

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 28/2010

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

Date of Hearing: 10-8-2010

Date of Order: 18 .3.2011

In the matter of:

Approval under Sub-section(4) of section 28 of Electricity Act 2003 for determination of revised fees and charges due to additional capitalization incurred during 2005-09 for Unified Load Despatch & Communication (ULDC) Scheme in Northern Region.

And

In the matter of:

Power Grid Corporation of India Ltd. Gurgaon

...Petitioner

Vs

1. Rajasthan Rajya Vidyut Prasaran Nigam Limited, Jaipur
2. Ajmer Vidyut Vitaran Nigam Ltd., Jaipur
3. Jaipur Vidyut Vitaran Nigam Ltd, Jaipur
4. Jodhpur Vidyut Vitaran Nigam Ltd, Jaipur
5. Himachal Pradesh State Electricity Board, Shimla
6. Punjab State Electricity Board, Patiala
7. Haryana Power Purchase Centre, 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 Limited, New Delhi
12. BSES Rajdhani Power Ltd., New Delhi
13. North Delhi Power Ltd., New Delhi
14. Chandigarh Administration, Chandigarh
15. Uttarakhand Power Corporation Ltd, Dehradun
16. North Central Railway, Allahabad
17. New Delhi Municipal Council

... Respondents



The following was present:

1. Shri U K Tyagi, PGCIL
2. Shri Rajeev Gupta, PGCIL
3. Ms. Sangeeta Edwards, PGCIL
4. Shri TPS Bawa, HPPC
5. Shri. G M Agrawal, UPPCL

ORDER

This petition has been filed seeking approval for revised fees and charges consequent to additional capital expenditure incurred during 2005-09 for Unified Load Despatch & Communication (ULDC) Scheme in Northern Region hereinafter "the scheme"). The petitioner has also sought the following reliefs:

- (a) The petitioner may be allowed to recover from the respondents, income tax, incentives, late payment surcharge, any statutory taxes, levies, duties, cess, filing fees or any other kind of imposition or other surcharge imposed by any Government.
- (b) The petitioner be allowed actual reimbursement of the O&M Charges.
- (c) Approve the reimbursement by the beneficiaries, of expenditure towards petition filing fee, and publishing of notices in newspapers and other expenditure (if any) in relation to the filing of petition.
- (d) Pass such other relief as Hon'ble Commission deems fit and appropriate under the circumstances of the case and in the interest of justice.

2. Date of Commercial operation of the scheme is 1.8.2002. Charges for the period 1.4.2004 to 31.3.2009 were initially approved by the Commission vide its order dated 9.5.2006 in Petition No. 139/2005. The same were revised vide Commission's order dated 11.4.2008 in review Petition No. 133/2006. The charges were further revised vide order dated 29.1.2009 in IA



11/2008 in Petition No. 139/2005 taking into account the additional capital expenditure incurred by the petitioner in 2004-05.

3. It is also significant that for 2004-09 period, no regulations/ guidelines on determination of fees and charges for ULDC existed. Therefore calculations for determination of tariff for ULDC schemes, are modelled on the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004 (hereinafter "the 2004 regulations"). Same methodology was adopted in the tariff order dated 29.1.2009(IA 11/2008 in Petition No 139/2005).

4. The petitioner has claimed the following charges:

(₹ in lakh)

	2004-05	2005-06	2006-07	2007-08	2008-09
Central Portion	4790.93	4799.69	4802.50	4807.96	4810.87
State Portion	3527.82	3550.78	3559.15	3559.15	3559.15

5. Uttar Pradesh Power Corporation (UPPCL) viz. respondent No. 9 alone has filed reply to the petition. The respondent has objected to payment of O&M charges on provisional basis and the demand of the petitioner for reimbursement of petition filing fee. The respondent has alleged that the petition suffers from the following discrepancies:

(a) Enhancement of ULDC charges inordinately to 7.5% of the capital cost would amount to making undue profit which would be uneconomical to the beneficiaries and contrary to the provisions of clause 38(2)(c) of the Electricity Act 2003.

(b) Actual details of the wage revision be submitted by the petitioner after final settlement of employees of the petitioner company to authenticate the same.

(c) Petitioner has sought deviation from the norms of O&M provided in the 2004 regulations and therefore it ought to have invoked the application of power to relax.

6. We observe that the scheme stands on a different footing and therefore the norms for O&M charges as prescribed in the 2004 regulations cannot have any application for the instant case. Remaining submissions of the respondent are addressed in the respective paragraphs of this order.

7. Having heard the representatives of the parties and examined the material on record, we proceed to dispose of the petition.

CAPITAL COST

8. In these calculations, the following capital cost as on 31.3.2004 as admitted by the Commission vide order dated 29.1.2009 in IA 11/2008 in Petition no 133/2006 has been considered.

(a) Central portion	₹ 24948.41 lakh
(b) State portion	₹ 30330.50 lakh
(c) TOTAL	₹ 55278.91 lakh

ADDITIONAL CAPITAL EXPENDITURE

9. The petitioner has submitted following details of capital expenditure vide Auditor's certificate dated 17.12.2009 on the basis of audited accounts up to 31.3.2009:

		(₹ in lakh)
1	Expenditure up to date of Commercial operation [1.8.2002]**	54050.89
2	Expenditure from 1.8.2002 to 31.3.2003	2218.94
3	Expenditure from 1.4.2003 to 31.3.2004	582.31
4	Expenditure from 1.4.2004 to 31.3.2005	220.51
5	Expenditure from 1.4.2005 to 31.3.2006	66.06
6	Expenditure from 1.4.2006 to 31.3.2007	24.38
7	Expenditure from 1.4.2007 to 31.3.2008	6.45
8	Expenditure from 1.4.2008 to 31.3.2009	5.41
9	Balance estimated expenditure	790.10
	Total	57965.05

** Includes FERV ₹ 109.67 lakh



10. The expenditure up to 31.3.2009 has been verified from the audited statements of accounts of the petitioner. The balance estimated expenditure is as per the details furnished by the petitioner.

11. The break up of capital cost including additional capital expenditure after date of commercial operation is detailed below:

(₹ in lakh)

Duration	Central Portion	State portion	Remarks
Up to Date of commercial operation	24958.31	29092.58	Admitted vide order dated 29.1.2009
1.8.2002 to 31.3.2003	639.71	1579.23	in Petition No.139/2005
1.4.2003 to 31.3.2004	76.84	505.47	
1.4.2004 to 31.3.2005	52.73	167.78	
1.4.2005 to 31.3.2006	7.82	58.24	
1.4.2006 to 31.3.2007	24.38	0	
1.4.2007 to 31.3.2008	6.45	0	Claimed in this petition.
1.4.2008 to 31.3.2009	5.41	0	
Total	26561.74	31403.3	
FERV included in capital cost From date of commercial operation to 31.3.2004	-726.45	-846.79	Admitted vide order dated 29.1.2009 in petition no.139/2005

12. The additional capital expenditure sought to be included through this petition, i.e. incurred after 31.3.2005 is in respect of works which are within the original scope of approved capital cost. The expenditure has been made towards balance payment / works.

DEBT- EQUITY RATIO

13. In accordance with the methodology adopted in order dated 29.1.2009, additional capital expenditure (referred to as 'ACE' in the table below) for the years 2005-06 to 2008-09 has been segregated in the debt-equity ratio of 70:30. Accordingly, the details of debt-equity on various dates are as under:

(₹ in Lakh)

	Debt	Equity	Total	Debt%	Equity%
As on 31.3.2004	46241.26	9037.65	55278.91	83.65%	16.35%
ACE during 2004-05	154.36	66.15	220.51	70.00%	30.00%
As on 31.3.2005	46395.62	9103.80	55499.42	83.60%	16.40%
ACE during 2005-06	46.24	19.82	66.06	70.00%	30.00%
As on 31.3.2006	46441.86	9123.62	55565.48	83.58%	16.42%
ACE during 2006-07	17.07	7.31	24.38	70.00%	30.00%
As on 31.3.007	46458.93	9130.94	55589.86	83.57%	16.43%
ACE during 2007-08	4.52	1.94	6.45	70.00%	30.00%
As on 31.3.2008	46463.44	9132.87	55596.31	83.57%	16.43%
ACE during 2008-09	3.79	1.62	5.41	70.00%	30.00%
As on 31.3.2009	46467.23	9134.49	55601.72	83.57%	16.43%

INTEREST ON LOAN

14. No loan details have been indicated in the petition, implying that the petitioner has funded the entire additional capital expenditure through equity only. Accordingly, NIL interest on loan is being allowed.

ANNUAL CAPITAL RECOVERY FACTORS

15. Recovery factors in respect of the additional capital expenditure allowed through this order has been worked out by considering the weighted average rate of interest as on 1.4.2004 and 14% rate of Return on Equity. The factors computed on the above basis are as under:

	In respect of the additional capital expenditure incurred during			
	2005-06	2006-07	2007-08	2008-09
Recovery Factor for loan	0.124375	0.132881	0.143269	0.156220
Recovery Factor for equity	0.180997	0.188734	0.198403	0.210709

OPERATION & MAINTENANCE EXPENSES

16. The Commission had allowed O&M Charges @ 7.5% of the Capital cost vide order dated 29.1.2009 in Petition No. 139/2005 subject to adjustment based on actual as extracted hereinbelow:

“17. The Commission, vide its order dated 9.5.2005 in Petition No. 139/2005, has decided to retain the O&M charges allowed for the previous period. Accordingly, in these calculations also O&M charges amounting to Rs. 1871.85 lakh per annum as approved in the previous tariff period, subject to adjustment based on actuals.”



17. In tune with the above decision, the petitioner had provided actual O&M Expenses in the present petition. From the data provided, it transpired that the actual O&M expenditure for the period 2002-03 to 2006-07 was less than that allowed earlier in the tariff. For the period 2007-08 and 2008-09, the actual O&M was more than what was allowed in tariff. While furnishing the data, the petitioner has also mentioned that the actual O&M expenses for the years 2006-07, 2007-08 and 2008-09 include provisions for the estimated wage revision impact for the period with effect from 1.1.2007 to 31.3.2009. Further, it emerged from the analysis of data provided by the petitioner that repair and maintenance cost in the year 2008-09 and in 2007-08 was significantly higher as compared to the previous years.

18. With regard to the above, the petitioner was directed vide Commission's order dated 10.6.2010 to submit the following information:

(a) The actual O&M cost for the years 2002-03 to 2008-09 without taking into account the provision for wage revision and amount of provision for wage revision made in the actual O&M for the year 2007-08 and 2008-09

(b) The reason and justification for significant increase in the repair and maintenance cost in the year 2007-08 and 2008-09.

19. The above details were submitted by the petitioner vide its affidavit dated 24.6.2010. It is seen that against the O&M expenditure earlier allowed by the Commission amounting to ₹ 12479 lakh, the actual expenditure without provision for wage revision is ₹ 12694.19 lakh.

20. The petitioner has filed Petition No. 101/2010 claiming the additional cost incurred towards wage revision with effect from 1.1.2007. Accordingly, the payment actually made by the petitioner to the executives during 2006-07 to 2008-09 is not being allowed through this petition. We allow only the actual O&M expenditure without taking into account the impact the wage revision.



This view of ours takes care of the objection by respondent No 9 that the Commission may not allow provisional figures of O&M claimed for 2006-07 to 2008-09.

21. During the hearing of the case, on 10.8.2010, the respondent Haryana Power Purchase Centre submitted that the EMS/SCADA system for which the petitioner has claimed is not fully functional. According to the respondent, while telemetry function is being utilized the applications like EMS, load forecasting and load shedding etc. could not be utilized. In response to the above, the petitioner has clarified that all constituents including HVPNL have certified that EMS/SCADA system is meeting the specified availability. The petitioner has also confirmed this under its affidavit dated 30.8.2010, wherein the petitioner has also submitted that the applications like load forecasting, load shedding, etc. are of decentralized nature and are to be utilized at SLDC level. The petitioner has also submitted that necessary training programme to acquaint the users with the various modules of the system were organized by the petitioner as well as NRPC. In view of this, the objection by the respondent is not tenable. We would also point out that in case any constituent has reservation about the utility of the system, the issue could first be discussed at the NRPC level.

22. As per the previous tariff order dated 29.1.2009, O &M charges are admissible only in respect of the Central portion. Based on the above, the following O&M charges have been allowed for the central portion:

(₹ in lakh)

	2004-05	2005-06	2006-07	2007-08	2008-09
Central Portion	1534.12	1544.15	1686.46	2323.81	3366.67
State portion	0.00	0.00	0.00	0.00	0.00

INTEREST ON WORKING CAPITAL

23. The components of the working capital and the interest thereon are discussed hereunder in conformity with the previous tariff order dated 29.1.2009, in IA No. 11/2008 in Petition No. 139/2005:



(i) Receivables: Receivables have been calculated on the basis of two months' annual charge as worked out above.

(ii) Maintenance spares: In line with the previous tariff order dated 29.1.2009, cost of maintenance spares as on the date of commercial operation of Rs. 249.58, has been considered and escalated at 6% per annum for 2004-05 and onwards. Further spares have been calculated for RSCC portion only.

(iii) O & M expenses: One month O&M expenses have been provided towards computation of working capital.

(iv) Rate of interest on working capital: In continuation of the previous tariff order dated 29.1.2009, the SBI PLR as on 1.4.2004 i.e. 10.25% is considered as the rate of interest on working capital.

24. Necessary computations in support of interest on working capital are appended hereinbelow:

(₹ in lakh)

Central Portion					
	2004-05	2005-06	2006-07	2007-08	2008-09
Maintenance Spares	249.58	264.56	280.43	297.26	315.09
O&M Expenses	127.84	128.68	140.54	193.65	280.55
Receivables	740.73	743.91	768.71	878.62	1057.43
Total	1118.16	1137.15	1189.68	1369.53	1653.07
Rate of Interest on Working Capital	10.25%	10.25%	10.25%	10.25%	10.25%
Interest on Working Capital	114.61	116.56	121.94	140.38	169.44

(₹ in lakh)

State Portion					
	2004-05	2005-06	2006-07	2007-08	2008-09
Maintenance Spares	0.00	0.00	0.00	0.00	0.00
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Receivables	587.97	591.80	593.19	593.19	593.19
Total	587.97	591.80	593.19	593.19	593.19
Rate of Interest on Working Capital	10.25%	10.25%	10.25%	10.25%	10.25%
Interest on Working Capital	60.27	60.66	60.80	60.80	60.80

ANNUAL CHARGES

25. The Annual charges being allowed for the scheme are summarized below:

(₹ in lakh)

Central portion					
	2004-05	2005-06	2006-07	2007-08	2008-09
Recovery Factors –Loan	0.117295	0.124375	0.132881	0.143269	0.156220
Annual Capital Recovery Charge - Loan	2205.03	2209.36	2210.04	2212.31	2212.96
Recovery Factors -Equity	0.174714	0.180997	0.188734	0.198403	0.210709
Annual Capital Recovery Charge - Equity	590.64	593.40	593.83	595.21	595.59
Annual capital recovery charges - Total	2795.67	2802.76	2803.87	2807.52	2808.55
O&M Expenses	1534.12	1544.15	1686.46	2323.81	3366.67
Interest on working capital	114.61	116.56	121.94	140.38	169.44
Total Charges	4444.40	4463.47	4612.27	5271.70	6344.66
State portion					
	2004-05	2005-06	2006-07	2007-08	2008-09
Recovery Factors -Loan	0.117295	0.124375	0.132881	0.143269	0.156220
Annual Capital Recovery Charge - Loan	2570.29	2584.06	2589.13	0.00	0.00
Recovery Factors -Equity	0.174714	0.180997	0.188734	0.198403	0.210709
Annual Capital Recovery Charge - Equity	897.26	906.06	909.22	0.00	0.00
Annual capital recovery charges - Total	3467.55	3490.12	3498.35	3498.35	3498.35
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Interest on working capital	60.27	60.66	60.80	60.80	60.80
Total Charges	3527.82	3550.78	3559.15	3559.15	3559.15

Application fee

26. The petitioner has sought approval for the reimbursement of expenses incurred by it in connection with the filing of the petition. The petitioner's claim for reimbursement of filing fees is not allowed in terms of the Commission's general order dated 11.9.2008 in Petition No.129/2005, wherein it was decided that the application filing fees being part of the allowable O&M expenses is not separately reimbursable.

Sharing of Charges

27. The charges for the unified scheme under central sector allowed in this order shall be shared by the respondent beneficiaries/constituents in Northern



Region in the ratio of central generating capacity allocation including the allocation from unallocated capacity from the Central Generating stations.

28. The charges for Unified scheme under State sector mentioned shall be shared by the respondents in proportion to the capital cost of the State portion.

29. This order disposes of Petition No. 28/2010.

Sd/-

(M.Deena Dayalan)
Member

Sd/-

(V.S.Verma)
Member

Sd/-

(S.Jayaraman)
Member

Sd/-

(Dr. Pramod Deo)
Chairperson

