

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

- 1. Shri Ashok Basu, Chairman**
- 2. Shri G.S. Rajamani, Member**
- 3. Shri K.N. Sinha, Member**

Petition No. 50/2000

In the matter of

Tariff for 230 KV Neyveli-Bahoor Transmission System in Southern Region from 1.4.2001 to 31.3.2004

Petition No. 7/2002

And in the matter of

Tariff for 400 KV Central Transmission Project-I in Southern Region for the period from 1.4.2001 to 31.3.2004

Petition No. 9/2002

And in the matter of

Tariff for 400 KV D/C Ramagundam-Chandrapur Transmission System in Southern Region for the period from 1.4.2001 to 31.3.2004

Petition No. 16/2002

And in the matter of

Tariff for 400 KV NLC Stage II Transmission System in Southern Region for the period from 1.4.2001 to 31.3.2004

Petition No. 26/2002

And in the matter of

Tariff for 400 KV Ramagundam Transmission System including ICT at Khammam and Reactor at Gazuwaka under CTP augmentation in Southern Region for the period from 1.4.2001 to 31.3.2004

Petition No. 40/2002

And in the matter of

Tariff for 400 KV Kaiga-Sirsi Transmission Line in Southern Region for the period from 1.4.2001 to 31.3.2004

Petition No. 41/2002

And in the matter of

Tariff for 315 MVA ICT-III at Nagarjunasagar sub-station in Southern Region for the period from 1.4.2001 to 31.3.2004

Petition No. 42/2002

And in the matter of

Tariff for Special Energy Meters in Southern Region for the period from 1.4.2001 to 31.3.2004

Petition No. 45/2002

And in the matter of

Tariff for NLC Stage I Transmission System in Southern Region for the period from 1.4.2001 to 31.3.2004.

Petition No. 51/2002

And in the matter of

Tariff for 400 KV Jeypore-Gazuwaka transmission line and 500 MW HVDC back-to-back station at Gazuwaka between Southern and Eastern Region for the period from 1.4.2001 to 31.3.2004.

Petition No. 52/2002

And in the matter of

Tariff for Kayamkulam Transmission System in Southern Region for the period from 1.4.2001 to 31.3.2004.

Petition No. 53/2002

And in the matter of

Tariff for augmentation of Central Transmission System in Southern Region for the period from 1.4.2001 to 31.3.2004.

Petition No. 57/2002

And in the matter of

Tariff for LILO of one circuit of existing Neyveli-Trichy 400 KV D/C line at Neyveli TS-I Expansion in Southern Region for the period from 1.4.2001 to 31.3.2004.

Petition No. 69/2002

And in the matter of

Tariff for Chandrapur HVDC backto-back Project (2x500 MW) and Ramagundam-Hyderabad transmission line in Southern Region and Western Region for the period from 1.4.2001 to 31.3.2004.

Petition No. 87/2002

And in the matter of

Incentive based on availability of Transmission System in Southern Region for the year 2001-2002.

And in the matter of

Power Grid Corporation of India Ltd.

.....**Petitioner**

Vs

Karnataka Power Transmission Corporation Ltd and others

.....**Respondents**

The following were present:

1. Shri K.J. Alva, Controller, KPTCL
2. Shri Abdul Azeez, EE(E), TCD, KPTCL
3. Shri K. Gopalakrishnan, RE, KSEB
4. Shri R. Balachandran, OSD, KSEB
5. Shri U.K. Tyagi, PGCIL
6. Shri C. Kannan, PGCIL
7. Shri M. Mehrotra, PGCIL
8. Shri M.K. Kulshrestha, PGCIL
9. Shri A.K. Nagpal, PGCIL
10. Shri R.K. Vohra, PGCIL
11. Shri S.S. Sharma, PGCIL
12. Shri D. Khandewal, SE, MPSEB
13. Shri C.B. Bedher, MPSEB

**ORDER
(DATE OF HEARING 20.11.2002)**

We have heard the representatives of the petitioner and those of the respondents present before us. The petitions for approval of tariff for the period from 1.4.2001 to 31.3.2004 listed before us broadly fall in the following three categories:

- (a) Transmission system commissioned prior to 1.4.1997 where tariff for the period ending 31.3.2001 has been fixed based on Ministry of Power notification dated 16.12.1997 by taking normative debt and equity in the ratio of 50:50,

- (b) Transmission system commissioned after 1.4.1997 in respect of which the tariff for the period up to 31.3.2001 has been fixed by Govt. of India or CERC based on Ministry of Power notification dated 16.12.1997 by taking actual debt-equity employed by the petitioner, and
- (c) Transmission System comprising of elements having date of commercial operation subsequent to 31.3.2001.

2. In general, on the basis of preliminary examination of the petitions, the petitioner is directed to submit the details of loans raised at the corporate level and their allocation to different transmission systems and system-wise/line-wise, repayment thereof in different years duly reconciled with the audited annual accounts of the petitioner company.

3. In addition, the asset-wise break-up of gross block considered in the tariff notifications issued by Ministry of Power, shall also be furnished by the petitioner. It is observed that repayment schedule of ING Bank loan and of Tranche D of IBJ-II are not available. These need to be furnished by the petitioner.

4. So far as the assets falling in category (b) and (c) are concerned, it is found that the following details are not available:-

- (a) Copy of the term loan agreement of Punjab National Bank is not complete and dates of repayment are not available as Schedule II to the loan agreement is not enclosed,
- (b) Copy of loan agreements giving repayment details in respect of ADB-I, WMB-II and Bank of India (Foreign currency) loans as also the supporting documents in respect of exchange rates,
- (c) Supporting documents in respect of moratorium period, financing charges for various Bonds, and
- (d) Supporting documents in respect of repayment details of SBHI and its replacement Bond-XI.

The petitioner is directed to furnish the deficit details.

5. In case of Bond-VI and Bond-VII repayment as mentioned in Form 4 is November 2003 and July 2003 respectively. However, as per copy of the annual report enclosed with the petition, the dates of repayments are 4.8.2003 and 6.12.2002. This discrepancy needs to be reconciled by the petitioner.

6. The petitioner has not submitted the proper information in some of the tariff performae as indicated below:

- (a) Information of foreign loan in Form 10 in Indian rupees, separately in respect of repayment of principal amount as well as interest, on the date of commercial operation and as on 31st March of the respective year,

- (b) The basic information of loan in foreign currency, exchange rate, etc., as per Form 11.

7. The above details may be furnished by the petitioner duly supported by affidavits. Deficiencies similar to those pointed out in paras 3 to 6 above apply to other tariff petitions as well. The petitioner shall furnish the requisite information/clarifications in all other cases, where applicable.

8. The petitioner is further directed to furnish the following details in respect of all the petitions, so far as O&M expenses are concerned:

- (a) Detailed break-up of employee-cost included in the O&M expenses such as salary, welfare expenses, gratuity, leave encashment, bonus, incentive, ex gratia payments, etc.,
- (b) Whether the employee cost furnished for the years 1995-96 to 1999-2000 includes any arrears on account of pay revision for the period prior to 1995-96,
- (c) Detailed break-up of the “miscellaneous expenses” and also “other expenses” in Form 12 separately for the region as a whole as also for the corporate office,
- (d) Whether any income from the sale of bid documents, disposal of scrap and old equipment, vehicles and charges recovered for lending of ERS to other

agencies has accrued. If so, the details thereof. This information is considered necessary in view of “nil” recovery shown in Form 13, and

(e) Details of Corporate office expenses at all India level as per Part-B of Form 12, and allocation/reconciliation of corporate office expenses to various regions.

9. There are variations in the average O&M cost per line length (AVOMLL) and average O&M cost per bay (AVOMBN) as calculated in Form 7 for the four regions, as is demonstrated below:

	REGIONS			
	NR	WR	SR	ER
AVOMLL (Lakhs/Km.)	0.42	0.28	0.42	0.60
AVOMBN (Lakhs/bay)	10.75	10.06	13.91	13.05

The petitioner is directed to explain the reasons for variations pointed out above.

10. In the foot note to Form-12, the petitioner has been asked to explain the reasons if year-to-year increase in expenses under any head is more than 20%. The information furnished by the petitioner in some of the petitions has been examined in detail and our observations thereon are as under:

S. No.	Head	Amount in Rs. Lakhs (Year)	Amount in Rs. Lakhs (Year)	Increase (%)	Reasons given by petitioner	Observation
1.	Employee Cost	769.63 (1995-96)	1136.39 (1996-97)	47.65	Revision in workmen's pay.	It may be confirmed that increase is not on account of arrears of pay for period prior to 95-96.
2.		1574.20 (1998-99)	2211.72 (1999-00)	40.50	Provision for pay revision liability based on Mohan Committee's report.	
3.	Communi- cation	60.08 (1996-97)	73.54 (1997-98)	22.40	Greater coordination between the different projects and consolidation of Ex NLC accounts in SRHQ.	Reasons furnished by the petitioner are general in nature. Needs to be explained in detail with specific reasons.
4.	Others	48.66 (1997-98)	167.97 (1998-99)	245.19	Increase in prior period items.	Explanation is not satisfactory.
5.		167.97 (1998-99)	401.65 (1999-00)	139.12		
6.	Insurance	7.22 (1995-96)	11.60 (1996-97)	60.66	Actual insurance premium paid on stocks/inventory due to increase in the value of inventory on account of addition of new assets under operation.	Explanation is not clear as the petitioner normally does not resort to actual insurance but maintains a fixed percentage of capital cost as a insurance reserve.
7.		11.60 (1996-97)	272.68 (1997-98)	2250.69	Insurance cost for Transmission System and insurance premium reimbursed to NLC towards Bond servicing ex penses.	
8.		158.87 (1998-99)	219.00 (1999-00)	37.85	Insurance cost of Kayamkulam GIS and HVDC at Vizag which are commissioned during this financial year.	
9.	Corporate office expenses	485.91 (1998-99)	745.19 (1999-00)	53.36	Provision for pay revision liability based on Mohan Committee's report.	It may be confirmed that increase is not on account of arrears of pay for period prior to 95-96.
10.	Miscella- neous	200.45 (1996-97)	244.80 (1997-98)	22.13	Increase in transportation, vehicle hiring charges and increase in POL charges.	Reasons furnished by the petitioner are general in nature. Needs to be explained in detail with specific reasons. Explanation is not clear.
11.	Printing & stationary	18.38 (1996-97)	22.87 (1997-98)	24.43	Major portion of increase of Rs. 5.00 lakhs has gone to O&M expenses.	
12.	Travelling	231.33 (1996-97)	288.09 (1997-98)	24.54	Increase is due to more tours on account of addition of new assets under operation and increase in cost of travelling.	Addition of assets is continuous process.

11. The representative of KPTCL submitted that on writ petition (No.17316/2002) filed on its behalf Karnataka High Court had stayed operation of Paras 2.12 and 2.13 of the tariff notification dated 26.3.2001, which relate to payment of the income-tax and development surcharge by the respondents. The representative of the petitioner clarified that the provisions of the notification dated 26.3.2001 stayed by Karnataka High Court did not concern the petitioner as these related to generation tariff for thermal stations. The Commission will take a view on the question of applicability of stay order to the present petitions while finalising tariff.

12. The representative of MPSEB pointed out that the petitioner was not entitled to claim advance against depreciation as per Petitions No. 9/2002 and 69/2002. He submitted that against the actual loan repayment of Rs.160 crores up to 31.3.2001, the petitioner had already charged depreciation of about Rs.237 crores up to that date which is in excess of the actual loan repayment effected. The representative of MPSEB further submitted that the petitioner had not worked out working capital spares in accordance with the Commission's notification dated 26.3.2001. He also pointed out that the petitioner was not entitled to capitalisation of FERV up to 31.3.2001 as considered by the petitioner as the same has been reimbursed as per GOI notification. The petitioner is directed to give detailed explanation on the issues raised on behalf of MPSEB.

PetNo. 87/2002

13. The petition has been filed by PGCIL for approval of incentive based on availability of transmission system in Southern Region for the year 2001-2002. The procedure for calculation of availability for the purpose of incentive was decided by the Commission vide its order dated 26.9.2000 in Petition No. 12/1999 and other related petitions. TNEB, one of the constituents of Southern Region has filed an appeal against the procedure prescribed by the Commission in the said order dated 26.9.2000 based on which Madras High Court has granted stay vide its order dated 15.11.2001. Shri S.S. Sharma, Addl. GM appearing on behalf of the petitioner submitted that, arguments on the appeal filed by TNEB before Madras High Court had been concluded, and the order of the court was expected soon. In view of this, we direct that the petition be kept pending for the present. The petitioner is directed to place on record a copy of the order of Madras High Court, when pronounced.

14. We are pained to notice that the representation by the respondents before the Commission in today's hearing is not adequate despite the fact that the position was earlier brought to the notice of Chief Secretaries of all States, and the Commission was assured of the representation of the officers at proper level with full background of the cases. We have recorded this fact with the hope that the situation will improve and the respondents shall be properly represented in the future hearings.

15. The petitioner is directed to submit necessary clarifications.

16. The information may be made available duly supported by affidavit latest by 20.12.2002 with advance copy to the respondents.

17. List these petitions on 7th, 8th and 9th January, 2003.

Sd/-
(K.N. SINHA)
MEMBER

Sd/-
(G.S. RAJAMANI)
MEMBER

Sd/-
(ASHOK BASU)
CHAIRMAN

New Delhi dated the 22nd November 2002