

Ref. No. NTECL/CEO/26/24812

Date: 18.04.17

To

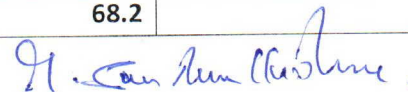
The Managing Director,
HESCOM,
Corporate Office,
P.B.Road, Navanagar,
Hubli - 580 025 .

Sub: Regulation Notice-
Regulation of power supply to the Hubli Electricity Supply Company Limited (HESCOM) as per provisions of the CERC (Regulations of Power Supply) Regulations, 2010 (as amended), Various GOI letters regarding allocations of power from NTPC Stations and PPA signed with HESCOM.

Dear Sir,

As you are aware that bills (as per details below) for energy supplied since Aug'16 from NTECL Vallur to Hubli Electricity Supply Company Limited (HESCOM) w.r.t. its allocation of 30.90 MW power allocated from NTECL-Vallur Thermal Power Project remain unpaid till date.

Energy Supplied in the month	Date of presentation of bills	Bill Amount (in Rs Cr)	Outstanding Dues (in Rs Cr)	Due Date of Payment
HESCOM (Hubli)				Last Bank working day of the calendar month in which bill is presented
Aug'16	06-Sep-16	7.29	1.77	30-Sep-16
Sep'16	06-Oct-16	8.32	8.32	31-Oct-16
Oct'16	08-Nov-16	8.09	8.09	30-Nov-16
Nov'16	06-Dec-16	9.84	9.84	31-Dec-16
Dec'16	06-Jan-17	9.64	9.64	31-Jan-17
Jan'17	06-Feb-17	9.82	9.82	28-Feb-17
Feb'17	06-Mar-17	8.90	8.90	31-Mar-17
Mar'17	06-Apr-17	11.82	11.82	29-Apr-17
Total Outstanding Dues		73.72	68.2	



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As per the terms of PPA signed between NTECL and Hubli Electricity Supply Company Limited (HESCOM) for Vallur Thermal Power Project (3X500 MW) on 06.03.2008, payments for the energy bills are to be made by the Due Date i.e. within the last bank working day of the calendar month in which bill is raised. However, HESCOM has not been making the payments as agreed in the PPA and there is a large outstanding amount of Rs 68.2 Cr overdue.

In spite of repeated follow ups at various levels & our earlier letter dated 23.12.2016 & 05.04.2017, HESCOM has not liquidated the outstanding of Rs 68.2 Cr due beyond the due date.

The allocation letters issued by Govt. of India provide that in case of default in payment and non maintenance of LC, NTECL-Vallur has the right to shut-off or restrict power supply from power stations and reallocate power as follows

Quote

" 4. The above allocation will further be subject to the Power Purchase Agreements (PPAs) entered into by NTPC Limited with State Power Utilities/ Union Territory and will further be subject to the beneficiaries ensuring compliance with the financial and commercial terms (including coverage for Letter of Credit) of the PPA signed with NTPC Ltd., the tariff notification and any other directives/ guidelines issued by the Government of India/ Central Electricity Regulatory Commission from time to time.

5. In case of failure of the beneficiaries adhering to the condition mentioned above, NTPC Ltd. may shut off or restrict power supply from the power station and also reallocate the power in case beneficiaries default in payment or where they have not opened LCs of an adequate amount in favour of NTPC Ltd

Unquote

HESCOM has also failed to maintain the LC for the requisite amount as per the PPA. As per clause 6.5.1 & 6.5.4 of the PPA, in the event of default in making payment, NTECL shall have the right to regulate and sell HESCOM's allocation of power to the third party (ies) at the risk and cost of HESCOM.

Clause 6.5.1 & 6.5.4 of the PPA dated 06.03.2008 signed by Karnataka Discoms stipulates as under:

Quote

"6.5.1. ESCOMS agrees that in case of a default in payment by ESCOMS or non-replenishment of LC within 7 days from the date of any drawl, NTECL shall be entitled to exercise the option to sell the power allocated to the ESCOMS in whole or in any part thereof, to third parties, without prejudice to its other rights, at the risk and cost of ESCOMS, by giving a notice of seven days. The regulated/diverted share of ESCOM shall be first offered to other ESCOMs of Karnataka before offering it to other Bulk Power customer(s) of SR."

H. Srinivas (Signature)

Unquote

Quote

"6.5.4. In case of default in payment of bills beyond a period of 90 (ninety) days of billing, NTECL shall have the right to re-allocate part or full share of allocated capacity to other Bulk Power Customer(s)/ third party (ies)."

Unquote

Emphasis Supplied

HESCOM has thus failed to comply with all the above provisions of various agreements and allocation letters issued by Govt. of India.

Further, CERC (Regulation of Power Supply) Regulations, 2010 (as amended) provides that:

Quote

4. *In case of the outstanding dues or in case the required Letter of Credit or any other agreed Payment Security Mechanism is not maintained as per the Agreement, the generating company or the transmission licensee, as the case may be, may serve a notice for regulation of power supply, on the Defaulting Entity, for reducing the drawal schedule in the case of the generating company.....*
6. *Upon receipt of the notice under Regulation 4 and within 3 days thereafter, the concerned State Load Despatch Centre/Regional Load Despatch Centre, in whose control area the Regulating Entity is situated, shall make a plan in writing for implementing the regulation of power supply and shall inform the Regulating Entity, Regulated Entity, concerned State Load Despatch Centres, Regional Power Committees, and Regional Load Despatch Centres of the said Plan and shall post the implementation plan on its website.....*
8. *The regulation of power supply for the Regulating Entity shall be implemented from the fourth day of the notice as per plan prepared by the Regional Load Despatch Centre/State Load Despatch Centre unless the Regulating Entity requests cancellation of the regulation of power supply.*

(Emphasis supplied)

Unquote

Since till date HESCOM has not paid **Rs. 68.2 Cr** resulting in payment default beyond the due date, Notice for Regulation of power supply on HESCOM is hereby given for affecting regulation of power supply w.e.f. **00:00 hrs of 26.04.2017** as per provisions of the signed PPA and the CERC (Regulations of Power Supply) Regulations, 2010 and under various agreements signed with Karnataka Discoms and various allocation letters issued by GoI.

In view of above, power supply to the extent of 100% will be regulated to HESCOM as per the details given below:

M. S. Kumar Swamy 3

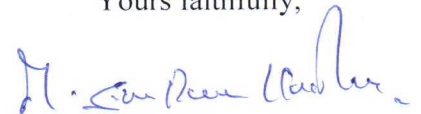
- i) Quantum and source of power from which reduction/ diversion is proposed: 100% (**30.90 MW**) from Vallur Thermal Power Project (3X500 MW)
- ii) Likely to result in excess power available to the extent of scheduled reduction.
- iii) Regarding diversion/ absorption of regulated share: It is being taken up with other constituents of Southern and other regions to indicate their requirements. As soon as we receive responses from these constituents for absorption of regulated power of HESCOM, the same would be communicated to SRLDC.

As per requirement of CERC (Regulation of Power Supply) Regulations, 2010, NTECL is also posting Regulation Notice on NTECL website <http://ntpcntecljv.co.in/> under the tab "Notices".

The proposed regulation would be **implemented w.e.f. 00:00 hrs. of 26.04.2017**. A copy of this notice is also being sent to SRLDC to prepare implementation plan for regulation of power supply to HESCOM and implement the same as per procedure laid down by CERC (Regulation of power supply) Regulations, 2010.

Thanking you,

Yours faithfully,



CEO (NTECL)

CC:

1. The General Manager
Southern Regional Load Dispatch Centre
29, RACE COURSE CROSS
ROAD, BANGALORE-560009
TEL.: 080-22254525, 22351146, 22352850,
FAX: 080-22259219, 22252612

with a request to prepare **implementation plan** for Regulation/ Suspension of power supply to HESCOM and implement the same as per CERC (Regulation of Power Supply) Regulations, 2010

CEO (NTECL)

2. Member Secretary, SRPC

Distribution List: For kind information please

- Chairperson, CERC
- Chairman, KERC
- Chief Secretary, Govt. of Karnataka
- Add. Chief Secretary (Energy), Govt. of Karnataka
- JS (Thermal), MoP, GoI