

Before

UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

In the matter of:

Application seeking approval of the Commission for the investment on the project covering the works covered under Part-‘B’ of Restructured-Accelerated Power Development & Reform Program of Ministry of Power, Government of India for reduction of AT&C losses to the extent of 15%.

And

In the matter of:

Managing Director, Uttarakhand Power Corporation Limited (UPCL) Petitioner
Victoria Cross Vijeta Gabar Singh Bhawan, Kanwali Road, Dehradun

Coram

Shri Subhash Kumar	Chairman
Shri C.S. Sharma	Member
Shri K.P. Singh	Member

Date of Order: December 19, 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 the works covered under Part-‘B’ of Restructured-Accelerated Power Development & Reform Program (R-APDRP) of Ministry of Power (MoP), Government of India (GoI) for reduction of Aggregate Technical & Commercial (AT&C) losses so as to bring them to the level of 15%.

1. Background

1.1. UPCL vide its letter No. 169/UPCL/RM/K-14 dated 23.01.2013 submitted an application seeking approval of the Commission for the investment on the project

covering the works covered under **Part-'B' of R-APDRP** of MoP, GoI for reduction of AT&C losses to the extent of 15% under Para 11 of the Distribution and Retail Supply License (License No. 02 of 2003, dated 20th June, 2003) and Section 53 of UERC (Conduct of Business) Regulations, 2004.

- 1.2. The Petitioner is seeking approval of the Commission for investment in the works related to Renovation & Modernization and strengthening of 11 kV Substations, Load bifurcation, feeder separation, load balancing, HVDS (11 kV), Aerial Bunched Conductor (ABC) in dense area, Replacement of electromagnetic energy meters with Tamper proof electronic meter, Reconductoring of lines, strengthening of Sub transmission system at 33 kV or 66 kV, installation of capacitor bank and mobile service centres under R-APDRP Part-'B' scheme.
- 1.3. The Central Government has designated Power Finance Corporation (PFC) as the Nodal Agency vide MoP's Order dated 19.09.2008 for implementation of R-APDRP scheme, under guidance of MoP. The Central Government has issued the guidelines and modalities of formulating/implementing projects under the programme from time to time. The programme is divided into 2 parts, i.e. Part-'A' and Part-'B'.

Part-'A' of the scheme comprises of project for establishment of baseline data and IT applications for energy accounting/auditing, IT based consumer service centers and the works to be undertaken in this part are Meter Data Acquisition, Energy Audit, New Connection, Disconnection and Dismantling, GIS based Consumer Indexing and Asset Mapping, GIS based Integrated Network Analysis Module, Centralized Customer Care Services, Management Information System (MIS), Web Self Service, Identity and Access Management System, System Security Requirement, Development of Commercial Data Base of Consumers, Metering, Billing, Collections, Asset Management, Maintenance Management to get authenticated baseline AT&C losses.

Part-'B' of the scheme includes regular distribution strengthening projects, viz. Load Bifurcation, Feeder Separation, Load Balancing, HVDS (11 kV), Aerial Bunched Conductor in dense areas, Replacement of electromagnetic energy meters with Tamper proof electronic meter, Installation of Capacitor Bank, Renovation, Modernization and

Strengthening of 11 kV Substations, Transformers, Reconductoring of lines at 11 kV level and below, Mobile Service Centres, Strengthening of 33 kV and 66 kV (in exceptional cases).

- 1.4. As per Terms & Conditions for R-APDRP Part-'B' scheme, up-to 90% of the approved cost shall be provided as loan from GoI, for special category States namely all North-Eastern States, Sikkim, Uttarakhand, Himachal Pradesh and Jammu & Kashmir. The balance funds shall be raised from Financial Institutions (FIs) viz. PFC/Rural Electrification Corporation (REC)/multilateral institutions and/or own resources.
- 1.5. The loan against Part-'B' projects shall be converted into grant, up-to 90% of the loan amount in 5 equal tranches every year, if the Utility achieves the target of 15% AT&C loss in the project area on a sustained basis on verification by the independent agency appointed by Nodal Agency and the project is completed within the fixed time schedule. Loan from FIs shall be converted into grant only after the conversion of entire GoI loan into grant. Further, if the utility fails to fulfill the conditions for conversion of loan to grant for Part-'A' and/or Part-'B' Project, the utility will have to bear debt service of balance loan and interest repayment etc.
- 1.6. In accordance with R-APDRP scheme guidelines UPCL proposed to complete the works within 03 years from the date of approval (18th Oct-11) of the loan from PFC towards 30 project areas out of 31 project areas identified by UPCL for the implementation of Part-'B' under R-APDRP vide sanction letter nos. 02:10:R-APDRP (P-B):2010:UPCL dated 08.11.2011, in order to be eligible for taking the benefit of conversion of entire loan into grant. Accordingly, the proposed date of completion of the works was 17th October 2014.
- 1.7. The Project Cost of Part-'B' of R-APDRP scheme approved by the R-APDRP Steering Committee was ₹392.63 Crore, out of which 90% of the approved project cost was to be provided as loan from the Govt. of India through Gross Budgetary Support (GBS). The GoI loan was to be disbursed to the Petitioner through Nodal

Agency, i.e PFC. The total loan approved by MoP/GoI for 30 Towns was ₹353.37 Crore. The list of towns covered under the sanctioned loan to be funded by MoP/GoI through PFC and approved project cost by R-APDRP Steering Committee is as per Table given below:

Table 1

Sl. No.	Name of Town	Project Cost Approved by R-APDRP Steering Committee (in ₹Crore)	Loan Sanctioned by MoP/GoI (90% of the project cost) (in ₹Crore)
1.	Almora	9.73	8.76
2.	Bazpur	7.67	6.90
3.	Gadarpur	3.83	3.45
4.	Gopeshwar	2.22	2.00
5.	Haldwani	26.31	23.68
6.	Haridwar	86.72	78.05
7.	Jaspur	11.24	10.12
8.	Joshimath	2.78	2.50
9.	Kashipur	49.37	44.43
10.	Khatima	10.00	9.00
11.	Kichha	4.88	4.39
12.	Kotdwara	7.47	6.72
13.	Laksar	6.09	5.48
14.	Landhaura	4.30	3.87
15.	Mangalore	14.03	12.63
16.	Mussoorie	17.57	15.81
17.	Nainital	6.88	6.19
18.	Pauri	3.78	3.40
19.	Pithoragarh	8.73	7.86
20.	Ramnagar	11.65	10.49
21.	Ranikhet	3.59	3.23
22.	Rishikesh	14.35	12.92
23.	Roorkee	33.20	29.88
24.	Rudrapur	21.58	19.42
25.	Sitarganj	4.24	3.82
26.	Srinagar	2.75	2.48
27.	Tanakpur	2.42	2.18
28.	Tehri	4.86	4.37
29.	Uttarkashi	6.46	5.81
30.	Vikasnagar	3.93	3.54
Total		392.63	353.37

The various sub-heads under which the above cost is divided are as follows:

Table 2

Sl. No.	Particulars	Sanctioned Cost (in ₹Crore)
(A)	33 kV Works	
1.	New 33/11 kV Substation	21.03
2.	33/11 kV additional power transformer	2.81
3.	Capacity Enhancement of 33/11 kV power transformer	7.75
4.	New 33 kV feeder/bifurcation	5.95
5.	Re-conductoring of 33 kV line	0
6.	Installation of 33 kV breakers	0.45
7.	11 kV Bay extension	2.58
8.	Renovation & Modernization of 33/11 kV Substation	3.98
9.	HT Capacitor bank in 33/11 kV Substation	8.59
	Sub Total	53.14
(B)	11 kV Works	
1.	New 11 kV line	22.34
2.	Reconductoring of 11 kV line	12.12
3.	Installation of new Distribution Transformer	49.76
4.	Capacity Enhancement of old Distribution Transformer	0.29
5.	New LT line	0.18
6.	Replacement of LT bare Conductor by LT ABC	29.38
7.	LT Capacitor bank	3.23
8.	HVDS	97.98
9.	Metering	25.63
10.	Mobile service centre	1.74
11.	Others	57.61
	Sub Total	300.23
	Total (A+B)	353.37

1.8. Apart from the loan from MoP/GoI, the balance 10% of the total project cost is to be borne by the petitioner either from its internal resources or shall be raised from PFC/REC/or other financial institutions.

1.9. On examination of the Petition, the Commission observed following deficiencies and directed the Petitioner vide its letter no. 1679 dated 07.03.2013 to submit the information at the earliest:-

“

(i) Detailed project Report containing examination of economic, technical, System and Environmental aspect of the proposed investment together with outline of the works to be undertaken, the salient features and particulars demonstrating the

need for investment.

- (ii) The project cost together with cost benefit analysis for each scheme (individually).*
- (iii) Requirement/status of statutory clearances namely ROW, forest etc. wherever applicable & necessary, if any, for execution of the schemes.*
- (iv) Phasing of proposed investment over the current & ensuing financial years.*
- (v) Commissioning schedule of each covered under the proposed investment. "*

1.10. In response, the Petitioner vide its letter No. 1218 dated 24.05.2013, submitted the reply to the deficiencies pointed out by the Commission and on examination of the said submission of the Petitioner, the Commission vide its letter No. 744 dated 19.08.2013 directed Petitioner to seek convenient date & time from the Commission for making a Power Point Presentation before the Commission covering the deficiencies listed below, guidelines of MOP for each scheme in general and project areas in particular :-

- "1. Status of execution of Part-A of R-APDRP, till date in the proposed towns may be provided.*
- 2. The status of ring fencing of each identified project area which was to be done at the beginning of the program may be provided. Ref. - Clause 9.1(a) of MOA dated 26.03.2009.*
- 3. The status of verification of Base-line Data System by 3rd Party Independent Evaluation Agencies (TPIEAs). Ref. - Clause 9.1(b) of Quadripartite Agreement (MOA) dated 26.03.2009 between MoP, GoI-PFC and GoU-UPCL.*
- 4. The status of formulating incentive scheme and its approval from the steering committee. Ref. - Clause 10.1 of MOA dated 26.03.2009.*
- 5. Details of various Distribution Reforms Committee (DRC) meeting held regarding monitoring of the implementation of the scheme may be provided. Ref. - Clause 11.1(b) of MOA dated 26.03.2009.*
- 6. Time frame for fixing accountability at all levels in the project area. Ref. - Clause 11.2(b) of MOA dated 26.03.2009.*

7. *Has the process of availing CDM benefits been started and its status may be informed. Ref. - Clause 12.0(d) of Quadripartite Agreement (MOA) dated 26.03.2009 between MoP, GoI-PFC and GoU-UPCL.*

8. *Action plan for implementing the R-APDRP (Part-B) Project. "*

1.11. On non-receipt of reply/information from UPCL, the Commission vide its letter No. 832 dated 10.09.2013 issued a reminder for submission of reply on the deficiencies and making a Power Point Presentation before the Commission.

1.12. In response, the Petitioner vide its letter No. 2700 dated 07.11.2013 confirmed the date of making Presentation in the matter on 13.11.2013 and made the presentation on the scheduled date.

1.13. The Commission vide its letter No. 1225 dated 09.12.2013 issued deficiencies observed during the presentation and directed Petitioner to again make a Presentation before the Commission covering project area wise action plan for implementation of Part-'B' of R-APDRP scheme with detailed cost benefit analysis and deficiencies as mentioned below:-

"(1) Earlier, UPCL was asked to submit the status of execution of Part-'A' of R-APDRP works. However, detailed information with regard to the same was not furnished. It is known that as per guidelines of MoP, the works covered in Part-'A' of R-APDRP are as under:-

Preparation of Base-line data for the project area covering Consumer Indexing, GIS Mapping, Metering of Distribution Transformers and Feeders and Automatic Data Logging for all Distribution Transformers and Feeders and SCADA/DMS system, adoption of IT applications for meter reading, billing and collection, energy accounting and auditing, MIS, redressal of consumer grievances, establishment of IT enabled consumer services etc.

UPCL in its presentation showed the target of the no. of Towns vis-a-vis achieved and Towns Go-live, UPCL is required to make a detailed town-wise presentation in respect of above parameters, bar chart for Part-A project, completion date of PART-A & delays, if any, for reasons attributable to UPCL's Officers at the earliest.

- (2) *With regard to ring fencing of the Towns covered under R-APDRP/Project Areas, UPCL is required to authenticate the data provided for verification to TPIEA as base-line data and submit the Report of TPIEA.*
- (3) *Regarding Incentive scheme, UPCL presented that the same has been submitted to PFC on 11.04.2011 and approved by the Steering Committee in its 24th meeting. UPCL is required to submit the scheme to Commission and make a presentation thereof.*
- (4) *UPCL informed that the last Distribution Reforms Committee (DRC) meeting was held on 10.02.2011 to consider and recommend the towns for Part-B-RAPDRP. During the presentation, UPCL was informed that the role of DRC is also to monitor the compliance of conditionality and achievement of milestones and targets under the scheme. Hence, it should pursue DRC, in this regard.*
- (5) *UPCL, in its presentation, has simply listed the benchmark parameters and did not present any time frame for fixing accountability at all levels for each project area with regard to system monitoring, review of technical, commercial and benchmark parameters. UPCL is required to submit the same.*
- (6) *UPCL's point of view that it is not right time to initiate the process for CDM benefits is not tenable. UPCL is advised to consult the Nodal Agency i.e. PFC in this regard and act accordingly.*

Keeping in view the guidelines of MoP and quadripartite agreement, UPCL is required to present Project Area-wise Action Plan for implementation of part-B of RAPDRP, with detailed cost benefit analysis and submit prompt compliances of the observations/deficiencies listed above."

1.14. On non-receipt of reply/information on the deficiencies pointed out by the Commission from UPCL, the Commission vide its letter No. 1476 dated 03.02.2014 issued a letter to the Petitioner and directed that:

"...it is to inform you that deficiencies in the Application have already been intimated to you by the above letters of the Commission. However, till date no reply has been submitted by licensee. It appears that you are not keen in pursuing your request.

Under these circumstances, the Commission directs the licensee to submit point-wise replies to the deficiencies/queries pointed out in the matter and submit the same before the Commission by 21.02.2014, failing which your Petition is liable for rejection as being devoid of relevant details."

- 1.15. In response, the Petitioner vide its letter No. 201 dated 20.02.2014 submitted its compliance on the observations/deficiencies pointed out by the Commission and sought suitable date for giving presentation before the Commission.
- 1.16. The Commission vide its letter no. 1703 dated 24.03.2014 informed the Petitioner that the Presentation was scheduled on 09.04.2014. However, due to unavoidable circumstances, the date of presentation was rescheduled on 24.04.2014 and the same was informed to the Petitioner vide Commission's letter No. 119 dated 17.04.2014.
- 1.17. The Petitioner made the Presentation on the schedule date, i.e. 24.04.2014 at Commission's office.
- 1.18. The Commission vide its letter No. 325 dated 22.05.2014 held a hearing for admissibility in the matter on 27.05.2014 and heard the matter on scheduled date and issued Order vide its letter No. 506 dated 13.06.2014 admitting the Petition and directed as under:-
- "1 UPCL should submit 6 months data of all the 8 nos. go-live towns with relevant parameters specifically metering status, meter exceptions, Post-IT AT&C losses vis-à-vis Pre-IT AT&C loss figures.*
 - 2 UPCL should submit data for the remaining towns where it has been able to establish AT&C loss figures Pre-IT as well as Post-IT for past 6 months or lesser period as the case may be.*
 - 3 UPCL should submit an action plan for reduction of Post-IT AT&C loss figures to the targeted level of 15% as envisaged in the scheme.*
 - 4 UPCL should submit the above listed information by 30.06.2014. "*
- 1.19. On non-receipt of information by the stipulated date, i.e. 30.06.2014, the Commission vide its letter No. 664 dated 04.07.2014 issued a reminder letter to the

Petitioner and directed it to comply with the directions issued vide Order dated 13.06.2014 latest by 21.07.2014.

1.20. In response, the Petitioner vide its letter No. 1600 dated 24.07.2014 submitted its point-wise reply in compliance to the Commission's Order dated 13.06.2014.

1.21. On examination of the submission of UPCL dated 24.07.2014, the Commission vide its letter No. 1095 dated 12.09.2014 directed UPCL to re-submit its submission duly incorporating the infirmities/deficiencies as mentioned below latest by 22.09.2014:

- "1. Comparative data on pre & post IT AT&C losses is missing for towns which are declared Go-live.*
- 2. Comparative data on pre & post IT AT&C losses is missing for towns which are yet to be declared Go-live.*
- 3. UPCL in its submission has shown 13 Go live towns. However, only 6 towns post IT Meter exception information has been furnished.*
- 4. In Annexure B & C of UPCL's submission, in towns namely Vikasnagar, Landhora, Mangalore, Sitarganj, Khatima, Rishikesh, Srinagar, Mussoorie & ranikhet 'AT&C loss with arrear' is more than Pre-IT three billing cycle base line AT&C approved by TPIEA-EA. However, no justification for the same has been furnished. "*

1.22. In response, the Petitioner vide its letter No. 2216 dated 15.10.2014 and letter No. 2405 dated 17.11.2014 submitted the replies to the deficiencies mentioned above.

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 and clause 11.6 of the Distribution and Retail Supply License issued to UPCL provides as under:

“11.3 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 and demonstrate to the satisfaction of the Commission that:

- a) there is a need for the major investments in the Distribution System, which the Licensee proposes to undertake,*
- b) the Licensee has examined the economic, technical, system and environmental aspects of all viable alternatives to the proposal for investing in or acquiring new Distribution system assets to meet such need.”*

“11.6 The Licensee shall submit to the Commission along with the "Expected Revenue Calculation" and in terms of paragraph 25.1(b)(ii), the annual investment plan consisting of those schemes approved by the Commission, schemes submitted before the Commission for approval and all schemes not requiring approval of the Commission planned for the ensuing financial year and shall make investment in the said financial year in accordance with the said investment plan. Provided, is however, if any unforeseen contingencies required reallocation of funds within the schemes listed in the annual investment plan, the Licensee may do so provided further that reallocation in respect of individual project does not exceed Rs. 250 lakhs, after intimating the Commission. If on account of unforeseen circumstances the licensee is required to make investment in a scheme which does not find a place in the annual investment plan, the Licensee may do so up to the Limit of Rs. 250 lakhs after intimating the Commission.”

Thus, from the plain reading of the above provisions of the Regulations and conditions of license, it is amply clear that the Petitioner has to seek prior approval of the Commission for all the schemes exceeding ₹2.50 Crore.

2.3. Regulation 53(3) of UERC (Conduct of Business) Regulations, 2004 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”*

2.4. Moreover, Regulation 55(1) of CBR 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. “

2.5. 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. As discussed in paras above of this Order, contrary to the above provisions of the Regulations and conditions of licence, the Petitioner did not submit the requisite information even after several reminder letters issued by the Commission from time to time. Infact the Petitioner chose to proceed with the capital investment without obtaining prior approval of the Commission as is evident from the status of the works submitted by it. Merely filing of an incomplete application does not absolve the licensee of its duty as required under the Act and the Regulations framed thereunder. 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 issuance of several reminders from the Commission in the matter.

- 2.6. It is pertinent to reproduce relevant conditions of MoA (Quadripartite Agreement signed between GoI, PFC & GoU, UPCL) dated 26.03.2009 in the matter of Part-B works of RAPDRP Scheme which provides for conditions which are required to be fulfilled by the utility for enabling conversion of loan into grant the scheme:

“Terms and conditions for loans from Government of India for re-structured APDRP as approved by Ministry of Finance are as follows:

1. Terms of Loan:

(a) Rate of Interest (for both Part-A & B)

As notified by Ministry of Finance for “Others” at Sl. No. 4(iv) in the Table for Category of borrower & type of loan, which is currently 11.50% per annum w.e.f. 01.04.2008.

(b) Moratorium Period

Part-A: *There will be moratorium on repayment of principal and interest on the loan for the sanctioned periods of execution which shall in no case exceed three years.*

Part-B: *There will be moratorium on repayment of principal and interest on the loan for the sanctioned periods of execution which shall in no case exceed five years.*

(c) Tenure of Loan

Part-A: The tenure of loan will be 10 years including moratorium period and repayments being made in annual equal installments together with interest on the outstanding balance commencing after the expiry of moratorium period. The amounts payable annually (by way of principal and interest) would be recovered in ten equal installments on 15th of every month from June to March each year.

Part-B: The tenure of loan will be 20 years including moratorium period and repayments being made in annual equal installments together with interest on the outstanding balance commencing after the expiry of moratorium period. The amounts payable annually (by way of principal and interest) would be recovered in ten equal installments on 15th of every month from June to March each year.

(d) Penal rate of Interest (for both Part-A & B)

In the event of default in the repayment of installments(s) of principal and/or interest the penal interest @2.5% above the normal rate of interest (at which loan is sanctioned) would be chargeable on all such overdue installments.

Other terms and conditions of both Part-A&B would be as notified in the O.M. F. No. 5(3)-B(PD)/2008 Dt. 30.10.08 of MoF and modified subsequently by MoF from time to time.

2. Release/Disbursement of Loans:

Part-A: 100% of the approved project cost shall be provided as loan from the Govt. of India through Gross Budgetary Support (GBS). The GoI loan shall be disbursed to the State Power Utilities through Nodal Agency as follows:

- a) Up to 30% of the project cost can be released as GoI loan up front on approval of the Project.
- b) 60% of project cost would be disbursed as GoI loan progressively against certified claims from Utility based on progress/utilization against achievement of identified milestones.
- c) Balance 10% of the project cost would be disbursed as GoI loan only after full utilization of the loan disbursed through earlier tranches.

Part-B: Up-to 25% of the approved project cost shall be provided through loan from the Govt. of India. The balance funds shall be raised from Financial Institutions (FIs) viz. PFC/REC/multi-lateral institutions and/or own resources. For special category States (namely all North-Eastern States, Sikkim, Uttarakhand, Himachal Pradesh and Jammu & Kashmir), GoI loan up-to 90% of the project cost should be provided. The loan shall be disbursed to the State Power Utilities through Nodal Agency as follows:

Non-Special Category States:

- a) 15% of the project would be released as GoI loan up front on approval of Project.
- b) Progressive Release of 75% of the project cost as loan from Financial Institutions (FIs)/own resources based on progress/utilization against achievement of identified milestones.
- c) Balance 10% of the project cost would be disbursed as GoI loan only after full utilization of GoI and FIs' loans disbursed through earlier tranches.

Special Category States:

- a) 30% of the project cost would be released as GoI loan up front on approval of Project.
- b) Progressive Release of 10% of the project cost as loan from Financial Institutions (FIs)/own resources based on progress/utilization against achievement of identified milestones.
- c) 50% of project cost would be disbursed as GoI loan progressively against certified claims from Utility based on progress/utilization against achievement of identified milestones.
- d) Balance 10% of the project cost would be disbursed as GoI loan only against full utilization of GoI and FIs loans disbursed through earlier tranches.

3. Conversion of loan into grant:

Part-A: The loan along with interest thereon shall be converted into grant once the establishment of the required system is achieved and verified by an independent agency appointed by Ministry of Power (MoP). No conversion to grant will be made in case projects are not completed within 3 years from the date of sanctioning of the project. In such cases the concerned utility will have to bear full loan and interest repayment. The project will be deemed to be completed on the establishment of the required system duly verified by an independent agency appointed by MoP.

Part-B: *If the Distribution Utilities achieve the target of 15% AT&C loss on a sustained basis for a period of 5 years in the project area and the project is completed within the time schedule fixed by the Steering Committee, which shall in no case exceed five years from the date of project approval, up-to 50% (90% for special category states) loan against Part-B projects will be convertible into grant in equal tranches, every year for 5 years starting one year after the year in which the base-line data system (Part A) of project area concerned is established and verified by the independent agency appointed by MoP. If the utility fails to achieve or sustain the 15% AT&C loss target in a particular year, that year's tranche of conversion of loan to grant will be reduced in proportion to the shortfall in achieving 15% Aggregate Technical & Commercial (AT&C) loss target from the starting base-line assessed figure. Loan from GoI shall be converted into grant first. Loan from FIs shall be converted into grant only after the conversion of full GoI loan into grant.*

Wherever, the loan from GoI and FIs will be converted into grant, interest and other charges paid on the converted amount will also be treated as grant & reimbursed to Utility. For the loan and interest which could not be converted into grant on account of not meeting the conditions of conversion, the utility/state will have to bear the balance burden of loan and interest repayment."

- 2.7. The Commission is of the view that any slackness in implementation of the R-APDRP projects (Part-'A' & Part-'B') will have a huge impact on the Petitioner's financial position as the conversion of loans into grant is linked to achievement of 15% AT&C loss in all designated project areas, failing which the same will not be converted into grant.
- 2.8. Further, the Commission is of the view that with the above linkage of cost of funding with the AT&C loss achievement, this program can be construed as a double edged sword, which might cause adverse financial impact in case the Petitioner fails to implement the program, both Part-'A' & Part-'B', in the right earnest with meticulous planning and monitoring of its execution within the stipulated period.

- 2.9. The Commission, however, recognizes the need for improvement & strengthening works in the distribution system which are covered under Part-'B' of R-APDRP scheme.
- 2.10. The scheme was launched by MoP, GoI and PFC has been nominated as Nodal Agency for implementation of R-APDRP scheme vide MoP, GoI Order dated 19.09.2008. Thereafter, a Quadripartite Agreement dated 26.03.2009 has been signed between GoI, PFC & GoU, UPCL. Further, an MOA dated 07.02.2012 was signed between PFC & UPCL for implementation of R-APDRP scheme in the State. Considering the aforesaid agreement and based on the views expressed by the Commission in the above paragraphs of the Order, the Commission hereby grants in principle approval to the Petitioner for going ahead with this capital investment of ₹392.63 Crore as approved by R-APDRP Steering Committee given below in Table 3 & 4:

Table 3

Sl. No.	Name of Town	Project Cost Approved by R-APDRP Steering Committee (in ₹Crore)	Loan Sanctioned by MoP/ GoI (90% of the project cost) (in ₹crore)
1.	Almora	9.73	8.76
2.	Bazpur	7.67	6.90
3.	Gadarpur	3.83	3.45
4.	Gopeshwar	2.22	2.00
5.	Haldwani	26.31	23.68
6.	Haridwar	86.72	78.05
7.	Jaspur	11.24	10.12
8.	Joshimath	2.78	2.50
9.	Kashipur	49.37	44.43
10.	Khatima	10.00	9.00
11.	Kichha	4.88	4.39
12.	Kotdwara	7.47	6.72
13.	Laksar	6.09	5.48
14.	Landhaura	4.30	3.87
15.	Mangalore	14.03	12.63
16.	Mussoorie	17.57	15.81
17.	Nainital	6.88	6.19
18.	Pauri	3.78	3.40
19.	Pithoragarh	8.73	7.86
20.	Ramnagar	11.65	10.49
21.	Ranikhet	3.59	3.23
22.	Rishikesh	14.35	12.92

Sl. No.	Name of Town	Project Cost Approved by R-APDRP Steering Committee (in ₹Crore)	Loan Sanctioned by MoP/ GoI (90% of the project cost) (in ₹crore)
23.	Roorkee	33.20	29.88
24.	Rudrapur	21.58	19.42
25.	Sitarganj	4.24	3.82
26.	Srinagar	2.75	2.48
27.	Tanakpur	2.42	2.18
28.	Tehri	4.86	4.37
29.	Uttarkashi	6.46	5.81
30.	Vikasnagar	3.93	3.54
Total		392.63	353.38

The various sub-heads under which the above cost is divided are as follows:

Table 4

Sl. No.	Particulars	Sanctioned Cost (in ₹Crore)
(A)	33 kV Works	
1.	New 33/11 kV Substation	21.03
2.	33/11 kV additional power transformer	2.81
3.	Capacity Enhancement of 33/11 kV power transformer	7.75
4.	New 33 kV feeder/bifurcation	5.95
5.	Re-conductoring of 33 kV line	0
6.	Installation of 33 kV breakers	0.45
7.	11 kV Bay extension	2.58
8.	Renovation & Modernization of 33/11 kV Substation	3.98
9.	HT Capacitor bank in 33/11 kV Substation	8.59
Sub Total		53.14
(B)	11 kV Works	
1.	New 11 kV line	22.34
2.	Reconductoring of 11 kV line	12.12
3.	Installation of new Distribution Transformer	49.76
4.	Capacity Enhancement of old Distribution Transformer	0.29
5.	New LT line	0.18
6.	Replacement of LT bare Conductor by LT ABC	29.38
7.	LT Capacitor bank	3.23
8.	HVDS	97.98
9.	Metering	25.63
10.	Mobile service centre	1.74
11.	Others	57.61
Sub Total		300.23
Total (A+B)		353.38

Notwithstanding the above in-principal approval, the Commission cautions the Petitioner to refrain from such misdemeanours of going ahead with investments without prior approval of the Commission in future, failing which such investment would be disallowed, which would also result in disallowance of the consequential 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 Regulations/Licence Conditions 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:

3.1. 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.

3.2. The petitioner shall ensure completion of the R-APDRP works within the specified time lines and also of achieving the specified target for reduction of AT&C losses to the extent of 15% within the stipulated timeframe for availing the benefits of conversion of loan into grant. In case the petitioner fails to do so, the servicing cost/cost of the loan in whole or part may not be allowed as pass through in the ARR.

3.3. All the terms and conditions of sanction of loans as laid down by PFC in their detailed sanction letters should be strictly complied with.

3.4. The licensee shall, for portion of the works not covered under loan assistance from PFC under Part-'B' of R-APDRP scheme, plan and arrange for least cost financing from Financial Institutions and submit the approvals/terms of Financial Institutions alongwith complete financing plan finalised by it within 3 months.

3.5. After completion of the project the Petitioner shall submit the completed cost of each of the works.

- 3.6. The additional cost burden of the works which fail to meet the prudence check, if any, arising out of the cost or time over runs or variation in the scope of implementation of the project or on any other account may not be allowed in the Annual Revenue Requirement of the licensee.
- 3.7. The petitioner is directed to submit quarterly completion status report for Part-'B' of R-APDRP scheme.

(K.P. Singh)
Member

(C.S. Sharma)
Member

(Subhash Kumar)
Chairman