

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 307/MP/2018

Coram:

Shri P.K. Pujari, Chairperson

Shri I.S Jha, Member

Shri Arun Goyal, Member

Date of Order: 8th February 2021

In the matter of:

Petition under Section 79(1)(f) of the Electricity Act, 2003 read with Clause 6.6 of the Central Electricity Regulatory Commission (Indian Electricity Grid Code) Regulations, 2010 regarding outstanding amount of Reactive Energy Charges.

And in the matter of:

Rajasthan Rajya Vidyut Prasaran Nigam Limited
Vidyut Bhawan, Jyoti Nagar,
Jaipur – 302005

Petitioner

Vs

1. Uttar Pradesh Power Corporation Ltd. (UPPCL)
3rd Floor, Shakti Bhawan,
Lucknow

2. Northern Regional Power Committee (NRPC)
18-A, S. Jeet Singh Marg, Katwaria Sarai,
New Delhi-110016

Respondents

Parties Present: Ms. Preetika Dwivedi, Advocate, RRVPNL
Shri Satish Chandra Sharma, RRVPNL

ORDER

The present Petition has been filed by Rajasthan Rajya Vidyut Prasaran Nigam Limited (RRVPNL) seeking reimbursement of outstanding reactive energy charges along with interest from Respondent No. 1, Uttar Pradesh Power Corporation Ltd. (UPPCL). The Petitioner has made the following prayers:

“a) Admit the Petition;

- b) *Direct the Respondent No-1 to make the payment of reactive energy charges to the Petitioner, outstanding dues of which is Rs. 1, 54, 83, 468/- (Rs. One Crore fifty four lakhs eighty three thousand four hundred sixty eighty only);*
- c) *Direct the Respondent No-1 to also pay the simple interest @0.04% for each day of delay to the Petitioner;*
- d) *Direct the Respondent No-1 to make the said payments in a time bound manner; and*
- e) *Pass any such further order(s) as deemed appropriate in the facts and circumstances of the case.”*

Submissions of Petitioner

2. The Petitioner has submitted as under:

- a) The Petitioner has sought implementation of the mechanism of reactive energy charges specified in the Central Electricity Regulatory Commission (Indian Electricity Grid Code) Regulations, 2010 (hereinafter referred to as 'the Grid Code') and payment of reactive energy charges from Respondent No. 1 amounting to Rs. 1,54,83,468/- for the period upto March 2018.
- b) Regulation 6.6 of the Grid Code lays down the mechanism for reactive energy pricing and also provides for payment of reactive energy charges for which accounting is done by the concerned RLDC. The Grid Code also provides that reactive energy compensation should ideally be provided locally, by generating reactive energy as close to the reactive energy consumption as possible. It is also provided that the charge for reactive energy shall be at the rate of 10 paise/kVArh w.e.f. 3.5.2010, and that this charge will be applicable for regional entities, except generating stations, and the regional pool account for reactive energy interchanges. This rate shall be escalated @0.5 paise/kVArh per year thereafter, unless otherwise revised by the Commission.
- c) Reactive energy is required to be minimized so as to reduce the losses and to bring efficiency in the system. It is for this reason that the reactive energy charges are levied on the defaulting entity as a compensation for supplying the reactive energy to the Grid.
- d) UPPCL vide letter dated 17.4.2012 had provided the statement of reconciliation of reactive energy charges to be paid to the Petitioner and it had been agreed that as on

29.1.2012, a sum of Rs. 1,37,00,005/- was payable by UPPCL to the Petitioner on account of reactive energy charges.

e) The Petitioner vide its letter dated 3.10.2012 requested UPPCL to pay reactive energy charges of Rs. 1,19,36,537/- for the period from 29.1.2012 to 26.8.2012. Subsequently, vide another letter dated 31.3.2017, the Petitioner requested UPPCL to make payment of reactive energy charges amounting to Rs. 1,18,75,987/- for the period upto 16.1.2017. Thereafter, the Petitioner wrote a series of reminder letters dated 11.12.2017, 5.2.2018, 13.6.2018 and 29.6.2018 to UPPCL for payment of outstanding dues, but no response has been received in this regard. As on 31.3.2018, the total outstanding amount payable by UPPCL to the Petitioner is. Rs. 1,54,83,468/-. UPPCL has neither made the said payments nor gave any response to the communication of the Petitioner regarding the same.

f) The matter has also been discussed in the 36th commercial sub-committee meeting held on 11.06.2018 in NRPC secretariat, New Delhi, but no representative of UPPCL was present at the meeting.

g) As per Clause 12 of Annexure 1 of the Grid Code, the bills towards reactive energy charges issued by the concerned RLDC on weekly basis are to be settled by the concerned constituents within a period of 12 days failing which they are liable to pay simple interest @0.04% for each day of delay. Therefore, UPPCL is also liable to pay the simple interest @0.04% for each day of delay.

Reply of UPPCL

3. UPPCL vide its affidavits dated 21.9.2019 and 6.12.2019 has filed its reply and has submitted as under:

a) UPPCL has already made the payment of Rs. 1,55,67,207/- to the Petitioner and vide letter dated 27.10.2018 informed the Petitioner that reactive energy charges up to week ending 26.6.2018 has been paid and all dues towards reactive energy charges has been settled. The Petitioner was requested to confirm the payment received. However, the Petitioner did not reply to the said letter.

b) Since the Grid Code provides for payment of simple interest @0.04%, the presumption would be that the bill given to UPPCL by the Petitioner up to March 2018 amounting to Rs 1,54,83,468/- included the interest amount.

c) NRPC in its letter dated 1.6.2018 i.e. agenda for meeting of 36th commercial sub-committee recorded the reconciliation and recoverable amount from UPPCL to the Petitioner from 29.1.2012 to 31.12.2017 as Rs. 1,40,81,757/-. The bill of the Petitioner towards interest chargeable w.e.f. January 2012 is wrong. If, at all, any interest might be applicable, it would be on the amount due on 31.12.2017, which was Rs. 1,40,81,757/-.

d) UPPCL has made the payment of entire principal amount and the same been confirmed by the Petitioner during the hearing dated 17.1.2019. As far as issue of non-payment of interest is concerned, the Petitioner has never raised the bill for the same. UPPCL has also informed the Petitioner vide its letters dated 15.2.2019 and 20.9.2019 that no bill in respect of outstanding amount has been made. The Petitioner also requested the Petitioner to submit bill for interest claimed along with calculation and supporting documents.

e) Since UPPCL has made payment of the entire amount to the Petitioner that was due up to 26.6.2018, the claim of the Petitioner seeking interest has become infructuous.

Rejoinder of the Petitioner

4. The Petitioner in its rejoinder vide affidavit dated 17.12.2019 has submitted as under:

a) As per Clause 11 of the Grid Code, RPC Secretariat is required to issue weekly statement for reactive energy charges to all regional entities who have a net drawl/ injection of reactive energy under low/ high voltage conditions. As per Clause 12 of Annexure 1 of the Grid Code, the bill towards reactive energy charges issued by concerned RLDC on weekly basis are to be settled by the concerned constituents within 12 days failing which they are liable to pay simple interest @0.04% for each day of delay. There is no need to issue bill in respect of outstanding interest amount by the Petitioner separately as interest increases on daily basis till payment on the outstanding amount.

b) A combined reading of Clause 11 and Clause 12 of Annexure 1 of the Grid Code leads to the inference that while reactive energy charges are deposited into the regional reactive pool account operated by RLDC, the interest component is to be paid to the concerned regional entity. Therefore, the presumption of UPPCL that consolidated weekly bills as prepared by NRLDC and forwarded to UPPCL by the

Petitioner included the interest is contrary to plain reading of the provisions of the Grid Code.

c) UPPCL vide letter dated 20.9.2019 requested the Petitioner to raise the bill towards interest, if any, for necessary payment. Accordingly, the Petitioner vide letter dated 4.10.2019 raised the bill of outstanding amount of reactive energy charges, for the period from 1.10.2002 to 20.9.2019 amounting to Rs. 3,53,06,917/-.

5. The matter was heard on 25.8.2020 and the Commission reserved the order in the Petition.

Analysis and Decision

6. The Petitioner has submitted that bill towards reactive energy charges is being raised by the Petitioner upon UPPCL from 1.10.2002. Subsequent to filing of the present Petition, UPPCL has paid Rs. 1,55,67,207/- and vide letter dated 27.10.2018 informed the Petitioner that reactive energy charges up to week ending 26.6.2018 has been paid and all dues towards reactive energy charges has been settled. The Petitioner has admitted receiving the amount of Rs. 1,55,67,207/-. The only issue which remains for our consideration is the Petitioner's entitlement of interest on the delayed payment of reactive energy charges by UPPCL.

7. During the hearing dated 17.1.2019, the Petitioner informed the Commission that UPPCL has paid the entire principal amount, but interest on the principal amount is still outstanding. The Commission vide RoP of hearing dated 17.1.2019 directed the Petitioner to file detailed calculation of the principal amount along with the outstanding interest thereon. In response, the Petitioner vide affidavit dated 18.1.2019 has submitted the detailed calculations stating that the interest on outstanding amount as on 31.3.2018 was Rs. 3,38,34,478/-.

8. The Petitioner vide affidavit dated 18.12.2019 has submitted that as per Clause 11 of Annexure-1 of the Grid Code, the NRPC secretariat is required to issue weekly statement for reactive energy charges to all regional entities who have a net draw/ injection of reactive energy under low/ high voltage conditions. As per Clause 12 of Annexure-1 of the Grid Code, the bill towards reactive energy charges issued by concerned RLDC on weekly basis are to be settled by the concerned constituents within 12 days failing which they are liable to pay simple interest @0.04% for each day of delay. The Petitioner has submitted that in view of this provision of the Grid Code, the Respondent UPPCL is liable to pay simple interest @0.04% for each day of delay.

9. UPPCL has contended that the Petitioner never issued any bill claiming interest. It has submitted that since the Grid Code provides for payment of simple interest @0.04%, the presumption would be that the bill given to UPPCL by the Petitioner up to March 2018 amounting to Rs 1,54,83,468/- included the interest amount. The same has already been cleared and no amount remains due. UPPCL has further submitted that NRPC in its letter dated 1.6.2018 i.e. agenda for meeting of 36th commercial sub-committee recorded the reconciliation and recoverable amount from UPPCL to the Petitioner for the period from 29.1.2012 to 31.12.2017 as Rs. 1,40,81,757/-. Therefore, interest, if any, would be on the amount due on 31.12.2017 (i.e. Rs. 1,40,81,757/-). In response, the Petitioner has submitted that there is no need to issue bill in respect of outstanding interest separately as interest increases on daily basis (simple interest @0.04% per day) as per provisions of Clause 12 of Annexure-1 of the Grid Code till payment of the outstanding amount. The Petitioner has stated that it has raised bill for the period from 1.10.2002 to 20.9.2019 amounting to Rs. 3,53,06,917/- towards interest vide its letter dated 4.10.2019 in response to request of UPPCL vide its letter dated 20.9.2019.

10. We have considered the submissions of the Petitioner, the Respondent UPPCL and perused all relevant documents on record. We observe that the instant case relates to payment of reactive energy charges between two States on Agra-Bharatpur line which is jointly owned by the States of Uttar Pradesh and Rajasthan.

11. It is an accepted position that the Petitioner has never issued any bill for claiming interest from UPPCL prior to its letter dated 4.10.2019. We have also gone through reminder letters issued by the Petitioner to UPPCL dated 11.12.2017, 5.2.2018, 13.6.2018 and 29.6.2018 and note that they pertain to payment of principal amount and there is no mention of interest payable in any of these reminders. However, the Petitioner in the instant Petition filed on 3.10.2018 has prayed for payment of the simple interest @0.04% for each day of delay by invoking various provisions the Grid Code.

12. The relevant provisions of the Grid Code (Clause 6.6.7; Clauses 11 and 12 of Annexure-I; and Annexure-II) provide as under:

Clause 6.6.7

“VAR exchange directly between two Regional Entities except Generating Stations on the interconnecting lines owned by them (singly or jointly) generally address or cause a local voltage problem, and generally do not have an impact on the voltage profile of the regional grid. Accordingly, the management/control and commercial handling of the VAR exchanges on such lines shall be as per following provisions, on case-by-case basis:

i) The two concerned Regional Entities except Generating Stations may mutually agree not to have any charge/payment for VAR exchanges between them on an interconnecting line.

ii) The two concerned Regional Entities except Generating Stations may mutually agree to adopt a payment rate/scheme for VAR exchanges between them identical to or at variance from that specified by CERC for VAR exchanges with ISTS. If the agreed scheme requires any additional metering, the same shall be arranged by the concerned Beneficiaries.

iii) In case of a disagreement between the concerned Regional Entities except Generating Stations (e.g. one party wanting to have the charge/payment for VAR exchanges, and the other party refusing to have the scheme), the scheme as specified in Annexure-2 shall be applied. The per VARh rate shall be as specified by CERC for VAR exchanges with ISTS.

iv) The computation and payments for such VAR exchanges shall be effected as mutually agreed between the two Beneficiaries.”

Annexure-I

“11. RPC Secretariats shall also issue the weekly statement for VAR charges, to all regional entities who have a net drawal/injection of reactive energy under low/high voltage conditions. These payments shall also have a high priority and the concerned regional entities and other regional entities shall pay the indicated amounts into regional reactive pool account operated by the RLDC within 10 (ten) days of statement issue, provided that the Commission may direct any entity other than RLDC to operate the regional reactive pool account. The regional entities who have to receive the money on account of VAR charges would then be paid out from the regional reactive pool account, within two(2) working days from the receipt of payment in the Reactive pool account.

12. If payments against the above VAr charges are delayed by more than two days, i.e., beyond twelve (12) days from statement issue, the defaulting regional entity shall have to pay simple interest @ 0.04% for each day of delay. The interest so collected shall be paid to the regional entities who had to receive the amount, payment of which got delayed. Persistent payment defaults, if any, shall be reported by the RLDC to the Member Secretary, RPC, for initiating remedial action.”

Annexure-2

(refer section 6.6.7(iii))

“PAYMENT FOR REACTIVE ENERGY EXCHANGES ON STATE-OWNED LINES

*Case – 1: Interconnecting line owned by State-A Metering Point : Substation of State-B
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*Case - 2: Interconnecting line owned by State-B Metering point : Substation of State-A
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*Case – 3: Interconnecting line is jointly owned by States-A and –B. Metering points :
Substations of State-A and State-B
-----”*

12. It is evident from Clause 6.6.7 of the Grid Code that commercial settlement (viz. not to have any charge/ payment for VAr exchanges between them on an interconnecting line; adopt a payment rate/ scheme for VAr exchanges between them identical to or at variance from that specified by CERC for VAr exchanges with ISTS; arrangements for any additional metering; computation and payments for VAr exchanges) for reactive energy charges of interconnecting lines owned by the regional entities singly or jointly shall be carried out as per the mutual agreement between the entities. Further, there is difference between settlement of reactive energy charges collected in case of jointly owned lines that is governed by provisions of Clause 6.6.7 of the Grid Code and settlement of such charges for other regional entities that is covered under Clauses 11 and 12 of Annexure-1 of the Grid Code. In case of the former (governed by Clause 6.6.7 of the Grid Code), commercial settlement is as per

mutually agreed terms and in case of disagreement between the regional entities, provisions of Annexure-2 becomes applicable. In case of the latter (governed by Clauses 11 and 12 of Annexure-1 of the Grid Code), the payment of reactive energy charges is to be made to the pool from where payable amount is disbursed and there is no bilateral settlement.

13. In the instant case, the Petitioner has claimed interest on principal amount in terms of Clauses 11 and 12 of Annexure-1 of the Grid Code, but the matter relates to jointly owned Agra-Bharatpur line. Therefore, in our view, the said clauses (Clauses 11 and 12 of Annexure-1 of the Grid Code) have no application and rather the instant matter shall be governed as per Clause 6.6.7 of the Grid Code. Therefore, any claim of the Petitioner as regards interest based on Clauses 11 and 12 of Annexure-1 of the Grid Code is incorrect. Further, for provisions of Clause 6.6.7 of the Grid Code to be operational, there is need for a mutual agreement, but we note that neither the Petitioner nor the Respondent UPPCL has filed any mutually agreed scheme on record. The only mutually agreed statement that is on record is a reconciliation statement dated 17.4.2012, issued by Respondent UPPCL which has been duly signed by the Petitioner on 20.4.2012. The detailed billing includes charges towards reactive energy and wheeling charges between UPPCL and the Petitioner. From the reconciliation statement, it is seen that there is no mention of any interest charges.

14. We further note that the Petitioner has filed the instant Petition on 3.10.2018 and has claimed interest @0.04% for each day of delay towards the payment of reactive energy charges. We also note that the Petitioner has for the first time raised claim of interest vide letter dated 4.10.2019 after UPPCL vide its letter dated 20.9.2019 requested the Petitioner to provide details of interest. The interest claim of the Petitioner amounts to Rs. 3,53,06,917/- for the period from 1.10.2002 to 20.9.2019. It is incorrect on part of the Petitioner to claim interest for the period starting 2002 under provisions of the Grid Code that itself was notified in 2010.

15. In view of the above, we are not inclined to grant any relief to the Petitioner. Claims of the Petitioner as regards interest on delayed payment of reactive energy charges shall be governed by mutual agreement, if any, between the Petitioner and Respondent UPPCL in terms of the provisions of the Clause 6.6.7 of the Grid Code.

16. Petition No. 307/MP/2018 is disposed of in terms of the above.

sd/-
(Arun Goyal)
Member

sd/-
(I. S. Jha)
Member

sd/-
(P. K. Pujari)
Chairperson