

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 174/TT/2015**

**Coram:**

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

**Date of Hearing: 20.08.2015  
Date of Order : 15.09.2015**

**In the matter of:**

Approval of transmission tariff for **Asset I:** 1 No. of 1x125 MVAR Bus Reactor and associated bays at 400 kV Indravati Sub-station and **Asset II:** 1 No. of 1x125 MVAR Bus Reactor and associated bays at 400 kV Jeypore Sub-station under transmission system for "Eastern Region Strengthening-VIII" in Eastern Region under Regulation-86 of Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 and Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 from anticipated COD to 31.3.2019.

**And in the matter of:**

Power Grid Corporation of India Limited  
"Saudamini", Plot No.2,  
Sector-29, Gurgaon -122 001

**.....Petitioner**

**Vs**

1. Bihar State Power (Holding) Company Ltd.  
(Formerly Bihar State Electricity Board-BSEB)  
Vidyut Bhavan, Bailey Road,  
Patna-800 001.
2. West Bengal State Electricity Distribution Company Ltd.  
Bidyut Bhawan, Bidhan Nagar,  
Block DJ, Sector-II, Salt Lake City,  
Calcutta-700 091.
3. Grid Corporation of Orissa Ltd.  
Shahid Nagar, Bhubaneswar-751 007.



4. Jharkhand State Electricity Board,  
In Front of Main Secretariat,  
Doranda, Ranchi-834 002.
5. Damodar Valley Corporation,  
DVC Tower, Maniktala,  
Civic Centre, VIP Road,  
Calcutta-700 054.
6. Power Development,  
Govt. of Sikkim,  
Gangtok-737 101.

.....**Respondents**

**For petitioner** : Shri M. M. Mondal, PGCIL  
Shri S. S. Raju, PGCIL  
Shri S. K. Venkatesan, PGCIL

**For respondents** : Shri R.B. Sharma, Advocate, GRIDCO

### **ORDER**

The petitioner, Power Grid Corporation of India Limited (PGCIL) has filed this petition for approval of the transmission tariff for **Asset I**: 1 No. of 1x125 MVAR Bus Reactor and associated bays at 400 kV Indravati Sub-station and **Asset II**: 1 No. of 1x125 MVAR Bus Reactor and associated bays at 400 kV Jeypore Sub-station under transmission system for “Eastern Region Strengthening-VIII” in Eastern Region in accordance with the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as "the 2014 Tariff Regulations"). The petitioner has also prayed for allowing 90% of the Annual Fixed Charges claimed, in terms of proviso (i) of Regulation 7(7) of the 2014 Tariff Regulations.



2. The matter was listed on 20.8.2015 for considering the petitioner's prayer for allowing 90% of the Annual Fixed Charges claimed, in terms of proviso (i) of Regulation 7(7) of the 2014 Tariff Regulations. The representative of petitioner submitted that:-

(a) The instant petition has been filed by PGCIL seeking transmission tariff for two transmission assets commissioned as part of project under Transmission System for Eastern Region Strengthening Scheme-VIII for tariff block 2014-19 in Eastern Region;

(b) As per the Investment Approval (IA) dated 28.8.2013, the assets included in the project scope were to be commissioned within 20 months from the date of IA. Accordingly, the scheduled date of commercial operation works out to 26.4.2015;

(c) Asset-I was commissioned on 3.8.2015 and Asset-II is anticipated to be commissioned on 30.10.2015. Accordingly, there is delay in commissioning of the assets. The bay extension work for bus reactors at existing Indravati Sub-station required carrying out works during charged condition of the sub-station. The extension work required shutdown and isolation of various sub-station elements and it slowed down the progress of work which resulted in delay in commissioning of the bus reactor. The delay in commissioning of bus reactor at Jeypore is attributable to the revision in scope of bay extension work for bus reactor; and



(d) The total approved cost of the project is ₹7348 lakh including IDC of ₹361 lakh. The apportioned approved cost of Asset-I and Asset-II is ₹1023.69 lakh and ₹748.67 lakh respectively. The estimated completion cost of Asset-I and Asset-II is ₹1035.25 lakh and ₹834.94 lakh respectively. The estimated total completion cost for both assets is higher than the apportioned approved cost and the cost over-run is marginal.

3. Learned counsel for Grid Corporation of Orissa Limited (GRIDCO), Respondent No.3, submitted that reply has been filed by GRIDCO on 19.8.2015. Learned counsel reiterated the submissions made in the reply and they are as follows:-

a) Though there is a marginal overall cost over-run, there is a substantial increase in the costs of various elements in the case of Asset-I. In the case of Asset-II, there is increase of 6.4% in overall cost and as well as in the various elements and the reasons submitted by the petitioner that the variations are on account of lower estimated cost/actual awarded rates etc, are very casual as usual.

b) The reasons for delay submitted by the petitioner in the case of Asset-I is on account of slow progress of bay extension work for Bus Reactor due to the works being performed under charged conditions. As per Form-5A in respect of Asset-I, the zero date for start of work and scheduled completion have been shown as 16.9.2013 and 27.12.2014 respectively, whereas as per the documents filed by the petitioner, it is evident that the work commenced from



10.10.2014 on account of the fact that work in the protected area is required to be done with complete safety and after obtaining proper work permits. This establishes that the justification filed by the petitioner for time over-run is contrary to the facts stated in respect of Asset-I. Similarly, in the case of Asset-II, the petitioner has attributed the delay due to revision in scope of bay extension work for Bus Reactor. However, this is not correct as the original proposal for replacement of existing 63 MVAR Bus Reactor with new 125 MVAR Bus Reactor on the same foundation was taken owing to space constraints in the first 2012 Standing Committee meeting held on 8.2.2012. The petitioner, during the meeting held on 2.5.2014 revised its stand and admitted that there is space available to install 125 MVAR Bus Reactor in parallel to the existing 63 MVAR Bus Reactor. This revised stand was agreed to, despite being informed by ERLDC that in view of lower short circuit level at Jeypore, 63+125 MVAR Bus Reactors are not required. As such, it seems that the petitioner has been able to force the Standing Committee meeting on Power System Planning in Eastern Region for revision of scope and therefore is solely responsible for time over-run in the case of Asset-II.

c) It was noted from documents submitted by the petitioner that the existing 63 MVAR Bus Reactor at Jeypore Sub-station after replacement by 1x125 MVAR Bus Reactor would be kept as spare for future use. As it is evident that the existing 63 MVAR at Jeypore is not in use, the de-capitalised value is required to be adjusted in the capital cost as per the 2014 Tariff Regulations. Similar



treatment also needs to be given in respect of 63 MVAR Bus Reactor at Indravati Sub-station, if the same is kept as spare.

d) The petitioner has not filed the requisite certificate from the auditors' in respect of capital expenditure incurred upto COD and additional capital expenditure incurred, if any, during the tariff period 2014-19, which are a statutory prerequisite for determination of transmission tariff. The petitioner has also not filed the information/documents as per Tariff Filing Forms justifying reasons of cost and time over-run such as detailed project report, CPM analysis and PERT and Bar Charts.

e) The petitioner should submit the details of the pending work and how their non-completion would affect the system operation as criticality owing to non-completion of the balance works and its co-ordination with Eastern Region strengthening is required to be brought out especially when the major expenditure is on installation of Bus Reactors to ensure proper voltage profile and stable system operation.

f) The petitioner has stated that no claim for initial spares has been made. However, as per Form 5 for element wise break-up of project/asset/element cost it has been stated that the spares are included in these items. As such, the petitioner needs to clarify, if the initial spares are included in the sub-station equipments.



4. As per proviso (i) of Regulation 7(7) of the 2014 Tariff Regulations, the Commission may grant tariff upto 90% of the AFC of the transmission system or element thereof for the purpose of inclusion in POC charges in accordance with the Central Electricity Regulatory Commission (Sharing of Inter State Transmission charges and losses), Regulation, 2010. Regulation 7(2) of the 2014 Tariff Regulations provides that the application for tariff should be made in accordance with the Central Electricity Regulatory Commission (Procedure for making of application for determination of tariff, publication of the application and other related matters) Regulations, 2004 (hereinafter referred to as "2004 Regulations"). Regulation 7(4) of the 2014 Tariff Regulations provides that such an application shall be filed as per Annexure-I of these regulations.

5. We have considered the submissions of the petitioner. The petitioner has made the applications as per Annexure-I of the 2014 Tariff Regulations. The petitioner has also complied with the requirements of 2004 Regulations, such as service of the copy of the application on the beneficiaries, publication of notice and web hosting of the application, etc.

6. After carrying out preliminary prudence check of the AFC claimed by the petitioner and the submissions of the respondent and taking into consideration the time over-run in case of the instant assets, which shall be looked into in detail at the time of issue of final tariff, the Commission has decided to allow tariff for the instant assets in



terms of proviso (i) of Regulation 7(7) of the 2014 Tariff Regulations as given in para 7 of this order for the years 2015-16 and 2016-17.

7. The details of the tariff claimed by the petitioner and tariff allowed by the Commission are as under:-

A. Annual transmission charges claimed by the petitioner are as follows:-

	(₹ in lakh)				
<b>Assets</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Asset-1	-	170.45	244.39	250.48	247.25
Asset-2	-	152.59	213.72	216.15	213.92

B. Annual transmission charges allowed are as follows:-

	(₹ in lakh)	
<b>Assets</b>	<b>2015-16</b>	<b>2016-17</b>
Asset-1	118.45	193.33
Asset-2	61.37	153.31

8. The provisional AFC allowed in this order shall be applicable from the date of commercial operation of the transmission system and the billing, collection and disbursement of the transmission charges shall be governed by the provisions of Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2010, as amended from time to time. Further, the transmission charges allowed in this order shall be subject to adjustment as per Regulation 7(7) of the 2014 Tariff Regulations.

9. The Commission directed the petitioner to submit the following information on affidavit with a copy to the respondents by 16.10.2015:-

a) Actual COD of Asset-II;





- b) RLDC certificate for charging of instant assets;
- c) CEA certificate under Regulation 43 of CEA (Measures Related to safety & Electricity Supply) Regulations, 2010;
- d) Details of time over-run along with documentary evidence and chronology of the activities in respect of instant assets as per format below:-

Asset	Activity	Period of activity				Reason(s) for delay along with reference of documentary evidence submitted
		Planned		Achieved		
		From	To	From	To	

- e) Detailed reasons in cost variation under various heads as per Form-5 i.e. Foundation for structures, Switchgear (CT, PT, Circuit breaker/Isolators etc.), Compensating equipments (Reactors, SCV etc.), Control Relay and protection panels, Bus bars/conductors/insulators and Emergency DG set;
- f) Voltage profile of 400 kV Jeypore Sub-station before and after commissioning of 125 MVAR Bus Reactor;
- g) Furnish auditor/management certificates and Revised tariff forms on the basis of actual COD;
- h) Explanation regarding the actual need for addition of 1x125 MVAR Bus reactor in parallel with 1x63 MVAR Bus reactor;
- i) Documents in support of date of drawl, interest rate and repayment schedule for Bond-XLVII, XLVIII and proposed loan 2015-16 (10.10%) deployed as per Form-9C;
- j) Clarify if the entire liability pertaining to initial spares has been discharged as on COD, if not, details of year wise liability discharged corresponding to initial spares procured with identification amongst sub-station and transmission separately;
- k) Computation of actual IDC on cash basis (along with editable soft copy in excel format with links) in respect of the instant assets for periods of i) from date of infusion of debt fund upto scheduled COD and ii) from scheduled COD to actual COD;
- l) Details of IEDC during the period of delay in commissioning of the instant assets i.e. period from scheduled COD to actual COD along with liquidated damages recovered or recoverable, if any;



- m) Confirm details of undischarged liability portion of IDC/IEDC whether or not the same have been included in the projected additional capitalisation claimed and accordingly modify the claim for the transmission tariff;
- n) Details of allocation of corporate loans to various transmission assets in Form-9 and details of actual cash expenditure in Form-15 in respect of instant assets; and
- o) The working of Income Tax on Return on Equity as per Regulation 25 while arriving at tariff in the petition. The details of Deferred Tax Liability and its treatment for the period 2014-19.

10. The respondents are directed to file their reply by 30.10.2015 with advance copy to the petitioner who shall file its rejoinder, if any, by 10.11.2015. The Commission also directed the petitioner and the respondents to file the information within the dates specified and observed that information received after the due dates shall not be considered.

11. The petitioner is directed to work out the tax on return on equity and the deferred tax liability for the period 2014-19 as per the observations made in order dated 31.3.2015 in Petition No. 532/TT/2014.

12. The petition will be listed for final hearing after the information asked for vide para 9 is filed.

sd/-

**(Dr. M.K. Iyer)**  
**Member**

sd/-

**(A.S. Bakshi)**  
**Member**

sd/-

**(A.K. Singhal)**  
**Member**

sd/-

**(Gireesh B. Pradhan)**  
**Chairperson**

