanamkonda, Warangal – 506 001

### 7. Power Company of Karnataka Ltd.

Through its Managing Director, KPTCL complex, Kaveri Bhawan, Bengaluru- 560009

### 8. Bangalore Electricity Supply Company Ltd. (BESCOM)

Through its Managing Director, Krishna Rajendra circle, Bangalore- 506001

### 9. Mangalore Electricity Supply Company Ltd. (MESCOM)

Through its Managing Director, MESCOM Bhavana, Corporate Office Bejai Kevai Cross Road Mangalore-575004

### 10. Chamundeshwari Electricity Supply Company Ltd. (CESC)

Through its Managing Director, Corporate Office, No 29, GROUND Floor, Kaveri Grameena Bank Road Vijayanagar 2nd Stage, Mysore – 570017

# 11. Gulbarga Electricity Supply Company Ltd. (GESCOM)

Through its Managing Director, Main Road, Gulbarga- 585102

## 12. Hubli Electricity Supply Company Ltd. (HESCOM)

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Through its Managing Director, Navanagar, PB Road, Hubli- 580025

### 13. Kerala State Electricity Board Ltd.

Through its Managing Director, Vaidyuthi bhavanam, Pattom, Thiruvananthapuram- 695004

# 14. Tamil Nadu generation & Distribution Corporation Ltd.

Through its Managing Director, NPKRR Maaligai, 144, Anna Salai, Chennai- 600002

### 15. Electricity department

Through its Secretary Govt. of Puducherry, 137, Netaji Subhash Chandra Bose Salai, Puducherry- 605001

### 16. Central Electricity Regulatory Commission

Through its Secretary, 3<sup>rd</sup>& 4<sup>th</sup> Floor, Chanderlok Building, 36, Janpath, New Delhi- 110001

... Respondents

Counsel for the Appellant(s) : Anand K. Ganesan

**Amal Nair** 

Swapna Seshadri for App.

Counsel for the Respondent(s) : Anusha Nagarajan for Res. 14

#### JUDGMENT

#### PER HON'BLE MR. VIRENDER BHAT, JUDICIAL MEMBER

- 1. The short issue which arises for consideration in this appeal is whether the Central Commission (Respondent No. 16 herein) ought to have used its power to relax available under Regulation 54 of CERC (Terms and Conditions of Tariff) Regulation 2014 (in short "Tariff Regulations, 2014") to relax the figure of Normative Annual Plant Availability Factor (NAPAF) from 85% to 83% as provided in Regulation 36(A) (a) of these Regulations for the Appellant for the period 1st April, 2017 to 31st March, 2019.
- 2. The Appellant, NTPC Tamil Nadu Energy Company Limited (in short "NTECL") is a joint venture company of NTPC Limited, a Govt. of India undertaking and Tamil Nadu Generation and Distribution Company Ltd. (TANGEDCO), the Respondent No. 14 here.
- 3. The brief factual background in which the instant appeal has come up before this Tribunal is encapsulated herein below.
- 4. On 23<sup>rd</sup> March, 2007 a Letter of Assurance (LOA) was issued in favour of the Appellant formally allocating annual supply of 46.20 lakh metric tonnes of coal for its thermal power generation station at Vallur with the total capacity of 1500 MW from its three units. The said coal

based generating station was established primarily based on domestic coal linkage allocated by the Government of India. The electricity generated from the generating station is supplies to Respondent Nos. 1 to 15 herein. The three units of the generating station i.e. Unit I, Unit II & Unit III achieved commercial operations on 29<sup>th</sup> November, 2012, 25<sup>th</sup> August, 2015 and 26<sup>th</sup> February, 2015 respectively.

- 5. On 18<sup>th</sup> October, 2015, the Government of India issued New Coal Distribution Policy, 2007 wherein it was mandated that 100% of normative coal would be considered for allocation to the thermal power plants through Fuel Supply Agreements (FSA).
- 6. A Fuel Supply Agreement (FSA) dated 24<sup>th</sup> July, 2015 was executed between the Appellant and Mahanadi Coalfields Limited (MCL) for an Annual Contracted Quantity (ACQ) of 46.20 lakhs metric tonnes (LMT) of coal to be used for two units i.e. Unit I and Unit II of Vallur TPS (2x500 MW) i.e. 1000 MW. After the operationalization of Unit III, the Appellant approached the Commission for increase of annual contracted coal quantity to 62.4 LMT for all three units of the power plant. Further, in a letter dated 10<sup>th</sup> November, 2016 addressed to the MCL, the Appellant sought enhanced quantity of 65.5 LMT of coal in the FSA.

- 7. The Government of India through an office memorandum dated 26<sup>th</sup> July, 2013 revised the New Coal Distribution Policy specifically for power plants that were commissioned between 1<sup>st</sup> April, 2009 and 21<sup>st</sup> March, 2015 restricting the supply of annual coal quantity from coal mines under the FSA's to 65% of Annual Coal Quantity (ACQ) for financial year 2014-15, to 67% for financial year 2015-16 and to 75% for financial year 2016-17. From 1<sup>st</sup> April, 2017, the domestic coal supply was to be only to the extent of 63.75 of the installed capacity of the generating station.
- 8. On 21<sup>st</sup> February, 2014, the Central Commission issued 2014 Tariff Regulations.
- 9. It appears that the Appellant filed a generation tariff petition No. 277-GT/2014 before the Central Commission seeking approval for the tariff for its said Vallur thermal power station for the period 2014-19 proposing therein the target availability of 83% for the plant during the said period. The Commission, while taking note of shortage in domestic coal supply, disposed of the petition vide order dated 11<sup>th</sup> July, 2017 thereby granting the relaxation under target availability norm to 83% for the first three years starting from 1<sup>st</sup> April, 2014. The relevant portion of the said order is extracted herein below:-

"90. The petitioner has considered the Target Availability of 83% for the period 2014-19. The Commission, due to shortage of domestic coal supply has relaxed the Target Availability norm to 83% for first 3 years from 1.4.2014 and the same shall be reviewed after 3 years. Accordingly, in terms of the Regulation 36(A) of the 2014 Tariff Regulations, the Target Availability of 83% is considered for the period 2014-17 and 85% for the period 2017-19"

10. Subsequently, the Appellant filed Petition No. 68/MP/2018 seeking relaxation/revision of the NAPAF for the period 2017-18 and 2018-19 as provided under Regulation 36 of 2014 Tariff CERC Regulations. The contention of the Appellant before the Commission despite its all out efforts on continuous basis, there is was that always a shortage of coal supply at the power station and it has not been able to declare plant available factor to claim full capacity charge. The Appellant had sought revision/relaxation of NAPAF for its thermal power plant from 85% to 83% on account of less realization /availability of coal from linked coal mines coupled with ban on import of coal from Ministry of Power due to which it could not declare availability of 85% resulting in shortfall in recovery of annual fixed charges.

- 11. The contention of the Appellant did not find favour with the Commission and accordingly, the Commission vide order dated 26<sup>th</sup> June, 2019, refused to relax the NAPAF figure for the Appellant period in question i.e. for the years 2017 to 2019. Accordingly the petition was disposed of.
- 12. The said order dated 26<sup>th</sup> June, 2019 of the Commission has been impugned by the Appellant in this appeal.
- 13. We have heard Learned Counsel for Appellant and Learned Counsel for Respondent No. 14. We have also perused the impugned order and have gone through the written submissions filed by the Learned Counsels. It may be noted here that only Respondent No. 14 has been contesting the appeal and no other respondent has come forward to contest the same.
- 14. Before adverting to the rival contention/submissions of the parties, we find it apposite to note the relevant provisions of 2014 CERC Tariff Regulations herein:-
  - "3(15) Declared Capacity "in relation to a generating station means, the capability to deliver ex-bus electricity in MW declared by such generating station in relation to any time-block of the day as defined in the Grid Code or whole of the day, duly taking into account the

availability of fuel or water, and subject to further qualification in the relevant regulation"

3(41)- "Normative Annual Plant Availability Factor' or 'NAPAF' in relation to a generating station means the availability factor as specified in Regulation 36 and 37 of these regulations for thermal generating station and hydro generating station respectively"

**3(44)** 'Plant Availability Factor' or '(PAF)' in relation to a generating station for any period means the average of the daily declared capacities (DCs) for all the days during the period expressed as a percentage of the installed capacity in MW less the normative auxiliary energy consumption"

3 (45) 'Plant Load Factor' or '(PLF)' in relation to thermal generating station or unit for a given period means the total sent out energy corresponding to scheduled generation during the period, expressed as a percentage of sent out energy corresponding to installed capacity in that period and shall be computed in accordance with the following formula

#### Regulation 36

A – Normative Annual Plant Availability (NAPAF) ----

(a) All thermal generating stations, except those covered under clauses (b), (c), (d), & (e) - 85%

Provided that in view of shortage of coal and uncertainty of assured coal supply on sustained basis experienced by the generating stations, the NAPAF for recovery of fixed charges shall be 83% till the same is

reviewed. The above provision shall be reviewed based on actual feedback after 3 years from 01.04.2014.

- **54. Power to Relax.** The Commission, for reasons to be recorded in writing, may relax any of the provisions of these regulations on its own motion or on an application made before it by an interested person
- 55. Power to Remove Difficulty: If any difficulty arises in giving effect to the provisions of these regulations, the Commission may, by order, make such provision not inconsistent with the provisions of the Act or provisions of other regulations specified by the Commission, as may appear to be necessary for removing the difficulty in giving effect to the objectives of these regulations."
- 15. Thus, as per Regulation 36(A)(a), NAPAF figure for all thermal generating stations accept those covered under clauses (b) (c) (d) and (e) is 85%. Admittedly, the Appellant's thermal power plant does not fall in the categories (b)(c)(d) & (e) of Regulations 36(A) and, therefore, it was also required to achieve target availability of 85%. However, the proviso attached to the said Regulations takes note of the shortage of coal and uncertainty of assured coal supply of sustained basis experienced by the generating stations and accordingly, specifies the NAPAF for recovery of fixed charges as 83% which was to be reviewed after three years from 1st April, 2014 (i.e. after 01/04/2017) on the basis of actual feed back.

- 16. Regulations 54 empowers the Commission to relax any of the provisions of these Regulations either on its own motion or on an application submitted to it by any interested person/party and the Commission is obligated to give reasons for any decision in this regard.
- 17. It is settled by a catena of decisions rendered by this Tribunal that while exercising power to relax, the Commission must get satisfaction from the material of record that there are sufficient reasons to justify such relaxation and non exercise of power to relax would cause hardship and injustice to the party/person concerned. Additionally, Commission must gains satisfaction with regards to the fact that the circumstances under which relaxation is sought are not created due to any act of omission or commission attributable to the part/person claiming the relaxation.
- 18. In the instant case, the reasons which led the Commission to refuse invocation for power to relax, which could be culled out from the impugned order are :
  - a) "There was no embargo on NTECL to procure coal from alternate sources even though there was a reduction in the assured domestic coal supply from the linked mines as per the new coal distribution policy notified by the Ministry of Coal.

- b) A similar case filed by NTPC SAIL seeking relaxation of NAPAF for the period 22.04.2009 to 31.03.2010 had been declined by the Central Commission in an earlier Order dated 27.05.2011 in Petition No. 245 of 2010.
- c) The risk of shortage of coal cannot be transferred to the beneficiaries who have no control over coal.
- d) The power to relax being discretionary cannot be invoked since it must be exercised reasonably with circumspection, consistent with justice equity and good conscience."
- 19. We have already noted herein above that by attaching proviso to Regulation 36 (A) of 2014 CERC Tariff Regulations, the Commission had reduced the NAPAF figure for all thermal generating stations based on domestic coal from 85% to 83% in view of the shortage of coal and uncertainty of assured coal supply on sustained basis faced by these generating stations till 31st March, 2017. The proviso provided for review of the situation after 1<sup>st</sup> April, 2017 based on actual feed back. It cannot be gainsaid that the office memorandum dated 26th July, 2013 issued by Government of India thereby revising the new coal distribution policy had created such situation for the thermal power plants based on domestic coal as the assured annual coal quantity was restricted to 65% for the Financial Year 2014-15, 67% for Financial Year 2015-16 and 75% for Financial Year 2016-17. It is not disputed that from 1st April, 2017 also, the domestic coal supply to the

thermal power plant was only to the extent of 63.75% of the installed capacity. However, the review of the situation as contemplated by the proviso attached to Regulation 36(A) has not been conducted by the Commission. Nothing has been brought on record on behalf of Respondent No. 14 to show that entire assured quantity of coal as per FSA dated 24<sup>th</sup> July, 2013 was being supplied to the Appellant by MCL w.e.f. 1<sup>st</sup> April, 2017.

- 20. Further, in a meeting held on 20<sup>th</sup> October, 2015 under the Chairmanship of Secretary, Ministry of Power, Government of India pertaining to the performance review of NTPC power stations, the NTPC, its joint ventures and its subsidiaries were directed to minimize the import of coal as far as possible. In the subsequent meetings held on 3<sup>rd</sup> May, 2017, 4<sup>th</sup> May, 2017 during the conference of Power, Renewable Energy and Mines, Ministries of States and Union Territories, it was decided that coal import by public sector thermal power plant based on domestic coal shall be reduced to zero.
- 21. Therefore, it was not possible for the Appellant to augment coal supply to its thermal power plant at vallur by resorting to import of coal from outside India.

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22. The Appellant has also been constantly and vigorously following up with Coal India Limited and its subsidiaries by way of letters dated 1<sup>st</sup> July, 2016, 28<sup>th</sup> August, 2016, 19<sup>th</sup> October, 2016, 10<sup>th</sup> November, 2016, 20th December, 2016 and 10th March, 2017 citing shortfall in the supply of coal and requesting for augmentation of coal supply from MCL to achieve bare minimum generation target of 85% PLF and to avoid import of coal. Even though, it has been submitted on behalf of Respondent No. 14 that the only issue raised in these letters by the Appellant is with regards to the shortfall of supply of coal as compared with the quantity committed under FSA and no request was made to increase the total quantum of coal contracted under the FSA, yet in the written submissions filed on behalf of Respondent No. 14 itself, it has been stated that in the minutes of meeting dated 9th October, 2017 of SRPC, it is noted that Director (O) NTPC had requested the Joint Secretary, Thermal, Ministry of Power for enhancement of ACQ of NTECL value from 6.24 MMT to 8.863 MMT equivalent to 85% PLF. Therefore, it cannot be said that the Appellant never requested for increase in the total quantum of coal allocated to it under the FSA. Further, admittedly, all these letters contained request from the Appellant for augmentation of coal supply to its thermal power plant.

- 23. Therefore, it can't be said that the Appellant did not make any efforts to obtain sufficient supply of domestic coal as per FSA in order to achieve the target availability of 85%. On the contrary, it is evident that the Appellant was taking continuous steps for augmentation of supply of coal to its generating station, which did not yield any result. The Appellant neither had adequate domestic coal supply from MCL as assured under the FSA nor could it take steps to import coal from outside India. The situation was completely beyond its control. Therefore, in these circumstances, the Appellant had made out a good case for invocation of power to relax under Regulation 54 of the Commission for revision of target availability factor from 85% to 83% from 1<sup>st</sup> April, 2017 onwards. In our opinion, it was a fit case in which the Commission ought to have exercised its power under Regulation 54 of 2014 CERC Regulations for relaxation of the target availability factor for the Appellant's Vallur thermal power plant.
- 24. It is argued on behalf of Respondent No. 14 that since there was no embargo on the Appellant for importing coal which it chose not to do, it not only failed to meet the plant's operational needs but also missed the opportunity to recover the associated costs. The argument has been noted only to be rejected. It is true that there was no

embargo upon the Appellant for importing coal but it is equally true that since the shortfall in supply of domestic coal to its thermal power plant form MCL under the FSA was not attributable to it, the Appellant was entitled to relaxation in the figure of NAPAF as was granted to all coal based thermal power plants by way of proviso to Regulation 36(A) till 1st April, 2014, since there was no improvement in situation as was prevailing upto 01/04/2014.

25. The arguments advanced on behalf of Respondent No. 14 -TANGEDCO that the test be applied by this Tribunal in a case where relaxation has been refused by the Commission would be different as compared to a case whether relaxation has been granted, is devoid of any merit. It is for the reason that the Appellate power to be exercised by this Tribunal under Section 111 of the Electricity Act, 2003 is uniform in all situations and cannot be circumscribed merely for the fact that the lower forum i.e. Electricity Regulatory Commission has chosen not to exercise its power to relax. In its Appellate jurisdiction, this Tribunal would be within its powers to examine each and every case brought before it to ascertain whether the Commission has wrongly refused to exercise its power to relax which has resulted into a grave injustice to the person/party seeking such relaxation. The

argument that this Tribunal would exercise its appellate power only in the situations where the Commission is found to have wrongly exercised its power to relax is absolutely flawed and frivolous.

26. The judgement of this Tribunal in Madhya Pradesh Power Generation Company Limited vs. Madhya Pradesh Electricity Regulatory Commission and Ors., 2011 SCC online APTEL 72, cited by the Learned Counsel for Respondent No. 14 is patently not applicable to the facts of the instant case. In that case, the Appellant generating company had sought a direction to the Commission to amend the Regulations on the ground of alleged defects therein impairing the fulfillment of the object of the Act, which was found by the Tribunal beyond its powers and accordingly the appeal was held to be not maintainable. Further, the Appellant in that case had sought invocation of the Commission's "power to remove defects" and not its "power to relax". The relevant portion of the judgement is quoted herein below:-

"65. Thus, to summarize our reasoning, power to remove difficulties is a power given to the executive in order that the provisions of the Act may be given effect to. The Executive may exercise such power by executive order or in some cases they exercise legislative function to bring about minor adjustments so that implementation of the Act may be smoothened. Here in regulation 57 it is an express language that

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the Commission may by general or special order itself do or undertake or direct a generating company to do or undertake things for the purpose of removing the difficulties. This provision in the context of an express provision in regulate in 58 giving the Commission power to amend is not attracted here.

66. In view of the decisions cited in the preceding paragraphs, we find that this appeal fails to be an appeal under Section 111 of the Act. The prayer in substance in this appeal has been one to give a command to the Commission to effect amendment of the regulation on the ground of alleged defects therein impairing the fulfilment of the object of the Act which we are unable to subscribe to in as much as to do so would entail in travelling beyond our jurisdiction. While saying so, we do not say that the Commission at no point of time can exercise the powers conferred on it under regulation 56, 57, 58 and 59 in appropriate cases."

(Emphasis supplied)

27. In the instant case, the Appellant is neither seeking direction to the Commission to invoke power to remove the defects nor is seeking amendment of the Regulations but has contended that the Commission has erroneously and unjustifiably refused to invoke its power to relax as per Regulation 54 of 2017 CERC Tariff Regulations.

28. Similarly, the judgement of this Tribunal in Ratnagiri Gas & Power Pvt. Ltd. Vs. CERC & Ors. 2011 SCC online Aptel 44 and in Tata Power Company Limited vs. Jharkhand State Electricity Regulatory Commission & Anr. (Appeal No. 189 of 2011) decided at

20th September 2012 do not, in any manner, advance the case of Respondent No. 14. In the case of Ratnagiri, this Tribunal has explained the principles to be kept in mind by the Commission while exercising power to relax which have already been noted herein above. In Tata Power Company case also, this Tribunal has culled out certain principles relating to exercise of power to relax by the Commission, one of which is that this Tribunal cannot exercise its appellate authority normally for the purpose of substituting one subjective satisfaction with another without there being any specific and valid reasoning for such substitution.

29. In the instant case, manifestly, the Commission has not considered the fact that the Appellant was genuinely experiencing shortfall in domestic coal for its vallur thermal power plant despite making endeavors to augment supply of domestic coal for the said plant. The Commission has also failed to consider the fact that the situation in which the Appellant was placed due to shortage in coal supply, was not its own creation and could not be attributable to it. Mere fact that there was no embargo upon the Appellant for importing coal for its power plant cannot be taken to indicate that the shortfall in coal was creation of the Appellant itself. It would not be out of place to

mention here that the Appellant's thermal power plant in question was established primarily based on domestic coal linkage allocated by the Government of India and as per FSA dated 24th July, 2015 executed by it with MCL, it expected to receive 100% of its normative coal requirement from MCL. However, the supply of annual coal quantity from the coal lines to thermal power plants under the FSAs was restricted by the Government of India through office memorandum dated 26<sup>th</sup> July, 2013 which was the main reason for shortfall in coal supply experienced by the thermal power plants. Such situation created by the said office memorandum dated 26th July, 2013 was taken note of by the Commission itself while issuing the 2014 Tariff Regulations. Accordingly, by inserting proviso to Regulation 36(A), a general relaxation was given to all the thermal power plants till 1st April, 2014 by reducing the figure of NAPAF for recovery of fixed charges to 83% from 85%. At the same time, the Commission also stated in the proviso that this dispensation shall be reviewed after 1st April, 2017 based on the actual feed back. Admittedly, no such review has taken place but the thermal power plants continued to experience shortfall in coal supply and uncertainty of assured coal supply as per the FSA's from the linked coal mines. In view of the said situation, we

are of the opinion that since there was no change in circumstances, that were prevailing as regards the coal supply from the linked coal mines to the thermal power plant before 1<sup>st</sup> April, 2014, after the said date also, the Commission ought to have continued such relaxation in the figure of NAPAF for the thermal power plant beyond 1<sup>st</sup> April, 2017 also. This would have certainly been done, in case the Commission had conducted a review of the situation as envisaged in the above noted proviso attached to Regulation 36(A).

30. Therefore, when we say that the Commission ought to have exercised its power to relax under Regulation 54 of 2014 CERC Regulation for relaxation of the target availability factor for Appellant's vallur thermal power plant, it cannot be said that we are substituting our subjective satisfaction with the one gained by the Commission while passing the impugned order. It is clearly a case where the Commission has failed to take note of the reasons due to which the Appellant was experiencing shortfall in coal supply for its coal based thermal power plant at Vallur and to ascertain whether or not was such shortfall the creation of the Appellant itself or attributable to the Appellant.

31. Be that as it may, we are unable to sustain the impugned order of the commission as it has erroneously refused to invoke its power to relax under Regulation 54 of 2014 CERC Tariff Regulations despite there being sufficient ground for such invocation and such refusal on the part of the Commission having caused mis-carriage of justice besides severe financial loss to the Appellant.

32. Hence, the impugned order of the Commission is hereby set aside. We hereby direct the Commission to provide relaxation to the Appellant by reducing the figure of NAPAF for its vallur thermal power plant for recovery of fixed charges from 85% to 83% for the Financial Years 2017-18 and 2018-19.

Pronounced in the open court on this 8th day of April, 2025.

(Virender Bhat)
Judicial Member

(Sandesh Kumar Sharma) Technical Member (Electricity)

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