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CASE STUDY

Maharashtra Seamless Limited vs Maharashtra State Electricity Distribution Company Ltd.: APTEL Ruling on Site-Specific Energy Banking for Captive Power Plants

BACKGROUND

Maharashtra Seamless Limited (MSL), part of the Jindal Group, operates two industrial units in Maharashtra at Sukeli and Vile Bhagad and owns a 7 MW wind-based Captive Power Plant (CPP) in Satara. Initially, MSL used its CPP to supply power to the Sukeli unit under Open Access (OA), but following objections from Maharashtra State Electricity Distribution Company Ltd. (MSEDCL) regarding multi-source power supply, MSL shifted the CPP's drawal point to Vile Bhagad. Over time, surplus banked energy accumulated at Vile Bhagad, which MSL sought to adjust against the Sukeli unit's energy bills.

The Maharashtra Electricity Regulatory Commission (MERC) rejected MSL's request, citing that each site is treated as an independent consumer under the Electricity Act, 2003, and cannot cross-adjust banked energy between them. MSL appealed to the Appellate Tribunal for Electricity (APTEL), which upheld MERC's decision, reinforcing that banked energy is site-specific and cannot be reallocated across distinct consumer premises.

IMPLICATIONS FOR C&I CONSUMERS IN INDIA

The APTEL order establishes that banked energy from captive power plants is strictly site-specific and cannot be transferred across different consumer premises, even if owned by the same entity. This ruling means that industrial consumers with multiple sites must carefully plan energy usage per location to avoid surplus energy waste. It may prompt companies to consolidate high-energy activities at single locations or invest in on-site storage solutions to manage unutilized energy more effectively. Additionally, the order reinforces regulatory compliance on site-specific Open Access permissions, adding clarity but limiting flexibility in cross-site energy adjustments.

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BACKGROUND FOR THE ORDER

Background

- Maharashtra Seamless Limited, part of the Jindal Group, operates two industrial units in Maharashtra, located in Sukeli and Vile Bhagad, both classified as Extra High Tension (EHT) consumers.
- In 2011, MSL established a 7 MW wind-based Captive Power Plant in Satara to supply power to its Sukeli unit under Open Access (OA). However, due to objections from the Maharashtra State Electricity Distribution Company Limited, MSL was compelled to switch its CPP's power supply to its Vile Bhagad unit.

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BACKGROUND FOR THE ORDER (CONTD.)

- MSEDCL had objected to MSL's sourcing power from multiple generators at its Sukeli unit, which included power from JSW Energy and its CPP.
- Consequently, MSL complied and shifted the CPP drawal point from Sukeli to Vile Bhagad. Over time, this change led to an **accumulation of surplus banked energy at Vile Bhagad**, which MSL could not fully utilize.
- To maximize the use of this surplus energy, MSL requested MERC to allow adjustment of the unused banked units at Vile Bhagad against the energy bills of its Sukeli unit.
- **MERC denied this request**, citing regulatory definitions that treated each unit as an independent consumer. MSL subsequently appealed to the Appellate Tribunal for Electricity (APTEL), challenging MERC's decision.

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APTEL'S RULING

APTEL upheld MERC's original decision, affirming the strict interpretation of regulatory provisions governing consumer premises and energy banking. The primary points from APTEL's order are summarized below:

1. **Separation of Consumer Sites:** APTEL agreed with MERC's interpretation that, despite common ownership, MSL's Sukeli and Vile Bhagad plants are distinct consumer entities. Under the Electricity Act, 2003, each consumer site is recognized independently, and each has unique OA permissions and consumer numbers. This distinct identity prevents the cross-utilization of banked energy between separate sites.

2. **Open Access and Site-Specific Permissions:** The ruling reinforced that Open Access permissions are issued on a site-specific basis. Each permission, such as the one granted for the Vile Bhagad plant, is valid solely for the specified location and cannot extend to other sites. This principle follows the broader regulatory mandate under Open Access Regulations 2005, which requires site-specific compliance to ensure accurate monitoring of electricity usage and grid stability.

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APTEL'S RULING (CONTD.)

3. **Retrospective Claim Restrictions:** MSL had accepted MSEDCL's requirement to switch its CPP drawal point without challenging it at the time. Consequently, APTEL ruled that MSL could not retroactively dispute MSEDCL's OA permission decisions. This aspect of the ruling underlines that regulatory challenges must be made at the time of occurrence, as procedural compliance is critical to uphold regulatory integrity.

4. **Strict Adherence to Metering Regulations:** APTEL cited the importance of metering infrastructure compliance. According to the OA Regulations 2005, all Open Access consumers, including CPPs, must install Special Energy Meters (SEMs) to facilitate accurate consumption and banking records. MSL's failure to have compliant meters at the requested time invalidated its claim to backdate credits. APTEL emphasized that proper metering ensures consistent, transparent energy transactions in line with grid safety.

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REGULATORY IMPLICATIONS

This ruling has notable implications for C&I consumers, regulatory frameworks, and the evolving captive power landscape in India.

- **Regulatory Clarity on Banking and Site-Specific Consumption:** The decision emphasizes that banked energy is inherently site-specific. This clarification will impact how captive power plants operate across multiple sites. Companies can no longer rely on banked surplus from one location to offset consumption at another. This could prompt the Ministry of Power and state electricity regulatory commissions (SERCs) to revisit policies for improved flexibility, particularly as energy self-sufficiency and renewable energy generation grow in importance.

- **Impact on Captive Power Plant Strategy:** Industrial consumers will likely adjust their captive power usage strategies. Many may opt to centralize energy-intensive operations at a single site, allowing them to maximize captive power use and avoid the complication of banked surplus management across multiple locations. In addition, companies may explore advanced load management systems to minimize energy banking needs, thereby reducing potential energy wastage.

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REGULATORY IMPLICATIONS (CONTD.)

- **On-Site Energy Storage Investment:** With site-specific limitations on banking, C&I consumers might invest in on-site energy storage technologies, such as battery energy storage systems (BESS). These solutions allow surplus energy to be stored and used when needed without relying on distribution network adjustments. The increased interest in BESS could align with India's broader energy storage goals, further supported by potential subsidies and regulatory support for storage integration.
- **Increased Grid Efficiency:** By restricting cross-location adjustments, the ruling encourages more stable, predictable site-specific grid usage, which could reduce administrative complexities and energy accounting errors for distribution companies. This approach may contribute to greater grid efficiency, particularly in states with high industrial demand.

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COST IMPLICATIONS FOR C&I CONSUMERS

From a financial perspective, this ruling imposes added considerations for C&I consumers operating multiple sites. Key cost implications include:

- **Inability to Utilize Banked Energy Across Sites:** Without the option to transfer banked energy between sites, companies may incur higher electricity costs due to surplus banked energy that cannot be consumed or adjusted. For instance, surplus energy at a site with limited demand represents a sunk cost if it cannot be used or transferred to a higher-demand facility, reducing the cost-effectiveness of the captive power setup.

- **Additional Costs for On-Site Storage Solutions:** To counteract the inability to cross-adjust energy, companies may invest in on-site storage systems like batteries to hold surplus energy for later use. Though such infrastructure comes with an initial investment cost, it provides a flexible solution to manage banked energy at the site level, reducing future dependency on distribution companies.

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COST IMPLICATIONS FOR C&I CONSUMERS (CONTD.)

- **Strategic Site Consolidation:** For companies operating several sites, consolidating power-intensive operations into one primary location may reduce the complexity and cost of managing banked energy. This shift, however, may involve logistical adjustments and the reallocation of resources, potentially impacting operational budgets and requiring capital expenditures for new infrastructure or equipment relocation.

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APTEL'S SIMILAR RULINGS

This case aligns with previous regulatory decisions, reinforcing the separate treatment of distinct consumer sites under the Electricity Act and Open Access framework:

- **Green Energy Association vs MERC (2014):** In this case, APTEL ruled on the eligibility of renewable energy sources for Open Access in Maharashtra, emphasizing that multiple sources can supply power to a single location under OA regulations. While not directly related to energy banking, the case reinforces that regulatory compliance on the drawal point is essential for consistent energy management.

- **Laxmi Organic Industries Ltd. vs MSEDCL (2024):** In this ruling, APTEL addressed the exemption of wheeling charges for dedicated transmission lines, clarifying that energy drawn through dedicated lines for self-consumption does not qualify as part of the distribution network. Like the MSL case, this decision underscores regulatory adherence to consumer site boundaries, affirming that energy transactions must align with site-specific regulatory conditions.

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CONCLUSION

APTEL's decision in Maharashtra Seamless Limited vs MSEDCL establishes a stringent interpretation of site-specific energy banking, setting a precedent that restricts the flexibility for cross-site adjustments, even within a single legal entity. The ruling reinforces that, under current regulations, **banked energy is strictly bound to the site where it was generated or used**, preventing reallocation to separate locations.

For the industrial sector, this decision signals a need for greater precision in captive power management, especially for multi-site operations. It could prompt industrial consumers to reassess their energy strategies, potentially investing in on-site storage solutions or consolidating energy-intensive processes at singular locations to maximize banked energy use. This ruling further clarifies the legal landscape around energy banking, encouraging consumers to adhere closely to OA regulations and plan power usage accordingly.

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