

ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION

4th Floor, Singareni Bhavan, Red Hills, Hyderabad 500 004

O.P.Nos. 21 to 27 & 35 of 2017 & O.P.Nos. 1 and 7 of 2018

Date: 14-06-2018

Present

Justice G. Bhavani Prasad, Chairman Dr. P. Raghu, Member Sri P. Rama Mohan, Member

O.P.No.21 of 2017

Between:

M/s. Orange Uravakonda Wind Power Private Limited ... Petitioner

AND

Andhra Pradesh Southern Power Distribution Company Ltd.

& 2 others ... Respondents

O.P.No.22 of 2017

Between:

M/s. Khandke Wind Energy Private Limited ... Petitioner

A N D

Andhra Pradesh Southern Power Distribution Company Ltd.

& 2 others ... Respondents

O.P.No.23 of 2017

Between:

M/s. Orange Anantapur Wind Power Private Limited ... Petitioner

AND

Andhra Pradesh Southern Power Distribution Company Ltd.

& 2 others ... Respondents

O.P.No.24 of 2017

M/s. Tadas Wind Energy Private Limited ... Petitioner

AND

Andhra Pradesh Southern Power Distribution Company Ltd.

& 2 others ... Respondents

O.P.No.25 of 2017

Between:

M/s. Mytrah Vayu (Pennar) Private Limited ... Petitioner

AND

Andhra Pradesh Southern Power Distribution Company Ltd.

& 2 others ... Respondents

O.P.No.26 of 2017

Between:

M/s. Mytrah Vayu (Krishna) Private Limited ... Petitioner

AND

Andhra Pradesh Southern Power Distribution Company Ltd.

& 2 others ... Respondents

O.P.No.27 of 2017

Between:

M/s. Mytrah Vayu (Indravati) Private Limited ... Petitioner

AND

Andhra Pradesh Southern Power Distribution Company Ltd.

& 2 others ... Respondents

O.P.No.35 of 2017

Between:

M/s. Jindal Aluminium Limited ... Petitioner

AND

Andhra Pradesh Southern Power Distribution Company Ltd.

& 2 others ... Respondents

O.P.No.1 of 2018

Between:

M/s. Tata Power Renewable Energy Limited ... Petitioner

AND

Andhra Pradesh Southern Power Distribution Company Ltd. & 2 others

... Respondents

O.P.No.7 of 2018

Between:

M/s. Welspun Renewables Energy Private Limited

... Petitioner

AND

Andhra Pradesh Southern Power Distribution Company Ltd. & 2 others

... Respondents

All these Original Petitions have come up for hearing finally on 02-06-2018 in the presence of Sri Challa Gunaranjan, learned counsel for the petitioners and Sri P. Shiva Rao, learned Standing Counsel for the utilities. After carefully considering the material available on record and after hearing the arguments of the learned counsel for both parties, the Commission passed the following:

COMMON ORDER

O.P.Nos.21 to 27 & 35 of 2017 & O.P.Nos.1 and 7 of 2018 are the petitions by the respective petitioners to direct the 1st respondent in all the petitions to open Irrevocable Revolving Letters of Credit in their favour respectively for their wind power projects in terms of Article 5.4 of the respective Power Purchase Agreements, to declare the action of the respondents in all the petitions in claiming rebate on the power bills of the respective petitioners contrary to Article 5.2 and Article 5.4 of the respective Power Purchase Agreements and to direct the respondents to pay the respective amounts with interest as claimed by the petitioners in terms of Article 5.2 of the respective Power Purchase Agreements.

- 2. The petitioner in O.P.No.21 of 2017 is a generating company with a 100.8 MW capacity wind power project at Belguppa, Anantapur District with a Power Purchase Agreement dated 31-05-2016 with the 1st respondent.
- 3. The petitioner in O.P.No.22 of 2017 is a generating company with wind power projects of capacities of 2.4 MW, 6.4 MW, 4 MW, 2.4 MW and 16 MW respectively (a total of 31.2 MW) at Mustikovela, Mustikovela, Kogira RF, Gondipalli and Boxampalli at Nallakonda area, Anantapur District respectively with Power Purchase Agreements with the 1st respondent dated 19-03-2013, except regarding the 5th unit dated 16-05-2013.
- **4.** The petitioner in O.P.No.23 of 2017 is a generating company with a 100 MW capacity wind power project at Honnura, Anantapur District with a Power Purchase Agreement dated 28-03-2016 with the 1st respondent.
- **5.** The petitioner in O.P.No.24 of 2017 is a generating company with wind power projects of the capacities of 12.8 MW, 3.2 MW, 6.4 MW, 9.6 MW, 8 MW, 8 MW and 2.4 MW respectively at Gondipalli (4), Mustikovela (1) and Kogira (2) respectively with Power Purchase Agreements with the 1st respondent dated 10-10-2012 (3) and 11-10-2012 (4) respectively.
- **6.** The petitioner in O.P.No.25 of 2017 is a generating company with two wind power projects of capacities of 16.8 MW and 46.2 MW at Ragulpadu, Vajrakarur and Bhadrampalli of Anantapur District with Power Purchase Agreements with the 1st respondent dated 27-04-2012 and 11-01-2013 respectively.

- **7.** The petitioner in O.P.No.26 of 2017 is a generating company with a wind power project of 37.40 MW capacity at Burugula of Kurnool District under a Power Purchase Agreement with the 1st respondent dated 12-02-2014.
- **8.** The petitioner in O.P.No.27 of 2017 is a generating company with wind power projects of capacities of 39.9 MW and 65.1 MW respectively at Pottipadu Village in Vajrakarur Mandal, Anantapur District with Power Purchase Agreements with the 1st respondent dated 31-12-2015 and 23-02-2016 respectively.
- **9.** The petitioner in O.P.No.35 of 2017 is a generating company with a 25.20 MW capacity wind power project at Vajrakarur Village, Anantapur District with a Power Purchase Agreement dated 17-10-2015 with the 1st respondent.
- **10.** The petitioner in O.P.No.1 of 2018 is a generating company with 100 MW capacity wind power project at Honnura Palturu, Anantapur District with a Power Purchase Agreement with the 1st respondent dated 30-10-2016.
- **11.** The petitioner in O.P.No.7 of 2018 is a generating company with wind power projects of capacities of 70 MW and 30 MW respectively at Lomada Village, Kadapa District with Power Purchase Agreements dated 04-12-2014 as amended subsequently.
- **12.** As the questions in controversy between the parties in all these ten matters are identical and as all the petitioners are seeking identical reliefs against the 1st respondent in all the petitions and its officers based on similar causes of action and as the pleadings are identical on the questions of fact and law raised, though different only in respect of the capacities and location of the different wind power

projects and the dates of the Power Purchase Agreements, all the petitions are being disposed of by this common order, more so, in view of the terms and conditions of the Power Purchase Agreements in issue in all the cases being identical.

13. All the petitioners broadly contend that they are independent wind power generating companies encouraged by the Wind Power Policy of the Government of Andhra Pradesh under G.O.Ms.No.9 dated 13-02-2015 and Regulation 1 of 2015 of the Andhra Pradesh Electricity Regulatory Commission, who entered into Allotment Agreements with the New and Renewable Energy Development Corporation of Andhra Pradesh Limited. They claimed to have consequentially entered into Power Purchase Agreements with the 1st respondent (who is the successor of the erstwhile Central Power Distribution Company of Andhra Pradesh Limited in respect of Anantapur and Kurnool Districts as per the Andhra Pradesh Re-organization Act, 2014). The petitioners claimed to have ultimately synchronized their projects on the specified dates and to be selling power to the 1st respondent as per the Power Purchase Agreements. They complained that the 1st respondent did not open and maintain Irrevocable Revolving Letters of Credit in favour of the respective petitioners as per Article 5.4 of the respective Power Purchase Agreements and to be claiming and availing rebate at 2% or 1% respectively of the bills, as the case may be, for supply of power by the respective petitioners unilaterally, though the 1st respondent never settled the bills before the due dates. Under Article 5.2 of the Power Purchase Agreements, rebate of 2% or 1% respectively, as the case may be, shall be allowed only either for payment through Letters of Credit or for payments otherwise within one month of presentation of bills and the 1st respondent shall have to pay interest at the existing SBI base rates plus one percent or any reduced rates thereof for any payment beyond the due date of payment. The grievance of the

petitioners is that in spite of demands by the respective petitioners, the 1st respondent never opened a Letter of Credit and never returned the 2% or 1% rebate deducted for payments without a Letter of Credit beyond the due dates. As the Power Purchase Agreements provide for Dispute Resolution amicably, the petitioners claimed to have followed that procedure but in vain. Hence, the petitioners sought for the reliefs claimed in the respective petitions specifying the principal amounts due respectively.

- 14. The respondents in their counters submitted that they were unable to pay the bill amounts in time, as their financial condition is very bad, in spite of their best efforts. The petitioners failed to take recourse to Articles 10.2 and 10.3 of the Power Purchase Agreements for resolution of the disputes or differences and hence the petitions are premature and not maintainable. Without prejudice to the said contentions and without admitting the liability, the respondents expressed their readiness to pay the rebate amount, if the petitioners do not press the claim for interest.
- 15. The petitioners in their rejoinders contended that they are entitled to surcharge on delayed payments and the respondents are not entitled to any rebate on delayed payments. Rajasthan Electricity Regulatory Commission has held in RERC-570/15 dated 28-03-2016 that financial difficulties are not a justification for non-compliance of the terms of the Power Purchase Agreement. The petitioners claimed to have been left with no other alternative, as the respondents did not respond to the dispute notices as per the mechanism of the Power Purchase Agreements. However, the petitioners still stated that they are acceptable to waive 50% surcharge for the delayed payment, if the respondents undertake not to deduct

any rebate in contravention of the Power Purchase Agreements, to refund the rebate amount already deducted and surcharge and to open Letters of Credit for realization of the future bills. Hence, the petitioners sought for allowing of their original petitions as prayed for.

- 16. The respondents in their additional counters have contended that subsequent to the petitions, they paid the amounts as per the orders of the Commission in respect of the rebate and surcharge. They contended that when they did not open or create Letters of Credit within 30 days as agreed, the petitioners never insisted for the same and waived the obligation of the respondents by their conduct. In view of the poor financial position, the 1st respondent is unable to open Letters of Credit and if so advised, the petitioners are at liberty to terminate the Power Purchase Agreements under Article 9.3 of the Power Purchase Agreements. No direction can be given compelling the 1st respondent to do an impossible act.
- 17. The petitioners in their replies to the additional counter claimed that they have no legal obligation to make a request or demand for opening Letters of Credit and to protect the financial viability of the projects, a payment security mechanism should be put in place. Article 9.3 of the Power Purchase Agreements do not enable the petitioners to terminate the Power Purchase Agreements respectively and the 1st respondent, who committed breach of contract, is liable to specifically perform this clause and hence, they requested for direction to the 1st respondent to open the Letters of Credit.
- **18.** Subsequently, the respondents furnished the data about the payment of the monthly bills minus rebate amount in respect of different generators and the petitioners furnished the statements of their claims. Later, the 1st respondent filed

Memos with a letter dated 11-04-2018 issued by the State Bank of India, Specialized Mid Corporate Branch, Vijayawada stating that there is no room to open Letters of Credit to the extent of Rs.508 crores in favour of the NCE generators against the limits available to the 1st respondent. The petitioners responded stating that the financial difficulty of the 1st respondent is not a justification for noncompliance with the terms of the Power Purchase Agreements, as held by the Rajasthan Electricity Regulatory Commission. Such a letter from one of the banks cannot be construed to be a valid ground for escaping from the obligations under the Power Purchase Agreements.

19. In O.P.Nos.21 to 27 and 35 of 2017, the Commission noted on 28-10-2017 that one of the reliefs claimed is for payment of the rebate amount deduced with interest as per Article 5.2 of the Power Purchase Agreements. The learned counsel for both the parties on instructions from their clients reported that an understanding has been reached in respect of interest component of the claim to be restricted to 25% of what was due under Article 5.2 of the Power Purchase Agreements, if the principal rebate amount is paid within thirty days from the date of the order of the Commission. Accordingly, the Commission passed an order directing the respondents to pay the amount deducted towards rebate from the amounts payable to the petitioners along with 25% interest thereon as per Article 5.2 of the Power Purchase Agreements within thirty days from then respectively. In default, the concession relating to interest was stated to be open to review on the next date of hearing. In O.P.No.1 of 2018 and O.P.No.7 of 2018, similar orders were passed on 03-03-2018 and 07-04-2018 respectively.

- **20.** On the above pleadings and with the above factual background, two points arise for consideration in these petitions. The first is the entitlement of the petitioners to claim payment of the amounts deducted towards rebate by the respondents with interest under Articles 5.2 and 5.4 of the respective Power Purchase Agreements and the second is the right of the petitioners to enforce against the 1st respondent Article 5.4 of the respective Power Purchase Agreements to have Irrevocable Revolving Letters of Credit opened by the 1st respondent in favour of the respective petitioners.
- 21. In so far as the first point is concerned, the respective Power Purchase Agreements provided for a rebate of 1% or 2% respectively, as the case may be, for payment of the bills of the generating company through Letters of Credit and even when payments are made otherwise than through Letters of Credit within a period of one month of presentation of the bills by the generating company, a rebate as specified in the respective Power Purchase Agreements is allowed. Where any payment is made beyond due dates of payments, the 1st respondent had to pay interest at the existing SBI base rates plus one percent or at such reduced rates as are applicable beyond the due dates of payments. This contractual obligation under Article 5.2 of the respective Power Purchase Agreements is admitted and the 1st respondent deducting the rebate in respect of payments made beyond the due dates is also admitted. The petitioners in all the cases made demands for payment of amounts deducted from the bills towards the rebate with the contractual rate of interest but admittedly the demands in writing were in vain. The petitioners claimed that the communications they sent amount to notices for Dispute for Resolution under Article 10 of the Power Purchase Agreements for which the 1st respondent did not respond, due to which they are entitled to take recourse to these petitions under

Section 86 (1) (f) of the Electricity Act, 2003 as per Article 10.4 of the respective Power Purchase Agreements. What all the respondents stated in their respective counters is that Article 10.2 and Article 10.3 of the respective Power Purchase Agreements were not complied with and the Dispute Resolution procedures as per the contracts were not followed but the respective Power Purchase Agreements only prescribe a notice in this regard without any particular format, after designating their representatives and if there was no response to the communications, they cannot be accused of not complying with the Dispute Resolution mechanism provided by Articles 10.1 to 10.3 of the respective Power Purchase Agreements. The next alternative for the petitioners is filing these petitions under Article 10.4 of the respective Power Purchase Agreements and the counters of respondents 1 to 3 also admitted that the inability to pay the bill amount in time was due to their bad financial condition. After admitting the default in payment by the due date, the respondents also expressed their readiness to pay the rebate amount, if the interest claim is not pressed. In their rejoinder, the petitioners straightaway agreed to waive 50% of the interest payable for the delay in payments, subject to there being no future default, the payment being within 30 days and 1st respondent opening the Letters of Credit. While the dispute between the parties was confined at that stage to the remaining 50% of the interest on the defaulted amount alone, during the hearing on 28-10-2017, both the learned counsel on instructions from their clients reported that an understanding has been reached in respect of the interest component of the claim restricting it to 25% of what was due under Article 5.2 of the respective Power Purchase Agreements, if the principal rebate amount is paid within thirty days from that date. In O.P.Nos.1 and 7 of 2018, similar orders were passed on 03-03-2018 and 07-04-2018 respectively. However, subsequently, the parties were interacting

and corresponding between themselves and were also stating before the Commission orally and in writing about the amounts paid and not paid accordingly. However, during the hearing on 02-06-2018, both the learned counsel for both parties stated that in respect of all the petitions except O.P.Nos.21 and 23 of 2017 (i.e., in respect of eight petitions), the principal rebate amount to be refunded with interest of 25% of the interest agreed under Article 5.2 of the respective Power Purchase Agreements was paid to the respective petitioners and no more dispute or disagreement exists regarding the same for the period and quantum covered by the respective petitions. In respect of the petitions under O.P.Nos.21 and 23 of 2017, respective petitioners are stated to be still claiming some amounts to be due according to the learned counsel for the respective petitioners Sri Challa Gunaranjan and Sri P. Shiva Rao, learned Standing Counsel for the utilities stated that any minor difference will be sorted out between the parties themselves. As such, except to that extent, the claim covered by the first point has to be recorded as settled and satisfied.

22. That leaves only the second point regarding Irrevocable Revolving Letters of Credit, which have to be opened in favour of the respective petitioners by the 1st respondent. Article 5.4 of the respective Power Purchase Agreements states that not later than thirty days prior to the scheduled Commercial Operation Date of the generating unit, DISCOM shall cause to be in effect an Irrevocable Revolving Letter of Credit issued in favour of the Wind Power Developer for a minimum period of one year by a Scheduled Bank. However, the Letter of Credit shall not be invoked for any disputed bill amount. This Article 5.4 of the respective Power Purchase Agreements is admittedly subject of breach as not only not later than thirty days prior to the scheduled Commercial Operation Dates of the respective generating units, but even

till now, the 1st respondent did not cause any Letters of Credit of any description issued in favour of the respective petitioners. Irrespective of any bar of limitation from the respective dates of breach for enforcement of Article 5.4 of the respective Power Purchase Agreements, the respondents pleaded that in view of the conduct of the respective petitioners in not demanding for such Letters of Credit till the petitions, the petitioners must be deemed to have waived their right under the said Article. However, the communications from the respective petitioners to the 1st respondent from time to time show that they were always demanding the 1st respondent to open the Letters of Credit as per Article 5.4 and merely because, they did not initiate any action for enforcement of the Article before this Commission, there are no circumstances to probablise any waiver of their right by the petitioners at any time by their conduct or otherwise.

- 23. The 1st respondent further contended that the petitioners are at liberty to terminate the Power Purchase Agreements respectively under Article 9.3 thereof, but it is not for the Commission to express any opinion herein on the right of either party to terminate the respective Power Purchase Agreements under the said Article and either party cannot be compelled by the Commission now to terminate agreements under that Article or otherwise which is a matter of their volition and choice.
- 24. Lastly, the 1st respondent contends that its financial position is very bad and it is unable to open the Letters of Credit. To probablise its contentions in this regard, the 1st respondent filed a letter issued by the Specialized Mid Corporate Branch of the State Bank of India, Vijayawada informing that there is no room to open Letters of Credit to the extent of Rs.508 crores in favour of NCE generators against the limits available to the 1st respondent / APSPDCL. It is the contention of the learned

Standing Counsel for the utilities that no bank, leave alone a scheduled bank, is ready to give such a facility to the 1st respondent and the letter from the State Bank of India is only illustrative. While the Commission, to the notice of which the financial condition of the 1st respondent is brought from time to time through administrative and quasi judicial proceedings before it in discharge of its duties under the Electricity Act, 2003 and the Andhra Pradesh Electricity Reform Act, 1998, itself cannot ignore the precarious financial condition of the 1st respondent so brought to its notice, even otherwise, the letter from the State Bank of India can be considered as illustrative of the difficulties of the 1st respondent in this regard. While a Letter of Credit has to be provided from a scheduled bank, the period for which it has to be provided has to commence not later than thirty days prior to the scheduled Commercial Operation Date of the generating unit and should be for a minimum period of one year. If Article 5.4 contemplates a Letter of Credit for such a period of one year only, the performance of the said contractual obligation clearly appears to be to facilitate the regular payment of the bills with ease on time at least for one year from the commencement of the Commercial Operation Date of an infant generating unit and the Article does not indicate or speak about the creation or continuance of a Letter of Credit beyond that specified date or period. If it were so, creation of such Letters of Credit through the directions of this Commission for any period now, much after the expiry of the said period of one year from the Commercial Operation Date does not appear to be within the contractual obligation of the parties. Article 9.2 of the respective Power Purchase Agreements makes the wind power producer entitled to specific performance or damages on breach of any of the terms of the Agreement after thirty days notice to the Discom but due to efflux of time, specific performance may not arise and any relief of damages also may not be available as any loss due

to delayed payments is already compensated by making such amounts payable with contractual interest. It is well settled that damages are only to compensate but not to unjustly enrich, while the petitioners did not allege or prove any extra loss to have been suffered due to not opening of the Letters of Credit. The preponderance of probabilities thus does not appear to justify any compulsion against the 1st respondent to immediately open such Letters of Credit.

- 25. It is true that Rajasthan Electricity Regulatory Commission in its orders in a batch of petitions on 28-03-2016 observed that the defence of the respondents therein that the delay was on account of financial difficulties beyond their control cannot be countenanced and the respondents cannot plead their financial difficulties, as it is for them to manage their finances in such a way that they comply with the terms of the Power Purchase Agreements. There is no doubt about the sanctity of the contractual obligations overriding any financial difficulties but in so far as interest is concerned, the same is not in issue at this stage, as already stated and compelling the 1st respondent to open Letters of Credit does not appear acceptable or feasible for the reasons already stated above.
- 26. If the letters from the State Bank of India were to be considered as indicating the impossibility of any scheduled bank now facilitating opening of any Letters of Credit by the 1st respondent in favour of any of the petitioners, the situation may even fall within the scope of Section 56 of the Indian Contract Act, 1872 which makes an Agreement to do an act impossible in itself void and the provision covers even an act which becomes impossible by reason of some event which the promissor could not prevent after the contract is made also. Even otherwise, in view of Section 14 of the Specific Relief Act, 1963, a contract, the non-performance of

which can be adequately compensated in money is not specifically enforceable. The petitioners can always recover the price of power supplied by them with interest (in case of delay) from the 1st respondent with or without the existence of any Letter of Credit. Under the circumstances, though Article 5.4 of the respective Power Purchase Agreements was violated by the 1st respondent, the grant of specific performance of the same, which is discretionary does not appear reasonable or feasible at the present stage in exercise of the judicial discretion of the Commission which can be exercised only in the interests of justice.

27. However, as the 1st respondent is a fully owned State Government company, it will not be a matter of credit for it to resile from the contractual obligations on hyper technical considerations and a reasonable time has to be given to it to make an effort to comply with Article 5.4 and in the event of its inability or default, both parties to the contract should be left free to approach the Commission for any relief which will be considered and decided on merits in accordance with law, in the light of the factual and legal position discussed above. The petitions have to be disposed of accordingly and under the circumstances, the parties should be directed to bear their own costs in these petitions.

28. Accordingly,----

(a) In so far as the refund of the amounts deduced towards rebate and any interest payable on the same under Articles 5.2 and 5.4 of the respective Power Purchase Agreements, full satisfaction is hereby recorded in respect of the eight petitions, except O.P.Nos.21 of 2017 and 23 of 2017 and part satisfaction is recorded in respect of O.P.Nos.21 of 2017 and 23 of 2017 to the extent of the payments admittedly made by the 1st respondent herein to the respective petitioners.

(b) The 1st respondent is granted six months time from now to open Letters of

Credit in favour of the respective petitioners in accordance with Article 5.4

of the respective Power Purchase Agreements and in case of either the

inability or the default of the 1st respondent in this regard, it is open to the

parties to approach the Commission for appropriate reliefs in this regard,

which will be determined on merits in accordance with law.

(c) The petitioners in O.P.Nos.21 of 2017 and 23 of 2017 are respectively

entitled to approach the Commission with appropriate Interlocutory

Applications concerning any balance amounts still payable out of the

subject matter of the petitions after giving credit to payment already made

by the 1st respondent, if the parties could not reach an understanding

regarding the same within thirty days from the date of this order.

(d) The parties shall bear their own costs in all the petitions.

Sd/-

(e) All the Original Petitions are ordered accordingly.

This order is corrected and signed on this the 14th day of June, 2018.

Sd/-P. Rama Mohan Member

n Dr. P. Raghu Member Sd/-Justice G. Bhavani Prasad Chairman