

**Central Electricity Regulatory Commission New Delhi**  
**New Delhi**

**Review Petition No. 27/RP/2018**

**Coram:**

**Shri P.K. Pujari, Chairperson**  
**Dr. M.K. Iyer, Member**

**Date of Order: 26.06.2019**

**In the matter of:**

Petition under Section 94(1)(f) of the Electricity Act, 2003 read with Regulation 103 of the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 for review of the order dated 28.5.2018 in Petition No. 146/MP/2017.

**And in the matter of:**

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

**..Review Petitioner**

**VERSUS**

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-302024
3. Jaipur Vidyut Vitran Nigam Limited  
400 kV GSS (Ground Floor), Ajmer Road,  
Heerapura, Jaipur-302024.



4. Jodhpur Vidyut Vitran Nigam Limited,  
400 kV GSS (Ground Floor), Ajmer Road,  
Heerapura, Jaipur-302024.
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,  
Government of Jammu and Kashmir,  
Mini Secretariat, Jammu-180001.
9. Uttar Pradesh Power Corporation Limited,  
(Formerly Uttar Pradesh State Electricity Board)  
Shakti Bhawan, 14, Ashok Marg,  
Lucknow-22600.
10. Delhi Transco Limited,  
Shakti Sadan, Kotla Road,  
New Delhi-110 002.
11. BSES Yamuna Power Limited,  
Shakti Kiran Building, Karkardooma,  
Delhi-110092.
12. BSES Rajdhani Power Limited,  
BSES Bhawan, Nehru Place, New Delhi-110019
13. North Delhi Power Limited,  
Power Trading & Load Dispatch Group,  
Cennet Building, Adjacent to 66/11kV Pitampura-3  
Grid Building, Near PP Jewelers, New Delhi-110034.



14. Chandigarh Administration,  
Sector 9, Chandigarh-160009
15. Uttrakhand Power Corporation Limited,  
Urja Bhawan, Kanwali Road,  
Dehradun-248001.
16. North Central Railway,  
Allahabad-211011.
17. New Delhi Municipal Council,  
Palika Kendra, Sansad Marg,  
New Delhi-110 002.

..... Respondents

**For Review Petitioner:** Ms. Swapna Seshdari, Advocate, PGCIL  
Shri S.S. Raju, PGCIL  
Shri S.K Niranjana, PGCIL

**For Respondents** : Shri R.B Sharma, Advocate, BRPL  
Shri Mohit Mudgal, Advocate, BRPL  
Shri Naveen Chandra, BRPL

### **ORDER**

The instant Review Petition has been filed by Power Grid Corporation of India Limited (hereinafter referred to as "Review Petitioner"), seeking review of the order dated 28.5.2018 in Petition No.146/MP/2017 whereby the Commission had determined the tariff in respect polymer insulators installed by the Review Petitioner in place of the porcelain insulators on the 400 kV transmission lines in Northern Region.



## **Background**

2. The Review Petitioner had filed Petition No.305/2010 for approval of tariff in respect of the polymer insulators installed by it in place of the porcelain insulators on the 400 kV transmission lines in and around the National Capital Region on the instructions of Ministry of Power. The Commission after hearing the parties, in order dated 7.2.2013, had capitalised the cost of the polymer insulators and held that the replaced porcelain insulators shall be de-capitalized. The de-capitalized porcelain insulators shall be kept as spares and used in other transmission lines of the Review Petitioner. The de-capitalized porcelain insulators shall be allowed only carrying cost on the Written Down Value ("WDV") of assets at weighted average rate of interest on loan availed by the Petitioner till the insulators are put to use and capitalised. The relevant portion of the said order dated 7.2.2013 is extracted as under:-

"23. We have considered the submission of the petitioner and the respondents on the formula suggested by the Commission during the hearing on 30.8.2012. In our view, the formula suggested will protect the interest of the petitioner as well as the beneficiaries. While the polymer insulators shall be capitalized as they have been put to use and are rendering services to the beneficiaries, the porcelain insulators which have been taken out of the service shall be kept as spares to be used in the other lines of the petitioner. The porcelain insulators shall be de-capitalized from the date of their replacement and shall be capitalized when they are put to use in new lines. During the period between de-capitalization and subsequent capitalization of the porcelain insulators, there will be no depreciation. The de-capitalized porcelain insulators shall be allowed only carrying cost on the written down value of the assets at weighted average rate of interest on loans availed by the petitioner till the insulators are put to use and capitalized.

24. Accordingly, the polymer insulators have been capitalized and the transmission charges of these insulators' have been determined in this order. Since the polymer insulators have been installed on various transmission lines, the cost of the insulators need to be capitalized in the capital cost of the respective transmission lines. Accordingly, line-wise capitalization and de-capitalization has been made in this order. The annual transmission charges of the respective line shall stand modified in accordance with Annexure-II to this order. Further adjustment of the expenditure will be made in the transmission tariff of the respective transmission lines at the time of truing up."



3. As regards the Review Petitioner's prayer to include the carrying cost like handling charges, storage charges and insurance charges incurred during storage of the porcelain insulators as a part of capital cost, the Commission, in order dated 7.2.2013, directed the Review Petitioner to approach the Commission along with the details of gross block of dismantled insulators, etc. and to provide cost details of remaining porcelain insulators. Relevant portion of the said order dated 7.2.2013 is extracted as under:-

"43. The petitioner has requested to include the carrying cost like handling charges, storage charges and insurance charges incurred during storage of the porcelain insulators as a part of capital cost. Carrying cost refers to the total cost of holding inventory which includes storage as well as insurance. Adding carrying cost to the capital cost would burden the beneficiaries and hence the carrying cost is not included in the capital cost. Handling charges shall be considered as a part of transportation charges and shall be allowed as one time charges after they have been incurred. The carrying cost shall be separately worked out once the removed porcelain insulators have been put to use and capitalized and the carrying period is known. The petitioner is directed to approach the Commission along with the details of Gross Block of dismantled insulators, their accumulated depreciation, dates of removal from the original transmission lines and dates on which they are capitalized at other places/regions. The petitioner is also directed to provide cost details of remaining porcelain insulators."

4. Pursuant to the order dated 7.2.2013 in Petition No.305/2010, the Review Petitioner had filed Petition No. 146/MP/2017 with the following prayers:

"(i) Approve the carrying cost on insulators of ₹1714.64 lakh;  
(ii) Approve the loss on damaged insulators of ₹945.64 lakh; and  
(iii) Approve the cost on unused insulators beyond 31.3.2017 or ₹.2021.06 lakh as one time recovery of the WDV."

5. As regards the Review Petitioner's first prayer, the Commission in its order dated 28.5.2018 allowed the carrying cost of the dismantled insulators only till 31.3.2014, which includes the re-utilised as well as the un-utilised insulators. The relevant portion of the said order dated 28.5.2018 is extracted as under:-



"10. The Petitioner has requested to allow either the carrying cost on unused insulators beyond 31.3.2017 or to allow one time recovery of its WDV of Rs. 2021.06 lakh. It is noted that in Petition No. 305/2010, the Petitioner had not envisaged the date(s) of utilization of the dismantled insulators. Therefore, the same could not be dealt with while issuing the order dated 7.2.2013. It is further noticed that despite the decision taken in 27<sup>th</sup> TCC and 30<sup>th</sup> NRPC meetings dated 27.2.2014 and 28.2.2014 respectively to the effect that the Petitioner would not utilise the porcelain insulators in future, the Petitioner has utilized the same beyond 2013-14 i.e. till 31.3.2016. The Petitioner has orally clarified that the actual implementation of TCC and NRPC meeting's decision could not take place till March, 2016. The Petitioner has contended that further utilization of the dismantled insulators have become uncertain, as the stocks of insulators have become very old and are gradually becoming defective and unusable. Considering the fact that the above TCC and NRPC meetings had not taken place at the time of issuing of order in Petition No. 305/2010, with the purpose of maintaining a proper balance between the interest of the beneficiaries and the Petitioner, and keeping in view the TCC/NRPC meetings and to avoid complexities, we allow the carrying cost of the dismantled insulators only till 31.3.2014, which includes the re-utilised as well as the un-utilised insulators."

6. The Review Petitioner's prayer for grant of compensation for loss on damaged insulators was rejected by the Commission in order dated 28.5.2018. The relevant portion of the said order is extracted as under:-

"11. The Petitioner in the second prayer has prayed for approval for the compensation for loss on damaged insulators. According to the Petitioner, 214325 nos. insulators got damaged during dismantling and are not usable, which is a permanent loss. The Petitioner has submitted that it had no other alternative but to charge the same against profit. Therefore, the Petitioner needs to be compensated by allowing one time reimbursement of the loss incurred by it. We have considered the submission of the Petitioner. In our view, since, loss on account of damaged insulators is a risk associated with the handling of the insulators, the same cannot be passed on to the consumers. The loss in this regard should be absorbed by the Petitioner. Therefore, the Petitioner's prayer on this aspect is rejected. However, if any claim received from insurance company needs to be adjusted from the above cost."

7. The Petitioner, in its third prayer, had prayed to allow carrying cost on unused insulators beyond 31.3.2017 till they are put to use or one time recovery of WDV of ₹2021.06 lakh. The Commission in order dated 31.5.2018 allowed the WDV (less 5%



scrap value) on unused insulators till 31.3.2014. The relevant portion of the impugned order is extracted as under:-

"12.....it is noticed that approximately 3.86 lakh porcelain insulators have remained unused till March, 2017 i.e. there has been no subsequent capitalization of the porcelain insulators. Considering these facts and the deliberations in the 27<sup>th</sup> TCC and 30<sup>th</sup> NRPC meetings, we are of the view that depreciation would be applied on the unutilized insulators and WDV would be worked out till 31.3.2014. The Petitioner has argued that further utilization of the dismantled insulators have become uncertain, as the stock of insulators has become very old and gradually becoming defective and unusable. In our view, these stocks of insulators may have a scrap value of 5% of the WDV as on 31.3.2014. Accordingly, we allow the WDV (less 5% scrap value) on unused insulators till 31.3.2014."

8. Aggrieved by the order dated 28.5.2018, the Review Petitioner has filed the instant Review Petition on the ground that there are errors apparent on the face of the order and has sought following reliefs:-

- "a) Admit the present review petition;
- b) Allow the petition for review and allow the carrying cost till the date of usage of insulators or 31.3.2017;
- c) Allow the WDV of unused insulators as on 1.1.2010;
- d) Allow the loss on account of damage caused to 214325 nos of porcelain insulators as a one-time recovery through POC;
- e) Pass such further order(s) as deemed fit and proper."

### **Submissions of the Review Petitioner and Respondent**

9. The Review Petitioner has made the following submissions in support of the instant Review Petition:-

- a) The Commission failed to appreciate that carrying cost must be given even if the porcelain insulators are decapitalised/ replaced on the request of NR beneficiaries for their benefit, with their prior consent and on the directions of the Ministry of Power. In the meeting held on 27.2.2014 and 28.2.2014, it was agreed among the NR beneficiaries that no porcelain insulators will be used in future



projects in NR. The Review petitioner in its tariff petition had placed on record various RPC meetings where beneficiaries of various regions decided not to use porcelain insulators. It was in the year 2016 that all the constituents had decided to change porcelain insulators and the Review Petitioner could no more use the same. Therefore, the existing porcelain insulators could not be carried beyond 31.3.2017. The existing porcelain insulators which were dismantled till 1.1.2010 were used in different projects of other regions until 31.03.2017 and therefore the Review petitioner should be allowed the carrying cost as claimed till 31.3.2017.

b) The Commission while holding that the carrying cost on the dismantled insulators will be allowed till 31.3.2014 relied on the deliberations in the 27<sup>th</sup> TCC and 30<sup>th</sup> NRPC Meetings held on 27.2.2014 and 28.2.2014 respectively, whereby the decision to not use the same in Northern Region in future was taken. A perusal of both the minutes shows that there was no cut-off date for dismantling the porcelain insulators to claim carrying cost on the same.

c) The WDV of dismantled insulators should be allowed till they are reused or put to alternative use. Most of the insulators were lying idle and not reused, no depreciation was charged on them from 1.1.2010. Therefore, the date with regard to WDV works out to be 1.1.2010 whereas the Commission in the impugned order took date as 31.3.2014.

d) Neither in the 27<sup>th</sup> TCC and 30<sup>th</sup> NRPC Meetings nor in the order dated 7.2.2013 in Petition No. 305/2010, it was ever envisaged that 31.3.2014 will be the cut-off date for recovery of carrying cost or value of WDV's.





- e) None of the beneficiaries in the Northern Region stated that there would be complexities if the cost of the dismantled insulators was given to the Review Petitioner. Accordingly, the cut-off date of 31.03.2014 cannot be introduced to artificially reduce the carrying cost due to the Review Petitioner.
- f) There is inconsistency in the impugned order as on one hand the depreciation on the de-capitalized insulators is allowed till the date of reutilization, and on the other, considering WDV for allowing one time recovery which resulted in non-recovery of depreciation from 31.12.2009 to 31.3.2014.
- g) The Commission wrongly proceeded on the premise that it was a business decision of the Review Petitioner to replace the insulators and therefore the risk borne out from such business should also be borne by the Review Petitioner. The replacement of the insulators was done on the instructions of the Ministry of Power and on the approval of the Northern Region beneficiaries. All the beneficiaries agreed to bear the cost of the scheme. The documents relating to the instructions from the Ministry of Power and request of NR beneficiaries, relating to replacement of insulators was also placed on record in the main Petition, which were inadvertently overlooked by the Commission. The loss in the instant case is not in due or normal course of business of the Review Petitioner. The loss occurred due to implementation of the decision to replace porcelain insulators to polymer insulators and Review Petitioner would be put in great loss and hardship, if the impugned order is not modified/set aside.



10. The Review Petition was admitted on 12.12.2018 and notice was issued to the Respondents. On 12.2.2019, the Commission heard the submissions of the parties and reserved order in the instant Review Petition.

11. BRPL, Respondent No.12, in its reply vide affidavit dated 8.2.2019 had submitted that the Commission was liberal in allowing the carrying cost on the dismantled insulators till 31.3.2014 and the Review Petitioner cannot further seek liberal consideration of the same to further its commercial interest against the interest of the beneficiaries. As regards the loss due to damaged insulators, BRPL submitted that it is the responsibility of the Review Petitioner to keep the insulators in good condition and no one else can be held responsible for the loss. The Review Petitioner failed to perform his part of obligation. There is no error and the Review Petition is liable to be rejected.

### **Analysis and decision**

12. We have considered the submissions of the Review Petitioner and BRPL and have also carefully perused the documents on record. The Review Petitioner has replaced 16,00,000 porcelain insulators installed in the 400 kV transmission lines of the Review Petitioner in the Northern Region with polymer insulators as per the directions of the Ministry of Power. The Review Petitioner has used the replaced porcelain insulators in other new transmission lines at the WDV. The Commission in order dated 28.5.2018 had allowed carrying cost of the unused insulators upto 31.3.2014 and WDV of the unused insulators as on 31.3.2014 and disallowed the cost of the unused porcelain insulators. The Review Petitioner in the instant Review Petition has contended that (a)



the carrying cost should be allowed upto 31.3.2017 instead of 31.3.2014, (b) allow the WDV of unused insulators as on 1.1.2010 and not as on 31.3.2014 and (c) allow the cost of the damaged and unused 2,14,325 porcelain insulators.

### **Carrying cost**

13. The Review Petitioner has contended that the porcelain insulators dismantled upto 1.1.2010 were used in different projects of the Review Petitioner until 31.3.2017 and hence carrying cost of the unused porcelain insulators should be allowed upto 31.3.2017. The Review Petitioner has contended that no cut-off date was mentioned in the 27<sup>th</sup> TCC and 30<sup>th</sup> NRPC meeting for reuse of the replaced porcelain insulators. Accordingly, the cut-off date of 31.3.2014 cannot be considered to artificially reduce the carrying cost due to the Review Petitioner. The Review Petitioner has further contended that none of the beneficiaries in the Northern Region objected to allowing cost of the dismantled insulators to the Review Petitioner. BRPL has contended that the Commission was liberal in allowing the carrying cost on the dismantled insulators till 31.3.2014 and the Review Petitioner cannot further seek liberal consideration of the same to enhance its commercial interest against the interest of the beneficiaries.

14. The Commission in order dated 28.5.2018 observed that in the 27<sup>th</sup> TCC and 30<sup>th</sup> NRPC meetings held during February 2014, it was decided not to use the porcelain insulators anymore. As it was decided in February 2014 not to use porcelain insulators, the Commission took a conscious decision to grant carrying cost upto 31.3.2014. Therefore, carrying cost was allowed for the replaced insulators from 2009-10 to 31.3.2014. Further, we are of the view that in the absence of any cut-off date, the



carrying cost cannot be allowed ad-indefinitum. We find no apparent error on this count. The Review Petitioner is trying to re-agitate the issue which is not permissible in review. Therefore, review on this count is rejected.

### **Written Down Value**

15. The Commission in order dated 28.5.2018 allowed the WDV (less 5% scrap value) on unused insulators till 31.3.2014. The Review Petitioner has sought WDV of unused insulators as on 1.1.2010 and submitted considering the WDV as on 31.3.2014 is an apparent error.

16. The Review Petitioner, relying on the Commission's order dated 7.2.2013 in Petition No.305/2010, has submitted that the Commission in the order had clarified that no depreciation would be applicable on insulators till their subsequent capitalization. As pointed by the Review Petitioner, the Commission in the order dated 7.2.2013 in Petition No.305/2010 observed that there will be no depreciation during the period between decapitalisation and subsequent capitalisation. However, in order dated 28.5.2018 in Petition No.146/MP/2017, taking into consideration the number of unused porcelain insulators and the deliberations in the 27th TCC and 30th NRPC meetings, the Commission allowed depreciation on the unutilized insulators and WDV was worked out till 31.3.2014. Further, the Commission in the impugned order took into cognisance the observations made in order dated 7.2.2013. The relevant portion of the order dated 28.5.2018 is extracted hereunder: -

"12. In the third prayer, the Petitioner has prayed to allow carrying cost on unused insulators beyond 31.3.2017 till they are put to use or one time recovery of WDV of Rs.



2021.06 lakh. The Commission in its order dated 7.2.2013 in Petition No. 305/2010 had observed as under

“the porcelain insulators shall be de-capitalized from the date of their replacement and shall be capitalized when they are put to use in new lines. During the period between de-capitalization and subsequent capitalization of these porcelain insulators, there will be no depreciation’.”

The Commission in the said order had clarified that no depreciation would be applicable on insulators till their subsequent capitalization. It is noticed that approximately 3.86 lakh porcelain insulators have remained unused till March, 2017 i.e. there has been no subsequent capitalization of the porcelain insulators. Considering these facts and the deliberations in the 27th TCC and 30th NRPC meetings, we are of the view that depreciation would be applied on the unutilized insulators and WDV would be worked out till 31.3.2014. The Petitioner has argued that further utilization of the dismantled insulators have become uncertain, as the stock of insulators has become very old and gradually becoming defective and unusable. In our view, these stocks of insulators may have a scrap value of 5% of the WDV as on 31.3.2014. Accordingly, we allow the WDV (less 5% scrap value) on unused insulators till 31.3.2014.”

17. Thus, the Commission on review of the facts and circumstances in the matter and keeping the interest of the consumers and the beneficiaries consciously allowed WDV on the utilized insulators till 31.3.2014 less 5% scrap value. We do not find any error on this count. Accordingly, the review on this ground is not allowed.

### **Loss on account of damaged insulators**

18. The Review Petitioner has sought loss on account of damaged caused to 214325 insulators as part of one-time recovery through PoC. The Review Petitioner has contended that the Commission wrongly proceeded on the presumption that replacement of insulators was a business decision of the Review Petitioner and therefore the risk arising out of such decision should also be borne by the Review Petitioner. The replacement of the insulators was done on the instructions from the Ministry of Power and on the approval of the Northern Region beneficiaries. The Review



Petitioner has submitted that the documents placed on record in this regard in the main Petition were overlooked at the time of issue of the impugned order. On the other hand, BRPL has contended that the Review Petitioner was found lacking in maintaining the stock of the replaced insulators and the beneficiaries should not be put to cost because of slackness on the part of the Review Petitioner. We have considered the submissions of the Review Petitioner and BRPL. The basic contention of the Review Petitioner was that the Commission proceeded on the wrong premise that it was the business decision of the Review Petitioner to replace the porcelain insulators. Relevant extract from the impugned order is as under:-

“11. The Petitioner in the second prayer has prayed for approval for the compensation for loss on damaged insulators. According to the Petitioner, 214325 nos. insulators got damaged during dismantling and are not usable, which is a permanent loss. The Petitioner has submitted that it had no other alternative but to charge the same against profit. Therefore, the Petitioner needs to be compensated by allowing one time reimbursement of the loss incurred by it. We have considered the submission of the Petitioner. In our view, since, loss on account of damaged insulators is a risk associated with the handling of the insulators, the same cannot be passed on to the consumers. The loss in this regard should be absorbed by the Petitioner. Therefore, the Petitioner’s prayer on this aspect is rejected. However, if any claim received from insurance company needs to be adjusted from the above cost.”

19. We thus note that there was no such presumption on our part. The Commission after carefully going through the facts in the matter, held in the impugned order that the risk associated with the handling of the insulators should be borne by the Review Petitioner and should not be passed on to the consumers. There is no error in the order on this account. We find no reason to review our order on this score and therefore we reject review of the order on this ground as well.



20. The Review Petition No. 27/RP/2018 is disposed of in terms of the above.

**sd/-**  
**(Dr. M.K. Iyer)**  
**Member**

**sd/-**  
**(P.K. Pujari)**  
**Chairperson**

