

Before

UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

In the Matter of:

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

In the Matter of:

Power Transmission Corporation of Uttarakhand Limited

Applicant

AND

In the Matter of:

Application No. 582/PTCUL/MD/UERC dated 17.04.2012 for approval of PS (EHV) REC-VIII filed by Power Transmission Corporation of Uttarakhand Limited.

Coram

Shri Jag Mohan Lal	Chairman
Shri C.S. Sharma	Member
Shri K.P. Singh	Member

Date of Order: February 20, 2013

ORDER

The Petitioner, Power Transmission Corporation of Uttarakhand limited (PTCUL) has sought approval for proposed capital investment vide their Application No. 582/PTCUL/MD/UERC dated 17.04.2012 for approval under Para 11 of Transmission Licence [Licence No. 1 of 2003].

2. The proposed work comprises of Construction of 220 kV D/C line on Twin Zebra conductor from Lakhwar to Dehradun and its LILO at Vyasi. The interconnection point at Dehradun, as stated by the petitioner, shall be the LILO point on proposed 220 kV D/C twin Zebra line linking upcoming

400/220/132 kV Sub-Station of PGCIL with 220/132 kV Sub-Station of PTCUL. The capital cost structure of proposed scheme is presented below:

Table 1: Details of Capital Cost structure under REC-VIII Scheme

Particulars	Proposal sent to REC (as per DPR) (Rs. Crore)	Considered by REC (Rs. Crore)
Construction of 220 kV D/C line on Twin Zebra conductor from Lakhwar to Dehradun and its LILO at Vyasi.	98.45	65.19
Total	98.45	65.19
Debt (70% of above)	68.92	45.63
Equity (30% of above)	29.53	-

3. The Petitioner has also submitted details of the cost which have not been considered by REC while sanctioning loan assistance, which are mainly 20% quantity variation, 3% contingency, IDC, Government Guarantee fee. Further, for cost of establishment etc., crop compensation, forest clearance, the financial institution has considered lesser cost compared to that proposed by PTCUL.
4. The Petitioner has submitted a copy of the extract of the Minutes of the Meeting dated 22.11.2011 wherein the Petitioner's Board has approved Corporation's proposal for these schemes to be funded through 70% loan assistance by REC and balance through equity to be funded by GoU.
5. On preliminary examination of the DPR, the Commission has observed that the sanction letter including terms and condition of the loan assistance by REC had not been submitted along with the DPR. Accordingly, the Petitioner was asked to submit the same vide Commission letter dated 14.06.2012. The Petitioner has submitted the loan sanction letter of REC-VIII vide their letter No. 1258/MD/PTCUL/UERC dated 16.07.2012.
6. On analysis of the Petition, the Commission has observed that against the capital cost of Rs. 98.45 Crore (including IDC) submitted by PTCUL, REC has considered capital cost of Rs. 65.19 Crore only and accordingly, a loan assistance of Rs. 45.63 Crore against the debt requirement proposed by PTCUL of Rs. 68.92 Crore has been sanctioned by the financial institution. Thus, there is a shortfall of Rs. 23.29 Crore in terms of debt funding. Further, PTCUL has claimed that the equity component amounting to Rs. 29.53 Crore shall be funded by GoU. However, the Petitioner has not provided any documentary evidence in support of State Government's commitment for funding of this amount.

7. The above shortcomings in terms of shortfall in capital cost funding were intimated to the Petitioner vide Commission's letter dated 07.08.2012. Thereupon, PTCUL submitted its reply on 24.08.2012. With regard to shortfall in debt funding, PTCUL has submitted a copy of REC's letter dated 09.05.2012 vide which the financial institution has informed PTCUL that the sanctioned loan assistance was on the cost considered by REC which did not include cost towards quantity variation, contingency, cost of establishment etc., IDC and Government guarantee fees. However, the financial institution informed PTCUL to go ahead with the execution of the proposed scheme and the actual cost of award/execution of the schemes may be intimated to them at the appropriate time later on, for any revision in its sanctioned loan assistance to PTCUL.

With regard to funding of the equity portion, PTCUL has informed that GoU has already made provision @ 30% of the proposed capital cost in the State Budget for the FY 2012-13. A copy of the budget extract for FY 2012-13 has been submitted by the Petitioner. However, no letter from the Government or any such documentary evidence entailing Government's commitment towards equity funding is submitted by the Petitioner.

8. The Petitioner has proposed REC's loan assistance at the rates prevailing on the date of each disbursement. The rate prevailing at the date of sanction was as under :

Option I	Option II
Effective interest rate with reset after every 3 years	Effective interest rate with reset after 10 years
13.00%	13.25%

9. 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 application rate of interest for the entire period of 13 years from the date of release of first installment. However, with regard to payment of principal there is a moratorium period of 3 years from the 15th day of the month of the disbursement of first installment of loan.

10. The Petitioner has confirmed that the work proposed under this EHV project for assistance under P:SI (Transmission) Category through REC has 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.

11. According to the petitioner the proposed line shall be used for evacuation of approximately 420 MW of power from 300 MW Lakhwar and 120 MW Vyasi power stations of UJVN Ltd. to 220 kV

Sub-station at Dehradun of PTCUL. According to the Petitioner, the present load of Dehradun area is around 250 MW which shall increase to around 400 MW in next 5 years. This increase in load, according to the petitioner, shall be met from the power generated from the aforesaid power stations of UJVN Ltd. The petitioner has further submitted that the said line has been proposed on Double Circuit Twin zebra conductor to meet out the N-1 contingency.

12. As per business plan filed by UJVN Ltd., Vyasi generating station is targeted to be commissioned by December 2016 and Lakhwar generating station is targetted to be commissioned by December 2018. Notwithstanding, the revised pert chart given by you which indicates a construction period of 3 years and 3 months. Construction of line of this size should not extend beyond 18 months to avoid large incidence of IDC. Keeping this view as also the respective targets of commissioning of generating plants, you are advised to ensure that major expenses related to towers, stringing etc. are only incurred matching with Commissioning Schedule of generating plants.
13. Based on the above submission of the Petitioner, the Commission has no objection to the Petitioner going ahead with this capital investment 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.
 - (b) The Petitioner shall, as and when the need arises submit detail specifying funding arrangement for the balance debt over and above that sanctioned by REC.
 - (c) The Petitioner shall, within one month of the Order, submit letter from the State Government or any such documentary evidence in support of its claim for equity funding agreed by the State Government or any other source in respect of the proposed scheme.
 - (d) The Petitioner must ensure that the construction of the proposed line should match with the implementation schedule of the proposed generating station(s).
 - (e) After completion of the project within the scheme, the Petitioner shall submit the completed cost and financing of the scheme.
 - (f) The cost of servicing project cost shall be allowed in the Annual Revenue requirement of the petitioner after the assets are capitalised and subject to prudence check of cost incurred.

(K.P. Singh)
Member

(C.S. Sharma)
Member

(Jag Mohan Lal)
Chairman