

CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

Petition No. 48/2010

Coram: Dr. Pramod Deo, Chairperson
Shri S.Jayaraman, Member
Shri V.S.Verma, Member
Shri M.Deena Dayalan, Member

Date of Hearing: 30.11.2010

Date of Order: 3.8.2011

In the matter of:

Approval of revised cost due to additional capital expenditure incurred during 2008-09 and actual O&M charges for Unified Load Dispatch & Communication (ULDC) Scheme in Eastern Region for tariff block 2004-09.

And

In the matter of:

Power Grid Corporation of India Ltd., Gurgaon ..Petitioner

Vs

1. Bihar State Electricity Board, Patna
2. West Bengal State Electricity Board, Calcutta
3. Grid Corporation of Orissa Ltd. Bhubaneswar
4. Damodar Valley Corporation, Calcutta
5. Power Department, Govt. of Sikkim, Gangtok
6. Jharkhand State Electricity Board, Ranchi ... Respondents

The following was present:

1. Shri.U.K. Tyagi, PGCIL
2. Shri M . M Mondal, PGCIL
3. Shri R. Prasad, PGCIL

ORDER

This petition has been filed by the Power Grid Corporation of India Limited for approval of revised cost consequent to additional capital expenditure incurred during 2008-09 and actual O&M charges in respect of the ULDC Scheme in Eastern Region (hereinafter referred to



as "the scheme") for the period 2004-09. In addition to the above, the petitioner has also prayed for the following:

(a) Allow escalation @ 6% on maintenance spares in calculation of charges as per para 29 of the Commission's order dated 28.7.2009 in Petition No. 74/2006.

(b) Approve reimbursement, by the petitioner, of the expenditure incurred towards publishing of notices in Newspapers and other expenditure, if any, in relation to filing of petition and petition filing fee.

2. ULDC charges for the period from date of commercial operation to 31.3.2009 were approved by the Commission vide its order dated 28.7.2009 in Petition No. 74/2006.

3. Reply to the petition has been filed only by Bihar State Electricity Board (BSEB), respondent No. 1, in its reply has made the following submissions:

(a) Additional capital expenditure incurred during 2008-09 may be approved only such expenditure is found to be genuine;

(b) The maintenance spares are not part of the working capital even in the Central Electricity Regulatory Commission (Fees and Charges of Regional Load Despatch Centre and other related matters) Regulations, 2009 for which the regulations are

in force. The allowance of the maintenance spares in the past for determination of the fees and charges for the RLDCs may at best be the liberal policy of the Commission at a time when no regulation on the issue was in force. In the absence of any justification in the petition, the claim of escalation charges may be rejected ; and

(c) Since there is no provision for reimbursement of publication expenses and filing fees in the Central Electricity Regulatory Commission (Fees and Charges of Regional Load Despatch Centre and other related matters) Regulations, 2009, the same may be rejected.

4. The petitioner in its rejoinder has reiterated its submissions in the petition. The petitioner has submitted as under:

(i) O & M expenditure indicated in the petition for the period 1.7.2007 to 31.3.2009 includes estimated wage revisions impact for that period. The actual details would be submitted after final settlement of the wage revision for all the employees of the company. It has been prayed that actual expenditure as per para 8 of the petition may be approved;

(ii) With regard to escalation, the petitioner has submitted that the Commission vide para 29 of the order dated 28.7.2009

in Petition No. 74/2006 has allowed escalation @ 6% on maintenance spares and the same is applicable in this petition as the petition has been filed for revision for tariff for the period 2004-09; and

(iii) With respect to expenditure towards publication expenses and filing fee, the petitioner has submitted that the expenditure towards publication and petition filing fee be considered as per 2004 regulations.

5. The objections of BSEB have been dealt with in relevant para of this order.

CAPITAL COST

6. Details of the capital expenditure including additional capital expenditure after date of commercial operation are as under:

Period of expenditure	Central Portion (₹ in lakh)	State portion (₹ in lakh)	Remarks
Up to date of commercial operation (1.9.2005)	11544.67	16830.09	Admitted vide order dated 28.7.2009 in Petition No.74/2006
From 1.9.2005 to 31.3.2006	967.36	1402.67	
From 1.4.2006 to 31.3.2007	630.42	1123.14	
From 1.4.2007 to 31.3.2008	180.53	519.32	
From 1.4.2008 to 31.3.2009	111.88	156.78	Being claimed in this Petition for approval of Add cap Amount.
Balance estimated Expenditure	1325.99	1642.05	As per CA certificate dated 22-12-2009
Total	14760.85	21674.05	

ADDITIONAL CAPITAL EXPENDTURE

7. The petitioner has furnished the category-wise break up of additional capital expenditure during the year 2008-09 as under:

(₹ in lakh)

S.No.	Particulars (Central Portion)	Expenditure from 1.4.2008 to 31.3.2009	Balance estimated expenditure
1	Building and other civil works	0.0	55.46
2	Auxiliary Power Supply system	2.10	3.79
3	EMS/SCADA System	55.42	189.29
4	Fibre Optic System	0.0	156.00
5	Digital Microwave System	54.10	898.31
6	PLCC/EPABX System	0.26	13.89
7.	Weather station	0.00	4.48
8.	Survey	0.00	4.77
9	Total	111.88	1325.99

(₹ in lakh)

S.No.	Particulars (State Portion)	Expenditure from 1.4.2008 to 31.3.2009	Balance estimated expenditure
1	Building and other civil works	0.0	14.67
2	Auxiliary Power Supply system	8.56	56.69
3	EMS/SCADA System	36.02	182.52
4	Fibre Optic System	0.0	283.56
5	Digital Microwave System	103.18	1026.05
6	PLCC/EPABX System	9.02	78.56
7.	Weather station	0.00	0.00
8.	Survey	0.00	0.00
9	Total	156.78	1642.05

8. The petitioner has submitted that the additional capital expenditure incurred during 2008-09 is in respect of works which are within the scope of approved capital cost. It has been further submitted that the expenditure has been incurred towards balance payment/works.

9. This petitioner has claimed additional capital expenditure amounting to ₹ 268.66 lakh incurred during 2008-09. The petitioner vide its affidavit dated 28.5.2010 has submitted that the expenditure of ₹ 91.44 lakh against EMS/SCADA system and expenditure of ₹ 157.28 lakh against digital microwave system have been incurred as additional capital expenditure during 2008-09 which are within the scope of approved capital cost. It has been clarified that this expenditure was part of the work awarded (part of LOA) to the original contractor during the warranty period. In response to our query during the hearing as to why the expenditure for maintenance has been claimed under additional capital expenditure instead of O&M, the representative of the petitioner clarified that the maintenance of the RTUs and Microwave system during the warranty period was part of the contract price, payment for which was made in year 2008-09.

10. Regarding additional capital expenditure towards EMS/SCADA, and Fibre-optics, Digital Microwave AMC charges, the petitioner has further submitted that in view of importance of telemetry of real time parameters for monitoring and operation of grid, provision of AMC for two years after expiry of warranty period was covered in original contract for maintenance of these equipments. Since this was a new technology, the contract envisaged maintenance based payment during warranty period of two years instead of full payment at the time

of commissioning and free AMC during warranty period. Therefore, the expenditure incurred was within original scope of the contract.

11. We have considered the submission of the petitioner. Since the additional capital expenditure claimed is within the original scope of works and the approved capital cost, the same is allowed for capitalization. The petitioner has not claimed the annual fees and charges based on the additional capital expenditure and shall claim the same during 2009-14 period as per the procedure adopted by the Commission in case of ULDC Scheme. It is, however, noted that some portion of the assets of ULDC Scheme has been transferred to Eastern Regional Load Despatch Centre (ERLDC). The Commission has allowed the fee and charges to ERDLC in order dated 8.3.2011 in Petition No. 95/2010 based on the opening capital cost of ₹ 4759.09 lakh as on 31.3.2009. Therefore, the petitioner while claiming the annual fees and charges for 2009-14 based on the additional capital expenditure approved in this order, shall exclude the expenditure which has been considered in the order dated 8.3.2011 in Petition No. 95/2010.

O & M CHARGES

12. The petitioner has submitted that the O & M charges were approved @ 7.5 % of the capital cost admitted for Central sector as on the date of commercial operation vide order dated 28.7.2009 in Petition No. 74/2006. The petitioner has further submitted that the Commission had also allowed that the actual O & M charges would

be reimbursed with retrospective effect after scrutiny and due prudence. The petitioner has submitted the year wise O & M expenditure duly certified by the auditors' as under:

(₹ in lakh)

Period	Actual O & M expenditure	O & M charges in tariff	Difference
2005-06 (Pro rata)	658.34	505.08	153.26
2006-07	916.88	865.85	51.03
2007-08	1236.92	865.85	371.07
2008-09	1682.89	865.85	817.04
Total	4495.03	3102.63	1392.40

13. The petitioner has submitted that the O & M expenditure indicated above for the years 2006-07, 2007-08 and 2008-09 include provisions for the impact of estimated wage revision from 1.1.2007 to 31.3.2009. The petitioner has further submitted that the actual details would be submitted after final settlement of wage revision for all the employees of the petitioner company.

14. The petitioner has submitted further data on wage revision vide its affidavit dated 28.5.2010. The details of O&M expenditure are given below:

(₹ in lakh)

Period	O&M charges allowed by the Commission	Actual O&M Charges claimed by petitioner	Difference(Actual O&M claimed- O&M allowed by the Commission)	Provision for Wage revision	Actual Expenditure claimed by Petitioner Excluding Provision for Wage revision	Difference (Actual O&M claimed excluding provisions for wage revision- O&M allowed by the Commission)
1	2	3	4 = 3-2	5	6=3-5	7= 6-2
2005-06 (Pro-rata)	505.08	658.34	153.26	0	658.34	153.26
2006-07	865.85	916.88	51.03	33.58	883.30	17.45
2007-08	865.85	1236.92	371.07	236.41	1000.51	134.66
2008-09	865.85	1682.89	817.04	231.64	1451.25	585.4
Total	3102.63	4495.03	1392.40	501.63	3993.40	890.77

15. It is noted that the petitioner has made provision of ₹ 33.58 lakh, ₹ 236.41 lakh and ₹ 231.64 lakh for revision of wages of Executives, Supervisors and Workmen for the years 2006-07, 2007-08 and 2008-09, respectively. Out of the said provision, amount of ₹ 28.56 lakh ₹ 124.29 lakh and ₹ 174.65 lakh have actually been paid towards the wage revision of executives during the years 2006-07, 2007-08 and 2008-09, respectively. The petitioner has further mentioned that wage revision of workmen and supervisors are under finalization and would be submitted in due course.

16. Since the wage revision of Supervisors and Workmen has not been finalized, expenditure on account of wage revision has not been allowed in this order. The petitioner is directed to approach the Commission with the consolidated expenditure on wage revision after finalization of the wage revision of Supervisor and Workmen. Accordingly, O & M expenses as claimed by the petitioner has been allowed after deducting the claims for wage revisions.

17. From the analysis of the details furnished in the petition, it is observed that the repair and maintenance expenses, travelling expenses as well as miscellaneous expenses incurred during the year 2008-09 are significantly higher as compared to the previous years.

18. The petitioner vide its affidavit dated 28.5.2010 has submitted that increase in repair and maintenance cost during the year 2008-09 was relatively higher due to payment of license fee and royalty charges of ₹ 71.52 lakh to Department of Telecommunication. Increase in miscellaneous expenditure has been attributed to amortization of exchange rate variation of ₹92.21 lakh allocated to State sector assets. As regards the higher travel expenses, the petitioner has submitted that since new technology was implemented in ULDC System through AREVA T&D, France, training on transfer of technology, and maintenance of ULDC System was envisaged as part of the contract. Accordingly, foreign training was imparted to the executives of PGCIL and the constituents, on transfer of technology and maintenance of ULDC system. The petitioner has further clarified that only training expenses were included in the contract and therefore, travel expense connected with the training was incurred by the petitioner. This has resulted in significant increase in the travelling expenses during the years 2005-06 and 2007-08.

19. From the documents submitted by the petitioner, it is noted that the training was included in the cost estimate for the scheme for the Eastern Region. We also find that there is sufficient justification for the increase in expenditure under O & M head and accordingly, the expenditure as in column 6 of the table at para 14 is allowed.

MAINTENANCE SPARES

20. The petitioner has prayed that escalation @ 6% on maintenance spares as per para 29 of the Commission's order dated 28.7.2009 in Petition No. 74/2006 be allowed. BSEB has submitted that escalation of maintenance spares should not be allowed as maintenance spares are not part of the working capital under Central Electricity Regulatory Commission (Fees and Charges of Regional Load Despatch Centre and other related matters) Regulations, 2009 (RLDC Regulations).

21. RLDC Regulations are applicable for the charges and fees of Regional Load Despatch Centre and do not cover the ULDC scheme which are operating under the petitioner up to 2008-09. Therefore, the provisions of 2004 regulations has been considered in our order dated 28.7.2009 in Petition No. 74/2006 and other petitions pertaining to ULDC Schemes in other regions. We are not inclined to depart from the accepted principles and accordingly, maintenance spares has been considered in accordance with Regulation 56 (v) (1) (b) of 2004 regulations for the following:

(₹ in lakh)

Date of commercial operation: 1.9.2005	2005-06	2006-07	2007-08
Maintenance spares	115.45	122.37	129.72

ANNUAL FEES AND CHARGES

22. The petitioner has submitted that annual fees and charges for additional capital expenditure during 2008-09 is applicable with effect from 1.4.2009. Therefore, the petitioner has not claimed the fees and charges in this petition. In case of the all ULDC, fees and charges are claimed after additional capital expenditure is actually incurred, the petitioner may file appropriate application for claiming the fee and charges for the additional capital expenditure and O & M expenses allowed in this petition.

OTHER ISSUES

23. The claim of the petitioner for the reimbursement of petition filing fee is not allowed as decided in our order dated 11.7.2008 in Petition No.129/2005 (*Suo-motu*).

24. Petition No. 48/2010 is disposed of with liberty to petitioner to file separate petition for levelized tariff for the scheme in accordance with law.

Sd/-	Sd/-	Sd/-	Sd/-
(M.Deena Dayalan) Member	(V.S.Verma) Member	(S.Jayaraman) Member	(Dr. Pramod Deo) Chairperson

