

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

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

Petition No. 80/2002

In the matter of

CERC Gazette Notification No. L-7/25(1)/2001-CERC dated 21.9.2001 on CERC (Terms and Conditions of Tariff) (First amendment) Regulations 2001.

And in the matter of

Power Grid Corporation of India Ltd.

Petitioner

Vs

Rajasthan Rajya Vidyut Prasaran Nigam Ltd. & others

Respondents

The following were present:

1. Shri S. Garg, DGM(JV), PGCIL
2. Shri V.M. Kaul, AGM (JV),
3. Shri Ajay Holani, CM (C), PGCIL
4. Shri S.K. Jain, Manager (L), PGCIL
5. Shri A.K. Srivastava, DM(M),NHPC
6. PGCIL Shri K.K. Mittal, XEN (ISP), RRVPNL
7. Shri H.M. Sharma, RE (L), ASEB
8. Shri T.P.S. Bawa, Addl. SE, PSEB
9. Shri D.D. Chopra, Advocate, UPPCL
10. Shri R.K. Arora, XEN(T), HVPN

**ORDER
(DATE OF HEARING 20.8.2002)**

In this petition, the petitioner has made the following prayers for consideration of the Commission.

- “(a) To clarify its notification dated 21.9.2001 and to issue further order that for hilly terrain, the base O&M expenses shall be 2% subject to escalation as per specific formula

(b) To pass necessary orders clarifying the applicability of Transmission Majoration Factor to IPTC

(c) To provide suitable compensation to Power Grid for discharging its statutory responsibility of direction, supervision and control over transmission licensees. "

2. In exercise of powers conferred under Section 28 of the Electricity Regulatory Commissions Act, 1998, the Commission had issued the notification on 21.9.2001 by way of amendment to the earlier notification dated 26.3.2001, which, inter-alia, provided that in case of transmission projects executed through IPTC/JV routes, 1.5% of the actual cost of the transmission project shall be allowed as O&M expenses during the first year of operation and these shall be escalated in subsequent years in accordance with the formula specified in Clause (d) of Regulation 4.4 of the principal notification issued on 26.3.2001. The notification dated 21.9.2001, further provides that in respect of transmission projects executed through IPTC/JV routes, 10% mark-up (pre tax) on transmission charges shall be allowed as Transmission Majoration Factor. The petitioner, through this petition, prays that for hilly terrain, the base O&M expenditure should be 2%, subject to escalation as per the prescribed formula. It further sought a clarification regarding applicability of Transmission Majoration Factor in case of transmission projects executed through IPTC routes. The petitioner had also sought to provide for a suitable compensation to it for discharging its statutory responsibilities as the Central Transmission Utility, as provided in Part II A of the Indian Electricity Act, 1910.

3. So far as the applicability of Transmission Majoration Factor is concerned in our order dated 4.7.2002, we have already clarified the issue that payment of 10% Transmission Majoraton Factor shall be admissible in case of projects executed through JV routes and not to those executed through IPTC routes. With this clarification, the issue did not survive. As regards compensation on account of petitioner's discharging the statutory responsibilities as the Central Transmission Utilities, we, in our order dated 4.7.2002 had directed the Central Transmission Utility to file an appropriate petition, in accordance with law giving a detailed justification in support of its claim. Therefore, this issue was deemed to have been omitted from the present petition. Thus the only issue that survived was regarding calculation of base O&M expenditure for hilly terrain.

4. The information furnished by the petitioner in the petition in support of its claim for increase of O&M expenses was considered inadequate to enable us to take a view on the issue. Therefore, we had directed the petitioner vide order dated 4.7.2002 to furnish "a full justification in support of high percentage on account of O&M charges". In pursuance of our directions, the petitioner has filed an affidavit dated 26.7.2002. The affidavit is silent on facts and figures establishing higher O&M requirement in hilly terrain. Instead it has relied on a Ministry of Power notification dated 16.12.1997 regarding terms and conditions of tariff for transmission system which prescribed the different O&M expenses in hilly and plain terrains and had provided for O&M expenses @ 2% and 1.5% respectively. According to the petitioner, this difference should be maintained by the Commission. In the affidavit, it has been stated that O&M expenses are higher in hilly terrain due to the following reasons:

- (i) Land slides, floods in remote hilly areas
- (ii) Major expenses on restoration of lines collapsing due to flood, cyclone, landslide etc.
- (iii) Additional security arrangements by CRPF/CISF in insurgency affected areas
- (iv) Additional line patrolling and jungle cutting expenses
- (v) Accessibility of tower locations in a hilly terrain is difficult and some tower locations take long time for O&M gang to reach there, leading to more O&M expenses and this is a well-known fact.

5. We have heard Shri S. Garg, Dy. G.M, the representative of the petitioner and also those of the respondents present at the hearing. The representative of the petitioner reiterated the arguments as contained in the statements made in the affidavit filed on 26.7.2002. The representatives of the respondents have opposed the prayer made on behalf of the petitioner.

6. We have given our anxious thought to the issue and observe that the reasons listed in paragraph 4 above are not normal occurrences. These may or may not happen. This, therefore, does not call for allowing compensation on normative basis. Further, it is a recognised fact that cost of construction of transmission lines in hilly terrains is higher as compared to that in the plains. The O&M expenses, when arrived at as a percentage of cost, thus will automatically work out to be higher in case of hilly areas in absolute numbers. Prescribing higher percentages for O&M in hilly terrain would further compound the compensation. The petitioner, as has been stated earlier, has not

submitted any empirical data in support of its claim for higher O&M charges, apart from making some general grounds noticed above, despite an opportunity granted to it. Since the general grounds listed by the petitioner in its affidavit dated 26.7.2002 may not apply in all cases in hilly areas, a general increase of O&M from 1.5% to 2% does not seem to be justified. Accordingly, we are not inclined to accept the petitioner's claim for higher percentage on account of O&M charges.

7. The representatives of the respondents had fairly conceded that the petitioner should not be denied the higher O&M charges in case these are actually incurred. However, for that the petitioner should furnish the details. We agree with this contention raised on behalf of the respondents. We, therefore, consider it just and fair that in individual cases for specific lines, the petitioner may approach the Commission for reimbursement of higher O&M charges, in case these exceed the O&M charges claimed on normative basis, as 1.5% of the capital cost, with proper full justification, as an exception to the general provisions contained in the notification dated 21.9.2001.

8. With the above observations, the petition stands disposed of.


(K.N. SINHA)
MEMBER


(G.S. RAJAMANI)
MEMBER


(D.P. SINHA)
MEMBER


(ASHOK BASU)
CHAIRMAN

New Delhi dated the 22nd August, 2002