

Before

UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

In the Matter of:

Approval of Capital Investment under Para 11 of the Transmission and Bulk Supply Licence [Licence No. 1 of 2003].

In the Matter of:

Power Transmission Corporation of Uttarakhand Limited

Applicant

AND

In the Matter of:

Application No. 946/PTCUL/MD/UERC dated 03.07.2009 for approval of PS (EHV) REC-IV filed by Power Transmission Corporation of Uttarakhand Limited

Coram

Shri Jag Mohan Lal

Chairman

Date of Order: 24th November 2011

ORDER

The Petitioner, PTCUL has submitted proposal for capital investment vide their Application No. 946/PTCUL/MD/UERC dated 03.07.2009 to the Commission for approval under Para 11 of Transmission and Bulk Supply Licence [Licence No. 1 of 2003].

2. The investment proposal of the Petitioner comprises of substation works, both new and for augmentation, and the associated line works. In addition to these transmission works, the proposal also includes construction of Head Quarter building at Dehradun.
3. The proposal submitted by the Petitioner involves a capital investment (including IDC) of Rs. 355.68 crore. Funding of this capital cost has been proposed through 70%

debt and 30% equity, which according to the Petitioner translates to Rs. 248.98 crore as debt component and balance amount as equity of Rs. 106.70 crore. In support of the proposed debt funding, the petitioner has submitted REC's sanction letter No. आ००ई०सी० / आ०का०ल० / 2089 dated 19.01.2009. Taking cognizance of the REC sanction letter including Annexure-C of the letter, the loan amount sanctioned by REC under PS:SI (Transmission) Category for these schemes is Rs 165.51 crore only against the debt requirement of Rs. 248.98 crore. Since the Petitioner in its application did not bring this fact of gap in debt funding, the Petitioner was asked to submit clarification in this regard along with documentary evidence, if any.

4. The Petitioner submitted reply vide letter No. 52/GM (Projects)/PTCUL dated 07.01.2010 and followed by letter No. 409/GM (project)/DGM (Engg.)/UERC dated 22.02.2010 and informed that it had submitted Detailed Project Report (DPR) for total cost of projects of Rs. 355.68 crore to REC for seeking their funding assistance. However, REC has approved the project cost amounting to Rs. 236.44 crore against the above DPR.
5. On further request of the Petitioner vide letter dated 25.08.2010 with regard to investment approval for the schemes, the Commission vide its letter No. 1810/UERC/Tech dated 12.01.2011 asked the Petitioner for submission of proper justification for investment on the projects and detailed cost benefit analysis of all the projects alongwith justification for escalation of cost. Further, a format was also issued to the Petitioner for furnishing the information desired in the matter. The Petitioner submitted the desired information on the prescribed format vide its letter dated 01.04.2011.
6. Subsequently the Petitioner vide its letter dated 11.08.2011 proposed deletion of six (6) projects from the overall REC-IV schemes. Details of the projects deleted by the Petitioner have been presented in the Table-1 given below:

Table 1: Details of the deleted projects from REC-IV Schemes

| Sl. No. | Particulars | Original estimated cost as per DPR (Rs. lacs) | Cost Approved by REC (Rs. lacs) |
|---------|---|---|---------------------------------|
| 1 | 132 kV S/s Sarwerkheda | 2788.80 | 2415.10 |
| 2 | 132 kV S/C line on D/C tower from 400 kV S/s Kashipur to 132 kV S/s Sarwerkheda | 1032.55 | 634.56 |
| 3 | LILO of 132 kV Kashipur-Thakurdwara line at Sarwerkheda | 742.34 | 456.65 |
| 4 | 8 Nos. GPS Clocks | 65.05 | 55.20 |
| 5 | 220 kV S/s Ghansali | 6669.37 | 4503.19 |
| 6 | LILO of 220 kV Bhilangana-III Ghansali at Bhilangana-II HEP | 90.34 | 56.94 |
| | Total | 11388.45 | 8121.64 |

7. With regard to the integrated transmission projects, within the scheme, which are proposed to be developed for evacuation of power from the Generators for sale of electricity outside the State cannot be considered in the system strengthening schemes proposed by the Petitioner. The transmission/wheeling charges for these dedicated lines and sub-stations used only for evacuation of such power shall be borne by the beneficiary generators in accordance with UERC (Tariff and Other Terms for Supply of Electricity from Renewable Energy Sources and non-fossil fuel based Co-generating Stations) Regulations, 2010 and UERC (Terms & Conditions of Intra-State Open Access) Regulations, 2010. However, in case of more than 50% of the total power carried through such system is inter-state power and the system is duly certified by RPC, then these lines shall be non ISTS or deemed inter-state lines in accordance with the provisions of the Electricity Act, 2003 and CERC (Sharing of Inter-state Transmission charges and losses) Regulations, 2010 read with various Removal of Difficulty Order of CERC issued under the aforesaid Regulations. Accordingly, the Commission has decided to exclude the following projects, mentioned in Table-2 below, from REC-IV investment proposal of the Petitioner.

Table 2: Details of projects excluded from REC-IV Schemes

| Sl. No. | Particulars | Original estimated cost as per DPR (Rs. lacs) | Cost Approved by REC (Rs. lacs) |
|---------|--|---|---------------------------------|
| 1 | 220 kV Chamba-Ghansali line | 3722.04 | 2388.75 |
| 2 | 01 No. 220 kV bay at 220 S/s Chamba | 205.05 | 133.57 |
| 3 | 220 kV D/C Bhilangana-III- Ghansali line | 1276.58 | 784.17 |
| | Total | 5203.67 | 3306.49 |

8. Based on the above, the cost break-up of the remaining projects within the scheme as submitted in the proposal of the Petitioner and the costs considered by REC for these

projects are presented in the Table 3 given below. While total cost of the scheme considered by Commission works out to Rs. 189.76 crore, whereas, costs of these projects considered by REC works out to Rs. 122.16 crore.

Table 3: Details of projects considered under REC-IV Scheme

| Sl. No. | Particulars | Proposal sent to REC (as per DPR) (Rs. lacs) | Considered by REC (Rs. lacs) |
|---------|---|--|------------------------------|
| 1 | 220 KV Substation Dehradun | 8573.05 | 5731.64 |
| 2 | 220 KV LILO Line for Dehradun | 175.07 | 108.89 |
| 3 | 132 KV Dhalipur-Purkul LILO line at Dehradun | 128.40 | 80.28 |
| 4 | 132 KV Kulhal-Majra LILO line at Dehradun | 128.40 | 80.28 |
| 5 | 132 KV KV S/s Hardwar Road, Dehradun | 2809.07 | 2492.85 |
| 6 | 132 KV Majra-Rishikesh LILO line at 132 KV S/s Dehradun | 619.55 | 381.38 |
| 7 | 132 KV S/C link line between 132 KV S/s Purkul & Bindal | 596.10 | 367.00 |
| 8 | 132 KV S/s SIDCUL Sitarganj | 2354.46 | 1700.15 |
| 9 | 1 No. 132 KV Bay at 132 KV S/s Kichha | 161.02 | 113.87 |
| 10 | Stringing of 132 KV Sitarganj-Kichha line | 345.69 | 230.07 |
| 11 | 132 KV D/C line from 132 KV S/s SIDCUL, Sitarganj to 132 KV Sitarganj Kichha line | 571.13 | 381.37 |
| 12 | 18 No. 33 KV bays | 406.19 | 273.01 |
| 13 | 132 KV bay for RBNS Sugar Mill at 132 KV S/s Gagnoli, Laksar | 122.72 | 94.11 |
| 14 | 132 KV line for RBNS Sugar Mill to Laksar | 228.99 | 180.61 |
| 15 | Head Quarter Building | 1756.22 | 0.00 |
| | Total | 18976.06 | 12215.51 |
| | Equity (30% of above) | 5692.82 | 3664.65 |
| | Debts (70% of above) | 13283.24 | 8550.86 |

9. The Petitioner has also submitted details of the costs which have not been considered by REC for sanction of the loan which according to Petitioner are mainly 20% quantity variation, 3% contingency, Price escalation due to increase in costs of inputs during execution of the project and Interest during construction (IDC). Besides these cost elements, cost estimate towards construction of Head quarter building has also not been considered by REC.
10. The Petitioner has proposed REC's loan assistance at the interest rates under each of the following options as given below:

| Option I | Option II |
|--|---|
| Effective interest rate with reset after every 3 years | Effective interest rate with reset after 10 years |
| 13.50% | 14.00% |

11. As per the REC's sanction letter, tenure of the loan is 13 years and the Petitioner would pay interest on the loan at the above applicable rate of interest for the entire period of 13 years from the date of release of first installment. However, with regard to repayment of principal there is a moratorium period of 3 years from the 15th day of the month of the disbursement of first installment of the loan.
12. In support of its claim for equity funding, the Petitioner has submitted true copy (duly certified by Company Secretary) of extract of the Minutes of the 22nd Board Meeting of PTCUL wherein the Petitioner's Board has approved Corporation's proposal to consider approval of 70:30 debt equity ratio for these schemes to be funded through 70% loan assistance by REC and balance amount as equity to be funded by GOU. Accordingly, the Petitioner's Board has considered equity funding to the tune of Rs. 106.70 crore which is 30% of the total project cost of Rs. 355.68 crore as per the DPR. However, Petitioner has not been able to submit any letter from the Government or any such documentary evidence entailing Government's commitment towards equity funding for the above proposal.
13. The Petitioner has confirmed that the substation works and the associated transmission lines proposed under these EHV projects for assistance under PS:SI (Transmission) Category through REC have not been financed or tied up for financial assistance from any other source or lending organization and, thus, there is no duplicate financing for the proposed works.
14. The need for this investment have been assessed by the Petitioner based on the load flow analysis under peak load of 1218 MW during 2008-09 vis-à-vis system analysis under peak load of 1942 MW by the end of XIth plan i.e. during 2011-12. Based on the findings of the load flow studies the Petitioner has submitted justification of each of these schemes.
15. Based on the above submissions of the Petitioner, the Commission has no objection to the Petitioner going ahead with this capital investment estimated at Rs. 189.76 crore subject to fulfillment of the following conditions:
 - a) All the loan conditions as may be laid down by REC in their detailed sanction letter are strictly complied with. However, the Petitioner is directed to explore the possibility of swapping this loan with cheaper debt option

available in the market and accordingly submit details thereof to the Commission within three months of the Order.

- b) Since the overall costs considered by REC for the projects within the scheme as per Table 3 above works out to Rs. 122.16 crore against Rs. 189.76 crore estimated by the Petitioner in the DPR for these projects, the Petitioner shall, within three month of the Order, submit its reply specifying funding arrangement for the balance cost which works to around Rs. 67.60 crore in respect of IDC and other cost elements not considered by REC and discussed in Para 9 of this Order.
- c) The Petitioner shall, within one month of the Order, submit letter from Government or any such documentary evidence in support of its claim for equity funding agreed by the Government or any other source in respect of the proposed scheme.
- d) The proposal includes 18 no. of 33 kV bays, however, since the Petitioner has not submitted the details of these bays, the Commission has decided to give in principle approval for construction of these bays and investment thereon (proposed project at Sr. No. 12 of Table 3 above) and directs Petitioner to submit, at the earliest, information of these bays including the purpose for which these bays are proposed for construction, details of bays already constructed and under construction or proposed to be constructed. The Commission will finally consider the expenditure on these bays after examining the complete information required as above.
- e) In accordance with provisions of UERC (Tariff and Other Terms for Supply of Electricity from Renewable Energy Sources and non-fossil fuel based Co-generating Stations) Regulations, 2010, the cost of works pertaining to M/s RBNS Sugar Mills at S.No. 13 & 14 of Table 3 above have been considered as part of the system strengthening schemes subject to the conditions that the generator sells electricity to distribution licensee or to local rural grid within the State. However, in case the generator sells electricity outside the State then these works including cost thereof shall be governed in accordance with Para 7 of the Order.

- f) After completion of the projects within the scheme as per Table 3 above, the Petitioner shall submit the completed cost and financing of each of the works.
- g) The additional cost burden, if any, arising from or out of the cost or time over runs or variation in the scope of implementation of the project and shortfalls in the revenue estimates or on any other account shall not be reflected in the Annual Revenue Requirement of the licensee nor shall be allowed to be passed on to the consumers without specific approval of the Commission.

(Jag Mohan Lal)
Chairman