

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 2/RP/2017 alongwith I.A. No.3/2017**

**Coram:**

**Shri Gireesh B. Pradhan, Chairperson  
Shri A.K. Singhal, Member  
Shri A.S. Bakshi, Member  
Dr. M.K. Iyer, Member**

**Date of Order : 30.03.2017**

**In the matter of:**

Review of the Commission's order dated 29.7.2016 in Petition No. 46/TT/2014 under Regulation 103(1) of Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999.

**And in the matter of:**

Power Grid Corporation of India  
"Saudamini", Plot No.2,  
Sector-29, Gurgaon -122 001

**.....Petitioner**

**Vs**

1. Madhya Pradesh Power Management Company Limited  
Shakti Bhawan, Rampur  
Jabalpur- 482008
2. Maharashtra State Electricity Distribution Company Limited  
Prakashgad, 4th Floor, Andheri (East)  
Mumbai- 400052
3. Gujarat Urja Vikas Nigam Limited  
Sardar Patel Vidyut Bhawan,  
Race Course Road,  
Vadodara- 390007
4. Electricity Department, Government of Goa,  
Vidyut Bhawan, Panaji,  
Near Mandir Hotel, Goa- 403001



5. Electricity Department, Administration of Daman and Diu  
Daman- 396210
6. Electricity Department, Administration of Dadra Nagar Haveli  
U.T. Silvassa- 396230
7. Chhattisgarh State Electricity Board,  
P.O. Sunder Nagar, Dangania, Raipur,  
Chhattisgarh- 492013
8. Madhya Pradesh Audyogik Kendra  
Vikas Nigam (Indore) Limited,  
3/54, Press Complex, Agra-Bombay Road,  
Indore- 452008.

.....Respondents

**For petitioner** : Shri M.G. Ramachandran, Advocate, PGCIL  
Ms. Ranjitha Ramachandran, Advocate, PGCIL  
Shri Rakesh Prasad, PGCIL  
Shri S.S. Raju, PGCIL  
Shri S.K. Venkatesan, PGCIL

**For respondents** : None

### Interim Order

The instant review petition has been filed by PGCIL seeking review of order dated 29.7.2016 in Petition No. 46/TT/2014. PGCIL has also filed an Interlocutory Application No. 3/IA/2017 for condonation of the delay in filing the instant review petition.

2. Transmission tariff for 2009-14 tariff period was allowed vide order dated 29.7.2016 for Asset I: LILO point (at Dharmajaygarh near Korba WR SS)-Ranchi portion of 765 kV S/C Ranchi-WR pooling station line alongwith bays at Ranchi 765 kV Sub-station; Asset II: 765 kV 3x80 MVAR Bus Reactor I along with bays at Ranchi 765 kV Sub-station; Asset III: 765 kV 3x80 MVAR Bus Reactor II along with bays at Ranchi 765 kV Sub-station; Asset IV: 400 kV 125 MVAR Bus Reactor I along with bays at



Ranchi 765 kV Sub-station and Asset V: 400 kV 125 MVAR Bus Reactor II along with bays at Ranchi 765 kV Substation under Common Scheme for 765 kV Pooling Stations and Network for NR, Import by NR from ER and from NER/SR/WR via ER and Common scheme for network for WR and Import by WR from ER and from NER/SR/WR via ER in Western Region in terms of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (hereinafter "the 2009 Tariff Regulations").

3. PGCIL has submitted that the Commission has limited the IEDC of the subject elements to a percentage of the hard cost based on the Abstract Cost Estimate and disallowed ₹260.31 lakh. There is no provision in the 2009 Tariff Regulations for considering the IEDC on percentage terms of the hard cost (neither element wise nor project wise). IEDC is actual expenditure incurred by the petitioner and the same may not be disallowed merely because it exceeds the estimate made at initial stage, as the abstract cost estimates are prepared as an estimate for the petitioner and are not normative figures which cannot be exceeded by the petitioner. PGCIL has submitted that test for allowing capitalization of expenditure adopted by the Commission has been the reasonableness or prudence of the actual expenditure and not merely that it has exceeded the estimate. The Commission has not come to the conclusion that the actual expenditure incurred by the petitioner was unreasonable or imprudent. PGCIL has submitted that restricting IEDC is an error apparent on the face of record and it needs to be reviewed.



4. During the hearing on 21.3.2017, learned counsel for PGCIL submitted that Commission can exercise the prudence check on determining the maximum permissible IEDC based on the % of Hard Cost estimated as IEDC in original investment approval, however there is a computation error in deciding the IEDC as 5% of the hard cost since the contingency @ 3%, as approved in the investment approval has not been considered. Therefore, the limit should be computed on completion cost instead of the cost as on COD.

5. As regards the delay of 86 days in filing the review petition, PGCIL submitted that the several tariff and truing up orders issued by the Commission during September and October, 2016 and it took time to study and understand the implications of these orders. There were deliberations on filing of appeal or review. After deciding to file a review, obtaining approval for filing review and other formalities led to delay in filing the review petition and requested to condone the delay. We are of the view that the review petitioner should streamline its procedure for internal processing of the files so that the review petitions are filed within the timeline prescribed in the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999. We condone the delay in filing of the review petition in this case and accordingly, I.A. No.3/IA/2017 is disposed of.

6. We admit the review petition and direct issuance of notice to the respondents. The petitioner is directed to serve copy of the review petition along with this order on the respondents by 30.3.2017.



7. The petitioner is directed to submit the following information on affidavit with an advance copy to the respondents by 21.4.2017:-

- (a) Justify the applicability of contingencies of 3% as part of IEDC;
- (b) The amount of IEDC including contingencies for the project as whole as shown in Revised Cost Estimate is ₹13959 lakh against the Revised Hard cost of ₹571240 lakh, which works out to only 2.44%. But, has claimed IEDC (as per Auditor Certificate) amounting ₹543.64 lakh against the claimed Hard cost of ₹5666.60 lakh which works out to be 9.59%. Justification for claiming 9.59% of Hard Cost as IEDC against the 2.44% (including contingencies) as considered in RCE; and
- (c) IEDC is the cost pertaining to construction period. However, the petitioner has claimed the completion cost (i.e. including the cost incurred after COD) as base for determining the % of hard cost. Justify the reason for considering the completion cost as base in determining the allowable IEDC.

8. The respondents shall file their reply by 8.5.2017 with copy to the petitioner, who shall file its rejoinder, if any, by 19.5.2017. The parties shall ensure the completion of the pleadings within the due date mentioned and no extension of time shall be granted.

9. The review petition shall be listed for hearing on 23.5.2017.

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

sd/-  
**(A.S. Bakshi)**  
Member

sd/-  
**(A.K. Singhal)**  
Member

sd/-  
**(Gireesh B. Pradhan)**  
Chairperson

