

**Central Electricity Regulatory Commission
New Delhi**

RECORD OF PROCEEDINGS

Petition No. 111/2011

Subject: Approval for determination of transmission tariff for 2nd Spare Converter Transformer at Kolar and Talcher HVDC Terminals (One each at Talcher and Kolar) from anticipated DOCO to 31.3.2014 in SR for tariff block 2009-14

Date of Hearing: 17.4.2012

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

Petitioner: PGCIL, New Delhi

Respondents: Karnataka Power Transmission Corporation Ltd.,
Bangalore & 14 others

Parties present: Shri S.S. Raju, PGCIL
Shri V.G. Rao, PGCIL
Shri Gunjan Agrawal, PGCIL
Shri Rajeev Gupta, PGCIL
Shri M.M. Mondal, PGCIL
Shri Tarun Johri, PGCIL
Shri S. Vallinayagam, Advocate for TANGEDCO
Shri S. Balaguru, TANGEDCO

This petition has been filed by PGCIL for determination of tariff for the second set of two spare converter transformers at Talcher and Kolar ends of the Talcher-HVDC Bi-pole link.

2. The representative of the petitioner submitted as under:-

- (a) Investment approval for the two spare converter transformers was accorded by the Board of Directors of PGCIL on 1.8.2005 and it was to be completed in 24 months from the date of Letter of Award (LoA). The LoA was placed on the vendor in May, 2007. The spare converter transformer at Talcher end was commissioned on 1.6.2011 and the one at Kolar end was commissioned on 1.10.2011, and there was a delay of 22 months and 26 months respectively;

- (b) As per the Feasibility Report, the cost was ₹ 6525 lakh whereas the estimated completion cost is ₹ 13670 lakh. The Revised Cost Estimates (RCE) has also been approved by the Board of Directors of PGCIL. The reasons for the cost overrun and time overrun have already been submitted to the Commission. Requested to condone the delay in commissioning and award the tariff as claimed in the petition; and
- (c) Rejoinder to the reply of respondent No. 4, TANGEDCO, has already been filed.

3. The learned counsel for TANGEDCO submitted as under:-

- (a) The completion cost is double the estimated cost, and the reason for delay is attributable to the petitioner, PGCIL. Normally, it does not take more than two months to put a brand new transformer to make it fully operational, whereas in the instant case. M/s Siemens took 31 months to transport and commission the transformers;
- (b) All the beneficiaries of the Southern Region agreed in 2004 for second set of spare converter transformers on the basis of urgency shown by PGCIL and as it would increase the efficiency of the HVDC line;
- (c) It is the responsibility of PGCIL, being the Central Transmission Utility (CTU), to develop an efficient, coordinated and economical system for inter-State transmission of electricity, under Sections 38 and 40 of the Electricity Act, 2003. Failure on the part of PGCIL to perform its mandate given in the Electricity Act, 2003 has led to huge cost and time over-run;
- (d) Spare converter transformers are not assets in themselves. As this is a spare converter transformer, it should form part of the original tariff petition and it should be claimed as part of initial spares as specified in the 2009 regulations;
- (e) The PGCIL has not clarified the issue of maintainability raised in the reply filed by it and has not furnished the details regarding increase in target availability and the reliability factor during the last six months of commissioning the second set of spare converter transformers;
- (f) The delay is due to diversion of the converter transformer meant for this project to Ballia- Bhiwadi HVDC line by PGCIL. As PGCIL is responsible for the delay, it should bear the cost of time over-run and it should not be passed on to the common man. The capital

cost should be restricted to the approved time line of 24 months and the increased cost should be borne by the petitioner.

4. In response to the above submissions of TANGEDCO, the representative of PGCIL submitted that Talcher- Kolar HVDC system was awarded to M/s Siemens in the year 2000 and was commissioned in the year 2003. The Talcher Kolar HVDC system has 14 converter transformers and all supplied by M/s Siemens. The converter transformers being proprietary item, PGCIL had to approach M/s Siemens for supply of second set of spare converter transformers. He further submitted that the converter transformers were not diverted for Ballia- Bhiwadi HVDC link. M/s BHEL was to supply 4 nos. of converter transformers for Ballia- Bhiwadi Pole-I and as it failed to do so, a decision was taken in the national interest to ask M/s Siemens to supply these transformers also. As Ballia- Bhiwadi HVDC Pole-I was to evacuate more power and as Talcher- Kolar HVDC line was already running with one spare transformer, the raw material for the second set of spare converter transformer was utilized for Ballia- Bhiwadi HVDC pole-I and it cannot be termed as a diversion. He also submitted that as a CTU it has to take decisions in the national perspective.

5. In response to a query of the Commission regarding existence of any provision for liquidated damages in the contract, the representative of the petitioner submitted that there is a provision for liquidated damages and hence there is no price variation (PV) on account of delay by M/s Siemens. In response to another query of the Commission as to whether the supplier could have been different from M/s Siemens, he submitted that the supplier could be different, provided the same worked in collaboration with M/s Siemens. In case of Rihand- Dadri HVDC system, M/s ABB collaborated with M/s BHEL, and hence the LoA for spare converter transformers were placed on M/s BHEL. He, however, added that in case of Talcher- Kolar HVDC link, nobody in India was aware of the technology for manufacture of converter transformers, and hence the order for second spare transformers was placed with M/s Siemens.

6. The Commission enquired as to how such a high cost could be justified, and also why the requirements for the second set of converter transformers were not placed along with the original order. The representative for the petitioner submitted that the cost of ₹ 6525 lakh in 2004 was worked out based on PV formula on award cost in the year 2000 and, due to non-availability of funding by World Bank, an additional cost of ₹ 1300 lakh is incurred on account of Customs Duty. As regards the reasons for not placing the said requirements along with the original order, he submitted that, based on the experience of last 15-20 years, it was felt there is a need to have two spare converter transformers at each end of the bi-pole link. The second set was ordered so as to increase reliability.

7. The Commission directed the petitioner to submit the following:-
- (i) Documentary evidence in support of the petitioner exploring all possibilities for procurement of the spare converter transformers within the country before awarding the contract to M/s Siemens in view of exceptionally high increase in the cost;
 - (ii) Documentary evidence in support of the petitioner's request for funding the scheme by the World Bank and World Bank's subsequent refusal for the funding under PSDP loan;
 - (iii) Details of calculation of price variation of ₹ 4380 lakh as per the terms and conditions of the original contract with M/s Siemens on which the LoA was placed for supply of the spare converter transformers;
 - (iv) Detailed justification for awarding contracts for "Transportation and Erection" of the spare converter transformers on a single tender basis as indicated in the petition;
 - (v) The basis of amount in "Transportation and Erection" contract in the original contract of Talcher- Kolar HVDC link awarded in the year 2000;
 - (vi) The contract of supply with M/s Siemens including the indemnification and price variation clauses for delayed supply of the equipment and the liability of M/s Siemens for delayed supply;
 - (vii) The calculation of liquidated damages being claimed from M/s Siemens for the delay in supply;
 - (viii) The payment schedule made to M/s Siemens;
 - (ix) Break up of approved cost as per revised cost estimate for Asset-1 and Asset-2

- (x) Replies to the queries of the respondent No. 4, TANGEDCO.
8. Subject to the above, order in the petition was reserved.

Sd/-
(T.Rout)
Joint Chief (Law)
.5.2012