

**Before**

**UTTARAKHAND ELECTRICITY REGULATORY COMMISSION**

**In the Matter of:**

Application No. 1005 UPCL/C-4 dated 03.02.2010 filed by Uttarakhand Power Corporation Limited seeking approval of the Commission for the investment on the project covering the works covered under Part-'A' of Restructured-Accelerated Power development & Reform Program of Ministry of Power, Govt. of India including Non-RAPDRP areas for the development of integrated and unified solutions.

**AND**

In the Matter of:

Uttarakhand Power Corporation Limited,

Urja Bhawan, Kanwali Road,

Dehradun

..... Applicant

**Coram**

**Shri V J Talwar Chairman**

**Shri Anand Kumar Member**

**Date of Order: 6<sup>th</sup> October 2010**

**ORDER**

The Petitioner, UPCL has submitted proposal for capital investment vide their application No. 1005 UPCL/C-4 dated 03.02.2010 to the Commission for approval under Para 11 of the Distribution and Retail Supply License [License No. 2 of 2003].

2. The Petitioner is seeking approval of the Commission for investments in the works related to establishment of base line data, consumer indexing, GIS mapping, IT applications for energy accounting/auditing and IT based consumer services in 31 towns covered under Part-A of R-APDRP programme scheme of MoP, Govt. of India including 'specific exclusion works' as per the programme guideline prepared by PFC, the nodal agency for the programme. Besides these works, UPCL has also proposed to include sub-divisions in rural areas including industrial consumers, not covered under R-APDRP programme, for implementation of IT based consumer services in these areas which Petitioner says as Non R-APDRP works.
3. In accordance with R-APDRP programme guidelines UPCL proposes to complete the works within 3 years from the date of sanction of the loan from PFC in order to be eligible for taking the benefit of conversion of entire loan into grant. The date of sanction of loan has been stated as September 2009 and accordingly the proposed date of completion of the works is September 2012.
4. The original capital expenditure proposed by the petitioner was Rs.181.18 Crores. Break up of this estimated capital expenditure by UPCL is presented in the table given below:

**Table 1: Original Capital Outlay of the Proposal**

S. No.	Particulars	Capital Outlay (Rs. in crores)
1.	Works covered under R-APDRP programme	125.82
2.	Specific Exclusion works within R-APDRP programme	42.49
3.	IT based consumer services in areas not covered under R-APDRP (Non R-APDRP)	12.87
	<b>Total</b>	<b>181.18</b>

5. During the meeting held on 23.06.2010, it was pointed out that network connectivity charges for period of three years from the date of sanction of the loan (gestation period of the schemes) and facility management charges for one year after the system Go-Live shall be provided by PFC. Subsequently these

charges will have to be incurred by UPCL on yearly basis based on the connectivity/network usage required for the works. UPCL in its proposal has included cost towards network connectivity charges and facility management charges for period of 5 years after the proposed commissioning of the projects under the programme. On being asked to clarify as to why it has included these recurring charges for 5 years in the expenditure, towards “specific exclusion works” under R-APDRP programme and for works in the areas not covered under the programme (non-APDRP), which have to be borne by UPCL through internal resources. UPCL accepted the anomaly that including 5 years connectivity/network usages charges after commissioning of the projects in the proposal is without any basis and accordingly revised the proposal to include cost of network connectivity charges and facility management charges for period of 1 year only. The original and the revised network connectivity charges and facility management charges are presented in the table given below:

**Table -2 Revised network connectivity charges and facility management charges**

Sl. No.	Particulars	Network connectivity charges		Difference	Facility Management Charges		Difference
		Original	Revised		Original	Revised	
1.	Specific Exclusion works within R-APDRP programme	19.57	5.22	14.35	4.51	1.13	3.38
2.	IT based consumer services in areas not covered under R-APDRP (Non R-APDRP)	4.45	0.89	3.56	3.00	0.6	2.40
	<b>Total</b>	<b>24.02</b>	<b>6.11</b>	<b>17.91</b>	<b>7.51</b>	<b>1.73</b>	<b>5.78</b>

Based on the above reduction in the cost towards network connectivity charges and facility management charges, the revised capital outlay of the proposal works out to Rs. 157.39. The breakup of the revised capital expenditure proposal is presented in the table given below:-

**Table 3: Revised capital outlay of the Proposal**

S.No.	Particulars	Capital outlay (Rs. in crores)
1.	Works covered under R-APDRP programme	125.82
2.	Specific Exclusion works within R-APDRP programme	24.66
3.	IT based consumer services in areas not covered under R-APDRP (Non R-APDRP)	6.91
	<b>Total</b>	<b>157.39</b>

6. Out of the above proposed capital expenditure, Rs 150.48 Crores has been allocated by the petitioner for R-APDRP works. Against the said amount, a sum of Rs.125.82 Crores has been covered under loan assistance sanctioned by Power Finance Corporation while the balance Rs.24.66 Crores has been earmarked for works mentioned under "Specific Exclusion" list as per guidelines prepared by PFC. The balance cost of Rs.6.91 Crores has been allocated for works in rural areas including industrial consumers, not covered under R-APDRP programme, for implementation of IT based consumer services in these areas which the petitioner says as Non-R-APDRP works.
7. The work wise breakup of the cost covered under loan assistance sanctioned by Power Finance Corporation is presented in the table given below:

**Table 4: R-APDRP works sanctioned for loan assistance by PFC**

Sl. No.	Particulars	Sanctioned Cost (Rs. In Cr.)
1	IT Consultant Deployment Cost	4.58
2	Ring Fencing Cost	2.95
3	Project Management Cost	18.33
4	Data Centre Cost at Dehradun	26.37
5	Disaster Recovery Centre at Haldwani	22.42
6	Customer Care Centre Cost at Dehradun	2.02
7	Sub-Division office Cost	10.17
8	Other Office Cost	13.56
9	GIS Survey Cost	8.70
10	System Metering Cost	3.26
11	Network Connectivity Charges (1 Yr.)	5.22
	<b>Total Setup Cost</b>	<b>117.59</b>
12	Facility Management Charges (1 Yr.)	8.23
	<b>Total PFC Cost</b>	<b>125.82</b>

8. The cost breakup of the works mentioned under “Specific Exclusion” list as per guidelines prepared by PFC shall have to be borne by UPCL from its internal resources and the same are presented in Table below:

**Table 5: Specific exclusion works under R-APDRP programme**

Sl. No.	Particulars	Rs. In Cr.
1	Civil Work for construction of data Centre Building in Dehradun	0.87
2	Architectural works for TIER-II+ Data Centre	3.10
3	Civil Work for construction of Disaster recovery Centre in Haldwani	0.65
4	Architectural works for TIER-II+ Disaster recovery Centre in Haldwani	3.10
5	Development of office covered under R-APDRP	8.00
6	Metering of 11 kV and 33kV Feeders in the 33/11 kV S/s	0.31
7	Metering of Distribution Transformers	2.28
8	Cost of Network Connectivity Charges to be borne by UPCL (1 Yr.)	5.22
9	Facility Management Charges to be borne by UPCL (1Yr)	1.13
	<b>Total</b>	<b>24.66</b>

9. The petitioner has also stated that R-APDRP scheme has identified only 31 towns in whole of the State and number of these towns have rural areas which are beyond the municipal limits and are not eligible to be covered under the programme. The Petitioner has stated that the sub-divisions having towns which have been covered under the scheme as well as those not covered in the scheme shall have the problem of handling works like metering, billing, collection, customer care etc. due to two parallel systems namely-IT enabled system developed under R-APDRP and existing system of UPCL and therefore, in order to bring uniformity in the State the Petitioner has stated to have included additional 44 sub-divisions and 4 other offices which are not covered under the R-APDRP scheme for carrying out at least works pertaining to consumer services namely metering, billing, collection etc.. However, works pertaining to consumer indexing, GIS mapping, IT applications in energy audit and accounting which are also part of Part-A of R-APDRP programme have not been included for these suburban/rural areas. The cost breakup of the works proposed to be

taken by UPCL for rural/suburban areas including industrial consumers which it says as Non -APDRP works is presented in the table given below:

**Table 6: Works in areas not covered under R-APDRP programme**

Sl. No.	Particulars	Rs. In Cr.
1	Hardware Costs for implementation of necessary modules in the Non-R-APDRP offices for designing uniform systems	5.42
2	Cost of Network Connectivity Charges to be borne by UPCL (1 Yr.)	0.89
3	Facility Management Charges to be borne by UPCL (1Yr)	0.60
	<b>Total</b>	<b>6.91</b>

10. The Commission is of the view that since industrial consumers, most of which are in rural areas, constitute almost 70% of the revenue stream of UPCL, the objective of reduction of AT&C losses for entire utility would not be achieved if such areas are not included in this scheme. The Commission, therefore directs the petitioner to submit separate proposal of consumer indexing, GIS mapping, IT applications in energy audit and accounting works for rural areas including industrial consumers within a period of one month from the date of issue of this Order.
11. From above it is evident that an amount of Rs.31.57 Crores, which is about 20% of the total project cost, shall have to be arranged by the Petitioner from its internal resources/Financial Institutions, for implementation of Part-A of the R-APDRP scheme and additional Non-RAPDRP works.
12. The Commission, in the first instance, hereby grants in principle approval to the Petitioner for going ahead with this capital investment amounting to Rs.157.39 Crores (refer table 3 above), subject to fulfillment of the following conditions:
  - (a) The petitioner shall ensure completion of the R-APDRP works within the stipulated time frame for availing the benefits of conversion of loan into grant. In case the petitioner fails to complete the works in time the loan shall not be allowed to pass through in the ARR.
  - (b) The petitioner shall submit a separate proposal of consumer indexing, GIS mapping, IT applications in energy audit and accounting works for rural areas including industrial consumers within a period of one month from the date of issue of this Order.

- (c) All the terms and conditions of sanction for loans as laid down by PFC in their detailed sanction letters should be strictly complied with.
- (d) The licensee shall, for portion of the works not covered under loan assistance from PFC under Part-A of R-APDRP programme, plan and arrange for least cost financing from Financial Institutions and submit the approvals/terms of Financial Institutions alongwith complete financing plan finalised by it within 3 months.
- (e) After completion of the project the Petitioner shall submit the completed cost of each of the works.
- (f) The additional cost burden of the works failing in/not meeting prudence check, if any, arising out of the cost or time over runs or variation in the scope of implementation of the project or on any other account may not be allowed in the Annual Revenue Requirement of the licensee.

Sd-

(Anand Kumar)  
Member

Sd-

(V J Talwar)  
Chairman