

Before

UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

Petition No. 15 of 2012

In the matter of:

Application seeking approval of Hon'ble UERC for the investment on the projects covering the construction of 22 No. 33/11 kV Substation, 6 No. Feeders for 132/33 kV Substation Simli and their associated lines of 319 Km.

And

In the matter of:

MD, Uttarakhand Power Corporation Limited (UPCL)

.... Petitioner

Coram

Shri C.S. Sharma

Member-Chairman

Date of Hearing: September 24, 2014

Date of Order: October 07, 2014

This Order relates to the Petition filed by Uttarakhand Power Corporation Limited (hereinafter referred to as "UPCL" or "the Petitioner" or "the licensee") seeking approval of the Commission for the investment on the project covering the construction of 22 Nos. 33/11 kV Substations, 6 No. Feeders for 132/33 kV Substation Simli and their associated lines of 319 Km.

1. Background

- 1.1. UPCL vide its letter No. 1035 dated 24.05.2012 submitted an application seeking approval of the Commission for the investment on the project covering the construction of 22 No. 33/11 kV Substation, 6 No. Feeders for 132/33 kV Substation Simli and their associated lines of 319 Km.
- 1.2. UPCL in its application submitted that the project covers the construction of

22 Nos. 33/11 kV Substations at various locations in the State, 6 No. Feeders for 132/33 kV Substation Simli and their associated lines of 319 Km. The total capacity of these substations is 185 MVA and these substations are proposed to be constructed in the areas where the conditions of power supply is not satisfactory either due to the remoteness of these areas or substantial increase in load on the existing substations.

1.3. The estimated cost of the project as submitted by UPCL is as under:

S. No	Name of Substation	District	Substation Capacity (MVA)	Estimate cost of substation	Length cost of 33 kV line (Rs. Cr)	Estimated cost of line (Rs. Cr)	Total Cost (Rs.Cr)
GARHWAL ZONE							
1	MDDA Complex	Dehradun	2X10	2.85	4	0.52	3.37
2	LBS Mussorie	Dehradun	2X5	2.43	5	0.55	2.98
3	Core Roorkee	Roorkee	2X5	2.43	10	1.3	3.73
4	Shiv Ganga Indl. Estate	Roorkee	2X5	2.43	3	0.39	2.82
5	Pandukeshwar	Chamoli	2X3	2.17	20	2.2	4.37
6	Selaqui-2	Dehradun	2X10	2.85	15	1.95	4.8
7	Jollygrant	Dehradun	2X5	2.43	16	2.08	4.51
8	Ruderpur (Vikasnagar)	Dehradun	2X5	2.43	17	2.21	4.64
9	Sahdevpur	Hardwar	2X5	2.43	12	1.56	3.99
10	Pipli	Hardwar	2X8	2.69	10	1.3	3.99
11	Gaidikhatta	Hardwar	2X5	2.43	25	3.25	5.68
12	6 Nos. feeder for 132/33 kV S/s Simli & 1 No. 33 kV bay	Chamoli	-	0	35.5	4.04	4.04
Total Garhwal Zone			132	27.57	172.5	21.35	48.92
KUMAON ZONE							
1	Jhankat	U.S.Nagar	1X5	1.62	1	0.13	1.75
2	Pratapur	U.S.Nagar	2X5	2.43	0.5	0.07	2.5
3	Barhani	U.S.Nagar	2X5	2.43	20	2.6	5.03
4	Chorgaliya	Nanital	1X5	1.62	25	2.75	4.37
5	Bungacheena	Pithoragarh	1X3	1.50	10	1.1	2.6
6	Askot	Pithoragarh	1X3	1.50	6	0.66	2.16
7	Daniya	Almora	1X3	1.50	20	2.2	3.7
8	Jalai	Almora	1X3	1.50	1	0.11	1.61
9	Maldhan Chau	U.S.Nagar	1X3	1.62	11	1.43	3.05
10	Shama	Bageshwar	1X3	1.50	25	2.75	4.25
11	Ganai	Pithoragarh	1X3	1.50	27	2.97	4.47
Total Kumaon Zone			53	18.72	146.5	16.77	35.49
Total Uttarakhand			185	46.29	319	38.12	84.41

1.4. The estimated cost of Rs. 84.41 Crore was proposed to be funded through internal resources/loan from REC or other financial institutions.

1.5. On examination of the Petition, the Commission observed following deficiencies and directed the Petitioner vide its letter no. 482 dated 14.06.2012 to submit its reply alongwith relevant details/documents for

removing the deficiencies at the earliest:-

- "1. Details of feeding stations/source of 33 kV Incomer(s) of the substations.*
- 2. Loading status of feeding source of 33 kV line.*
- 3. Date of commencement of the Project and Target date of completion.*
- 4. Anticipated load on horizon year on the substation proposed.*
- 5. Cost benefit analysis.*
- 6. Yearwise phasing of expenditure."*

1.6. In response, the Petitioner vide its letter No. 1068 dated 03.05.2013, i.e. after a gap of almost 11 months submitted its reply to the deficiencies pointed out by the Commission.

1.7. On examination of the above reply of the Petitioner, the Commission observed following deficiencies in the reply, which were communicated to the Petitioner vide letter No. 608 dated 18.07.2013 directing the Petitioner to seek a convenient date and time from the Commission for making a Power Point Presentation before the Commission justifying the investment with regard to load relief on the existing substations, lines and improvement in voltage profile etc.

- "1. The anticipated load has been shown as 3 MVA in the proposed S/s namely MDDA Complex, LBS Mussoorie, Piran kaliyar, Jollygrant, Vikasnagar, Sahdevpur, Gaidikhatta, Pratapput, Barhani against the proposed capacity of 10 MVA (2x5 MVA) for each S/s, which is only 30% of the proposed capacity. Similar loading has also been anticipated on other proposed S/s. This needs clarification.*
- 2. In Chorgaliya, Bungacheena, Askot, Danya, Maldhanchaur, Shama and Ganai S/s the anticipated load for certain years has been shown more than the capacity of the proposed transformers for the purpose of calculating the payback period. This needs clarification.*
- 3. Loading on the transformers at existing S/s and relief on these after construction of the proposed S/s has to be provided.*
- 4. Details with regard to improvement in voltage profile, P.F., reliability of supply and tripping in the existing system should be provided to justify the construction of new Sub-stations.*
- 5. The basis of rates assumed for energy purchase as Rs. 3 per unit and sale as Rs. 2.84 & Rs. 4.50 per unit for domestic and commercial consumers is required to be explained.*

6. *Means of Financing/status on funding has to be provided clearly.*
7. *The Detailed Project Report of 6 Nos. feeders to be constructed from 132/33 kV Sub-station Simli is required to be submitted.*
8. *The approval of Board of Directors of UPCL for taking up the investment should be provided."*

1.8. Since the Petitioner did not respond to the above observations of the Commission, reminder letters vide reference No. 835 dated 10.09.2013 and 1608 dated 04.03.2014 were issued to it for submitting its reply removing the said deficiencies and also to make a Power Point Presentation before the Commission. The Petitioner was also warned that non-receipt of reply in the matter, the Petition would be liable for rejection as being devoid of relevant details.

1.9. Responding on the above reminder letters, the Petitioner vide its letter No. 281 dated 07.03.2014, sought convenient date and time from the Commission for making a Power Point Presentation. However, the Petitioner yet again failed to submit its reply in compliance to the directions issued by the Commission in the matter. Giving another opportunity, the Commission vide its letter No. 1702 dated 24.03.2014 directed UPCL to submit reply to the deficiencies/queries raised by the Commission, in the matter, latest by 31.03.2014 in the first instance before making the Power Point Presentation.

1.10. Continuing with lackadaisical approach in the matter, the Petitioner again failed to respond to the above direction, the Commission, exercising restraint, decided to issue a reminder letter No. 115 dated 16.04.2014 directing the Petitioner to submit its reply latest by 30.04.2014.

1.11. In response, the Petitioner vide its letter No. 925 dated 25.04.2014 submitted point-wise reply to the deficiencies pointed out by the Commission. On examination of the said submission, the Commission observed following deficiencies, which were communicated to UPCL vide letter No. 631 dated 02.07.2014:

- "1. *UPCL has submitted that 70% of the financing of the projects is through REC. However, terms and conditions of the loan, interests chargeable etc.*

have not been provided in their submission. Similarly, UPCL has submitted that GoU will provide the balance financing by equity (30%). However, documentary evidence in lieu of consent /assurance by GoU in this regard has not been provided by UPCL.

2. *With regard to the proposed works of 6 Nos. 33 kV feeders emanating from 132 kV S/s Simli, it has been observed that though the cost of these feeders has been included in the cost of 22 Nos. 33/11 kV S/s considered by financial institution (REC). However, the same does not have Board's approval. UPCL is required to clarify the same.*
3. *Justification is required from UPCL for assuming the two different load growth as well as the rate of 10% p.a. for Chorgaliya, Askot, Danya, Bhungachheena, Maldhanchaur, Shama and Ghanai 33/11 kV substations and 5%p.a. for MDDA complex, LBSNA Mussoorie, Piran Kaliyar, Jollygrant, Vikasnagar, Sahdevpur, Gaindikhatta, Pratap pur and Barhani 33/11 kV substations.*
4. *UPCL is required to submit the expected improvement in voltage profile in the areas which would be catered by these proposed substations vis-a-vis existing voltage profile in these areas."*

1.12. The Petitioner did not respond to the above, due to which a reminder vide letter No. 832 dated 30.07.2014 was sent to the Petitioner directing it to submit the reply latest by 25.08.2014.

1.13. In response, the Petitioner vide its letter No. 1662 dated 04.08.2014 submitted its reply to the deficiencies/queries pointed out. Taking cognizance of the same, the Commission vide its letter No. 920 dated 19.08.2014 directed the Petitioner to make a Power Point Presentation before the officers of the Commission on 02.09.2014.

1.14. The Petitioner made a presentation on 02.09.2014 and during presentation, following deficiencies/queries were observed, and, the Petitioner was directed to submit its clarification on the queries raised within 15 days:

1. Break up of consent/assurance by GoU OM in regard of financing of equity (30%) and terms & conditions of the loan, etc.

2. Details regarding source substation and associated 33 kV feeders from 132 kV S/s along with proposed/existing length of 33 & 11 kV lines.
3. Specimen contract agreement documents for construction of lines and substations.

1.15. In response, the Petitioner vide its letter No. 2031 dated 16.09.2014 submitted point-wise replies to the deficiencies/queries raised by the Commission. Taking cognizance of the Petitioner's reply dated 04.08.2014 and 16.09.2014, received in the matter, the Commission decided to hold a hearing in the matter on 24.09.2014 for disposal of the matter.

1.16. The Commission took cognizance of the Petitioner's submission that approval from the BoD has not been taken yet for the works of 06 Nos. 33 kV feeders emanating from 132/33 kV S/s Simli and the approval would be submitted before the Commission after such approval is accorded in the next BoD.

1.17. During the above scheduled hearing, Chief Engineer Leve-1 (Commercial), UPCL and Chief Engineer (Projects), UPCL alongwith other officers of UPCL appeared before the Commission and reiterated its submission and requested the Commission to allow the investment.

2. Commission's views and Decisions

2.1. Regulation 53(3) of UERC (Conduct of Business) Regulations, 2004 (hereinafter referred to as "Regulations") specifies as under:

"In the application for investment approval, the licensee shall furnish the following information or particulars:

- (a) A detailed project report containing examination of an economic technical system and environmental aspects of the investment together with the outline of the working to be undertaken, the salient features and particulars demonstrating the need for investment;*
- (b) The project cost together with the cost benefit analysis;*
- (c) Whether the investment is in a new project or for expansion or upgradation of an existing system;*
- (d) Sanctions and statutory clearances required for execution of the project and status of such sanctions and statutory clearances;*
- (e) Phasing of investment over the financial years and Commissioning schedule;*
- (f) The manner in which investments will be capitalized for the purposes of inclusion in the revenue requirements of the Licensee;*

- (g) *Constraints which the Licensee may face in making the investments or in the implementing the project including constraints on information available;*
- (h) *Resource mobilization and financial plans for meeting the investment;*
- (i) *Process for inviting and finalizing tenders for procurement of equipment, material and /or services relating to investment, in accordance with a transparent tendering procedure as may be approved by the Commission; and*
- (j) *Such other particulars as the Commission may from time to time”*

Moreover, Regulation 55(1) specifies as under:

“The licensee and other applicants seeking investment approval shall furnish information, particulars, documents as may be required by the Commission staff, consultants and experts appointed by the Commission for the purpose and allow them access to the records and documents in the power, possession or custody of the licensee. “

Thus it is also clear that Regulations clearly provide for the information that is required to be submitted by the licensee alongwith the Petition for investment approval. Contrary to the above provisions of the Regulation & licensee, the Petitioner did not submit the requisite information even after several reminders issued by the Commission from time to time. Merely, filing of incomplete application does not absolve the licensee of its duty under the Act and the Regulations.

As is evident from the discussions in the above paragraphs of the Order, the Petitioner has inordinately delayed submission of replies despite several reminders from the Commission in the matter. The Commission is of the view that the licensee is habitual of inordinate delays in submission of its replies to the deficiencies/queries pointed out by the Commission, which clearly reveals that the licensee itself is not keen in pursuing for early approval in the matter. The Commission has taken serious view over the lackadaisical approach of licensee towards compliance of the provisions of the Regulations and lack of seriousness by the licensee in pursuing the matter.

- 2.2. The Commission has noted that the Board of Petitioner’s Company has not accorded approval to 6 Nos. feeder for 132/33 kV S/s Simli & 1 No. 33 kV bay works. However, the Commission cautions the petitioner to start the

works of 6 Nos. feeder for 132/33 kV S/s Simli & 1 No. 33 kV bay works only after getting the approval from its BoD & submit the same to the Commission, failing which capitalization of such works may not be considered in its ARR for ensuring years.

2.3. Notwithstanding the above, the Commission recognizes the need of these works for meeting the future load growth in the proposed areas including improvement in voltage profile, ensuring reliability and quality power supply to the consumers in these area besides providing relief to the overloaded substations. Accordingly, the Commission awards approval ₹84.41 Crore, for the proposed works presented in the table given below:

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Total Kumaon Zone			53	18.72	146.5	16.77	35.49
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2.4. The Commission, however, cautions the Petitioner that this approval should not be taken as precedence for future investment approvals and directs the Petitioner to take prior investment approval in accordance with the

Act/Rules/Regulations and respond promptly to the clarifications/ deficiencies sought by the Commission in such matters, so as to ensure disposal of the matters in a reasonable time frame.

- 2.5. The Commission, further, directs the Petitioner that the above approval is contingent to the following conditions:
- (i) The Petitioner shall submit the complete capital structure for the scheme covered in the Petition indicating the cost and other terms and conditions, of the loan assistance from Financial Institution and that of the equity contribution, if any, by the Government of Uttarakhand.
 - (ii) The Petitioner shall ensure compliance of all provisions of Indian Electricity Rule, 1956 and Electricity Act, 2003, pertaining to protection, security and safety of line and substations including issuance of certificate by Electrical Inspector before energisation of these electrical systems and submit the same alongwith its ARR and Tariff Petition for the ensuing years.
 - (iii) The Petitioner shall submit the completed cost of each of the works after their completion. The cost to be allowed in ARR i.e. debt servicing and ROE will be subject to prudence check by the Commission.

(C.S. Sharma)
Member-Chairman