

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Coram:**

1. **Shri Ashok Basu, Chairman**
2. **Shri K.N. Sinha, Member**
3. **Shri Bhanu Bhushan, Member**

**Petition No. 83/2004**

**In the matter of**

Approval of abnormal operation and maintenance expenses on account of additional security for the year 2003-2004 in Eastern Region.

**And in the matter of**

Power Grid Corporation of India Ltd.

..... **Petitioner**

**Vs**

1. Bihar State Electricity Board, Patna
2. West Bengal State Electricity Board, Kolkata
3. Grid Corporation of Orissa Ltd., Bhubneshwar
4. Damodar Valley Corporation, Kolkata
5. Power Dept., Govt. of Sikkim, Gangtok
6. Jharkhand State Electricity Board, Ranchi

..... **Respondents**

**The following were present:**

1. Shri U.K. Tyagi, DGM, PGCIL
2. Shri P.C. Pankaj, AGM, PGCIL
3. Shri C. Kannan, PGCIL
4. Shri U Chandra, ED, PGCIL
5. Shri S.A. Ullah, BSEB
6. Shri Rakesh, BSEB
7. Shri P.K. Bagchi, CE, WBSEB
8. Shri S. Chatterjee, DVC
9. Shri C. Karmakar, DVC

**ORDER  
(DATE OF HEARING: 21.9.2004)**

This petition has been filed for approval of abnormal security expenses for the year 2003-2004 and their recovery from the beneficiaries in Eastern Region.

2. In accordance with the Commission's notification dated 26.3.2001 on terms and conditions of tariff, applicable for the period from 1.4.2001 to 31.3.2004,

operation and maintenance expenses, including insurance, if any, are to be calculated as under:

- i) Where O&M expenses, excluding abnormal O&M expenses, if any, on sub-station (OMS) and line (OML) are separately available for each region, these shall be normalised by dividing them by number of bays and line length respectively. Where data as aforesaid is not available, O&M expenses in the region are to be apportioned to the sub-station and lines on the basis of 30:70 ratio and these are to be normalised as below:

$$\text{O\&M expenses per Unit of the line length in Kms (OMLL)} = \frac{\text{Expenses for lines (OML)}}{\text{Average line length in Kms (LL)}}$$

$$\text{O\&M expenses for sub-stations (OMBN)} = \frac{\text{O\&M expenses for substations (OMB)}}{\text{Average number of bays (BN)}}$$

- ii) The five years average of the normalised O&M expenses for lines and for bays for the period 1995-96 to 1999-2000 is to be escalated at 10% per annum for two years (1998-99 and 1999-2000) to arrive at normative O&M expenses per unit of line length and per bay for 1999-2000.
- iii) The normative O&M per unit length and normative O&M per bay for the year 1999-2000 for the region derived in the preceding paragraph is to be escalated @ 6% per annum to obtain normative values of O&M expenses per unit per line length and per bay in the relevant year. These normative values are to be multiplied by line

length and number of bays (as the case may be) in a given system in that year to compute permissible O&M expenses for the system.

- iv) The escalation factor of 6% per annum is to be used to revise normative base figure of O&M expenses. Any deviation of the escalation factor computed from the actual inflation data that lies within 20% of the notified escalation factor of 6% shall be absorbed by utilities/beneficiaries.

3. While calculating allowable normative O&M expenses for Eastern Region based on 5-year data furnished by the petitioner for the tariff period 1.4.2001 to 31.3.2004, the abnormal O&M expenses, including special security expenses have been deducted. The petitioner seeks approval for reimbursement of the special security expenses incurred for providing additional security at Salakati sub-station under Chukha Transmission system in Eastern Region and Bongaigaon sub-station under 400 kV D/C Bongaigaon-Malda transmission line, an inter-regional system between Eastern Region and North-Eastern Region, as per details given below:

Bongaigaon Sub-station:	Rs 30.60 lakh
Salakati Sub-station:	Rs 93.14 lakh

4. The petitioner has submitted that its establishment in North Eastern region has been receiving threats from the militant outfits in the region. There had been cases of kidnapping of employees and contractor's staff by the militants. CISF

cover was provided at Salakati and Bongaigaon sub-stations taking in view the disturbed situation prevailing in the area to accord proper security to its assets and personnel deployed at these sub-stations and to ensure uninterrupted power flow to the beneficiaries. The petitioner has listed several instances of kidnapping, attack and killing to highlight difficult security scenario in the region. According to the petitioner, local police could not provide adequate security to the sub-stations. The petitioner has referred to the Commission's order dated 27.5.2004 in Petition No.83/2003 whereby reimbursement of abnormal O&M expenses for the years 2001-02 and 2002-03 were approved. The petitioner has submitted that there had been no improvement in law and order position and sub-stations are still under constant threat of militancy. In order to counter the situation, the petitioner is stated to have continued deployment of the additional security forces. The petitioner vide affidavit dated 21.12.2004 has submitted copies of the newspaper reports and correspondence with the security agencies in support of its claim about the prevailing law and order situation.

5. The petitioner's claim for reimbursement of special security expenses is supported by auditors' certificate dated 7.7.2004.

6. It has been submitted by the respondents that Salakati sub-station and Bongaigaon sub-station are located in North Eastern Region and caters to the need of supply of power to the beneficiaries in that region. Therefore, according to the respondents, the abnormal security expenses claimed by the petitioner should be borne by the beneficiaries in North-Eastern Region, particularly when the

safety and security of these sub-stations is the responsibility of the State Government within whose territorial jurisdiction these assets are situated. It is further submitted that the reimbursement of additional security expenses in respect of Bongaigaon sub-station should be payable by the beneficiaries in the North Eastern Region and not those in Eastern Region, because this sub-station is a part of 400 kV D/C Bongaigaon-Malda Transmission Line, an inter-regional asset, created for conveyance of power to the beneficiaries in North Eastern Region. It is further submitted that the abnormal O&M expenses presently claimed are expenses of transient nature and, therefore, cannot be borne by the respondents year after year, the abnormal expenses for the years 2001-02 and 2002-03 having already been reimbursed in accordance with the Commission's order in Petition No.83/2003

7. We have considered these preliminary submissions made on behalf of the respondents. Salakati sub-station was sanctioned as a part of Chukha Transmission System commissioned for transfer of power from Chukha Hydro Electric Project to the beneficiaries in Eastern Region. Therefore, notwithstanding the geographical location of Salakati sub-station, the beneficiaries in Eastern Region are only liable to pay the abnormal security expenses. So far as Bongaigaon sub-station is concerned, it forms part of Bongaigaon-Malda Transmission Line, an inter-regional asset. 50% of the transmission charges in respect of Bongaigaon-Malda Transmission Line are shared by the beneficiaries in Eastern Region. Therefore, as a corollary of this, 50% of the additional security expenses approved by the Commission are to be borne by these beneficiaries.

This disposes of the preliminary objections raised on behalf of the respondents.

Now, we consider the merits of the petitioner's claim.

8. The Commission, by order dated 24.9.2004 had directed the petitioner to file a comparative statement (under the heads salary, uniform, ammunition, no. of persons employed etc.) giving break up of expenses claimed during 2001-02, 2002-03 and 2003-04 with reasons for increase in expenses during 2003-04.

9. The petitioner has accordingly submitted the following break up of year-to-year

expenses:

**Bongaigaon Sub-station**

S. No.	Description	Amount (Rs in lakh)		
		2001-02	2002-03	2003-04
1	Salary	46.08	48.90	52.38
2	Medical	0.42	0.38	0.38
3	Vehicle expenses	1.81	2.42	2.55
4	Other Expenditure	6.50	3.03	5.88
	<b>Total</b>	<b>54.81</b>	<b>54.73</b>	<b>61.19</b>

**Salakati Sub-station :**

S. No.	Description	Amount (Rs in lakh)		
		2001-02	2002-03	2003-04
1	Salary	69.11	59.36	80.20
2	Medical	0.63	0.57	0.57
3	Vehicle expenses	2.06	2.11	2.87
4	Other Expenditure	10.03	4.55	9.50
	<b>Total</b>	<b>81.83</b>	<b>66.59</b>	<b>93.14</b>

10. The petitioner has submitted that:

- (a) The year-to-year variations are on account of normal increase in salary, DA, allowances and normal escalation.
- (b) Other expenditure includes expenditure on uniform, ammunition, hard coke, printing and stationery, repairs of barracks, sand-bags, special meal on Republic Day and Independence Day, telephone expenses, etc.
- (c) In respect of Salakati sub-station, "salary" for the year 2002-03 includes salary for ten months from April 2002 to January 2003 and salary for 2003-04 includes salary for 14 months (including two months of 2002-03 not claimed in 2002-03).

11. The petitioner has stated that total number of 100 employees are deployed at the two sub-stations, which include one Assistant Commandant, one Inspector, 7 Sub-Inspectors, 2 Asstt. Sub-Inspectors, 16 Head Constables, 67 Constables and 6 other staff.

12. We have considered the submissions made. The normative O&M expenses for Eastern Region have been calculated in accordance with methodology specified in the notification dated 26.3.2001 and summarised above. As noted above, the abnormal security expenses were not taken into account by the Commission while working out normalised O&M expenses for the purposes of tariff in respect of Chukha Transmission System and 400 kV D/C Bongaigaon-Malda Transmission Line for the tariff period 1.4.2001 to 31.3.2004.

13. The justification given by the petitioner for the abnormal O&M expenses for the year 2003-04 towards deployment of CISF at Bongaigaon and Salakati sub-stations is in order. However, the issue of higher security expenses at Salakati sub-station as compared to Bongaigaon sub-station though latter being of much bigger size, was raised during the hearing. In this regard the petitioner clarified that abnormal security expenses for Salakati sub-station are higher as salary of the security personnel deployed is apportioned in the ratio of 60:40 between Salakati and Bongaigaon sub-stations. The petitioner was directed to furnish the reasons for booking of salary in the ratio 60:40 between Salakati and Bongaigaon sub-stations.

14. On the question of apportionment of salary, the petitioner has submitted that since the administrative office, township and stores are located at Salakati sub-station and all the security personnel are also accommodated at this sub-station, 60% salary is booked against Salakati sub-station. The petitioner has also intimated the transformation capacity at Bongaigaon and Salakati sub-stations as under :-

Bongaigaon sub-station (400/220 KV):	1 x 315 MVA
Salakati sub-station (220/132 KV):	2 x 50 MVA

15. The justification furnished by the petitioner for booking higher percentage (60%) of the expenses under the head "salary" against Salakati sub-station is not convincing. The two sub-stations are geographically in close proximity and, therefore, the level of security requirement at these two sub-



stations cannot be markedly different. The decision regarding locating office, store and township at any of the places might have been taken based on administrative convenience but this cannot be accepted as valid argument for booking higher expenses at the location concerned. In our opinion, the "salary" should be apportioned in the ratio of 50:50. This issue was not considered in Petition No. 83/2003 where the abnormal security expenses as claimed by the petitioner were allowed by the Commission. However, now that issue has been raised, it is fair to redistribute "salary" component of abnormal security expenses for 2003-04 in the ratio of 50:50.

16. Accordingly, the re-apportionment of expenses under the head "salary" shall be as under:

	(Rs. in lakh)
"Salary" booked for Salakati sub-station	80.2
"Salary" booked for Bongaigaon sub-station	52.38
Total "salary" for both the sub-stations	132.58
"Salary" for Bongaigaon sub-station when redistributed in the ratio of 50:50	66.29
"Salary" for Salakati sub-station offer redistribution	66.29

17. Based on the above re-apportionment of "salary" between the two sub-stations, the abnormal O&M expenses assigned to each of the two sub-stations has been arrived at as under:

**Bongaigaon sub-station**

S. No.	Description	Amount (Rs in lakh)
1	Salary	66.29
2	Medical	0.38
3	Vehicle expenses	2.55
4	Other Exp.	5.88
	<b>Total</b>	<b>75.10</b>

**Salakati sub-station**

S. No.	Description	Amount (Rs in lakh)
1	Salary	66.29
2	Medical	0.57
3	Vehicle expenses	2.87
4	Other Exp.	9.50
	<b>Total</b>	<b>79.23</b>

18. The entire abnormal O&M expenses of Rs.79.23 lakh for 2003-04 in respect of Salakati sub-station shall be shared by the beneficiaries of Eastern Region. In case of Bongaigaon sub-station, 50% of the abnormal O&M expenses for 2003-04, that is, Rs.37.55 lakh shall be shared by the beneficiaries of Eastern Region .

19. The petitioner's claim on account of abnormal O&M expenses pertaining to Eastern Region for 2003-04 and that admitted are summarised as under:

(Rs in lakh)

S.No.	Sub-station	Abnormal O&M expenses for 2003-04	
		Claimed	Admitted
1.	Bongaigaon	30.60	37.55
2.	Salakati	93.14	79.23

20. We direct that the expenses for the year 2003-2004 as approved above shall be reimbursed by the respondents to the petitioner and shall be shared in the ratio of transmission charges payable in accordance with the notification dated 26.3.2001 by the beneficiaries in Eastern Region.

21. With this order, the present petition stands disposed of.

**Sd/-**  
**(BHANU BHUSHAN)**  
**MEMBER**

**Sd/-**  
**(K.N. SINHA)**  
**MEMBER**

**Sd/-**  
**(ASHOK BASU)**  
**CHAIRMAN**

New Delhi dated the 22<sup>nd</sup> February 2005.