

Before

UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

Petition No. 14 of 2014

In the matter of:

Petition seeking approval of the Commission for the investment on the project covering construction of 44.1 Km., 33 kV line to connect 7 Nos. 33/11 kV Substation to 220/33 kV Substation Jhajhara.

And

In the matter of:

Uttarakhand Power Corporation Limited (UPCL)

.... Petitioner

Coram

Shri C.S. Sharma

Member-Chairman

Shri K.P. Singh

Member

Date of Hearing: August 19, 2014

Date of Order: September 09, 2014

ORDER

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 construction of 44.1 Km., 33 kV line to connect 7 Nos. 33/11 kV Substation to 220/33 kV Substation Jhajhara.

1. Background

- 1.1. UPCL vide its letter No. 1069 dated 03.05.2013 submitted an application seeking approval of the Commission for the investment on the project covering the construction of 44.1 Km., 33 kV line to connect 7 Nos. 33/11 kV substation

to 220/33 kV substation Jhajhara.

- 1.2. In its application UPCL submitted that 220/33 kV substation, Jhajhara would soon be energized by Power Transmission Corporation of Uttarakhand Limited and with this substation 7 nos. 33/11 kV substations of UPCL namely Pharmacity, Selaqui New, Selaqui Old, Mohanpur, Kaulagarh, Ganeshpur and Vasant Vihar, would be connected for which 44.1 Km, 33 kV lines are required to be constructed for the purpose.
- 1.3. UPCL also submitted that after connection of these 7 Nos. 33/11 kV substations to the above 220/33 kV substation, Jhajhara, the reliability and voltage profile of supply in the areas fed by these 33/11 kV substations benefiting the consumers of the areas. UPCL further submitted that at present all 03 Nos. transmission substations located in Dehradun town were running almost full load, hence, there was a need of shifting load from these existing transmission substations namely Majra and Bindal substation which would also result in reducing the load on 132 kV Rishikesh-Majra and 132 kV Rishikesh-Bindal line.
- 1.4. The estimated cost of the project as submitted by UPCL was as under:

Sl. No.	Particulars	Length (Km)	Amount (Rs. Lac)
1.	33 kV Jhajhara-Pharmacity Substation Line on Panther Conductor	11.5	179.54
2.	33 kV Jhajhara-Old Selaqui Substation Line (Double ckt.) on Panther Conductor	10	405.11
3.	33 kV Jhajhara-New Selaqui Substation Line (Double ckt.) on Dog Conductor	10	
4.	33 kV Jhajhara-Kaulagarh Substation Line (Double ckt.) on Dog Conductor	6	106.52
5.	33 kV Jhajhara-Vasant Vihar Substation Line (Double ckt.) on Dog Conductor	6	
6.	33 kV Jhajhara-Mohanpur Substation Line on Dog Conductor	0.3	10.37

7.	33 kV Jhajhara-Ganeshpur Substation Line on Dog Conductor	0.3	10.37
	Total	44.1	711.91
	Say		Rs. 7.12 Crore

1.5. The estimated cost of Rs. 7.12 Crore was proposed to be funded through internal resources/loan from REC or other financial institutions.

1.6. On examination of the Petition, the Commission observed following deficiencies and directed the Petitioner vide its letter No. 603 dated 18.07.2013 to submit its reply alongwith relevant details/documents for removing the deficiencies and also to make a power point presentation before the Commission:-

- "a) Concurrence of the Board of Directors of the utility regarding the investment has not provided.*
- b) Status of forest clearances for the lines passing through forest area has not been submitted.*
- c) Means of financing for the works has not been provided.*
- d) The cost benefit analysis of the works has not been provided with the submission."*

1.7. Since, the Petitioner did not respond to the above observations of the Commission, reminder letters dated 10.09.2013 and 04.03.2014 were issued to it for submitting its reply removing the said deficiencies and also to make a Power Point Presentation as desired by the Commission vide these reminder letters, the Petitioner was also warned that non-receipt of reply in the matter, the Petitioner shall be liable for rejection as being devoid of relevant details.

1.8. Responding on the above reminder letters, the Petitioner vide its letter dated 07.03.2014 sought convenient date & 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 given in the matter. Giving another opportunity, the Commission vide its letter dated

19.03.2014 again directed UPCL to submit reply to the deficiencies/queries raised by the Commission in the matter latest by 25.03.2014 in the first instance before making the power point presentation.

1.9. Continuing with its lackadaisical approach in the matter, the Petitioner again failed to respond to the above directions, the Commission, exercising restraint, decided to issue a reminder letter to the Petitioner in the matter.

1.10. Therefore, the Petitioner, vide its letter dated 25.04.2014 submitted point-wise reply to the deficiencies pointed out by the Commission. Taking cognizance of the same, the Commission vide its letter dated 29.05.2014 directed the Petitioner to make a Power Point Presentation before the Commission on 06.06.2014.

1.11. On 06.06.2014, the Petitioner made a Presentation and during the presentation following deficiencies/queries were observed, which were forwarded to the Petitioner vide Commission's letter dated 23.06.2014 with direction to submit its reply/clarification on the same latest by 30.06.2014:

- "a) UPCL submitted that 70% of the financing of the project is through REC under NEF scheme and balance 30% shall be met through internal resources. However, details of financing of equity portion have not been provided.*
- b) UPCL is required to re-submit its Cost Benefit Analysis duly considering the interest cost and average current loading (instead of peak current loading factored by UPCL in its proposal) for loss calculation alongwith justification on assumption taken in the calculation namely cost of power purchase, reduction in line length etc.*
- c) 220/33 kV Jhajhra S/s--33/11 kV Selaqui S/s and 220/33 kV Jhajhra – 33/11 kV Pharmacy S/s are connected by Panther conductors, while the inter-connecting feeder between the above two 33/11 kV S/s is on Dog conductor. UPCL should justify as to why inter-connecting feeder has lesser current carrying conductor which is meant to provide alternative ring main facility in the eventuality of outage of any one of the incoming feeders.*
- d) UPCL is required to submit the expected improvement in voltage profile in the existing 33/11 kV substations feeding load on completion of the proposed lines."*

1.12. In response, the Petitioner vide its letter dated 01.07.2014 submitted point-wise replies to the above deficiencies/queries raised by the Commission. Taking cognizance of the Petitioner's reply received in the matter the Commission decided to hold a hearing in the matter on 01.07.2014 for admissibility of the Petition.

1.13. On the above scheduled date, the Commission heard the Petitioner and issued an Order dated 02.07.2014 directing the Petitioner the following:

"The Petitioner should explain abnormal delays in responding to discrepancies pointed out by the Commission's office. The Petitioner should also submit present status of works covered by the instant Petition. The Petitioner is directed to furnish these details latest by 20.07.2014."

1.14. In compliance to the above directions of the Commission, the Petitioner submitted its reply vide its letter dated 23.07.2014 and the same is reproduced below:

"...most of the discrepancies pointed out by Hon'ble Commission were concerned with the field unit and compiling the information after collecting it from the concerned divisions took some time. Further the approval of Board of Directors and formal sanction from Rural Electricity Corporation were asked for by the Hon'ble Commission and the same, although were under pipeline, delayed the petitioner in responding to queries raised. That apart from above as the Hon'ble Commission is also aware that Natural disaster occurred in the State of Uttarakhand in the month of June 2013 and the electric supply lines in the affected areas had almost being destroyed and washed away, most of the officers including Officer's of corporate office upto the rank of Directors had been deployed in the affected areas for months, in rotation, for early restoration of power supply also contributed to delay in the preparation and submission of desired reply.

The delay in filing of explanation for discrepancies was not due to negligence or due to fault on the part of UPCL, as it happened due to unavoidable circumstances mentioned above."

1.15. Besides the above, the Petitioner also submitted status report of the works

covered under the Petition. The Commission on taking cognizance of the status report has found that most of the works have already been completed and the lines have been energized by the Petitioner.

- 1.16. Considering the above status of work and finding the above reply (para 1.14) of the Petitioner as untenable since the Commission feels that none of the desired information sought by the Commission was required from the Petitioners field Offices, therefore, the Commission issued a Notice for Hearing in the matter directing Managing Director, UPCL to appear before the Commission alongwith its concerned Officers on 19.08.2014.
- 1.17. During the above schedule hearing, Director (Projects), UPCL alongwith other officers of UPCL appeared before the Commission and submitted apology on behalf of the Petitioner before the Commission and excepted lackadaisical approach of the Petitioner in pursuing the Petition and retrated submissions of the Petitioner covered in para 1.14 above. Director (Projects), UPCL requested the Commission to pardon the inordinate delays casued by the Petitioner in the entire proceedings from time to time.

Further, Director (Projects) submitted that with the construction of new 33 kV lines emanating from 220/33 kV Jhajhra Substation, has relieved the existing overloaded substations and lines, which in turn reduced load shedding/rostering in Dehradun town and resulted in reduced line losses and increased system reliability.

2. Commission's views and Decisions

- 2.1. Regulation 53(1) of UERC (Conduct of Business) Regulations, 2004 (hereinafter referred to as "Regulations") specifies as under:

"Unless otherwise directed by the Commission, every licensee shall obtain prior approval of the Commission for making investment in the licensed business if such investment is above the limits laid down by the Commission in the Licence Conditions."

- 2.2. Further, Clause 11.3 of the Distribution and Retail Supply License issued to

UPCL provides as under:

“The Licensee shall make an application to the Commission for obtaining prior approval of the Commission for schemes involving major investments as per the procedure which the Commission may specify from time to time...”

Thus, from the plain reading of the above provisions of the Regulations and conditions of licence, it is amply clear that the Petitioner has to seek prior approval of the Commission for all the schemes exceeding Rs. 2.5 Crore.

2.3. Moreover, Regulation 53(3) 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 & licence, the Petitioner did not submit the requisite information even after several reminder letters issued by the Commission from time to time rather the Petitioner chose to proceed with the capital investment without prior approval of the Commission as is evident from the status of the works submitted by it wherein the Petitioner has submitted that the most of the works covered under the Petition are almost complete and lines already energized. Merely filing of an incomplete application does not absolve the licensee of its duty under the Act and the Regulations. The Commission notes, with concern, the approach of the licensee in fulfilling requirements of the Regulation and of usurping the powers of the Commission.

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. On the contrary, the Petitioner has tried to justify the delay caused in the proceedings by submitting before the Commission that the desired information was required to be collected from its field offices. The Commission fails to appreciate the said justification submitted by Petitioner since none of the information desired by the Commission was required to be collected from Petitioner's field offices. Moreover, the Petitioner has also submitted that the delayed submission was due to the natural disaster that occurred in the State in the month of June 2013 stating that most of the officers including Officers of corporate office upto the rank of Directors were deployed in the affected areas for months, in rotation, for early restoration of power supply. The Commission fails to understand that the execution of works covered in the petition continued and many projects got completed and energized going by the status report submitted by the Petitioner in the matter, despite its Officers deployed in the disaster struck areas. However, the soul activity of Regulatory compliances required in the proceedings could not be pursued by the Petitioner.

2.4. The Commission, however, recognizes the need of the works which would

utilize the capacity of newly constructed 220/33 kV Transmission Substation Jhajhara of PTCUL. Accordingly, the Commission hereby agrees to approved investment of Rs. 7.12 Crore, of the following works:

Sl. No.	Particulars	Length (Km)	Amount (Rs. Lac)
1.	33 kV Jhajhara-Pharmacy Substation Line on Panther Conductor	11.5	179.54
2.	33 kV Jhajhara-Old Selaqui Substation Line (Double ckt.) on Panther Conductor	10	405.11
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	Total	44.1	711.91
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However, the Commission cautions the Petitioner to refrain from such misdemeanours in future, failing which such investment would be disallowed, which would also result in disallowance of the incidental costs in the ARR and Tariff Petitions for ensuing years. Further, this approval should not be taken as precedence for future investment approvals and the Commission directs the Petitioner to take prior investment approval in accordance with the Act/Rules/Regulations and respond promptly to the queries/deficiencies sought by the Commission in such matter in order to ensure disposal of the matters in a reasonable time frame.

3. The Commission, further, directs the Petitioner that the above approval is contingent to the following conditions:

- (i) UPCL should adopt standard practices for calculating the cost benefit analysis taking into account the interest and depreciation amounts.
- (ii) UPCL should submit the complete capital structure for the scheme covered in the Petition in its ARR and Tariff Petition for FY 2015-16 alongwith the approvals of the Financial Institution and Government of Uttarakhand.
- (iii) The licensee 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 in its ARR and Tariff Petition for FY 2015-16.
- (iv) The Petitioner shall submit the completed cost of each of the works after completion of the Project. The additional cost burden, if any arising out of time cost overrun or shortfall beyond the specific limits of equity or any other account shall not be allowed in the Annual Revenue Requirement of the licensee.

(K.P. Singh)
Member

(C.S. Sharma)
Member-Chairman