

# CENTRAL ELECTRICITY REGULATORY COMMISSION

## Record of Proceedings

### PETITION No. 68/2010

Sub: Miscellaneous petition under Regulations 44 " Power to Relax" of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 for relaxation of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 for fixation of tariff norms for recovery of cost for the assets (Communication system and SLDC system) to be retained/to be installed after formation of POSOCO for the period from 2009-14.

Date of hearing : 24.8.2010

Coram : Dr. Pramod Deo, Chairperson  
Shri S.Jayaraman, Member  
Shri V.S.Verma, Member  
Shri M.Deena Dayalan, Member

Petitioner : Power Grid Corporation of India Ltd., Gurgaon

Respondents : Bihar State Electricity Board, Patna & Others

Parties present : Shri H.H.Sharan, PGCIL  
Shri A.S.Kushwaha, PGCIL  
Shri U.K.Tyagi, PGCIL  
Shri M.M.Mondal, PGCIL  
Shri R.B.Sharma, Advocate, BSEB  
Shri P.C. Trivedi, RVPNL  
Shri V.K.Jain, TNEB  
Shri Guru Lal, UPPCL

Through this petition, the petitioner, Power Grid Corporation of India Limited has prayed for determination of tariff of the communication system of the Central Transmission Utility (CTU) with certain modifications in Depreciation, Operation and Maintenance and time line for completion of project under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 ( the 2009 regulations)

for the communication system and SLDC system of the CTU by exercising the power of relaxation under Regulation 44 of the 2009 regulations.

2. The representative of the petitioner submitted that under the Unified Load Despatch & Communication (ULDC) Scheme, projects communication systems comprising of Power Line Carrier Communication (PLCC), Digital Microwave & Fibre Optic based communication system were established during July, 2002 to February, 2006 in different regions. The Pradhan Committee constituted by Ministry of Power vide its order dated 4.2.2008 recommended for ring fencing of Load despatch Centers (LDCs) to ensure functional autonomy. In March, 2009, the task force constituted under the Chairmanship of Shri Satnam Singh also recommended that the responsibility of owning and providing the communication system from sub-station to the nearest control centre as well as between control centers should continue to be that of CTU or STUs/SEBs. Consequent to these developments, the communication systems under ULDC schemes was with Central Transmission Utility (CTU). CTU has to recover the tariff of these assets and accordingly, the present petition was filed for that purpose.

3. The representative of the petitioner submitted that before 1.4.2009, the tariff in regard to ULDC scheme (comprising the communication system to be retained by CTU and other assets to be transferred to LDCs) was allowed by the Commission under section 28 of the Electricity Act, 2003 (the Act). However, to determine the fees and charges for Regional Load Despatch Centers (RLDCs) w.e.f. 1.4.2009, the Commission has notified the Central Electricity Regulatory Commission (Fees and Charges of Regional Load Despatch Centre and other related matters) Regulations, 2009 (RLDC Regulations) which had come into force from 18.9.2009. Thus, the tariff for the assets created under ULDC scheme would be covered under RLDC Regulation for the tariff to be given to Power System Operation Corporation (POSOCO) comprising RLDCs and NLDC except the Communication part which was to be determined separately for CTU. The representative of the petitioner further submitted that the present petition was filed for this communication part which is neither covered in the RLDC Regulations nor in the 2009 Regulations.

4. In response to Commission's query as to under which provision, tariff of the ULDC scheme was previously determined, the representative of the petitioner submitted that the Commission had determined the tariff of ULDC scheme under Section 28(4) of the Act and it would have no objection if the tariff for the communication system of ULDC scheme is continued in the same way. However, he requested that in view of faster obsolescence of the equipments and the technology and phasing out of

equipments by the manufacturers, some issues like O&M charges, life of the system etc. need to be re-considered while determining the tariff. It was also submitted by the representative of the petitioner that if these assets are covered in the 2009 Regulations, then the issues would be settled once for all.

5. The Commission clarified that existing methodology may be continued for the existing assets and further directed the petitioner to submit the audited details of actual O&M for the existing communication system, which is being used for ULDC purpose, including figures for actual O&M as percentage of capital cost.

6. While replying a query in regard to the recommendation of Original Equipment Manufacturer (OEM) for initial spares, the representative of the Petitioner submitted that for the Electronic Equipment, the recommendation was for 10% and for Optical Fiber Ground Wire (OPGW) there was no recommendation. The Commission directed the petitioner to submit the requirement of initial spares, component wise, as per OEM recommendation and the justification for the prayer regarding initial spare @ 3.5%. The Commission also directed the petitioner to submit the proposed treatment and the salvage value of the ground wire to be replaced by OPGW.

7. The representative of the petitioner further submitted that the life of various equipments of the ULDC scheme like multiplexers, Synchronous Digital Hierarchy Equipment (OLTE), Network Management System (NMS), Remote Terminal Units (RTUs) were less than that envisaged earlier, due to high rate of obsolescence of the equipments and the technology and phasing out of equipments by the manufacturers. The petitioner requested to decide the depreciation rate taking into account the reduced life of the equipments. In reply to a query of the Commission as to what action has been taken by the petitioner for keeping appropriate inventory of the equipments and spares for maintaining these assets in the event of phasing out of an equipment or component, for the full life period, the representative of the petitioner submitted that normally the new component / equipment was cheaper than maintaining the old one and the compatibility was an issue in view of the fast technology.

8. While replying to a query by the Commission in regard to life of OPGW, the representative of the petitioner submitted that life of OPGW as per OEM is 25 years from the date of manufacturing, but there is no practical experience regarding life of the OPGW for more than 12 years. The Commission directed the petitioner to submit the life of the

equipments as per manufacturer specification for the existing communication assets and for the new communication system to be installed.

9. Further, the representative of the petitioner submitted that as per direction of Department of Telecommunication (DoT), the frequency allotted to Microwave system under ULDC had to be vacated and to replace these Microwave links fiber optic system was to be installed. The time line given by DoT was by the end of year 2011. Apart from the requirement due to replacement of Microwave system, there would be additional requirement of fibre optic system due to expansion of power system network. The total estimated cost of the fibre optic system required both for replacement of microwave links and additional requirement due to expansion of the grid, was around ₹354 crore. The representative of the petitioner requested for regulatory approval for this scheme.

10. The representative of the petitioner submitted that the issue of installation of new fibre optic cables was discussed in RPCs of Northern, Eastern, Southern and North-Eastern Regions and constituents had agreed for implementation of installation of additional fibre optic cables and requirement of the optical fibre was decided on the basis of consensus by the constituents in respective RPC meetings. However, Uttar Pradesh Power Corporation Ltd. (UPPCL) had informed that it would install the fibre optic system in its area on its own. He also stated that in the 17<sup>th</sup> meeting of NRPC, it was decided that UPPCL would install its part of the fibre optic system of its own and the petitioner would install the remaining system. Due to implementation of the UPPCL portion by UP itself there would be some additional requirement of the fibre optic system of about 360 km.

11. The Commission directed the petitioner to submit the technical and financial details of the fiber optic project including, technical specifications of the components, expected life and requirement of initial spares as given by manufacturer, time line required for the implementation of the system for each activity, details of right of way to be used, cost details of the project along with copies of LOA placed, if any. The utilization of remaining 18 no. of fibres ( after utilizing 6 fibres for power system usages) out of total 24 fibres of the FO cable and the apportionment of cost between power system usage and other commercial usage, if any.

12. In response to the Commission's query regarding basis of objections by UPPCL, the representative of the petitioner submitted that UPPCL had objected to the proposal since there was no compensation or grant by the Government of India for implementing the new fibre optic system and the same is, therefore, to be recovered through tariff. The representative of the petitioner further submitted that UPPCL has given assurance to Regional Power Committee (RPC) for the compatibility and the matching time line of the UPPCL system with the rest of the system to be implemented by the petitioner.

13. The Commission enquired about the basis for proposed time line of 30 months for the communication system, since the new fibre optic system was to be commissioned by 2011 end, the time given by DoT for vacating the frequency of microwave links. In response, the representative of the petitioner submitted that as a whole the project time line is 30 months including time for tendering activities etc. and also includes works related to some additional requirements of optical fibre due to expansion in the grid, besides the optical fibre required for replacing the microwave links. Further, Microwave links would not required to be surrendered at the same time and it would be done in a phased manner. The Commission directed the petitioner to submit the justification for the 30 months time line proposed for the communication system.

14. On the issue of exploring the possibility of taking fibres on lease from other service providers instead of installing new fibers, the representative of the petitioner submitted that there would be data security problems and the new scheme was in accordance the recommendation by Shri Satnam Singh Committee.

15. The representative of the UPPCL submitted that Government of India should bear the expenditure against the replacement of Microwave links with Optical fibre. It was informed by him that though various requests were made by UPPCL and Government of Uttar Pradesh for compensation or grant for installation of new fibre optic system in lieu of Microwave links, the same has not been agreed to by the DOT. He submitted that UPPCL is executing the work of installation of OPGW on its own through PPP method. He further submitted that since the petitioner has not made any investment of OPGW work in U.P, UPPCL should be logically exempted from sharing the tariff with all other beneficiaries in respect of the Central portion of OPGW system.

16. On a query by the Commission, the representative of the UPPCL submitted that UPPCL is responsible for the coordination between the petitioner and UPPCL for implementing the new fibre optic system. Regarding the status of the work to be implemented by UPPCL, he

submitted that the tendering process for appointing the consultant was in process.

17. Learned Counsel for BSEB submitted that under Regulation 44 of the 2009 regulations, the Commission has "Power to Relax" but it disturbs the equilibrium to be maintained under the section 61 (d) of the Act and the Commission should act as balanced manner. He further submitted that reasons are required to be stated by the petitioner for invoking the provisions of the Regulations 44 of the 2009 regulations. Moreover the existence of Regulation 44 can not be a substitute for non-existence of the regulations on the subject.

18. The representative of the RVPNL sought three weeks to file its reply. Request was allowed. Accordingly, the RVPNL is directed to file its reply latest by 27.9.2010, with an advance copy to the petitioner. The petitioner may file its rejoinder latest by 12.10.2010. The petitioner is also directed to file the information called, on affidavit latest by 27.9.2010, with an advance copy to the respondents.

19. The petition shall be re-notified for hearing on 19.10.2010.

sd/-  
(T. Rout)  
Joint Chief (Law)