

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI
Record of Proceedings**

Petition No. 2/2009

- Coram : Dr. Pramod Deo, Chairperson
Shri R.Krishnamoorthy, Member
Shri S.Jayaraman, Member
Shri V.S.Verma, Member
- Date of Hearing : 23.4.2009
- Subject : Determination of final transmission tariff up to the date of commercial operation and additional capitalization from the date of commercial operation to 31.3.2008 for (i) 765 kV Sipat-Seoni Ckt-I along with associated bays, (ii) 400/220 kV ICT-I along with two 220 kV line bays at Seoni sub-station, (iii) Ckt-II of 400 kV D/C Nagada-Dehgam line and (iv) Ckt-I of 400 kV D/C Nagda-Dehgam line under Sipat-I transmission system in Western Region for the period up to 31.3.2009.
- Petitioner : Power Grid Corporation of India Ltd., Gurgaon
- Respondents : MPPTCL, MSEDCL, GUVNL, Goa, DD, DNH, CSEB and MPAKVNL.
- Parties present :
1. Shri U.K.Tyagi, PGCIL
2. Shri V.V.Sharma, PGCIL
3. Shri Prashant Sharma, PGCIL
4. Shri M.M.Mondal, PGCIL

The petition has been filed for approval of tariff for (i) 765 kV Sipat-Seoni Ckt-I along with associated bays, (ii) 400/220 kV ICT-I along with two 220 kV line bays at Seoni sub-station, (iii) Ckt-II of 400 kV D/C Nagada-Dehgam line and (iv) Ckt-I of 400 kV D/C Nagda-Dehgam line under Sipat-I transmission system (the transmission system) in Western Region after accounting of additional capitalization up to 31.3.2008.

2. The investment approval for the transmission system was accorded by Ministry of Power vide its letter dated 10.12.2003 at an estimated cost of Rs. 167298 lakh, including IDC of Rs. 12323 lakh. Subsequently, approval for the revised cost estimate was accorded vide letter dated 5.3.2008 at an estimated cost of Rs. 233114 lakh.

3. As per the investment approval, the transmission assets were scheduled to be commissioned by March 2007. There was delay of 8 to 11 months in the commissioning. The representative of the petitioner submitted that the delay was due to commissioning of Sipat-I Thermal Station (Units-I, II and III). The transmission system was required for evacuation of power from Sipat-II. It was submitted that the Unit-IV of Sipat was synchronized in May 2007 with generation uncertainties and Unit-V was to be commissioned in March 2008. It was further submitted that there were no power flows

from these generation units till December, 2007. There was no time over-run as per revised approval whereby the revised implementation schedule was for March 2008.

4. In regard to the reason for cost variation as per FR and actual cost as on the date of commercial operation, the petitioner submitted that due to price variation there was 33% increase in the cost. There was price variation on account of increase in prices of various input items such as tower steel which was 101.59 % , Zinc 326% , WPI 24% , WPI for iron and steel 76% , CPI 21% etc. during the period of investment approval and the commissioning of the project. The Commission directed the petitioner to clarify the basis of price variation formula. In response, the representative of the petitioner stated that the price variation formula was mainly based on price indices of various raw materials used in the transmission system and the price variation formula differed from scheme to scheme. The Commission observed that the petitioner should verify the reasonableness of the price variation formula and compare the same with other Government of India undertakings such as Nuclear Power Corporation who had evolved a unique formula for price variation.

5. The petitioner was directed to furnish the following information/clarifications on affidavit within two weeks, with an advance copy to the respondents so that the reasons for cost over-run being noticed in various transmission systems assets could be ascertained, namely:-

- (i) Price Variation formula being used, giving details of raw materials/commodities used in WPI & CPI computation, basis of price escalation in the EPC contracts of different packages of transmission lines and sub-stations against the scope of work involved in different packages.
- (ii) Comparison of price variation formula with the formula developed by the other organizations such as Nuclear Power Corporation or any other organisation.

6. Subject to above, Commission reserved the order.

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(K.S.Dhingra)
Chief (Legal)