IN THE JHARKHAND STATE ELECTRICITY REGULATORY COMMISSION AT RANCHI

Case No. 09 of 2015

M/s Tata Steel Limited Petitioner

Versus

M/s Green Energy Association Respondent

CORAM: HON'BLE MR. JUSTICE N.N. TIWARI, CHAIRPERSON HON'BLE MR. R.N. SINGH, MEMBER (TECHNICAL)

For the Petitioner : Mr. Y.V. Giri and Mr. M.S.Mittal, Sr. Advocates

Mr. Manish Mishra, Advocate

For the Respondent: Ms. Mandakini Ghosh and Mr. Parinay Deep Shah,

Advocates.

ORDER

Date - 28th February 2017

In this case the petitioner, Tata Steel Limited Steel Works, for short TSL Steel Works', has prayed for exemption of from applicability of Renewable Purchase Obligation to the extent it comply with Renewable Purchase Obligation (RPO) through its captive co-generation power plant and also for exemption from the Renewable Purchase Obligation of TSL Steel Works of the preceding years FY 2011-12, FY 2012-13 and FY 2013-14 as its captive cogeneration exceeded the requirement of RPO in all these years.

FACTS

- 2. The facts stated in support of the said prayer, briefly, are as follows:-
- i) The Tata Steel Limited is a company belonging to the world-renowned Tata group and India's largest private integrated steel manufacturing company operating in Jamshedpur having capacity of 10 MT of saleable steel annually. The integrated steel plant produces steel from raw material to end product like cold rolled sheets, TMT bars, Tubes and slabs etc.

- ii) The power requirement of TSL Steel Works is met through its captive generation and power purchase contract with Tata Steel Distribution Licensee (90 MVA).
- iii) PH#4 and PH#5 are its own by-product gas based generation units.
- iv) PH#4 and PH#5 have been installed in different stages of augmentation of steel plant and it uses the by-product gases generated in Blast furnaces, Coke ovens and Steel smelting shops. These by-product gases are used in the boilers as fuel. The output of PH#4 and PH#5 are two forms of energy i.e. (i) electrical power and (ii) L.P. steam for process of heating and other energy requirements of the steel plant. There are back pressure turbines, the input for which, are high pressure steam generated by boilers mentioned above.
- v) PH#4 and PH#5 fulfil the qualifying requirements of co-generation plant as mentioned in Resolution No. A-40/95-IPC-IA dated 6.11.1996 issued by Ministry of Power, Government of India.
- vi) The Department of Energy, Government of Jharkhand has recognized PH#4 and PH#5 situated within the Jamshedpur Steel Work of the petitioner to be co-generation plant.
- vii) The committee constituted for site inspection and recommendation had observed that by virtue of high efficiency it have the benefits of co-generation plant as well as saving both fossil fuel and CO2 emission to the atmosphere.
- viii) As per JSERC (Renewable Purchase Obligations and its compliance)
 Regulations 2010 published in Jharkhand Government Gazette dated
 31.7.2010, the petitioner is an 'obligated entity' which consumes power
 generated from grid connected captive generating plant with installed capacity
 of 5 MW and above. The petitioner has thus to discharge its obligation as
 regards to fulfilment of 4% RPO of its total annual consumption of captive
 power from renewable energy sources.
- ix) Section 86(1)(e) of the Electricity Act 2003 envisages that the State Commission shall discharge the functions, namely promote co-generation

and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of electricity from such source a percentage of the total consumption of electricity in the area of distribution licensee.

- x) Clause 5.12 of National Electricity Policy provides for promoting co-generation as well as non-conventional energy sources.
- xi) Hon'ble Appellate Tribunal for Electricity (APTEL) in its order dated 26.4.2010, in Appeal No. 57 of 2009 (*Century Rayon vrs. MERC*) held thus:
 - a) The plain reading of Section 86(1)(e) does not show that the expression 'co-generation' means generation from renewable sources alone. The meaning of the term 'co-generation' has to be understood as defined in definition Section 2(12) of the Act.
 - b) As per Section 86(1)(e), there are two categories of generators namely (i) co-generators (ii) Generators of electricity through renewable source of energy. It is clear from this Section that both these categories must be promoted by the State Commission by directing the distribution licensees to purchase electricity from both of these categories.
 - c) Fastening of the obligation on the co-generator to procurers would defeat the objective of Section 86(1)(e).
 - d) Clear meaning of the words contained in Section 86(1)(e) is that both are different and both are required to be promoted and as such the fastening of liability on one in preference to the other is totally contrary to the legislative intents.
 - e) Under the scheme of the Act, both renewable source of energy and cogeneration power plant, are equally entitled to be promoted by State Commission through suitable methods and suitable directions, in view of the fact that co-generation plants, which provide number of benefits

- to environment as well as to the public at large, are to be entitled to be treated at par with the other renewable energy sources.
- f) The intention of legislature is to promote co-generation in both the industries generally, irrespective of the nature of the fuel used for such co-generation and not co-generation or generation from renewable energy sources alone.
- xii) In para 46 of the said judgement Hon'ble Appellate Tribunal for Electricity had mandated:

"While concluding, we must make it clear that the appeal being generic in nature, our conclusions in this Appeal will be equally applicable to all co-generation based captive consumers who may be using any fuel."

- xiii) The Hon'ble Appellate Tribunal for Electricity passed similar orders dated 30.1.2013 in Appeal No. 54 of 2012 (*Emami Paper Mills Limited Versus Odisha Electricity Regulatory Commission*) and dated 31.1.2013 in Appeal No. 59 of 2012 (*Vedanta Aluminium Limited Vrs. OERC*).
- xiv) The Hon'ble Appellate Tribunal for Electricity in the said cases clearly held that the intention of the legislature is to promote co-generation as well, irrespective of the nature of the fuel used, and that fastening of the obligation on the co-generator would defeat the object of Section 86(1)(e), as the definition of the obligated entity would not cover a case where a person is consuming power from co-generation plant
- The Jharkhand State Electricity Regulatory Commission, based on the said decisions of the Hon'ble Appellate Tribunal for Electricity, held in the case of Bokaro Steel Plant of SAIL that the co-generation from captive power plant of Bokaro Steel Plant of SAIL will be considered for the fulfilment of Renewable Purchase Obligation for FY 2010-11, FY 2011-12 and FY 2012-13. The Commission based its finding on the ground that the relevant provisions of Electricity Act 2003 as also the National Electricity Policy gives a mandate to the State Commission to give encouragement to co-generation in industries with reference to any type of fuel or nature of sources of energy whether

conventional or non-conventional. It is clear from the details given by Bokaro Steel Limited that the co-generation power plant of BSL is based on steam utilized for heating purpose for power generation and amount of fuel saved. It also benefits the environment by saving both fossil fuel and CO2 emission to atmosphere.

- xvi) The said decision of the Commission was passed on 24.3.2014 in Case No. 10 of 2013 (*Bokaro Steel Plant of SAIL*). The Hon'ble Appellate Tribunal for Electricity also passed similar orders in Appeal Nos. 112, 130 and 136 of 2014 (*India Gylcols & Ors Vrs. UERC*)
- xvii) In view of the definition of the 'obligated entity' given in JSERC (Renewable Energy Purchase Obligations and its compliance) Regulations 2010, the distribution licensees, consumers owning captive power plants, open access consumers etc. were obligated entity and they have to purchase the prescribed minimum percentage of electricity from renewable sources.
- xviii) For the first time, in Appeal No. 57 of 2009 (*Century Rayon vrs. MERC*), it was clarified that the co-generation unit shall be considered towards the Renewable Purchase Obligations. The petitioner on that basis had petitioned dated 19.11.2012 praying for fulfilment of its RPO obligation through co-generation under the provisions of JSERC (Renewable Energy Purchase Obligation and its compliance) Regulations 2010.
- xix) The said representation was replied to by the Commission by letter No. JSERC/112/744 dated 5.12.2012 stating that the issue of treating cogeneration as RPO was sub-judice before the Hon'ble Supreme Court of India and the request to that regard could be considered only after final adjudication of the said matter by the Hon'ble Supreme Court of India.
- xx) The petitioner waited for the reply from the Commission but did not hear anything and ultimately this case was filed on 12.2.2015.
- 3. On 21.2.2016 one Green Energy Association filed an application for intervention and impleadment as a party, and after hearing the parties, the petition was allowed making them respondent in the case.

4. The Green Energy Association contested the petitioner's prayer, mainly, on the ground that the petitioner's claim of exemption on the basis of judgement of the Hon'ble Appellate Tribunal for Electricity in Century Rayon vrs. MERC's case is untenable and case is liable to be dismissed. In the said decision, it was held that the co-generation under Section 86(1)(e) of the Electricity Act 2003 does not mean cogeneration from renewable sources alone. That finding of the Century Rayon vrs. MERC's case has been varied by the Hon'ble Appellate Tribunal for Electricity in Lloyds Metal's case holding that co-generation under Section 86(1)(e) of Electricity Act 2003 means co-generation from renewable sources of energy only. The JSERC (RPO and its compliance) Regulations, 2010 have been notified under Section 86(1)(e) of the Electricity Act 2003 whereby the renewable energy is to be promoted and not the co-generation of energy based on fossil fuel based sources. In Hindustan Zinc case the Hon'ble Supreme Court has held that the requirement for compliance with Renewable Purchase Obligations is in larger public interest and is not an unfair burden. In the case of Hindalco Industries Limited Vrs. GERC & Ors., Hon'ble Gujrat High Court has held that co-generation under Section 86(1)(e) means cogeneration from renewable source of energy. Since the Hon'ble Appellate Tribunal for Electricity has varied its decision in Century Rayon, in the case of Llyod **Metal**, the main ground of the petitioner's prayer falls flat and is liable to be rejected.

ISSUES

- 5. The controversy between the parties gives rise to the following issues in the perspective of the prayer made by the petitioner:
 - i) Whether the petitioner is entitled for exemption from the applicability of Renewable Energy Purchase obligations to the extent it complied with RPO obligations through its captive co-generating power plant?
 - ii) Whether the petitioner is entitled for exemption of the RPO obligations of TSL Steel Works of the preceding years FY 2011-12, FY 2012-13 and FY 2013-14?

SUBMISSIONS OF THE PARTIES:

SUBMISSIONS OF THE PETITIONER:

- 6. Mr. Y.V. Giri, learned senior counsel, who led a team of Advocates on behalf of the petitioner, submitted that his prayer for exemption of the petitioner from Renewable Energy Purchase Obligation is based on the judgement of Century Rayon, which diluted the definition of 'obligated entity' as provided in the JSERC (RPO and its compliance) Regulations 2010 and in clear terms clarified that the generation of electricity from the captive co-generation as well as generation from renewable sources of energy are to be treated equally. On the basis of the said decision and the declaration of the Hon'ble Appellate Tribunal for Electricity, Bokaro Steel Plant (SAIL, Bokaro) had prayed for exemption from RPO obligations for the years FY 2010-11, FY 2011-12 and FY 2012-13. This Commission, after hearing, passed a detailed judgement relying on the said judgment of the Hon'ble Appellate Tribunal for Electricity and other State Commissions and held that the captive power plant of Bokaro Steel Limited clearly fulfils all the requirement of co-generation and as a result, energy generated from the co-generating plant will be considered for the fulfilment of the RPO obligation for the aforesaid years.
- 7. Learned counsel submitted that the fact of the petitioner's case is almost similar. It is also generating energy from the co-generating plant which saves both fossil fuel and CO2 emission to the atmosphere and is entitled for exemption from the RPO obligation, and in a worse case, at least for the financial years which have passed by and the period in which the BSL has been given such exemption. Both the cases have similar facts and circumstances and there cannot be a different order in this case. The petitioner is entitled to equal treatment as guaranteed under Article 14 of the Constitution of India. At any rate consistency in the order of the Commission should be maintained.
- 8. Learned counsel further submitted that the intervener- Green Energy Association has objected to the prayer of the petitioner by citing decisions of the Hon'ble Appellate Tribunal for Electricity as well as Hon'ble Supreme Court of India and other Hon'ble High Courts which are not applicable to the facts of the instant

case. The judgement, which has been relied upon is mainly the judgement of Hindustan Zinc Limited vrs. Rajasthan Electricity Regulatory Commission (2015) 12 SCC 611 and the judgement of Appeal No. 53 of 2012 (Lloyds Metal Vrs. MERC), which do not deal with the cases of exemption of co-generating captive power plant from RPO obligations. The judgement of Hon'ble Gujrat High Court in the case of Hindustries Limited Vrs. GERC has been passed in a different context, in as much as the same is not binding on the JSERC in view of the judgements of the Hon'ble APTEL in Appeal No. 57 of 2009 (Century Rayon Vrs MERC) followed in Appeal No. 54 of 2012 (Emami Paper Mills Pvt Limited Vrs OERC), Appeal No. 59 of 2012 (Vendata Aluminium Ltd. Vrs OERC) and Appeal Nos. 112, 130 and 136 of 2014 (India Gylcols & Ors Vrs UERC), which are relevant decisions for the purpose of instant case.

SUBMISSIONS OF THE RESPONDENTS

9. Mr. Parinay Deep Shah assisted by Ms Mandakini Ghosh, appearing on behalf of the respondents, on the other hand, submitted that JSERC (RPO and its compliance) Regulations 2010 mandate RPO compliance by the distribution licensee, consumer owning the captive power plants and open access consumers. The RPO obligations have to be complied with by the petitioner having a fossil fuel based cogeneration plant in view of clauses 5.1 and 5.2 read with clauses 2.1(j), 9.1 and 9.2 of JSERC (RPO and its compliance) Regulations 2010. It has been submitted that the petitioner's plant is not based on renewable source of energy. It is based on Coal, Oil and Gas. Clause 2.1 (n) of the Regulations 2010 defines renewable energy sources and means sources such as small hydro, wind, solar including its integration with combined cycle, biomass including bagasse, bio fuel co-generation, urban or municipal solid waste and such other sources as recognized or approved by MNRE. Under the provisions of clause 6 of Regulations 2010, the petitioner has to purchase Renewable Energy Certificates to comply with its RPO obligations. Carry forward of RPO cannot be granted to the petitioner at this stage. The petitioner being a noncompliant of RPO obligations has to form a fund immediately and direct purchase of Renewable Energy Certificates. The Commission cannot exempt the petitioner from its RPO compliance as it would amount to amendment of its own Regulations without

following the procedure. If exemption is allowed, it will be discriminatory as against other Captive Power Plants which have complied with their RPO obligations.

10. Learned counsel concluded that in view of the subsequent judgements of Hon'ble Appellate Tribunal for Electricity in *Lloyds Metal's* case as also in view of the provisions of the new Tariff Policy of 2016 providing that co-generation from sources other than renewable sources shall not be excluded from the applicability of RPOs, the petitioner has no option but to fulfil the RPO obligations. The decision of the Commission in the Bokaro Steel Plant's case cannot also help the petitioner in the changed circumstance and public policy.

DISCUSSION OF THE FACTS AND SUBMISSIONS

- 11. It is evident from the averments made in the petition that the petitioner has admitted that it is an obligated entity in terms of clause 2(i)(j) of the JSERC (Renewable Energy Purchase Obligation and its compliance) Regulations 2010. The petitioner has, however, claimed exemption from the Renewable Purchase Obligations, on the basis of the interpretation and declaration of the Hon'ble Appellate Tribunal for Electricity in its decision in *Century Rayon's* case whereby it was held that –
- (i) Plain reading of Section 86(1)(e) does not show that the expression 'cogeneration' means cogeneration from renewable sources alone;
- (ii) As per Section 86(1)(e), there are two categories of generators namely (1) cogenerators (2) Generators of electricity through renewable sources of energy. It is clear from this section that both these categories must be promoted by the State Commission by directing the distribution licensee to purchase electricity from both of the categories;
- (iii) The fastening of the obligation on the co-generator to procure electricity from renewable energy would defeat the object of Section 86(1)(e);
- (iv) The clear meaning of the words contained in Section 86(1)(e) is that both are different and both are required to be promoted and as such the fastening of liability on one in preference to the other is totally contrary to the legislative intent;

- (v) Under the scheme of the Act, the renewable source of energy as well as cogeneration power plant, are equally entitled to be promoted by State Commission through the suitable methods and suitable directions, in view of the fact that cogeneration plants, which provide many number of benefits to environment as well as to the public at large, are to be entitled to be treated at par with the other renewable energy sources;
- (vi) The intention of the legislature is to clearly promote cogeneration in the industry generally, irrespective of the nature of the fuel used for such cogeneration and not cogeneration or generation from renewable energy sources alone.
- 12. On that basis it was directed by the Hon'ble Appellate Tribunal for Electricity that appeal being generic in nature, the order will be equally applicable to all cogeneration based captive consumers who may be using any fuel.
- 13. Subsequently, a larger Bench of the Hon'ble Appellate Tribunal for Electricity has recorded different finding in *Lloyds Metal & Energy Limited Vrs.*Maharashtra State Electricity Distribution Company Limited in Appeal No. 53 of 2012 holding that the provisions contained in Section 86(1)(e) are for promoting energy from renewable sources alone.
- In *Hindustan Zinc Limited Vrs. Rajasthan Electricity Regulatory*Commission the Hon'ble Supreme Court of India has held that the object of the RPO obligations is to reduce pollution by promoting renewable source of energy and that the requirement of compliance is not unfair. Hon'ble Gujarat High Court in its order in *Hindulco Industries Ltd. Vrs. GERC & Ors* has held that cogeneration under Section 86(1)(e) is cogeneration of electricity from renewable sources of energy. The Tariff Policy dated 28.1.2016 in clause 6.4(1) also clearly provides that co-generation from sources other than renewable sources shall not be excluded from the applicability of RPOs.
- 15. Mr. Y.V. Giri, learned senior counsel for the petitioner submitted that there is no direct decision of the Hon'ble Supreme Court or Hon'ble Appellate Tribunal for Electricity setting aside the judgement of **Century Rayon** of the Hon'ble

Appellate Tribunal for Electricity. The Tariff Policy is in conflict with the provisions under Section 86(1)(e) of the Electricity Act 2003 and the same cannot be read as substituted provision of the statute. Learned counsel further submitted that at any rate the said judgements have not set aside the order of this Commission passed in the case of Bokaro Steel Plant, SAIL, which had identical facts and circumstances as in this case. There cannot be two different decisions in identical case. Learned counsel submitted that on the ground on which the Bokaro Steel Plant (SAIL) has been given exemption, the petitioner is also entitled for the same treatment and the same order. Any deviation or rejection of the petitioner's claim of the period FY 2011-12, FY 2012-13 and FY 2013-14 would offend the right of equality guaranteed under the Constitution of India. Learned counsel submitted that the petitioner was not at fault in not complying with the RPO obligations of the said periods as it was then not liable in view of the clear order/direction of the Hon'ble Appellate Tribunal for Electricity in Century Rayon's case. The petitioner on that basis had also approached this Commission praying for an order but by letter dated 5.12.2012 the Commission had replied that the issue of treating cogeneration as RPO is subjudice before the Hon'ble Supreme Court and the request of the petitioner would be considered after final adjudication of the matter by the Hon'ble Supreme Court. However, after waiting for a long, when the petitioner did not hear anything from the Commission, the petitioner filed this petition on 12.2.2015. Learned counsel further submitted that it would be evident from the order passed by the Hon'ble Appellate Tribunal for Electricity recently in the case of Emami Paper Mills Pvt. Limited Vrs. OERC, Vendanta Aluminium Ltd. Vrs. OERC and India Gylcols & Ors Vrs UERC that the Hon'ble Appellate Tribunal for Electricity has even subsequently followed the decision of the Century Rayon's case. In view of the said admitted position it cannot be said that the petitioner has intentionally failed to comply with the RPO obligations. The petitioner cannot be faulted in view of the said uncertainty created by different legal pronouncements and orders/directions of the Hon'ble Appellate Tribunal for Electricity. The contentions and submissions of the respondents that it has not fulfilled the RPO obligations or committed any fault during the above said period and for that the petitioner is liable for purchasing Renewable Energy Certificates is misdirected and wholly without any basis.

SUMMARY OF THE COMMISSION'S CONCLUSION:

- 16. From the facts appearing on record it is an admitted position that the petitioner is an 'obligated entity' in view of clause 2(i)(j) of JSERC (Renewable Energy Purchase Obligations and its compliance) Regulations 2010. The petitioner having captive generation plant claims exemption from RPO liability on the basis of the order/direction of the Hon'ble Appellate Tribunal for Electricity in *Century Rayon's* case whereby it was held, inter-alia, that the energy from the captive cogeneration units be considered towards RPO obligations. In view of the said decision the petitioner had submitted application dated 19.11.2012 regarding fulfilment of its RPO obligations through co-generation. The Commission had replied the same by letter dated 5.12.2012 stating that the issue of treating cogeneration as RPO is subjudice before the Hon'ble Supreme Court and the request in this regard would be considered by the Commission after final adjudication of the matter by the Hon'ble Supreme Court. The petitioner waited for a reasonably long time and when no order was passed on its request, he filed the instant case on 12.2.2015.
- The Bokaro Steel Plant (SAIL) had applied for exemption on the ground that it had generated energy by its Power Plant which is to be considered for compliance of the RPO obligations in view of the judgement of the Hon'ble Appellate Tribunal for Electricity in *Century Rayon's* case. The Commission had allowed the said petition stating that the energy generated by Bokaro Steel Plant (SAIL) would be considered for fulfilment of RPO obligations of Bokaro Steel Plant (SAIL) for the years FY 2010-11, FY 2011-12 and FY 2012-13.
- 18. In course of argument learned counsel for the petitioner admitted that in view of the varied decisions, though not directly on the issue, the petitioner cannot claim exemption from its RPO obligations as a matter of right for the other period but the petitioner is entitled for the exemption from the RPO obligations for the preceding years FY 2011-12, FY 2012-13 and FY 2013-14 as he was prevented from complying with the provisions in good faith, in view of the direction/order of the Hon'ble Appellate Tribunal for Electricity in *Century Rayon's* case. In order to maintain consistency in the orders of the Commission, the petitioner is also entitled to get exemption on the same ground as has been given to Bokaro Steel Plant (SAIL). The

case of the petitioner and that of the Bokaro Steel Plant (SAIL), being exactly identical there cannot be two inconsistent orders of the Commission.

- 19. Having considered the facts, material on record and submissions of learned counsel for the parties, we find that there remains no legal controversy with regard to the issue No.1, in view of the Hon'ble Appellate Tribunal for Electricity's decision in case of *Llyods Metal*, holding that co-generation in Section 86(1)(e) means co-generation from renewable sources of energy only. The said finding is binding on the Commission and the issue is no longer res-integra.
- 20. However, we find much substance in the submissions of learned counsel for the petitioner with regard to issue No.2. It is an admitted position that, though the petitioner is an obligated entity, in view of the decision of the Hon'ble Appellate Tribunal for Electricity in Century Rayon's case holding that the generation of electricity from renewable sources and cogeneration are to be treated equally, there was bonafide reason and situation to believe that the petitioner was not to comply with the RPO obligations separately in view of the interpretations of law and direction of the Hon'ble Appellate Tribunal for Electricity in that case. The petitioner, on that basis, had sent application dated 19.11.2012 regarding fulfilment of its RPO obligations through cogeneration in the light of the judgement of Century Rayon's case. Its said claim was not rejected by the Commission and a reply was sent on 5.12.2012 that the issue of treating cogeneration as RPO is sub-judice before the Hon'ble Supreme Court of India and the request in that regard would be considered only after final adjudication of the matter by the Hon'ble Supreme Court. The petitioner thereafter waited for a long but he did not get any further reply. He subsequently filed this petition.
- In the said admitted position and facts and circumstances on record, the petitioner cannot be held to be intentionally defaulting compliance of its RPO obligations for the preceding period i.e. FY 2011-12, FY 2012-13 and FY 2013-14. The petitioner cannot be made liable for any consequential obligations for its no fault such as for depositing the same amount in a separate fund for purchase of Renewable Energy Certificates etc. of the said financial years and is held to be

entitled for the benefit in the line of the decision of the Commission in Bokaro Steel Plant (SAIL). Issue No.2 is, thus, decided in favour of the petitioner.

- 22. It is, however, made clear that the benefit is limited to the said preceding financial years i.e. FY 2011-12, FY 2012-13 and FY 2013-14.
- 23. This order has no application for the period beyond the abovesaid period and it cannot be cited as a precedence in other cases in view of the singularity and peculiarity of the instant case, as stated above.
- 24. This petition is, accordingly, disposed of in the above terms.

Sd/-(R.N. Singh) Member (Technical)

Sd/-(N.N. Tiwari, J) Chairperson