

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Review Petition No. 7/RP/2015

In

Petition No.207/TT/2012

Coram:

**Shri Gireesh B. Pradhan, Chairperson
Shri A.K. Singhal, Member
Shri A.S. Bakshi, Member**

Date of Hearing : 07.07.2015

Date of Order : 18.09.2015

In the matter of:

Review Petition under Section 94(1) (f) of the Electricity Act, 2003 read with Regulation 17 of the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999, seeking review of order dated 16.1.2015 in Petition No. 207/TT/2012 in the matter of determination of transmission tariff for 765 kV Pooling Stations and Network for NR from ER and common scheme for network for WR and Import by WR from ER and from NER/SR/WR via ER in Northern Region for tariff period 2009-14.

And in the matter of:

Power Grid Corporation of India Limited,
"Saudamini", Plot No. 2,
Sector 29, Gurgaon-122001
Haryana

Vs

.....**Petitioner**

1. Rajasthan Rajya Vidyut Prasaran Nigam Limited,
Vidyut Bhawan, Vidyut Marg,
Jaipur- 302 005
2. Ajmer Vidyut Vitran Nigam Limited,
400 kV GSS Building (Ground Floor),
Ajmer Road, Heerapura, Jaipur



3. Jaipur Vidyut Vitran Nigam Limited,
400 kV GSS Building (Ground Floor),
Ajmer Road, Heerapura, Jaipur
4. Jodhpur Vidyut Vitran Nigam Limited,
400 kV GSS Building (Ground Floor),
Ajmer Road, Heerapura, Jaipur
5. Himachal Pradesh State Electricity Board,
Vidyut Bhawan, Kumar House Complex Building II,
Shimla-171 004
6. Punjab State Electricity Board
The Mall, Patiala-147 001
7. Haryana Power Purchase Centre,
Shakti Bhawan, Sector-6,
Panchkula (Haryana)-134 109
8. Power Development Department,
Govt. of Jammu and Kashmir,
Mini Secretariat, Jammu
9. Uttar Pradesh Power Corporation Limited,
(Formerly Uttar Pradesh State Electricity Board),
Shakti Bhawan, 14, Ashok Marg,
Lucknow-226 001
10. Delhi Transco Limited,
Shakti Sadan, Kotla Road,
New Delhi-110 002
11. BSES Yamuna Power Limited,
BSES Bhawan, Nehru Place,
New Delhi
12. BSES Rajdhani Power Limited,
BSES Bhawan, Nehru Place,
New Delhi



13. North Delhi Power Limited,
Power Trading & Load Dispatch Group,
Cennet Building, Adjacent to 66/11kV Pitampura-3,
Grid Building, Near PP Jewellers,
Pitampura, New Delhi-110 034

14. Chandigarh Administration,
Sector-9, Chandigarh

15. Uttarakhand Power Corporation Limited,
Urja Bhawan, Kanwali Road, Dehradun

16. North Central Railway,
Allahabad.

17. New Delhi Municipal Council,
Palika Kendra, Sansad Marg,
New Delhi-110 002

....Respondents

For petitioner : Mr. M.G Ramachandran, Advocate for PGCIL
Ms. Ranjitha Ramachandran, Advocate for PGCIL
Ms. Anushree Bardhan, Advocate for PGCIL
Ms. Sangeeta Edwards, PGCIL
Shri S.S Raju, PGCIL
Shri M.M Mondal, PGCIL
Shri S.K Venkatesan, PGCIL
Shri Adarsh Srivastava, PGCIL
Shri Jasbir Singh, PGCIL

For respondent : Shri R.B Sharma, Advocate for BRPL

ORDER

This review petition has been filed by Power Grid Corporation of India Limited (PGCIL) seeking review of the order dated 16.1.2015 in Petition No.207/TT/2012, wherein the transmission tariff for assets (6 nos. Bus Reactors-Part-IV) under "Common



Scheme for 765 kV Pooling Stations and network for NR, Import by NR from ER and Common Scheme for network for WR and import by WR from ER and from NER/SR/WR via ER” in Northern Region for 2009-14 period was allowed.

2. The review petitioner has submitted that the Commission in the above said order restricted the capital cost of Asset-III, i.e. 765 kV 3x80 MVAR bus reactor at Lucknow alongwith associated bays to the cost of Asset I, i.e. 765 kV 3X80 MVAR bus reactor at Balia. The cost of ₹1314 lakh of Asset III was disallowed on the ground that there is no justification for difference in the capital cost of Asset I and Asset III which are both 240 MVAR Bus Reactors and were awarded within a period of two months. Aggrieved by the above said order, the review petitioner has filed the instant review petition with the prayer to allow the capital cost of Asset III as claimed by the petitioner in the main petition.

3. The review petitioner has submitted that the Commission’s conclusion regarding absence of justification for the difference between the capital cost of Asset I and Asset III are errors apparent and there is also sufficient cause for review of the impugned order.

4. The review petitioner has submitted the following in support of its prayer for reviewing the impugned order:-



- a. The reasons for variation in cost of Asset I and Asset III was filed vide affidavit dated 22.10.2014 in the main petition which have not been considered. The details of the cost estimate were prepared as per well defined procedures worked out on the basis of LOAs of various transmission lines, sub-stations and transformers of the project at the 1st Quarter 2008 price level. The investment approval in respect of the assets based on such cost estimate was accorded by the Board of Directors on 29.8.2008. The apportioned approved cost of Asset-III at Lucknow was higher than the apportioned approved cost of Asset-I at Balia (by about ₹2600 lakh) as it was estimated at that stage that the costs for Asset-I would be different from the cost of Asset-III;
- b. As against the apportioned approved cost of ₹3932.05 lakh for Asset-I and ₹6557.86 lakh for Asset-III, the anticipated completion cost of Asset-I and Asset-III as on the filing of the petition were expected to be ₹3799.98 lakh and ₹5361.85 lakh respectively. Therefore, the anticipated completed cost of Asset III at Lucknow was within the apportioned approved cost;
- c. The variations in the capital cost for Asset I and Asset III were on account of the following:-
- i. Switchgear (CT, PT, Circuit Breaker, Isolator etc.): The cost of switchgear for Asset III was ₹2300 lakh and for Asset I was ₹1157 lakh which accounts for a difference of ₹1143 lakh;



- ii. Basic cost of Reactor/compensating Equipment: The cost of the bus reactor for Asset III was ₹1931 lakh and for Asset I was ₹1760 lakh which accounts for a difference of ₹171 lakh; and
 - iii. Taxes and duties paid for bus reactor: For Asset III was ₹177 lakh and for Asset I was ₹41 lakh.
- d. The detailed break-up of the construction/supply/service packages as per original estimates and actuals which indicate the differences in the cost for Asset III and Asset I. The apportioned approved cost for the switchgear as well as the compensating equipment for Lucknow Sub-station (Asset III) was higher than that of Balia Sub-station;
- e. The contract for the Bus Reactor packages were awarded on different dates and to different agencies because of which there is difference in the basic cost of reactors as well as for erection work. The details of agencies executed the work are as follows:-
- i. Reactor package for Asset III was awarded on 22.2.2010 to M/s TBEA for supply of reactors. The erection work was awarded to M/s L&T;
 - ii. Reactor Package for Asset I was awarded on 8.3.2010 to a Joint Venture of M/s CGL and M/s JSC Zaporozh transformator. The erection was awarded to M/s L&T.



- f. The contract for Asset I which was at lower cost was awarded on a later date i.e. when the contract for Asset III had already been awarded. Therefore, the cost of Asset III could not be re-negotiated;
- g. There is difference in the structure of the switchyard (consisting of equipment structure, Gantry and civil works, erection etc) because of the technical requirements of Asset III as compared to Asset I. This has led to more requirements in Lucknow Sub-station (Asset III) than Balia Sub-station(Asset I):-
 - i. Therefore the supply as well as the erection cost of main bay along with the tie bay has led to an increased cost as compared to the Balia sub-station and the same is reflected in the cost of reactor bay for commercial purpose.
 - ii. The second bay is a future bay in the Dia having bus reactor bay.
 - iii. There was a difference in the quantity of 3-phase breakers and other supporting equipment;
- h. The difference in taxes included in the total cost of Bus reactor Bay and Switchgear as was awarded by contract. It is the tax paid by the petitioner to such suppliers/service providers; and
- i. Cost variation in the capital cost between Asset III and Asset I is natural and cannot be attributed to the petitioner. The increased capital cost of Asset III is due to equipment requirement which necessitated additional cost.



5. The review petitioner has submitted that in view of the above, the capital cost of Asset III should not be restricted to the capital cost for Asset I and the capital cost of ₹5361.85 lakh claimed by the petitioner for Asset III should be allowed.

6. The review petition was admitted vide order 16.4.2015 and the respondents were directed to file their replies. In response, BRPL (Respondent No.12) has filed its reply vide affidavit dated 1.6.2015.

7. The review petitioner reiterated the submissions made in the petition in its written submissions dated 7.7.2015. The additional submissions made by the review petitioner in the written submissions are as follows:-

- a) Balia Sub-station is an existing sub-station and therefore the cost to be incurred in case of Asset I was for only additions whereas the Lucknow Sub-station is a new sub-station. Thus, there were more requirements required in Lucknow Sub-station (Asset III) in comparison to Balia Sub-station (Asset I);
- b) The Asset III at Lucknow, the second bay is a future bay in the Dia having Bus reactor bay. Therefore, the supply as well as the erection cost of main bay along with the tie bay has led to an increased cost as compared to the Balia Sub-station and the same is reflected in the cost of reactor bay for commercial purpose;
- c) The provision for such future bay is to be provided at this stage as a technical requirement to ensure economy and is a prudent practice adopted by the review



petitioner. If such provision is not provided at this stage, then when the future bay is added, it would result in substantially higher costs. This requirement of the future bay is reflected in the Single Line diagram submitted in the review petition;

- d) There was also a difference in the quantity of 30-phase breakers and other supporting equipment. The Asset III at Lucknow being established new asset required a minimum of 2 circuit breakers whereas Asset I at Balia being an expansion required only one additional circuit breaker; and
- e) In case of Asset III at Lucknow, an additional Isolator was required to be installed in the second main bay.

8. During the hearing on 7.7.2015, the learned counsel of BRPL submitted that in the affidavit dated 22.10.2014, the petitioner was not able to justify the huge variations in the cost but has only admitted and intimated the high cost at Lucknow. The learned counsel of BRPL further submitted that in the main petition the Commission directed the petitioner to submit the detailed computation of FR estimates for preparing the basis of estimates and the price level. In response, the petitioner vide his affidavit dated 24.3.2014 submitted that the FR cost estimates are broad indicative cost worked out generally on the basis of average unit rate of recently awarded contracts/general practice. However, the petitioner has not explained as to how the FR cost of bus reactor at Lucknow would be higher than the Balia Bus reactor with same technical particulars.



Learned counsel submitted that ₹1314 lakh in respect of Asset III has been rightly disallowed as the petitioner has not properly explained the huge difference in cost.

9. We have heard the learned counsel for the parties and perused the documents available on record. The main ground for review is that the materials placed on record by the review petitioner in the main petition were not considered while passing the impugned order. The review petitioner has referred to the affidavit dated 22.10.2014 filed in Petition No. 207/TT/2012 in response to the reply of PSPCL. In para 9 of the affidavit, the review petitioner had submitted as under:-

“9. Reply to Para 8: With regard to the higher cost of 240 MVA, 765 kV bus reactor at Lucknow in comparison to cost of 240 MVA, 765 kV bus reactor-II at Ballia it is submitted that the basic cost of reactor at Lucknow is Rs. 19.3 Crs and Rs.17.6 Crs at Ballia respectively. Further it is submitted that as per form 5B enclosed along with the petition, the major difference in cost is on account of switchgear (CT, PT, Circuit Breaker, Isolator etc.) cost ie Rs.23 Crs for bus reactor at Lucknow and Rs.11.5 Crs for bus reactor-II at Ballia which accounts a difference of 11.5 Crs. Further the taxes and duties paid for bus reactor at Lucknow is 1.77 Crs and for bus reactor at ballia is only Rs.0.40 Crs which accounts a difference of Rs.1.3 Crs. Form 5 B for both the reactors is enclosed as an Encl-4, Page no.18 to 19.”

10. It is noticed that above submission was considered by the Commission in para 23 of the impugned order which is extracted as under:

“23. The petitioner has further submitted in its affidavit dated 22.10.2014 that the basic cost of reactor at Lucknow and Ballia is ₹1930 and ₹1760 lakh respectively. As per Form-5B enclosed along with the petition, the major difference in cost is on account of switchgear (CT, PT, Circuit Breaker, Isolatar, etc) cost i.e. ₹2300 lakh for Bus Reactor at Lucknow and ₹1150 lakh for Bus Reactor-II and Ballia which accounts a difference of ₹1150 lakh. Further, the taxes and duties paid for Bus Reactor at Lucknow is ₹177 lakh and for Bus Reactor at Ballia is ₹40 lakh which accounts a difference of 130 lakh.”



11. However, the Commission could not notice the difference between the original estimated cost for both assets in Form 5B submitted alongwith affidavit dated 22.10.2014 which show that even at the investment approval stage, the review petitioner had estimated the cost of both assets differently. The original estimated completion cost of Asset I at Ballia was ₹3932.05 being an extension of existing sub-station whereas the original estimated completion cost of Asset III at Lucknow was ₹6557.86 being a new sub-station. The review petitioner had also submitted that the variation in cost was on account of variation in the cost of switchgear (CT, PT, Circuit Breaker, Isolator etc.) and the higher taxes and duties paid in the case of Asset III. The review petitioner has now explained that in the case of Asset III, additional equipment were required as it was a new sub-station which also included an additional bay. It has been further observed that the Asset I and Asset III were awarded to different contractors and Asset III was awarded first in February, 2010 at a higher cost than Asset I, which was awarded later in March, 2010 and it was not possible for the review petitioner to renegotiate the contract for Asset III. Considering all these aspects we are of the view that though the review petitioner had not explained the difference in cost between the two assets in the main petition in sufficient details, the fact remains that the review petitioner has awarded the contract after selecting the contractors through competitive bidding and there are justifiable reasons for the cost variation between the two assets. In our view, there are sufficient reasons to review the impugned order and



allow the cost of ₹1314 lakh which was disallowed in the impugned order. The actual tariff revision will be carried out at the time of truing up.

12. We consider it important to make our observation regarding the presentation of the tariff petitions by the petitioner. We find that the petitioner files the tariff calculations as per the formats prescribed in the Tariff Regulations. The explanation for variation of cost over-run and time over-run are indicated in a very sketchy manner in the relevant columns of the formats. Consequently, the Staff of the Commission through letters and the Commission through RoPs and interim orders has been asking for information from time to time. This not only consumes the time of the Commission but also delays the process of disposal of cases. It is therefore important that the petitioner at the time of filing the tariff petitions furnishes all relevant information and supporting documents in support of its claims so that need for seeking further information/documents is minimized. We expect the petitioner and other companies/licensees whose tariff is determined by this Commission to scrupulously follow the above directions while filing the tariff petitions.

13. The Review Petition No.07/RP/2015 is disposed of in terms of the above.

sd/-

(A.S. Bakshi)
Member

sd/-

(A.K. Singhal)
Member

sd/-

(Gireesh B. Pradhan)
Chairperson

