

**Before**  
**UTTARAKHAND ELECTRICITY REGULATORY COMMISSION**  
**Petition No. 28 of 2016**

**In the Matter of:**

Approval of Capital Investment under Para 11 of the Distribution and Retail Supply License [License No. 2 of 2003] for investment on the Integrated Power Development Scheme Project, Ministry of Power (MoP), Government of India (GoI).

**And**

**In the Matter of:**

Uttarakhand Power Corporation Limited. (UPCL),  
Victoria Cross, Vijeyta Gabar Singh Bhawan,  
Urja Bhawan, Kanwali Road,  
Dehradun.

.....Petitioner

**Coram**

<b>Shri Subhash Kumar</b>	<b>Chairman</b>
<b>Shri K.P. Singh</b>	<b>Member</b>

**Date of Order: October 5, 2016**

**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 Capital Investment for the works covered under Integrated Power Development Scheme (IPDS) Project, Ministry of Power, Govt. of India.

## **Background**

2. The Petitioner vide its letter No. 1974/UPCL/Comm/RM-6(IPDS) dated 17.06.2016 submitted Petition for approval of Capital investment under the provisions of UERC (Conduct of Business) Regulations, 2014 and clause 11 of the Distribution and Retail Supply License [License No. 2 of 2003].
3. The Petitioner in its Petition submitted that GoI had launched Integrated Power Development Scheme (hereinafter referred to as "IPDS") vide OM No. 26/1/2014-APDRP Dated 03.12.2014. The scheme was formulated for urban areas (Statutory Towns) with a population threshold of 5000 covering following works:-
  - (1) Strengthening of Sub-transmission and Distribution network in urban areas including provisioning of solar panels on Govt. buildings including Net-metering:
    - (a) Creation of new sub-stations including Gas Insulated Sub-station along with associated 66 KV / 33 KV/ 22 KV/ 11 KV lines.
    - (b) Augmentation of existing sub-stations capacity by installation of higher capacity/additional power transformer along with associated equipment/ switchgear etc.
    - (c) Erection of HT lines for reorientation/re-alignment including augmentation of existing lines.
    - (d) Installation of new distribution transformers and augmentation of existing distribution transformers along with associated LT lines.
    - (e) Installation of capacitors
    - (f) Renovation and Modernization of existing sub-stations and lines
    - (g) Laying of under-ground cables in densely populated areas and areas of tourism and religious importance
    - (h) High voltage distribution system (HVDS)
    - (i) Aerial Bunched Cable for theft prone areas
    - (j) IT Applications.
    - (k) Provisioning of solar panels on Govt. buildings including Net-metering.

(2) Metering of Feeders/ Distribution Transformers/ Consumers in urban areas:

The installation of meters at sub-stations, feeders, distribution transformers and consumers was important to ensure seamless accounting and auditing of energy at all levels in the distribution system. Accordingly, metering of all feeders and distribution transformers including metering at all input points to the utility would be ensured under the scheme. The metering component under the scheme would cover the following:

- (a) Installation of suitable static meters for feeders, distribution transformers and all categories of consumers for un-metered connections, replacement of faulty meters & electro-mechanical meters.
- (b) Installation of Pillar Box for relocation of meters outside the premises of consumers including associated cables, service cables and accessories.
- (c) Installation of prepaid / smart meters in Govt. establishment.
- (d) AMI, Smart meters in the towns where SCADA being established under R-APDRP.
- (e) Boundary meters for ring fencing of Non-R-APDRP Towns with population more than 5000.
- (f) AMR for feeders, Distribution transformer and high load consumers.

(3) IT enablement of distribution sector and strengthening of distribution network:

- (a) 'IT enablement of distribution sector and distribution network strengthening under R-APDRP' component as per ongoing R-APDRP scheme in accordance with Cabinet Committee on Economic Affairs (CCEA) approval dated 21.06.2013 for continuation of scheme in 12th and 13th Plan and applicable guidelines.
- (b) Establishment of National Power Data Hub at CEA.
- (c) Training & Capacity Building.

4. The Petitioner further submitted that the existing scheme of R-APDRP as approved by CCEA for continuation in 12<sup>th</sup> and 13<sup>th</sup> Plans would get subsumed in this scheme and would be continued as a separate component of IPDS for IT enablement of distribution sector (Part-A IT & SCADA projects under R-APDRP)

and strengthening of distribution network (Part-B projects under R-APDRP) in the urban areas. The Central Government has designated Power Finance Corporation (PFC) as the Nodal Agency vide Order of Ministry of Power (MoP) dated 03.12.2014, for implementation of IPDS programme, under the guidance of MoP.

5. Town-wise DPR cost and Grant approved under IPDS Project are as follows:

Sl. No.	Name of Circle	Town Name	DPR Cost (Rs Cr.)	GoI Grant on approved DPR Cost (Rs. Cr.)
1	EDC Haldwani	Kaladhungi	23.35	19.85
		Lalkuwan		
		Bhimtal		
		Bhawali		
2	EDC Kashipur	Mahua Kheraganj	21.12	17.95
		Sultanpur Patti		
		Kela Khera		
		Mahua Dabra Haripur		
3	EDC Pithoragarh	Dharchula	14.16	12.04
		Didihat		
		Champawat		
		Lohaghat		
4	EDC Ranikhet	Bageshwar	10.44	8.87
		Dwarahat		
5	EDC Rudrapur	Dineshpur	11.6	9.86
		Shaktigarh		
6	EDC Rural DEHRADUN	Veeerbhadra IDPL	29.56	25.13
		Herbertpur		
		Doiwala		
		Chakrata		
7	EDC, Roorkee	Jhabrera	7.17	6.09
8	EDC, Srinagar	Kedarnath	42.49	36.12
		Badrinathpuri		
		Rudraprayag		
		Devaprayag		
		Nandprayag		
		Karnprayag		
		Gauchar		
		Kirtinagar		
		Lansdowne		
		Dogadda		
9	EDC, Tehri	Gangotri	29.75	25.29
		Barkot		
		Muni Ki Reti		
		Chamba		
		Narendranagar		
10	EDC, Urban Dehradun	Dehradun	1.04	0.88
<b>TOTAL</b>			<b>190.68</b>	<b>162.08</b>

6. The sub-heads under which the DPR cost of Rs.190.68 Cr. is divided are as follows:

Sl. No.	Particular	Unit	Qty proposed under IPDS	Project Cost (Rs. Cr.)
1.	33/11 KV S/S : New	Nos.	1	2.92
2.	33/11 KV S/S : Additional Transformer	Nos.	4	3.56
3.	33/11 KV S/S : Transformer capacity enhancement	Nos.	37	22.19
4.	Renovation & Modernization of 33/11 kV SS	Nos.	1893	9.07
5.	New 33 KV new feeders/Bifurcation of feeders:	Kms	112	15.39
6.	33 KV feeders Reconductoring /Augmentation	Kms	87	4.21
7.	11 kV Line : New Feeder/ Feeder Bifurcation	Kms	227	27.36
8.	11 kV Line : Augmentation/ Reconductoring	Kms	215	13.49
9.	UG Cable	Kms	4.50	1.47
10.	Installation of Distribution Transformer	Nos.	248	10.62
11.	Capacity enhancement of LT sub-station	Nos.	84	3.31
12.	LT Line : New Feeder/ Feeder Bifurcation (AB Conductor)	Kms	165	17.68
13.	LT Line : Augmentation/Reconductoring (AB Conductor)	Kms	505	36.84
14.	Capacitor Bank	Nos.	13	4.80
15.	Metering	Nos.	29891	8.14
16.	Provisioning of solar panel	Kwp	153	1.10
17.	Others	Lot	5865	8.53
<b>GRAND TOTAL</b>				<b>190.68</b>

7. Further, as per the guidelines for the implementation of Integrated Power Development Scheme following works would **not eligible** to be covered in IPDS:-
- (1) Works which are/were already sanctioned under other schemes of Govt. of India (like R-APDRP/RGGVY/DDUGJY/NEF etc.).
  - (2) The projects for which any other grant/subsidy from Government of India has already been received/proposed to be received, AMI in the towns where SCADA is not planned under R-APDRP, Civil works other than substation, Service line to new consumers, GIS survey of consumers, Cost of land for substations, Compensation towards right of way, Distribution automation, Office equipment/fixtures, Spares (other than mandatory spares prescribed by manufacturer), Tools and Plants (T&P), Vehicles, Salaries and Establishment Expenditure.
8. With regard to funding of the project, the Petitioner submitted that 85% of the total amount i.e. Rs 162.078 Cr. would be provided as grant from GoI, which

would be released through PFC. Out of balance 15%, 10% of the total project cost i.e. Rs.19.068 Cr. would be arranged by UPCL either from its internal resources or be raised from PFC/REC/or any other Financial Institutions (FIs) as a counterpart loan and rest 5% amount i.e. Rs.9.534 Cr. of the total project cost would be arranged by the Petitioner from its own fund/source as per IPDS guidelines.

9. Moreover, an additional grant (50% of loan /own fund i.e. 5% for special category states) under the scheme would be released subject to achievement of following milestones:
  - (1) Timely completion of the scheme as per laid down milestones.
  - (2) Reduction in AT&C losses as per trajectory finalized by MoP in consultation with State Governments (Discom-wise).
  - (3) Upfront release of admissible revenue subsidy by state Govt. based on metered consumption.
10. Under the scheme a Project Management Agency (PMA) would be appointed to assist in Project Management ensuring timely completion of the project. 100% grant would be provided by GoU for expenditure incurred on PMA subject to a maximum of 0.5% of cost of works i.e. Rs. 0.95 Crore. Any expenditure incurred by PMA beyond the 0.5% of the project cost would be borne by UPCL. Therefore, a total of Rs 163.03 (162.08 + 0.95) Crore would be provided as a grant for the project.
11. The projects under the scheme would be implemented on turn-key basis. The turn-key contract would be awarded by UPCL through e-tendering in accordance with the prescribed Procurement Policy, Standard Bidding Document and Technical Specifications circulated by PFC. In case of turn-key implementation, projects under the scheme would be completed within a period of 24 months from the date of issuance of Letter of Award (LoA) by UPCL whereas in case of partial turn-key/departmental basis, approved by the Monitoring Committee, the Projects would be completed within a period of 30 months (24 months for implementation and 6 months for placement of Award for supply & service i.e. erection) from the date of communication of the approval of the Monitoring Committee.

12. As per GOI notification no. 26/1/2014-APDRP GoI, MoP the Grant support would be extended as per following milestones:

<b>Tranche No.</b>	<b>Conditions for release of grant support by GoI</b>	<b>Release of Grant component of GoI</b>
1	1) Approval of DPRs by Monitoring Committee 2) Bipartite/Tripartite agreement between Discoms, State Govt. & nodal Agency on behalf of MoP.	10%
2	Placement of Letter of Award (LoA) by the utility	20%
3	Utilisation of 90% of grant released by GoI (1st and 2 <sup>nd</sup> Tranche) and 100% release of Discom contribution	60%
4	After completion of works	10%

13. To justify the need of the works proposed in the Petition, the Petitioner has submitted that the implementation of IPDS in UPCL would:

- (1) Result in reduction of AT&C losses through renovation & modernization and strengthening of 11 kV level Substation, Load bifurcation, feeder separation, load balancing, Aerial Bunched conductoring in Dense and Theft Prone area, Reconductoring of lines, strengthening of sub transmission system at 33 kV level, installation of capacitor bank etc.
- (2) Improve reliability and quality of supply like voltage level, PF etc of the power supply.
- (3) Strengthen network which will result in reduction in conductor resistance and thus Reduction in line loss.
- (4) With addition of DT & enhancement of DT capacity, the load on DT will be reduced, resulting in decrease in DT failure & shall improve reliability.
- (5) With AB conductor theft/pilferage & unaccounted usages will be minimized. It will also prevent the electrical accident/breakdowns in dense populated area.
- (6) Accurate & reliable energy accounting on sustainable basis.
- (7) 24X7 power supply for consumers in urban area.

14. The Petitioner submitted a copy of the tripartite Agreement dated 07.12.2015 signed between Government of India through Power Finance Corporation, Uttarakhand Government and Uttarakhand Power Corporation Limited.

15. As per the tripartite memorandum of agreement amongst PFC, GoU and UPCL dated 07.12.2015 some of the important obligations/commitments of the State Govt. & Petitioner and General Terms & Conditions are mentioned as follows:

***“State Govt.***

- (1) *to extend the role of the existing DRC for R-APDRP projects to empower the committee for recommendation of projects under IPDS after ensuring that there is no duplication/overlapping of works with any other GoI scheme like R-APDRP, RGGVY, DDUGJY, NEF, etc.;*
- (2) *To facilitate the utility to bring in own contribution as well as loan from lenders as per the financing plan of the scheme and arrange the Minimum contribution to Utility(s) @ 10% (5% in case of Special Category States) as per phasing in IPDS Guidelines case the Utilities are not able to bring the fund.*
- (3) *To commit for adjusting any excess release made earlier (to limit the subsidy amount to 60% of the completed project cost), incase utility fails to refund.*
- (4) *To make upfront release of admissible revenue subsidy annually based on metered consumption.*
- (5) *To provide support on policy issues on distribution of power in the State.*
- (6) *To provide required land for sub stations and facilitate in obtaining other statutory clearances (ROW, forest, etc.)*
- (7) *To submit details regarding coverage of optic fibre missing links as per the provision of the scheme and ensure implementation of NOFN component.*
- (8) *Commit to refund grant component released to Utility in case of non-compliance of IPDS guidelines/this agreement or poor progress resulting to short-closure/cancellation. MoP, GoI/PFC reserves the right to recall the grant (if not recovered otherwise) by way of deduction from Central Plan Allocation of the State and by such deduction from Central Plan Assistance of the State.*
- (9) *To fund cost overrun/cost escalation due to price variation of projects, if Utilities fail to arrange funding for the same from own/other sources.*
- (10) *All obligations/terms and conditions and amendments/modifications form time to time of R-APDRP (now subsumed in IPDS) Quadripartite Agreement, MoAs, guidelines.*
- (11) *All obligations/terms and conditions and amendments/modifications from time to time of IPDS guidelines.*

***Petitioner***

...

- (2) *Implementation of the scheme within the scheduled completion period as per guidelines;*
- (3) *Establishment of a dedicated project implementation cell at field & HQ levels;*
- (4) *To Appoint a Project Management Agency (PMA) through open bidding as per their policy/guidelines or CPSUs for various activities including monitoring of projects and ensuring timely implementation of the project (common PMA for IPDS and DDUGJY projects being implemented by them may be appointed for coordination, operational efficiency and cost optimization);*
- (5) *To bear expenditure on PMA beyond Grant funding for PMA i.e. 0.5% of cost of work approved by Monitoring Committee;*

- ...
- (7) *In case the award cost is more than the project cost approved by Monitoring Committee, the concerned State/Utility should exercise the option to raise additional funds from its own resources or through commercial borrowing to complete the work;*
- (8) *To nominate a senior officer, normally of the rank of Chief Engineer/General Manager/Superintending Engineer or above, as the Nodal officer. The Nodal officer shall be responsible for providing all necessary information including physical & financial progress related to the projects, arrange to get relevant order/clearances from the State Govt. enhance level of awareness and redress grievances of public & public representatives in the project areas. In addition to the Nodal officer, Utility shall also designate a senior officer from Finance discipline at its headquarter to oversee the implementation of the accounting system;*
- ...
- (10) *Opening of a designated programme account in nationalized bank having E-banking facility for IPDS, where in all the funds from Govt. of India, shall be routed. The nature of Programme account shall be current account with CLTD (Corporate Liquid Term Deposit) facility. All project related payments to the contractors/agencies by Utility shall be done directly from the dedicated bank account and in no case Utility shall open any other bank, account under IPDS. MoP/PFC shall have the view-right of Utility account;*
- (11) *To formulate a comprehensive Quality Assurance (QA) and Inspection Plan with an objective to build a quality infrastructure under IPDS works as per IPDS Guidelines. The Utility shall ensure that the quality of material/equipment supplied at site and field execution of works under the project is in accordance with Quality Assurance & Inspection Plan. The implementation of the scheme in a particular district will be reviewed periodically during meeting of District Vigilance and Monitoring Committee;*
- ...
- (14) *To enter details like receipts, expenditure, etc. in Public Fund Management System (PFMS) portal. In case of non-entering desired details in PFMS portal, banks may not consider release of funds to Contractors;*
- (15) *To submit utilization certificates (UC) for the funds released during the financial year and the utilization thereof in prescribed format, latest by 30th April of succeeding year. Release of further fund to the Utilities will be subject to submission of UC in the prescribed format. The UC shall provide the physical progress/achievements also apart from financial utilization;*
- (16) *To ensure that IPDS fund shall not be invested in any other bank/branch, whether for short term or medium term, including fixed deposits and any interest earned on IPDS capital subsidy/grant shall be remitted to Ministry of Power's bank account on regular basis and at least once in a quarter;*
- (17) *All obligations/terms and conditions and amendments/modifications from time to time of R-APDRP (now subsumed in IPDS) Quadripartite Agreement, MoAs, guidelines etc;*
- (18) *All obligations/terms and conditions and amendments/modifications from time to time of IPDS guidelines;*
- (19) *Metering of all Sub-stations, Feeders, Distribution Transformers and Consumers including replacement of faulty meters & electro-mechanical meters;*
- (20) *Boundary metering for ring fencing of Towns with population more than 5000;*

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### **6.0 General Terms & Conditions**

viii *The State Governments and Utility will work with the concerned regulator to ensure that a part of the financial benefits arising out of the AT&C loss reduction are also passed on to the consumers of the project area."*

16. The Petitioner was asked to make a Power Point Presentation in the matter on 23.08.2016 covering complete scope including details of works proposed, financial linkages, phasing of expenditures, schedule of completion etc before the officers of the Commission. On the scheduled date, the Petitioner presented the scope of work and financial aspects of the project and submitted the DPR of the Project.
17. During the Power Point Presentation the Petitioner submitted the following AT&C Losses Trajectory finalised by MoP for Uttarakhand State:-

AT&C Loss	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
AT&C loss trajectory finalized by MoP (IPDS Guidelines)	18.68	17.68	16.68	16.00	15.00	14.50	14.00
AT&C loss trajectory finalized by MoP (Revised on 27.04.2015)	18.68	17.43	16.18	15.25	14.00	-	-
AT&C loss trajectory (As finalized by MoP under UDAY scheme on 29.07.2016)	17	16	15	14.5	-	-	-

### **Commission's observations, Views & directions**

18. On examination/scrutiny of the Petition and submissions made by the Petitioner during Power Point Presentation, following has been observed:-

- (1) As per PFC letter dated 16.03.2016, the modified IPDS Guidelines, any slackness in implementation of IPDS will have a huge impact on the State & Petitioner's financial position. The relevant extract of the said guidelines are reproduced below:-

"

15.1 *In case the utility fails to submit the Project Completion Certificate within a period of one year from the approved project completion date (approved by Monitoring Committee), or not completed project within project completion date due to poor progress, the Nodal Agency shall send a team suo moto to assess the works and expenditure and submit its recommendation to the Monitoring Committee for closure and also refund of excess grant by utility if any released against the project.*

15.2 *In case the utility fails to award the sanctioned projects upto three months after finalization of rate contracts by Committee B or Nine months from release of Ist tranche of grant component by PFC to Utility, whichever is*

*later, the project will be deemed as closed/cancelled and the grant component released shall be refunded by the utility within three months.*

15.3 *In case the utility fails to refund the grant as in above cases, the Nodal Agency has the right to adjust the already released grant against future releases of grant pertaining to other approved projects under the scheme. If there are no such eligible future releases, the same shall be adjusted against the Central Plan Assistance for the state by GoI."*

- (2) As mentioned in para 9 above, additional 5% grant (50% of loan /own fund i.e. 5% for special category states and 15% for other states) under the scheme will only be released subject to achievement of specified milestones. Hence, the Commission firmly opines that the Petitioner should put its all endeavor to achieve maximum benefit of the scheme.
- (3) As mentioned in para 15 above, with regard to passing of financial benefits arising out of the AT&C loss reduction as per trajectory finalised by MoP for Uttarakhand State, the Commission has observed that in case the Petitioner achieves the aforesaid trajectory of AT&C losses, it would not only help the distribution licensee in making its distribution business financially/commercially viable but also help in reducing the burden of electricity tariff on consumers of the State and in this way the financial benefit arising out of AT&C loss reduction will be passed on to the electricity consumers of the State.
19. The Commission is of the view that schemes like IPDS which provides a grant from Central Government should be availed/encouraged in the State as it not only provides early availability of funds but also is an initiative to bring revamp and modernize the sub-transmission & distribution sector which would help in providing reliable and quality power supply in an efficient and sustainable manner. However, the Commission cautions the Petitioner that if such schemes are not implemented in the right earnest/intent/within the specified time schedule then almost no cost inputs convert into costly outcomes which may not be pass through the tariff resulting in huge financial losses to the Petitioner, since, the grant under the scheme would be cancelled in accordance with the modified clause 15 i.e. pre-closure/recall of grant of PFC letter No. 37169 dated 16.03.2016 as mentioned in para 18 (1) above.

20. Based on the submission made before the Commission, in the first instance, the Commission hereby grants in principle approval to the Petitioner for going ahead with the works proposed under IPDS for the amount of Rs. 191.63 Crore i.e. Rs. 190.68 Crore (Total cost of works) + Rs. 0.95 Crore (100% grant from GoI for PMA) subject to fulfillment of the following conditions:

- (1) Any slackness in the part of Petitioner which results in disallowance of issuance of additional 5% grant from the MoP shall be treated as laxity on its part and shall not be allowed as pass through in tariff.
- (2) The Petitioner shall ensure compliance of all provisions of Central Electricity Authority (Measures relating to Safety and Electricity Supply) Regulations, 2010 as amended time to time and Electricity Act, 2003, pertaining to protection, security and safety of line and substations including issuance of certificate by Electrical Inspector (wherever applicable) before energisation of these electrical systems.
- (3) The Petitioner shall ensure completion of the works proposed under IPDS within the specified time lines and also of achieving the specified target for reduction of AT&C losses as finalized by MoP within the stipulated timeframe for availing the benefits of the scheme.
- (4) All the loan conditions as may be laid down by the funding agency in their detailed sanction letter are strictly complied with. However, the Petitioner is directed to explore the possibility of swapping the loan with cheaper debt option if any, available in the market.
- (5) 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 said works.
- (6) All the terms and conditions of tripartite agreement amongst PFC, GoU and UPCL dated 07.12.2015 including obligations/commitments should be strictly complied with by the Petitioner.

- (7) On completion of the project the Petitioner shall submit the completed cost of each of the works.
- (8) The additional cost burden due to any failure on the part of Petitioner in achieving the targets, if any, arising out of the cost or time over runs or variation in scope of work under the project or on any other account may not be allowed by the Commission in the Annual Revenue Requirement of the licensee.

Ordered accordingly.

**(K.P. Singh)**  
**Member**

**(Subhash Kumar)**  
**Chairman**