CENTRAL ELECTRICITY REGULATORY COMMISSION
New Delhi

Coram:

1. **Shri Ashok Basu, Chairman**
2. **Shri D.P. Sinha, Member**
3. **Shri G.S. Rajamai, Member**
4. **Shri K.N. Sinha, Member**

Petition No 82/2002

In the matter of

Approval of tariff for Unified Load Despatch & Communication (ULDC) Scheme in Northern Region

And in the matter of

Power Grid Corporation of India Ltd. …..**Petitioner**

Vs

Rajasthan Rajya Vidyut Prasaran Nigam Ltd. & others ….**Respondents**

Petitioner No. 83/2002

And in the matter of

Approval of tariff for Unified Load Despatch & Communication (ULDC) Scheme in Southern Region

And in the matter of

Power Grid Corporation of India Ltd. …… **Petitioner**

Vs

Karnataka Power Transmission Corporation Ltd. & others …… **Respondents**

The following were present:

1. Shri K.K. Mittal, XEN (ISP), RRVPNL
2. Shri Mahendra Kumar, EE (SPATC), UPPCL
3. Shri K. Gopala Krishnan, KSEB
4. Shri Muthunarayanan, SE, Elec. Dept., Pondicherry
5. Shri G.S. Sarkar, PGCIL
6. Shri K.J. Alva, KPTCL
7. Shri K.R. Adisheshan, KPTCL
8. Shri Ajay Holani, PGCIL
9. Shri C. Kannan, PGCIL
10. Shri Mehrotra, PGCIL
11. Shri P. Sharma, PGCIL
12. Shri S.K. Jain, Manager (Law), PGCIL
13. Shri R.K. Vohra, GM (Comml.), PGCIL
14. Shri S.S. Sharma, AGM(Comml.), PGCIL
15. Shri R.K. Arora, HVPN
16. Shri R.N. Nayak, PGCIL
17. Shri R.P. Sasmal, PGCIL
18. Shri A.S. Kuchwaha, PGCIL

ORDER
(DATE OF HEARING 09.08.2002)

These petitions have been filed by PGCIL under Section 13 of the Electricity Regulatory Commissions Act, 1998 for approval of tariff for Unified Load Despatch and Communication (ULDC) Scheme in Northern and Southern Regions.

2. The representative of the petitioner Shri R.N. Nayak has submitted that CEA had accorded techno-economic clearance to the ULDC Schemes in 1994. The Scheme comprises of three parts, namely Central Sector portion to be operated by the petitioner; State Load Despatch Centre portion executed by the petitioner but to be operated by the respondents and infrastructure facilities of building, A/C, etc. to be provided by the respondents. The representative of the petitioner, stated that memoranda of understanding were signed by the petitioner with the respondents for implementation of ULDC Scheme. He submitted that considering the high cost of the scheme, levelised tariff had been proposed to avoid front loading of tariff. He further submitted that O&M expenses had been proposed at 7.5% of the capital cost since no previous data of actual expenses was available to compute O&M charges based on the notification issued by the Commission on 26.3.2001. It was submitted that the entitlement of O&M expenses could be reviewed after two years based on experience. The representative of the petitioner has explained the salient features of the ULDC scheme in detail. The representative of the petitioner stated that the communication system comprising of hybrid of fibre optic, PLCC and microwave links was devised in consultation with the respondents and CEA. He explained that ULDC scheme has in-built features

of optimal load flow, economic load despatch and merit order operation, etc. To a specific query by the Commission, representative of the petitioner clarified that remote operations like connection of load is possible with the ULDC scheme but this is not being resorted to. The representative of the petitioner further explained that the existing facilities of SLDCs wherever used had not been included in the capital cost for the purposes of tariff and only where additional cost had been incurred by the petitioner for providing the facilities at SLDCs under the ULDC scheme have been charged to tariff. He informed that the petitioner had been granted license for rendering telecom services, but approval of Government of India for investment in telecom sector was awaited. To a specific query by the Commission, representative of PGCIL indicated that they explored the possibility of using V-SAT communication but did not adopt it as it was expensive and V-SAT would not function during solar eclipse.

3. The representative of RRVPNL stated that instead of approving tariff for 15 years, the Commission should prescribe tariff initially for three years which could be reviewed thereafter in the light of actual experience. He also stated that the methodology of cost sharing of the constituents of Northern Region was to be discussed by the petitioner but this had not been done. He pointed out that from the petition it was not clear that the loan repayment details given therein were based on actuals or otherwise. The representative of RRVPNL further submitted that 1.5% of the capital cost should be reasonable for reimbursement of O&M expenses. It was pointed out on behalf of RRVPNL that the residual value of the assets after 15 years had not been stated in the petition. According to it, since the entire cost would get recovered

in 15 years, the residual value becomes zero and in that case the respondents would be required to pay only O&M expenses and no other charges.

4. The representative of HVPNL submitted that the petitioner should ensure that equipment for which tariff has been claimed should work effectively for full 15 years. He was agreeable to the concept of charging of levelised tariff and preferred the payment of tariff to reimbursement of cost of equipment provided by the petitioner at SLDCs under ULDC Scheme. He too pointed out that O&M expenses being claimed by the petitioner were on the higher side considering the high cost of the equipment. He submitted that actual loan, interest rate and repayment details should be furnished by the petitioner. He also suggested that the petitioner should explore possibilities of swapping high interest Government of India loan with low interest loan presently available. No specific submissions were made on behalf of UPPCL, though its representatives were present at the hearing.

5. The representative of KPTCL submitted that the reasons given by the petitioner for not using V-SAT communication were not correct since KPTCL was already using this technology effectively and economically for communication in their system. He also pointed out that O&M expenses claimed were high and suggested that O&M expenses be fixed provisionally at 1.5% of capital cost. This contention of KPTCL was supported by the representatives of KSEB the Union Territory of Pondicherry. The representative of KSEB submitted that life of 15 years considered by the petitioner for the purposes of tariff was shorter for optic fibre communication

system. He requested the Commission to constitute an expert committee for detailed study for a levelised tariff in consultation with the beneficiaries. The representative of Pondicherry reiterated the submissions made on behalf of KPTCL and KSEB.

6. In response to a query, the representative of the petitioner explained that IDC had been capitalised on the date of commercial operation and tariff has been calculated thereafter. We had directed the representative of the petitioner to reconsider the methodology for calculation of levelised tariff.

7. On the issue of applicability of statutory provisions for determination of ULDC charges, we are of the opinion that these are covered under sub-Section (10) of Section 55 of the Electricity (Supply) Act, 1948. In our opinion, the assets created under ULDC Scheme do not fall within the scope of clause (c) of Section 13 of the Electricity Regulatory Commissions Act, 1998. We, therefore, propose to proceed to determine ULDC Scheme charges on this basis.

8. The petitioner has not placed on record the approved cost for RLDC/Central Sector portion and SLDC/sub-SLDC portions separately, in the absence of which it is not possible to compare the completion cost with the approved capital cost. We, therefore, direct the petitioner to place on record the break-up of approved cost. The petitioner is further directed to confirm whether the entire work falling within the scope of the project had been completed. In case any part of the work is yet to be completed the necessary details, along with estimated expenditure shall also be furnished by the

petitioner. We observe that CEA had accorded techno-economic clearance for ULDC Scheme in 1994 at an estimated cost of Rs.436.60 crores. However, subsequently the scope of work was changed. The petitioner is directed to place on record the revised techno-economic clearance obtained from CEA. In case the revised techno-economic clearance was not obtained despite the change of scope of work, the petitioner shall explain the reasons for that.

9. The petitioner has proposed working capital comprising two months receivables, 1 month's O&M expenses and spares @ 10% of the capital cost. The petitioner is directed to explain the reasons for including two months receivables in the working capital. In addition, the petitioner shall explain the following:

(a) Reasons for proposing hybrid tariff structure with one part of tariff levelised and other one charged on conventional basis

(b) Basis for selecting 15 years of life as the ULDC scheme

(c) Reasons for selecting different discounting factors for equity and loan portions

(d) Asset-wise Actual Capital expenditures of various components of ULDC as on DOCO along with means of financing as per Audited Accounts

(e) Amount of IDC and FERV capitalised as on DOCO as per the Audited Accounts

(f) The actual date of commercial operation. If there is any delay from the scheduled date of completion, the reasons thereof may be furnished

(g) Asset wise Actual Capital expenditures of various components of ULDC after DOCO separately for each year along with means of financing as per Audited Accounts.

(h) Asset wise reconciliation of actual capital cost vis-à-vis approved cost

(i) Details of various loans specifically taken for the project alongwith repayment schedule. (Rate of Interest as given in the petition shall be followed for calculations).

(j) If the loans were taken at the corporate level, details of allocation made from the corporate office along with details of the loans.

(k) Date of drawals of various loans at 6 & 7

(l) Supporting details regarding rate of interest on working capital

(m) All these details shall be filed by the petitioner within two weeks duly supported by affidavit with an advance copy to the respondents who may file their replies if any within one week thereafter. The petitioner is also directed to furnish its comments/views on the points raised on behalf of the respondents at the hearing.

9. List these petitions for further hearing on 6.9.2002.

Sd/-	Sd/-	Sd/-	Sd/-
(K.N. SINHA) **MEMBER**	**(G.S. RAJAMANI)** **MEMBER**	**(D.P. SINHA)** **MEMBER**	**(ASHOK BASU)** **CHAIRMAN**

New Delhi dated the 13th August 2002