

Before
UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

Petition No. 68 of 2016

In the Matter of:

Capital Investment for the investment on the works covered under centrally funded Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) of Ministry of Power (MoP), Govt. of India (GoI).

And

In the Matter of:

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

.....Petitioner

Coram

Shri Subhash Kumar Chairman

Date of Order: April 06, 2017

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 centrally funded Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) of MoP, GoI.

Background & Submissions

2. The Petitioner vide its letter No. 3589/UPCL/Com/RM-6(DDUGJY) dated 18.10.2016 submitted a 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 MoP, GoI had launched the DDUGJY vide Office Memorandum F. No. 44/44/2014-RE Dated 03.12.2014. The scheme has been formulated for rural areas and covers following scope of works:-
- (1) Separation of agriculture & non-agriculture feeders facilitating judicious rostering of supply to agriculture & non-agriculture consumers in the rural areas:
 - (a) Physical separation of HT feeders for Agriculture and non-Agriculture consumers:
 - (i) Erection of HT lines for drawing new feeders and reorientation/re-alignment of existing lines;
 - (ii) Installation of new distribution transformers and augmentation of existing distribution transformer;
 - (iii) Re-location of distribution transformer and associated LT lines for re-grouping of consumers (Agriculture and non-agriculture).
 - (b) Virtual separation of feeders:
 - (i) Installation of new distribution transformer and augmentation of existing distribution transformers;
 - (ii) Re-location of distribution transformers and associated LT lines for re-grouping of consumers (Agriculture and non-agriculture);
 - (iii) Installation of rotary switch and associated hardware at sub-stations.
 - (2) Strengthening and augmentation of sub-transmission & distribution (ST&D) of infrastructure in rural areas, including metering at existing distribution transformer, feeders and consumer ends:
 - (a) Strengthening of sub-transmission and distribution system in rural areas to address critical gaps:
 - (i) Erection of Intermediate pole in long span and Replacement of Damaged/Rusted/Wooden pole in 33 kV/11 kV/LT lines.
 - (ii) Erection of LT poles and LT line with Arial Bunched Cable (ABC) at the places where existing old consumers having service cable more than 40 mtrs.

- (3) Metering:
- (a) Replacement of 3-phase and 1-phase Electro-Mechanical Meters with suitable static electronic meter of domestic and commercial consumers including existing un-metered connections (if any), replacement of faulty meters.
 - (b) Shifting of 3-phase and 1-phase meters outside the premises of domestic and commercial consumers including associated cables and accessories.
- (4) Govt. of India has launched the Sansad Adarsh Gram Yojana (SAGY) for development of villages in step by step. In the said scheme each Hon'ble Member of Parliament (MP) has to adopt one village to make the village ideal w.r.t. basic infrastructure viz. road, electricity etc. and at present total 05 villages have been identified to covered under the scheme with following work:
- (a) Creation of new 33/11 kV sub-stations with associated 33 kV line in villages Goverdhanpur in District-Haridwar;
 - (b) Erection of LT poles and LT line with Areal Bunched Cable (ABC); and
 - (c) Electrification of un-electrified BPL households.
- (5) Electrification of Un-electrified (UE) villages and Hamlets:
- (6) Rural electrification as per Cabinet Committee on Economic Affairs (CCEA) approval dated 01.08.2013 for completion of the targets laid down under RGGVY for 12th plan and 13th plans by subsuming RGGVY in DDUGJY and carrying forward the approved outlay for RGGVY to DDUGJY.
- (7) Off grid electrification by solar system/micro Hydel, under Decentralized Distributed Generation (DDG), of such villages where grid connectivity is not feasible.

4. Further, the Petitioner in its Petition has submitted that:-

- (1) Under DDUGJY Scheme, GoI shall provide 85% of the total project cost as GoI grant to Uttarakhand (being a special category state), which shall be released

through Nodal Agency M/s Rural Electrification Corporation Limited, New Delhi. The Petitioner have to arrange 10% of the total project cost either through its internal resources or from REC/PFC or any other financial institution/banks as a counterpart loan. Balance 5% of the total project cost is to be arranged by the Petitioner from its own fund/resources as per DDUGJY guidelines. The details of funding are as follows:-

Sl. No.	Agency	Nature of support	Quantum of support for Uttarakhand State (percentage of project cost)	Calculated Support (₹ In Crores)
1.	Govt. of India	Grant	85%	711.76Cr.
2.	Utility/ State Contribution	Own Fund	5%	41.87 Cr.
3.	Loan (FIs/Banks)	Loan	10%	83.74 Cr.
4.	Additional Grant from GoI on achievement of prescribed milestones	Grant	5% (i.e. 50% of total loan component (10%))	41.87 Cr.
5.	Maximum Grant by GoI (including additional grant on achievement of prescribed milestones)	Grant	90%	753.63 Cr.

Additional grant 50% of loan component i.e. half of 10% of counterpart loan (i.e. 5% of project cost under the scheme) will be released subject to achievement of following milestones:

- (a) Timely completion of the scheme as per laid down milestones.
- (b) Reduction in AT&C losses as per trajectory finalized by MoP in consultation with State Governments (Discom-wise).
- (c) Upfront release of admissible revenue subsidy by state Govt. based on metered consumption.

Apart from above, Govt. of India will provide 0.5% of total approved cost for Project Management Agency (PMA) as per provision in the scheme as 100% Grant for monitoring and ensuring timely implementation of the projects.

- (2) In order to implement the scheme, a Tripartite Agreement was signed between GoI through Rural Electrification Corporation Ltd. (REC), Government of Uttarakhand through Principal Secretary (Energy) and the Petitioner on 07.12.2015.

- (3) The projects under the DDUGJY scheme will be implemented on turn-key basis. The turnkey contract would be awarded after carrying out open competitive bidding process. However, in exceptional circumstances, execution on partial turnkey/departmental basis would be permitted with the approval of the Monitoring Committee. The projects have to be awarded within three months of date of communication of the approval by the monitoring committee. Projects under the scheme would be completed within a period of 24 months from the date of issue of Letter of Award (LoA) by the Petitioner. For execution on partial turnkey/departmental basis, the project need to be completed within 27 months for supply and services i.e. erection from the date of communication of approval of the Monitoring committee.
- (4) Initially DPR with total project cost of ₹3332.37 Crore was submitted online to REC. However, REC vide its letter No. REC/DDUGJY/2015-16/183 dated 08.09.2015, approved the total project cost as ₹842 Crore inclusive of PMA charges @0.5% of project cost.

Village Electrification		Metering	SAGY		Access to RHH	System Strengthening	Feeder separation	PMA Charges	Total cost incl. PMA Charges
No.	Cost (₹Crore)		No.	Cost (₹Crore)					
56	60.68	43.77	5	3.75	76.94	34.35	618.32	4.19	842

- (5) The Petitioner prepared a DPR of ₹3.31 Crore for 13 villages of District Pithoragarh covering 10 villages under Off Grid (Micro-grid SPV) & 3 villages under Off Grid (Standalone), where grid electrification was not feasible and submitted the DPR to M/s REC Ltd. for approval.
- (6) In a view to meet out State's priority, Principal Secretary (Energy), GoU, Dehradun submitted the proposal to utilize amount approved against Feeder Separation in connecting/un-connecting head. After reviewing the proposal of partial diversion of fund from Feeder Separation head to connecting/un-connecting head, REC vide its letter No. REC/DDUGJY/AP/2016-17/520/5132 dated 29.06.2016 accorded in-principle approval for diversion of ₹382.09 Crore from Feeder Separation head to connecting/ un-connecting

households head. The Petitioner distributed ₹382.09 Crore among all the 13 no. of districts on the basis of un-electrified hamlets. The district-wise cost of works proposed by the Petitioner are as follows:-

Sl. No.	Name of District	Un-Electrified Village (UEV)	Metering	Sansad Adarsh Gram Yojna	Connecting/ Un-connecting Hhs	System Strengthening	Feeder Separation	Total DPR Cost (₹ in Crore)
1	Almora	0.94	2.85	-	22.56	3.81	-	29.22
2	Bageshwar	6.08	0.84	1.26	15.64	1.42	-	19.16
3	Chamoli	-	3.9	-	69.34	2.51	-	75.75
4	Champawat	0.2	1.28	-	24.17	1.15	-	26.60
5	Dehradun	-	9.89	-	53.09	7.72	-	70.70
6	Pauri Garhwal	0.57	1.49	-	47.33	1.68	-	50.50
7	Hardwar	-	7.58	1.42	10.70	4.5	99.96	21.21
8	Nainital	-	2.54	-	17.00	2.43	11.79	21.97
9	Pithoragarh	6.85	4.23	-	29.28	2.2	-	35.71
10	Rudraprayag	1.98	1.35	0.59	17.43	1.34	-	20.71
11	Tehri Garhwal	5.13	0	-	70.78	1.94	-	72.72
12	U.S.Nagar	-	5.15	0.24	15.98	2.61	124.48	23.98
13	Uttarkashi	38.93	2.68	0.25	65.73	1.03	-	69.69
Total		60.68	43.77	3.75	459.03	34.35	236.23	837.80
Charges for Project Monitoring Agency (PMA) @ 0.5% of project cost								4.19
Total Cost approved by Monitoring Committee								842.00

(7) Further, REC had asked the Petitioner to appoint the Project Management Agency (PMA) as per guidelines of DDUGJY for Decentralized Distributed Generation (DDG) under RGGVY in the XI plan Scheme - Scheme of Rural Electricity Infrastructure and Household Electrification. The sanctioned/approved cost including the PMA charges for 13 No. villages/projects for electrification in DDG component under DDUGJY are as follows:-

Sl. No.	Name of District	Un-Electrified Village (UEV)	Technology	Total DPR Cost (₹ in Crore)
1	Pithoragarh	10	Off Grid (Micro-grid SPV)	3.17
		3	Off Grid (Standalone)	0.14
Total				3.31
Charges for Project Monitoring Agency (PMA) @ 0.5% of project cost.				0.02
Total Cost				3.33

5. The Petitioner vide its letter No. 4134/UPCL/Comm/RMC-6/(F) dated 07.12.2016 furnished certified true copy of 78th BoD meeting held on 29.11.2016, wherein approval for Implementation of DDUGJY Scheme in UPCL was granted as mentioned below:

(in ₹ Cr.)

Sl. No.	Grid	Scheme Provision	Utility/State Contribution plus Loan (FIs/Banks)
1	Feeder Separation.	236.23	35.43
2	Strengthening and augmentation of sub-transmission & distribution system.	34.35	5.15
3	Metering.	43.77	6.57
4	Sansad Adarsh Gram Yojana (SAGY)	3.75	0.56
5	Electrification of Un-Electrified (UE) villages.	60.68	9.10
6	Access to RHhs (Electrification of un-electrified hemlets.	459.03	68.85
Sub-Total		837.81	125.67
7	PMA Charges	4.19	Nil
Total		842.00	125.67
8	Off Grid - DDG	3.31	0.50
9	Off Grid - PMA (DDG)	0.02	Nil
Total		3.33	0.50
Grand Total		845.33	126.17

6. On receipt of the approval of BoD, Petition was admitted as Petition No. 68 of 2016 and accordingly the Petitioner was informed. Thereafter, the Petitioner was directed to make a Power Point Presentation in the matter on 26.12.2016 covering complete scope including details of works proposed, phasing of expenditures, schedule of completion etc. before the officers of the Commission. On the scheduled date, the Petitioner made the Power Point Presentation covering the scope of work, financial aspects of the project. During the presentation, discussions were held and various queries were raised, accordingly, the Petitioner was directed to submit information/data gap on the matter discussed in the presentation.
7. In response to the queries raised during the Power Point Presentation, the Petitioner vide letter dated 30.01.2017 submitted following information:
- (1) Write up on Feeder Separation
 - (2) Methodology for Metering alongwith clarification about number of meters to be installed at Bageshwar and Pauri Garhwal Districts.
 - (3) DPR submitted Online
 - (4) List of Villages under SAGY
 - (5) List of Un-electrified Villages
 - (6) List of Villages falls under forest areas/wild life areas
 - (7) MoM of State Level Standing Committee for DPR

Commission's observations, views & directions

8. On examination/scrutiny of the Petition and subsequent submissions made by the Petitioner, following has been observed:-

(1) As per clause 15 of the Chapter IV of the DDUGJY Guidelines, any slackness in implementation of DDUGJY will have Pre Closure/Recall of Grant rendering an impact on the 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), 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 utility fails to award the project within nine months of release of first tranche of grant component viz. 10% 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 Government of India. “

(2) As mentioned in para 4 (1) above, additional 5% grant (50% of total loan component (10%)) 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. Moreover, with regard to AT&C loss reduction as per trajectory finalised by MoP for Uttarakhand State, the Commission is of the view that in case the Petitioner achieves the aforesaid trajectory of AT&C loss reduction, it would besides helping the distribution licensee in making its distribution business financially/commercially viable would also be beneficial to the consumers of the State as savings on account of reduction of AT&C losses would be pass through in the ARR thereby mitigating the burden of tariff hike to a certain extent.

9. The Commission is of the view that the schemes like DDUGJY with substantial grant from Central Government should be executed in the right earnest in the

State as these not only provide timely/prompt availability of funds but also serve a purpose to enlighten the lives of the rural masses craving for access to reliable electricity. The aforesaid scheme shall besides electrifying the secluded & un-electrified areas of the State will also help in economic development of such areas. Moreover, with the implementation of DDUGJY Scheme, the sub-transmission & distribution network will be strengthened and would consequently help in providing reliable and quality power supply in an efficient and sustainable manner.

10. The Commission is of the view that the Schemes like DDUGJY is in the interest of the State, therefore, all possible support from the State Government should be extended for expeditious implementation of the projects adhering to the conditions included in the Guidelines of DDUGJY Scheme and also in the Tripartite Agreement dated 07.12.2015.
11. Based on the above, the Commission hereby grants in-principle approval to the Petitioner for going ahead with the capital works proposed under DDUGJY for 13 Districts of the Uttarakhand State at an outlay of ₹845.33 Crore (inclusive of PMA Charges and works covered under Off-grid DDG Scheme) subject to fulfillment of the following conditions:
 - (1) Any slackness in the part of Petitioner which results in disallowance of issuance of Additional Grant 50% of loan component (i.e. 5% of project cost under the scheme) from the MoP shall be treated as laxity on its part and shall not be allowed as pass through in ARR/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 DDUGJY 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 REC, GoU and UPCL dated 07.12.2015 including obligations/commitments should be strictly complied by the Petitioner.
- (7) All the Guidelines issued by MoP for DDUGJY and DDG under DDUGJY Scheme should be strictly complied by the Petitioner.
- (8) On completion of the project the Petitioner shall submit the completed cost of each of the works.
- (9) 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.

(Subhash Kumar)
Chairman