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**BEFORE
THE CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

PETITION NO.:

IN THE MATTER OF:

Approval under regulation-86 of CERC (Conduct of Business) Regulations 1999, for determination of final Transmission Tariff upto DOCO and additional capitalization from DOCO to 31.3.2009 for (i) 80 MVAR, 420 kV Bus Reactor at Lucknow Sub-Station (DOCO-01.05.2008) and (ii) second 400 kV Bareilly-Moradabad TL along with associated bays (DOCO-01.06.2008) and under Northern Region System Strengthening Scheme –I in Northern Region for tariff block 2004-09 period.

Power Grid Corporation of India Ltd.
Registered office: B-9, Qutab Institutional Area,
Katwaria Sarai, New Delhi 110 016 and
Corporate office: "Saudamini" ,Plot no.2,
Sector-29, Gurgaon -122 001. (Haryana)

---PETITIONER

Uttar Pradesh Power Corporation Ltd
14, Shakti Bhawan, Ashok Marg, Lucknow – 226 007
Represented by its Chairman
& others

-- RESPONDENT

To

The Hon'ble Chairman and
his Companion Members of The Hon'ble CERC
The Humble application filed by the Petitioner

MOST RESPECTFULLY SHOWETH

- 1.0 The Petitioner herein, Power Grid Corporation of India Ltd. is a Government Company within the meaning of Companies Act,1956. The Petitioner is also discharging the statutory functions under various applicable provisions, including in particular section 28 and 38 of the Electricity Act, 2003. In exercise of powers under sub-section (1) of section 38(1) the Electricity Act 2003, the Government of India has declared the Petitioner herein as the Central Transmission Utility.
- 2.0 That, Hon'ble Commission have notified CERC (Terms and Conditions of Tariff) Regulations, 2004, in accordance with which tariff based on capital cost of the transmission projects shall be determined. These Regulations have come in to force on 1.4.2004 and shall remain in force for a period of 5 years, unless reviewed earlier or extended by the Hon'ble Commission.
- 3.0 That the petitioner has been entrusted with the implementation of Northern Region System Strengthening Scheme – I. The Board of Directors of POWERGRID have accorded investment approval for establishment of " Northern



Region System Strengthening Scheme-I (a/c) (Contract No. 10001/CP/RS-1 dated 25.02.2004. for estimated completion year 2004-05 (S/C) (including IDC of Rs 14.21 Crs). a copy whereof is enclosed as **Encl-1** (Page 16 to 20). Subsequently, Revised Cost Estimate of Northern Region System Strengthening Scheme- I has been approved by Board of Directors of Power Grid Corporation of India Ref No C/CP/RCE-NRSS-I dated 21.10.2008 (including IDC of Rs 15.84 Crs) including an IDC of Rs 15.84 Crs. (based on 4 months delay in completion) whereof is enclosed as **Encl-2** , (Page 21 to 25)

3.1 The scope of work covered under the project is as follows:

Transmission Line :

- (i) Kanpur-Auraiya 400 KV D/C - 67 Km
- (ii) L.I.O of Kanpur-Agra 400 KV S/C (including IDC of Rs 1.00 Crs)
- (iii) L.I.O of Lucknow-Moradabad 400 KV S/C (including IDC of Rs 1.00 Crs) - 18 Km
- (iv) L.I.O of Bareilly-Mandaula 400 KV S/C (including IDC of Rs 1.00 Crs) - 18 Km
- (v) L.I.O of Sultanpur-Lucknow 400 KV S/C (including IDC of Rs 1.00 Crs) - 39 Km
- (vi) Bareilly (POWERGRID) - Moradabad 400 KV S/C (including IDC of Rs 1.00 Crs)

Substation

- i) Bareilly 400 KV (New) Switching Station (including IDC of Rs 1.00 Crs)
- ii) Lucknow 400/220 KV (POWERGRID) sub-station (including IDC of Rs 1.00 Crs)
- iii) Auraiya 400 KV Generation Switching Station (including IDC of Rs 1.00 Crs)
- iv) Kanpur 400/220 KV (POWERGRID) sub-station (including IDC of Rs 1.00 Crs)
- v) Moradabad 400/220 KV (UPPCL) sub-station (including IDC of Rs 1.00 Crs)
- vi) Mandaula 400/220 KV (POWERGRID) sub-station (including IDC of Rs 1.00 Crs)

(**) :- L.I.O of 400 kV S/C Kanpur (POWERGRID) - Auraiya (POWERGRID) and Auraiya (NTPC) was deleted from the original scope of work and to add for same in 16th meeting of standing committee on transmission and distribution of Northern Region, held on 24.03.2004. The same decision was implemented.

3.2 That RCE of the project was made due to increase in prices of materials submitted that the Contracts for various packages under the project were awarded to the lowest evaluated and responsive bidder on the basis of open competitive Bidding, after publication of NITs in leading newspapers. The bid amounts represent the lowest prices available at the time of bidding for various packages.

That during the period from 4th Quarter 2007 to 4th quarter 2008 respectively, there has been inflationary trend in the prices of various materials, as indicated by the indices given below:

NAME OF INDICES	DECEMBER R 2003	MARCH 2007	DECEMBER 2008	% INCREASE (Dec 03 to Dec 07)
Tower Steel	23890	53200	43000	79.56
HG Zinc	60800	138000	120000	98.68
EC Grade Aluminium	86150	138000	120000	56.77
Electrolytic Cu wire bar	140729	209111	190000	38.44

WPI	176.9	200.2	113.1%	1997
WPI for Iron & Steel	188.9	261.2	138.3%	1997
WPI for Fuel & Power	255.9	319.6	125.0%	1997
CPI	502	588	117.1%	1997

That the price variation observed during execution of the project is attributable to the inflationary trend prevailing during execution of the project and also market forces prevailing at the time of bidding process. Contracts are awarded for execution of project.

- 3.3 That the present petition covers determination of final capital cost (FCC) and additional capitalization incurred from FCC (Capex) for the following asset under Northern Region System Strengthening Scheme:

Sl No	Name of the asset	Schedule completion	DOCO
01	80 MVAR, 420 kV Bus Reactor at Kundhwa Sub-Station	01/01/2008	01/01/2008
02	Second 400 kV Bareilly-Moradabad II along with associated bays	01/01/2008	01/01/2008

Copy of letters of commercial operation of these assets dated 01/01/2008 are enclosed herewith as **Encl-3 (page 26 to 29)**. The General Diagram of the NRSS-I is attached hereto as **Encl- 4, (page 29)**.

- 3.4 That the petitioner had filed petition no: 79/2008 for determination of provisional tariff for the asset mentioned at Sl No 01 and 02 above. Hon'ble commission vide order dated 27.11.2008 in petition no: 79/2008 allowed annual transmission charges on provisional basis for the said asset and directed the petitioner to file fresh petition for approval of final tariff in accordance with the commission's regulations by 01/01/2009. Subsequently, Hon'ble commission vide order dated 15.05.2009 in petition no: 79/2009 allowed time extension and allowed for filing of tariff petition by 01/01/2009. Copies of CERC orders dated 27.11.2008 in petition no: 79/2008 and order dated 15.05.2009 in petition no: 79/2009 are attached hereto as **Encl-5 (page 31 to 37)**. Hon'ble commission also directed to file the following information/clarifications at the time of filing of petition for approval of final tariff, namely :-

- A Certificate, duly signed by the Auditor's certifying the loan details duly reconciled with audited accounts for the year 2007-08.
- Detailed justification for time over-run and cost over-run.

- 3.5 That status of tariff petitions of different assets under Northern Region System Strengthening Scheme are given below:-

79/2008-2009



Sl No	Name of the Asset	DOCO	Details of Petition	Details of Sanction order	Remarks
01	400 kV D/C Kanpur-Auraiya TL along with associated bays at Auraiya	01.10.2006	26.10.08	11.01.08 Sanction order dated 11.01.08	Heard. Sanction approved. Laid out in 2006-07 & 2007-08
02	2 nos bays at Kanpur S/Stn associated with Kanpur-Auraiya TL & LILO of 400 kV D/C Bareilly-Mandola TL at Bareilly & Bus Reactor at Bareilly	01.06.2007 01.08.2007	11.01.08 11.01.08	11.01.08 Sanction order dated 11.01.08	Heard. Sanction approved. The sanction order is under process.
03	LILO of 400 kV S/C Lucknow-Moradabad TL at Bareilly.	01.09.2007	11.01.08	11.01.08	Heard. Sanction approved. The sanction order is under process.
04	LILO of 400 kV S/C Lucknow-Sultanpur TL at Lucknow	01.01.2008	11.01.08	11.01.08	Heard. Sanction approved. The sanction order is under process.
05	80 MVAR, 420 kV Bus Reactor at Lucknow Sub-Station	01.05.2008	11.01.08	11.01.08	Heard. Sanction approved. The sanction order is under process.
06	Second 400 kV S/C Bareilly-Moradabad TL along with associated bays	01.06.2008	11.01.08	11.01.08	Heard. Sanction approved. The sanction order is under process.
07	LILO of Kanpur-Agra 400 KV S/C at Auraiya	As per the sanction order dated 24.01.2004	11.01.08	11.01.08	Sanction approved. The sanction order is under process. The completion of work was not completed.

4.0 That the present petition covers determination of capitalization from DOCO to 3103.2009 for assets mentioned in S/N & (6) above.

4.1 **80 MVAR, 420 kV Bus Reactor at Lucknow Sub Station (A DOCO 01.05.2008) :**

4.1.1 That as per investment approval, the assets covered in the above mentioned are to be completed within a period of 27 months from the date of sanction of the Tower Package. The letter of award for Tower package was issued and accordingly the schedule completion works were to be completed. As against the schedule, the asset has been completed and put under commission of operation on 01.05.2008. That the delay in commissioning of Bus Reactor may be attributed to power flow at Lucknow Sub-Station since Lucknow Sub-Station was already connected to Sarojini Nagar Sub-Station through 400 kV line and Sub-Station and 220 kV Chinhut Sub-Station.

4.1.2 That for 80 MVAR, 420 kV Bus Reactor at Lucknow Sub-Station, the cost is Rs. 1000.00 lakhs as against the apportioned approved cost of Rs. 1000.00 lakhs. The cost is Rs. 1000.00 lakhs as against the apportioned approved cost of Rs. 1000.00 lakhs.

IDC of Rs 56.31 lakhs.), the estimated completion cost (R. 1000000000) (excess expenditure up to DOCO is Rs 599.59 lakhs. and under DOCO is Rs 33.60 lakh) expenditure from DOCO to 31.03.2009 is Rs 28.10 lakhs and balance estimated expenditure of Rs 66.17 lakhs.). The reasons for excess cost (variance between approved cost (FR) and actual cost as on DOCO) are explained in detail in para 5B. A copy of auditor's certificate in respect of the case covered in this period are enclosed herewith as **Encl-6 (page 38 to 41)**.

4.2 **LILO of 400 kV D/C Bareilly-Mandola TL at Bareilly and Bus Reactor at Bareilly (DOCO – 01.06.2008) :**

4.2.1 That Second 400 kV S/C Bareilly-Moradabad TL along with bus and bays has been put under commercial operation with a DOCO as against scheduled completion of July 2007, with delay of 17 months. The reasons are mainly on account of severe ROW problems encountered in construction work. Details are below :

- (i) The line was passing through no. of villages in the stretch. As per cutting of trees alongside road/footway, clearance was required in the forest divisions i.e. Bareilly, Rampur and Moradabad. Clearance proposals for all above 3 divisions were submitted by 15/06/07. However, in principal formal clearance from all the divisions were received in April 07, but for Bareilly division clearance was issued on 8.08.07. Further, even after deposition of 10% of the cost of Rs 1000000000 were not felled by Forest Nigam for a period of over 6 months.
- (ii) Serious ROW problem by the local village in the stretch 500-510/0. After lot of persuasion at various levels of Forest authorities and direct intervention in this manner by Secretary, Govt. of U.P. work could not be completed. Hence work of stringing section 54 & 63/0 could not be completed till Nov 07. In this stretch ROW problems. After no. of meetings with District Magistrate, Moradabad police force was provided and with the continuous deployment of police force, construction of 2 nos. of foundations, 2 nos. of bus reactors and 5.5 Kms. Of stringing in above stretch was completed in March 2008.
- (iii) The subject line scheduled to cross 18 kV line from Moradabad TL along the section 54-55/0. During construction, clearance was maintained as per Indian Electricity Act, 1910. However, before Powergrid could do stringing one of the poles in the stretch of 1000 collapsed which was re-erected by 1000. As per the drawing, height of peak of 3m. Thus, clearance which was initially required in this matter was taken up by Powergrid with 1000. As per the drawing, 1000 wanted Powergrid to recast foundations. After no. of discussions, 1000 finally gave consent to Powergrid's suggestion to construct earth wire on 29.03.08.
- (iv) After overcoming delays on account of above reasons, the completion in April 08. However, due to massive theft along the line, the work was interrupted. FIRs were lodged against theft and in some cases, it was in a manner i.e. section to section basis. Thus, American and other materials were replaced during day hours to avoid theft and in some cases, they were replaced during nights to avoid theft. Ultimately, the work was completed on 08/04/08.

Supporting documents in respect of above mentioned assets are enclosed (page 42 to 126). That the reasons for delay in completion of second 400 kV S/C Bareilly-Moradabad TL as explained above are approved by the petitioner.

4.2.2 As against the apportioned approved cost (RCE) of Rs. 8177.04 lakhs (including IDC of Rs 637.05 lakhs), the estimated completion cost is Rs. 8551.80 lakhs. (actual expenditure up to DOCO is Rs. 6738.34 lakhs including IDC of Rs 612.74 lakhs, expenditure from DOCO is Rs. 2094.97 lakhs, a balance expenditure of Rs. 419.10 lakhs). Details of major assets in respect of the assets covered in this petition are enclosed herewith (Enclosure page 38 to 41). The reasons for item wise cost differential between approved cost (FR) and actual cost as on DOCO are explained in detail in enclosure 1.

5.0 The details of apportioned approved cost (RCE) cost as on DOCO and balance expenditure of different assets covered in this petition are given in the following table (Rs in Lakhs):

Sl No	Name of the asset	Apportioned approved cost (RCE)	Cost as on DOCO	Expenditure upto DOCO upto 31.03.2009	Balance estimated expenditure	Total estimated completion cost
01	80 MVAR, 420 kV Bus Reactor at Lucknow Sub-Station	696.69	706.53	706.53	0.00	706.53
02	Second 400 kV Bareilly-Moradabad TL along with associated bays	7480.35	6031.81	2094.97	419.10	8551.80
	TOTAL	8177.04	6738.34	2094.97	488.27	8247.68

That details of apportioned approved cost and item wise estimated completion cost of all assets covered under NRSS-I has been given in Form No. 14.

6.0 The tariff for block 2004-2009 has been worked out in accordance with the provisions of Conditions of Tariff Regulations, 2003 (as amended) and notification dated 26.03.2004. In the present petition the transmission and distribution charges are calculated taking actual expenditure upto DOCO and additional capital expenditure upto 31.03.2009 calculations for working out distribution and transmission charges. Documentation (Form No.: 1 to 16) are attached herewith (Enclosure page 127 to 152). Further it is submitted that auditors certificate dated 27.12.2009 certifying the loan details duly reconciled with audited accounts for the year 2009-10 in respect of different assets covered in the petition is attached herewith (Enclosure page 153 to 157).

2010-2011



- 6.1 The annual transmission tariff for the tariff period under consideration is summarized as below:

		[RS in Lacs]			
Sl	Name of the asset	2005-06	2006-07	2007-08	2008-09 (proposed)
01	80 MVAR, 420 kV Bus Reactor at Lucknow Sub-Station				111.80
02	Second 400 kV Bareilly-Moradabad TL along with associated bays				873.44

- 6.2 The Tariff indicated at para 6.1 above, is exclusive of the following: incentive late payment surcharge, any statutory dues, local charges, cess, filing fees or any other kind of imposition(s) and/or other similar charges levied or imposed or charged by any Government (Central/State) and/or any other authority/bodies/authorities/regulatory authorities in relation to transmission charges for transmission of electricity, environmental protection and/or in respect of any of its installation associated with the Transmission System, the same shall be borne and additionally paid by the respondent(s) to the Petitioner and the same shall be charged/billed separately by the petitioner to the respondent(s). The Petitioner will also be entitled to recover the filing fees and other impositions of CERC.

6.3 Sharing of Transmission Charges

The transmission tariff for block 2004-2009 shall be arrived by the beneficiaries of Northern Region as per Notification dated 26.7.2004 issued by the Hon'ble commission. Further, it is submitted that the 'Supplementary Transmission Agreement signed with beneficiaries' of Northern Region, contains NRSR Clause accordingly has become part of main BPIA as per clause 3.1 of main BPIA. A copy of the 'Supplementary Transmission Agreement of Punjab State Electricity Board is enclosed herewith as Encl-10 (page 154 to 156).

- 6.4 The tariff at para 6.1 above is inclusive of Return on Equity, Depreciation, O&M expenses, Interest on Working Capital and Advance against Depreciation. O&M expenses have been derived based on the historical O&M expenses per Ckt. Km. and per Bay as specified under condition above. The unit rates have been arrived by the Hon'ble Commission on the basis of O&M expenses during the year 1998-99, 1999-2000, 2000-2001, 2001-02, 2002-2003. The employee cost as included in the actual O&M expenses is based on the wage revision implemented w.e.f. 1.1.07 and the provision condition of 10% of DA. It is submitted that the wage revision of the employees of the petitioner company is due w.e.f. 1.1.2007. The O&M expenses included in the transmission charges at 6.3 above are subject to adjustment on account of the additional employee cost which becomes payable after wage revision w.e.f. 1.1.2007. Alternatively, the increase in the employee cost due to wage revision w.e.f. may be allowed as per actuals, based on the actual employee cost and extra employee cost.

- 7.0 In the circumstances mentioned above it will be just and proper that the transmission tariff and charges for the assets covered under the above are allowed to be charged from the Respondents on the basis set out in para 6.1 above. The petitioner submits that the Encl-1 to Encl-11 may please be treated as

integral part of this petition

PRAYER

It is respectfully prayed that the Hon'ble Commission may be pleased to

- a) approve Additional capitalization for the asst. period upto the session para DOCO to 31.03.2009.
- b) approve the final transmission tariff for the asst. period upto the session including additional capital expenditure from DOCO to 31.03.2009 as per para 6 under the petition, as per para - 6 above.
- c) approve the reimbursement of expenditure by the licensee (including but not limited to filing fee, Licensee fee, publishing of notices in newspaper and other expenditure if any) in relation to the filing of petition.
- d) and such other relief as Hon'ble Commission may think fit to grant under the circumstances of the case and in the interest of justice.

FILED BY
POWER GRID CORPORATION OF INDIA LTD


REPRESENTED BY RAKESH PRASAD
DY. GENERAL MANAGER (COMMERCIAL)

GURGAON
DATED: 28.07.2009

