

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

- 1. Shri Ashok Basu, Chairman**
- 2. Shri D.P. Sinha, Member**
- 3. Shri G.S. Rajamani, Member**
- 4. Shri K.N. Sinha, Member**

Petition No. 11/2002

In the matter of

Tariff for Chukha Transmission System from 1.4.2001 to 31.3.2004

Petition No. 12/2002

And in the matter of

Tariff for Farakka Stage I & II Transmission System for the period from 1.4.2001 to 31.3.2004

Petition No. 17/2002

And in the matter of

Tariff for Talchar-I Transmission System for the period from 1.4.2001 to 31.3.2004

Petition No. 23/2002

And in the matter of

Tariff for Jeypore-Talchar Transmission System for the period from 1.4.2001 to 31.3.2004

Petition No. 25/2002

And in the matter of

Tariff for Kahalgaon Transmission System for the period from 1.4.2001 to 31.3.2004

Petition No. 62/2002

And in the matter of

Tariff for Rangit Transmission System for the period from 1.4.2001 to 31.3.2004

Petition No. 63/2002

And in the matter of

Tariff for Hathidah River Crossing Transmission Line for the period from 1.4.2001 to 31.3.2004

Petition No. 64/2002

And in the matter of

Tariff for 50 MVA Auto Transformer at Malda sub-station for the period from 1.4.2001 to 31.3.2004

Petition No. 65/2002

And in the matter of

Tariff for 63 MVAR Reactor at Rengali Station for the period from 1.4.2001 to 31.3.2004.

Petition No. 67/2002

And in the matter of

Tariff for Dehri-Karamnasa Transmission System for the period from 1.4.2001 to 31.3.2004

Petition No. 89/2002

And in the matter of

Incentive for Transmission System in Eastern Region for the year 2001-2002

And in the matter of

Power Grid Corporation of India Ltd.	Petitioner
Vs		
Bihar State Electricity Board and others	Respondents

The following were present:

1. Shri Debashis Sen, PGCIL
2. Shri Prashant Sharma, PGCIL
3. Shri S. S. Sharma, PGCIL
4. Shri U.K. Tyagi, PGCIL
5. Shri Manoj Rastogi, PGCIL
6. Shri A.K. Nagpal, PGCIL
7. Shri C. Kannan, PGCIL

8. Shri S. Mehrotra, Dy. Mgr (F), PGCIL
9. Shri S.K. Jain, Manager (Law), PGCIL
10. Shri S. Mishra, AGM (PP), GRIDCO
11. Shri K.K. Panda, Liaison Officer, GRIDCO
12. Shri A.K. Palit, CE (Comml.), DVC
13. Shri T.K. Ghosh, SE (Comml.), DVC
14. Shri M.K. Ray, WBSEB

ORDER
(DATE OF HEARING 01.10.2002)

These petitions were listed for preliminary hearing.

2. The petitions for approval of tariff for the period from 1.4.2001 to 31.3.2004

broadly fall in the following three categories:

- (a) Transmission system commissioned prior to 1.4.1997 where tariff for the period ending 31.3.2001 has been fixed based on Ministry of Power notification dated 16.12.1997 by taking normative debt and equity in the ratio of 50:50,
- (b) Transmission system commissioned after 1.4.1997 in respect of which the tariff for the period up to 31.3.2001 has been fixed based on Ministry of Power notification dated 16.12.1997 by taking actual debt-equity employed by the petitioner, and
- (c) Transmission system comprising of elements having combination of (a) & (b) above.

3. In general, on the basis of preliminary examination of the petitions, the petitioner is directed to submit the details of allocation of loans raised at the corporate level to different transmission systems and systemwise repayment thereof in different years duly reconciled with the audited annual accounts of the petitioner company,

4. In addition, the asset-wise break-up of gross block considered in the tariff notifications issued by Ministry of Power, shall also be furnished by the petitioner in case of petitions falling within category (a) above. It is observed that in Petition No. 12/2002, repayment months of IBJ-III (replacement of Exim) loan are mentioned as February and August in Form 4 attached to the Petition whereas as per the copy of the letter of Industrial Bank of Japan Ltd. annexed to the petition, repayment months of loan are March and September respectively. This needs to be clarified by the petitioner.

5. So far as the assets falling in category (b) are considered, it is found that in Petition No. 67/2002 in Form 4, the repayment month of all loans is shown as March 2002, while the interest calculations have not been made considering this repayment schedule. Further, supporting loan documents enclosed with the petition do not support either of these two repayment schedules. This needs to be reconciled and explained by the petitioner properly. Further, in Petition No. 67/2002, the copy of the term loan agreement of PNB is not complete and dates of repayment are not available as Schedule II to the loan agreement is not enclosed, The petitioner is directed to furnish the deficit details.

6. Deficiencies similar to the ones pointed out in paras 4 & 5 above may arise in other tariff petitions. The petitioner shall furnish the requisite information/clarification in other cases as well, where applicable.

7. The petitioner is further directed to furnish the following details in these petitions, so far as O&M expenses are concerned:

(a) Detailed break-up of employee cost included in the O&M expenses such as salary, welfare expenses, gratuity, leave encashment, bonus, incentive, ex-gratia payments, etc.

(b) Whether the employee cost furnished for the years 1995-96 to 1999-2000 includes any arrears on account of pay revision for the period prior to 1995-96

(c) Detailed break-up of the "Miscellaneous Expenses" and also "other expenses" in Form 12 separately for the region as a whole as also for the corporate office

(d) Whether any income from the sale of bid documents, disposal of scrap and old equipment, vehicles and charges recovered for lending of ERS to other agencies has accrued. If so the details thereof. This information is considered necessary in view of "nil" recovery shown in Form 12.

(e) Details of Corporate office expenses at all India level as per Part-B of Form 12.

8. In the foot note to Form-12, the petitioner has been asked to explain the reasons if year to year increase in expenses under any head is more than 20%. The information furnished by the petitioner has been examined in details and our observations are as under:

S.No	Head	Amount In Rs. lakhs (Year)	Amount in Rs. lakhs (Year)	Increase (%)	Reasons given by the petitioner	Observation
1.	Employee cost	1003.2 (1995-96)	1236.88 (1996-97)	23.29	Revision in pay of workmen	It may be confirmed that increase is not on account of arrears of pay for period prior to 1995-96.
2.		1236.88 (1996-97)	1672.89 (1997-98)	35.25	Pay revision liability as per CC guidelines	
3.		1970.16 (1998-99)	2551.38 (1999-00)	29.50	Pay revision liability based on Mohan Committee's report	
4.	Misc. Expenses	210.50 (1995-96)	269.26 (1996-97)	27.91	Deployment of DGR security	As per Form-7, the petitioner is to file a separate petition for abnormal expenses such as security expenses. Therefore, such expenses should be deducted from annual expenses for normalisation of O&M expenses
5.	Others	22.25 (1995-96)	64.24 (1996-97)	188.72	Increase in prior period expenses	It may be confirmed that prior period expenses are not for period prior to 1995-96
6.		64.24 (1996-97)	176.36 (1997-98)	174.53	Increase in prior period expenditure, loss on shortage in stores/sale of stores material	Income from sale of stores material is not reflected under the head "Recovery"
7.		176.36 (1997-98)	439.99 (1998-99)	180.10	Increase in prior period expenditure and shortages in stores	It may be confirmed that prior period expenses are not for period prior to 1995-96
8.	Insurance	7.99 (1996-97)	98.26 (1997-98)	1129.79	Insurance cost for Transmission System	The petitioner may explain the steep increase.

9. The petitioner is directed to submit necessary clarifications.

10. It is found that some loans have been refinanced at lower rate of interest by other loans and interest has been claimed considering the refinanced loans. The representative of the petitioner stated before us that they would be filing fresh calculations of interest since the interest is payable based on the original loan. They may do so with advance copy to the respondents.

11. The representative of GRIDCO pointed out that O&M charges claimed by the petitioner have increased tremendously over the O&M charges during the pervious tariff period. He further submitted that interest on working capital and interest on loan should be charged at the rates being charged by Power Finance Corporation, debt-equity should be taken on normative basis in the ratio of 70:30 or 80:20. These tariff notifications are based on the terms and conditions notified by the Commission on 26.3.2001. We may note that the representative of GRIDCO has not been able to point out any deviations from the notification dated 26.3.2001. As such, the issues raised do not merit consideration. On the question on debt and equity, the representative of the petitioner clarified that actual debt and equity employed by the petitioner has been allowed by the Commission in some of the cases.

12. The representative of the petitioner requested for one month's time to furnish the information required by the Commission. The time prayed for is allowed. The information may be made available duly supported by affidavit latest by 5.11.2002 with advance copy to the respondents.

11. List these petitions on 12th December, 2002.

sd/-
(K.N. SINHA)
MEMBER

sd/-
(G.S. RAJAMANI)
MEMBER

sd/-
(D.P. SINHA)
MEMBER

sd/-
(ASHOK BASU)
MEMBER

New Delhi dated the 10th October 2002