

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

1. Dr. Pramod Deo, Chairperson
2. Shri Bhanu Bhushan, Member
3. Shri R.Krishnamoorthy, Member
4. Shri S.Jayaraman, Member

Petition No. 80/2008

In the matter of

Re-determination of transmission tariff for the period 2004-09 considering decapitalization/additional capitalization of 3 nos ICTs under Rihand Transmission System in Northern Region.

And in the matter of

Power Grid Corporation of India Limited, Gurgaon

..Petitioner

Vs

1. Rajasthan Rajya Vidyut Prasaran Nigam Limited, Jaipur
2. Ajmer Vidyut Vitaran Nigam Ltd., Ajmer
3. Jaipur Vidyut Vitaran Nigam Ltd, Jaipur
4. Jodhpur Vidyut Vitaran Nigam Ltd, Jodhpur
5. Himachal Pradesh State Electricity Board, Shimla
6. Punjab State Electricity Board, Patiala
7. Haryana Vidyut Prasaran Nigam Ltd., Panchkula
8. Power Development Department, Govt. of J&K, Jammu
9. Uttar Pradesh Power Corporation Ltd, Lucknow
10. Delhi Transco Ltd, New Delhi
11. BSES Yamuna Power Ltd., Delhi
12. BSES Rajdhani Power Ltd., New Delhi
13. North Delhi Power Ltd., New Delhi
14. Chief Engineer, Chandigarh Administration, Chandigarh
15. Uttaranchal Power Corporation Ltd, Dehradun
16. North Central Railway, Allahabad

..Respondents

The following were present:

1. Shri U.K. Tyagi, PGCIL
2. Shri M.M.Mondal, PGCIL
3. Shri R.Prasad, PGCIL
4. Shri C.Kannan, PGCIL
5. Shri S.S.Raju, PGCIL
6. Shri Atul Parsija, HPPC

**ORDER
(DATE OF HEARING: 27.11.2008)**

This petition has been filed for approval of revised transmission charges for the period 2001-04 and 2004-09 after considering de-capitalization/additional

capitalization of 3 nos. ICTs under Rihand Transmission System (the transmission system) in Northern Region.

2. Approval of Ministry of Power for setting up the transmission system was accorded vide letter dated 31.5.1989 at a total capital cost of Rs.106300 lakh, including IDC of Rs.3850 lakh. Subsequently, the cost estimate was revised by Ministry of Power vide letter dated 19.4.1995 for Rs.146058 lakh including IDC of Rs.13097 lakh. The details of the transmission assets including sub-stations covered under the transmission system are as hereunder:

- (1) 400 KV Rihand-Singrauli-I S/C transmission line
- (2) 400 KV Rihand –Kanpur (LILO at Vindhyachal on 1.6.96) S/C transmission line
- (3) 400 KV Singrauli – Rihand II S/C transmission line
- (4) 400 KV Vindhyachal – Kanpur - II S/C transmission line
- (5) 400 KV Kanpur – Ballabgarh S/C transmission line
- (6) 400 KV Ballabgarh – Jaipur S/C transmission line
- (7) 400 KV Ballabgarh - Dadri Ckt-I – D/C transmission line
- (8) 400 KV Ballabgarh - Dadri Ckt-II – D/C transmission line
- (9) 400 KV Dadri – Mandola Ckt –I D/C transmission line
- (10) 400 KV Dadri – Mandola Ckt –II D/C transmission line
- (11) 400 KV Dadri – Malerkota S/C transmission line
- (12) 400 KV Bassi-Heerapura- I – S/C transmission line
- (13) 400 KV Bassi-Heerapura- II – S/C transmission line
- (14) 500 KV Rihand-Dadri HVDC Pole-I- D/C transmission line
- (15) 500 KV Rihand-Dadri HVDC Pole-II – D/C transmission line
- (16) 33 KV Rihand – Chapki S/C transmission line
- (17) 33 KV Dadri-Dankaur S/C transmission line

3. The tariff for above noted assets was notified by Ministry of Power for the period from 1997-1998 to 2001-2002 vide notification dated 16.11.1998 at a cost of Rs.120401 lakh. Subsequently, in terms of the notification dated 14.5.1999, Ministry of Power approved tariff at the additional cost of Rs.4375 lakh on account of additional capitalisation. Thus, the total admitted cost of the transmission assets for the purpose of tariff was Rs 124776 lakh. The tariff approved by Ministry of Power was valid up to 31.3.2002. However, as the terms and conditions for determination of tariff notified by the Commission came into effect on 1.4.2001, the transmission charges approved by Ministry of Power were rendered valid up to 31.3.2001.

4. The tariff for the period 2001-04 was approved by the Commission vide order dated 26.2.2004 in Petition No.38/2002. In terms of the Appellate Tribunal's judgment dated 4.10.2006 in Appeal No. 135/2005 and other related appeals, addition of notional equity on account FERV was not to be considered for computation of Return on Equity. Therefore, the Commission vide order 8.2.2008 in Petition No. 38/2002 revised the transmission charges for the period 2001-04.

5. The Commission vide its order dated 9.5.2006 in Petition No. 96/2004 awarded tariff for the transmission system for the period 2004-09 which was revised vide order dated 29.2.2008 in the process of implementation of the Appellate Tribunal for Electricity judgement dated 16.5.2007 in Appeal No.121 of 2005.

6. In the present petition, the petitioner seeks re-determination of tariff considering net capital cost after de-capitalization on account of replacement of burnt ICTs and capitalization on account of installation of new ICTs in place of the burnt ones.

Additional capital expenditure/decapitalization, FERV and shifting of equipments

7. The petitioner has submitted that the three incidents of ICT failures took place within a span of 13 days at Ballabgarh and Mandola sub-stations which are feeding power to the National Capital Territory of Delhi. It has been explained that considering the then prevailing summer conditions and load demand of Delhi it became difficult to meet the load demand with remaining ICTs at these sub-stations. Therefore, it became necessary to replace the failed ICTs. After analyzing the situation it was decided to shift ICTs from other locations. The details of outages and restoration as indicated by the petitioner are summarized below:

	Name of sub-station	Description	Date of outage	Date of Restoration	Restored with ICT dismantled and diverted from
1.	Mandola	ICT-IV	28. 4.2006	29. 5.2006	Bhadurgarh
2.	Mandola	ICT-II	9. 5.2006	4. 6.2006	Kaithal
3.	Ballabgarh	ICT-I	1. 5.2006	19. 6.2006	Mainpuri

8. The petitioner has submitted that the three ICTs were damaged due to internal fault or machinery break-down and hence are not covered under self-insurance policy being pursued by it. Thus, the petitioner has explained, it is not possible to claim or book the expenditure incurred on replacement of ICTs out of self-insurance reserve.

9. Accordingly, the petitioner has proposed to capitalize the net of expenditure incurred on account of dismantling of burnt ICTs as per the details given below:

Sl.No	Particulars	Date	Amount (Rs in lakh)
1	Capital cost as on 1. 4.2006 as admitted by order dated 29 2.2008		129378.10
2	Less decapitalization		
	ICT-II at Mandola	9. 5.2006	225.00
	ICT-IV at Mandola	28. 4.2006	225.00
	ICT-I at Ballabgarh	1. 5.2006	181.50
3	Capital cost after decapitalization		128746.00
4	Additional capitalization		
	ICT-II at Mandola-Diversion from Kaithal (Rihand Stg-II)	4. 6.2006	749.28
	ICT-IV at Mandola-Diversion from Bahadurgarh	29. 5.2006	730.02
	ICT-I at Ballabgarh-Diversion from Mainpuri (Rihand stage-II)	18. 6.2006	715.66
	Capital cost after capitalization and decapitalization as on 31 3.2007		130941.54

10. We have gone through the details of self-insurance policy being pursued by the petitioner. We do not find any distinction between the internal and external cause of damage in the policy papers submitted by the petitioner. Even the inclusion or exclusions on this account also have not been indicated. The cause of fire resulting in burning of the ICT, whether internal or external necessitating its replacement does not alter the basic fact that the ICT was burnt. The insurance policy covers damages to

the equipment because of fire, without exception. So, the cause of fire, whether internal or external, is really not material, for meeting the expenditure.

11. We are not convinced by the petitioner's argument for capitalization of net cost which is to be financed out of insurance fund reserve created under internal insurance policy, towards which contribution is being regularly made by the beneficiaries as part of the O & M expenses. Accordingly, neither the decapitalisation nor the additional capitalisation on account of the ICTs replaced can be considered.

12. Earlier in July 2000 a similar incident of fire took place at Ballabgarh sub-station, when one ICT was burnt and had to be replaced by a new ICT. The petitioner sought capitalization of the expenditure incurred on replacement. The Commission vide order dated 9. 5.2004 in Petition 96/2004 had not allowed the additional capital expenditure. The relevant portion of the order is reproduce below:

“The petitioner has claimed decapitalisation of Rs. 167.32 lakh due to burning out of ICT at Ballabgarh in July 2000 and additional capitalisation of Rs. 408.89 lakh incurred in its replacement in September 2000. As the cost of replacement was to be met through the insurance cover, there is no justification for considering this for the purpose of tariff determination. Accordingly, for the purpose of tariff calculation, neither the decapitalisation due to the burning out of ICT in July 2000 nor the additional capitalisation on account of the installation of new ICT in September 2000 has been considered. Only the decapitalisation on account of replaced assets at Ballabgarh amounting to Rs. 34.68 lakh is considered for the purpose of tariff calculation.”

13. The petitioner has also prayed for the directions to Member-Secretary, NRPC for issue of revised availability certificate for the transmission assets. The availability certificate is not the subject matter of the tariff petition. Further, the Member-Secretary, NRPC is not impleaded. Therefore, no directions can be issued on this petition. In case of any grievance regarding availability certificate, the petitioner may approach the Commission through appropriate petition.

14. In view of the above, petition stands disposed of.

sd/- **sd/-** **sd/-** **sd/-**
(S.JAYARAMAN) (R.KRISHNAMOORTHY) (BHANU BHUSHAN) (DR.PRAMOD DEO)
MEMBER MEMBER MEMBER CHAIRPERSON
New Delhi dated the 3rd February 2009