

Before

UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

Petition No. 33 of 2014

In the Matter of:

Approval of Capital Investment under Para 11 of the Transmission Licence [Licence No. 1 of 2003].

In the Matter of:

Power Transmission Corporation of Uttarakhand Limited (PTCUL) ...Applicant

AND

In the Matter of:

Investment Approval (Change in scope) for Construction of (2x50 MVA) 220/33 kV substation at Piran Kaliyar.

Coram

Shri Subhash Kumar Chairman

Shri C.S. Sharma Member

Shri K.P. Singh Member

Date of Order: 23rd February, 2015

ORDER

The Petitioner, Power Transmission Corporation of Uttarakhand limited (PTCUL) has sought approval for Construction of 2x50 MVA, 220/33 kV substation at Piran Kaliyar vide their Application No.372/MD/PTCUL/UERC dated 25.03.2014 under Para 11 of Transmission Licence [Licence No. 1 of 2003].

2. The Commission had earlier vide its Order dated 04.12.2012 given investment approval for construction of 2x25 MVA 220/33 kV substation at Piran Kaliyar and associated LILO work of 220 kV S/C Roshanabad (Haridwar)-Puhana line at this substation with project

cost of ₹ 49.79 Crore. Since the investment approval of the said LILO work has already been accorded by the Commission, the petitioner, in the present petition is seeking investment approval for construction of 2x50 MVA, 220/33 kV substation only.

3. The Petitioner has stated that the land which was initially selected for construction of 2x25 MVA 220/33 kV sub-station at Piran Kaliyar was not allotted to PTCUL and now a new land at Imli Khera has been allotted by the district authorities to PTCUL, which is close to the initially selected land.
4. The capital cost structure of proposed scheme is presented below:

Table:1 Details of Capital Cost structure under REC Scheme

Particulars	Proposal sent to REC (as per DPR) (₹ Crore)	Considered by REC (₹ Crore)
2x50 MVA 220/33 kV sub-station at Imli Khera (Piran Kaliyar)	66.12	49.50
Total	66.12	49.50
Debt (70% of above)	46.28	34.65
Equity (30% of above)	19.84	-

5. The Petitioner has also submitted details of the cost which have not been considered by REC while sanctioning loan assistance, which are mainly 20% quantity variation, 3% contingency, IDC, Government Guarantee fee.
6. The Petitioner has submitted a copy of the extract of the Minutes of the Meeting dated 06.08.2013 wherein the Petitioner's Board has, in addition to other schemes, approved Corporation's proposal for construction of 2x50 MVA 220/33 kV Sub-station at Imli Khera (Piran Kaliyar) to be funded through 70% loan assistance by PFC and balance through equity to be funded by GoU.
7. A motion hearing was held in the Commission's office on 23.04.2014 to decide admissibility of the Application alongwith other Applications for investment approval submitted by the petitioner. In the daily Order the Commission ordered that:

"i. PTCUL shall submit, in each case, a detailed report in chronological order justifying the delay in implementation of the projects and detailed reasons for change of scope/specifications

including transformer capacity, type of sub-station etc. PTCUL is ordered to give a comprehensive presentation before the Commission on 06.05.2014 at 3:30 PM.

ii. *PTCUL should also submit by the said date the current status of all the ongoing projects for which Commission approval has already been accorded and which are yet to be completed and put to use."*

8. PTCUL vide letter No. 497/Dir (Projects)/PTCUL/UERC dated 26.07.2014 submitted the compliance of the above directions given in the daily Order dated 23.04.2014. In the report submitted by PTCUL, it was stated that the main reason for the delay in implementation of the originally approved substation was cancellation of the previously selected land and thereafter allotment of another land by the concerned Government authorities.
9. In the light of the above, PTCUL was directed vide UERC letter No. UERC/Misc. App. No. 14 of 2014/1027 dated 02.09.2014 to submit in affidavit, that the selected land for construction of the substation and the corridor for construction of the connecting LILO line of 220 kV S/C Roshanabad (Haridwar)-Puhana line has been transferred in the name of PTCUL and that there is no opposition from local population.
10. PTCUL vide letter No. 749/CE(C&R)/PTCUL/IA dated 30.12.2014 informed the Commission that around 3.423 hectares land at Imli Khera, district Haridwar has finally been allotted to PTCUL on 30 years lease by the State Government for construction of proposed Sub-Station. A copy of the lease deed of the land in favour of PTCUL has been submitted by the petitioner. Further, it has been submitted by the Petitioner that there is no opposition from the local population and the work for the construction of the sub-station can be carried out unhindered.
11. On the scrutiny of the estimate for the construction of the proposed sub-station it is observed that the cost differential due to change in configuration and location of the sub-station is around ₹ 13.44 Crore. This variation is mainly on account of increased cost of supply of equipments and civil works. The cost of civil work has increased from ₹ 6.09 Crore to ₹ 13.76 Crore i.e. 2.26 times in comparison to the initial proposal submitted by PTCUL i.e. construction of 2x25 MVA sub-station. According to the Executive Engineer (civil) of the petitioner, as the allotted land is situated in a low lying area and as the level

of the existing nearby road which provides access to the proposed sub-station, is on average 2.0 meter higher, a lot of land development work in the form of land filling has to be undertaken. On account of land filling of about 2.0 meter the cost of foundations of transformers, equipments, fire protection wall between the transformers, staff quarters etc have increased manifold. Moreover, according to Executive Engineer (civil) the rates for civil material/labour have increased substantially in two years since the DPR for initial proposal was submitted to the Commission i.e. for construction of 2x25 MVA sub-station.

12. On the direction of the Commission a team of the Commission's officers visited the site on 13.01.2015 to get the first hand knowledge of the topography of the land. The extract of the site inspection report submitted by the team to the Commission is reproduced below:

"The contour map of the site was put-up by concerned Executive Engineer. The area of the field is 3.423 hectares i.e. 34230 sq. meters. The level of road is at 100 meter.

The site is very uneven. The level of the field is between 100 Meters to 93 meters. Huge quantity of earth work is required to plain the site. Though the average level of field is below road level but there seems to be no problem of drainage.

The drainage of the field of other cultivators in upstream of this field also passes through this field. So a drain of sufficient discharge has to be maintained through this field.

As construction of drain in this field is mandatory, the level of the terrace for power station can be kept below the existing road level. If the level of this terrace is kept 3 to 4 meters below the road, the quantity of outside earth can be avoided."

13. A meeting was held with the officers of PTCUL (Civil) on 02.02.2015 who informed that the terrace level has not been decided till date though the Civil estimate was prepared taking the terrace level of 98 meters on the basis of which earth filling of around 80000 cubic meters was arrived. They further informed that at various terrace levels the amount of earth filling shall be as follows:

- (i) For 98.50 meters terrace level earth filling shall be around 91984 cubic meters
- (ii) For 98.00 meters terrace level earth filling shall be around 74872 cubic meters
- (iii) For 96.00 meters terrace level earth filling shall be around 6424 cubic meters

During the meeting it was also informed by the officers that the contract for the construction of the Sub-station has already been awarded. The Petitioner submitted separate agreements for Construction and Erection, Testing & Commissioning and Civil works for construction of substation at Piran Kaliyar (Imli Khera). From the data provided by the Petitioner, as above, it is apparent that lowering the terrace level shall substantially reduce the cost of earth filling and which shall in turn lead to reduction in the cost of the foundations of the structures, buildings etc. On perusal of the said agreements it is observed that the rates for supply of electrical items like transformer, control panels etc. as well as rates for civil works like earth filling, foundations of transformers, fire protection wall, construction of tube-well etc. are much higher than the estimated rates. This is yet another case wherein contracts were awarded before the investment approval was granted by the commission. The repeated flouting of regulations in this regard is a matter of serious concern to the Commission. Such action infact renders investment approvals a meaningless ex-post-facto exercise. The Commission would caution the licensee that any reoccurrence in future of this may result in Commission refusing to grant investment approval.

It is also surprising to know that contracts have been awarded without deciding the land level at which the substation is to be constructed. This has substantial cost implications. The estimate has been drawn considering the land level 2 meters below the road level. Presumably the quotes received and contract awarded is based on this land level. As per the team of officers deputed by the Commission the leveling of land 4 meters below the road level also is unlikely to create any problems. If the land is leveled 4 meters below road level it will result in substantial reduction in cost of land filling as also cost of various foundations. MD, PTCUL should personally ensure that if the level of land is decided to be lower than 2 meter below road, the contract of civil work is appropriately renegotiated.

14. On analysis of the Petition, it was observed that against the capital cost of ₹ 66.12 Crore (including IDC) submitted by PTCUL, REC has considered capital cost of ₹49.50 Crore only and accordingly, a loan assistance of ₹ 34.65 Crore against the debt requirement proposed by PTCUL of ₹46.28 Crore has been sanctioned by the financial institution. Thus,

there is a shortfall of ₹ 11.63 Crore in terms of debt funding. Further, PTCUL has claimed that the equity component amounting to ₹19.84 Crore shall be funded by GoU.

15. The Petitioner has confirmed that the substation work has not been financed or tied up for financial assistance from any other source or lending organization and, thus, there is no duplicate financing for the proposed works.
16. According to the petitioner, initially the location of the site was such that only three 33 kV Sub-Stations having combined load of 39 MVA could be connected to the upcoming Sub-Station. Therefore, a Sub-station having capacity of 2x25 MVA was proposed earlier. However, due to change in the location of land five 33 kV Sub-stations having combined load of around 80 MVA could now be connected to the proposed sub-station. Therefore, in order to cater to the increased load, the capacity of the proposed 220/33 kV Sub-Station has been increased to 2x50 MVA from 2x25 MVA.
17. The Petitioner, like in the case of Bageshwar, where the configuration of the Sub-station was changed from 2x15 MVA to 6x5 MVA and type of substation was changed from AIS type to GIS type due to non-availability of land, has again cited change in the location of the allotted site as the reason for change in the configuration of the Sub-Station. The Commission would again like to reiterate its views expressed in its Order dated 26.12.2014 while approving investment approval of 6x5 MVA GIS substation at Bageshwar:

... "The licensee has taken no action to implement that approval and has cited non-availability of a land as the sole reason for not taking up of this work. Apparently, there is something seriously amiss both in their approach of acquiring land as also in their effort level to do so. The Commission has time and again mentioned in its orders that very poor progress in transmission works is adversely affecting both the generators situated in the State and also the upcoming consumers..."

The Commission is of the view that in future the higher officers of the Petitioner should approach concerned government officials at top level to expedite all land transfer cases and not leave the matter in the hands of junior level officers.

18. In the absence of any justified reasons for including quantity variation, contingency, government guarantee, the Commission disallows these provisions in the estimate.

Accordingly, the Commission hereby approves the project cost of ₹49.50 Crores as considered by REC subject to prudence check. Subject to the certification to be given by MD, PTCUL on affidavit within one month of the issue of the Order that no alternative level land is available in the vicinity of the selected land and that suitable cost adjustments shall be done if there is any lowering of the final terrace level the Commission hereby orders that:

- (a) All the loan conditions as may be laid down by REC in their detailed sanction letter be strictly complied with. However, the Petitioner is directed to explore the possibility of swapping this loan with cheaper debt option available in the market.
- (b) The Petitioner shall, as and when the need arises, submit detail specifying funding arrangement for the balance debt over and above that sanctioned by REC.
- (c) Since project cost of ₹ 49.50 Crores does not include Interest during Construction (IDC) which is a legitimate cost in any project mode funding, therefore, the Petitioner for meeting this requirement of IDC should approach financial institution/GoU for funding of this component.
- (d) 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 proposed scheme.
- (e) After completion of the project, the Petitioner shall submit the completed cost and financing of the scheme. The petitioner must endeavor to shorten the period of completion of project.
- (f) The cost of servicing project cost shall be allowed in the Annual Revenue requirement of the petitioner after the assets are capitalised and subject to prudence check of cost incurred.

(K.P. Singh)
Member

(C.S. Sharma)
Member

(Subhash Kumar)
Chairman