

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

1. **Shri Ashok Basu, Chairman**
2. **Shri K.N. Sinha, Member**

Petition No. 73/2003

In the matter of

Approval of methodology adopted for price variations in supply and erection contracts and for the increase in project cost on account of escalation in price and quantity variations in respect of transmission lines to be implemented by Powerlinks Transmission Ltd.

And in the matter of

Powerlinks Transmission Limited

..... **Petitioner**

Vs

1. Rajasthan Rajya Vidyut Prasaran Nigam Ltd, Jaipur
2. Grid Corporation of Orissa Ltd., Bhubneshwar
3. Himachal Pradesh State Electricity Board, Simla
4. Jharkhand State Electricity Board, Ranchi
5. Assam State Electricity Board, Guwahati
6. Chhatisgarh State Electricity Board, Raipur
7. Gujrat Electricity Board, Baroda
8. Haryana Vidyut Prasaran Nigam Ltd, Panchkula
9. Karnataka Power Transmission Corporation Ltd., Bangalore
10. Kerala State Electricity Board, Trivandrum
11. Maharashtra State Electricity Board, Mumbai
12. Uttar Pradesh Power Corporation Ltd., Lucknow
13. West Bengal State Electricity Board, Calcutta
14. Madhya Pradesh State Electricity Board, Bhopal
15. Punjab State Electricity Board, Patiala
16. Tamil Nadu Electricity Board, Chennai
17. Uttaranchal Power Corporation Ltd., Dehradun
18. North-Eastern Electric Power Corpn. Ltd., Shillong
19. Rural Electrification Corp. Ltd., New Delhi
20. Tehri Hydro Corporation Ltd., Noida
21. National Power Training Institute, Faridabad
22. Power Finance Corp. Ltd., New Delhi
23. Satluj Jal Vidyut Nigam Ltd., New Shimla
24. Bhakra Beas Management, Chandigarh
25. Central Power Research Institute, Bangalore
26. Power Trading Corporation Ltd., New Delhi
27. Transmission Corp. of Andhra Pradesh, Hyderabad
28. Bihar State Electricity Board, Patna
29. Delhi Transco Ltd., New Delhi

...**Respondents**

The following were present

1. Shri Suresh Sachdev, PTL
2. Shri S. Das, PTL
3. Shri S.K. Jain, PTL
4. Shri S. Datta, PTL
5. Shri R.K. Agarwal, PTL
6. Shri Utpal Dhar, PTL
7. Shri B.A. Chaudhari, PTL
8. Shri S. Tandon, PTL
9. Shri D.P. Chiraniya, CE, RVPN
10. Shri K.K. Mittar, XEN(ISP), RVPN
11. Shri H.K. Sharma, ASEB
12. Shri R.K. Gupta, HVPN
13. Shri Y Agarwal, KPTCL
14. Shri A.K. Tandon, UPPCL
15. Shri Rakesh, BSEB
16. Shri S.A. Ullah, BSEB
17. Shri T.P.S. Bawa, SE, PSEB

ORDER
(DATE OF HEARING : 23.12.2003)

The petitioner has been granted licence for execution of transmission lines of the transmission system associated with 1020 MW Tala Hydro-electric Project.

2. The execution of the transmission system has been approved by the Central Government, at a total cost of Rs.1100 crore, based on the feasibility report at price levels of second quarter of 2002. It is stated that subsequent to the preparation and submission of feasibility report, bidding documents were prepared based on a preliminary route survey, taking into consideration the increased quantities of material on account change in route length and finalisation of tower and foundation designs. Power Grid Corporation of India Limited (PGCIL) had invited bids for the execution of the transmission line when the petitioner was selected for the purpose. According to the petitioner, the project cost works out to Rs.1262 crore based on price level of August 2002 for tower packages and July 2003 for conductor and insulator packages

indicated in the bidding document circulated by PGCIL. The petitioner has submitted that the prices are subject to further variation because of change of quantities of the material and variation in prices, since the quantities mentioned in the bid documents were provisional and the executed quantities are to be determined after detailed route survey on completion of placement of tower packages. The petitioner has suggested a formula for price escalation, reportedly being followed by PGCIL for its projects. In the estimate of the petitioner, if the quantity variation of 15% and price variation of 20% is considered, the total cost of the transmission system works out to Rs.1636 crore. Further, the prices quoted in the bid documents included tax and duties payable based on the then existing tax structure. Any increase or decrease in tax or duties will have its implications on costs which would be required to be readjusted. Accordingly, through this petition the petitioner has sought approval of the Commission for the methodology for recalculation of project cost in the light of likely variation in the quantity and also the prices. The petitioner has further sought a confirmation that the completed project cost based on auditors certificate shall be approved by the Commission for the purpose of tariff, so long as increase in project cost is on account of variation of quantity or prices and change of law.

3. We have heard the representatives of the parties present at the hearing. The petitioner is a joint venture company the shares of which are held by Tata Power Company Limited (51%) and PGCIL (49%), the latter is a Government company under Ministry of Power. The representatives of PGCIL present before us submitted that PGCIL being a Government company, cannot invest into joint venture enterprises without the approval of the President as per the Articles of Association. They informed that in case there is any upward revision of cost, the approval of Central

Government has to be obtained since otherwise PGCIL cannot make any contribution towards equity.

4. We have taken note of the submissions made by the parties under the circumstances, we do not consider it necessary to approve the formulae for quantity and price variations submitted by the petitioner in the present petition. Before granting approval to the revised cost estimates, Central Government will get the costs examined by its agencies as is the practice. We cannot, at this stage, to the prayers made in the petition, put our seal of approval. We, however, direct that the petitioner shall liaise with PGCIL so that the proposal for obtaining approval of the Central Government is expedited and finalised by 31.1.2004. We make it clear that these observations shall not preclude the Commission from examining for the purpose of tariff the reasonableness of the actual cost incurred by the petitioner even if the revised cost estimates are approved by the Central Government, or any of its agencies.

5. With the above observations, the petition stands disposed of, with no order as to costs.

**Sd/-
(K.N. SINHA)
MEMBER**

**Sd/-
(ASHOK BASU)
CHAIRMAN**

New Delhi dated the 5th January, 2004