

Before

UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

Petition No. 35 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 2x20 MVA 132 kV GIS substation at Lohaghat

Coram

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

Date of Order: 30th January, 2015

ORDER

The Petitioner, Power Transmission Corporation of Uttarakhand limited (PTCUL) has sought approval for construction of 2x20 MVA, 132 kV GIS substation at Lohaghat vide their Application No.371/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 19.12.2012 given investment approval for construction of 2x20 MVA 132 kV AIS substation at Lohaghat and associated 132 kV

single circuit line on Double Circuit towers from 220/132 kV sub-station Pithoragarh of PGCIL to 132/33 kV sub-station at Lohaghat of PTCUL with project cost of ₹ 103.76 Crore. Since the investment approval of the line has already been accorded by the Commission in the aforesaid order, the petitioner, in the present petition is seeking investment approval for construction of 2x20 MVA, 132 kV GIS substation at Lohaghat in place of earlier approved AIS sub-station only.

3. The Petitioner has stated that the cost involved in land development in hills for construction of AIS substation is very large and involves felling of large number of trees. Therefore, Board of PTCUL has decided that henceforth all the substations in hills shall be based on GIS technology, therefore, GIS substation in place of AIS S/s is being proposed at Lohaghat.
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)
Construction of 132/33 kV GIS S/s (2x20 MVA) Lohaghat	93.16	67.41
Total	93.16	67.41
Debt (70% of above)	65.21	47.19
Equity (30% of above)	27.95	

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 2x20 MVA 132 kV GIS sub-station at Lohaghat to be funded through 70% loan assistance by REC 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. The daily Order was passed by the Commission and 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 AIS substation was delay in allotment of 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 on affidavit, that the selected land for construction of the substation and the corridor for construction of the connecting line i.e. 132 kV single circuit line on Panther conductor on Double circuit towers from 220/132 kV sub-station Pithoragarh of PGCIL to 132/33 kV sub-station at Lohaghat of PTCUL line has been transferred in the name of PTCUL and that there is no opposition from local villagers.
10. PTCUL vide its letter dated 12.01.2015 stated that 0.802 Hectare land for construction of the sub-station at Lohaghat has been transferred to PTCUL on lease by Government of Uttarakhand initially for a period of 30 years and submitted a copy of letter dated 06.01.2015 of Secretary, GOU in this regard. The petitioner further submitted that there is

no opposition from local population over the possession of land by PTCUL for the construction of the proposed sub-station.

11. On analysis of the Petition, it was observed that against the capital cost of ₹ 93.16 Crore (including IDC) submitted by PTCUL, REC has considered capital cost of ₹ 67.41 Crore only and accordingly, a loan assistance of ₹ 47.19 Crore against the debt requirement proposed by PTCUL of ₹ 65.21 Crore has been sanctioned by the financial institution. Further, PTCUL has claimed that the equity component amounting to ₹ 27.95 Crore shall be funded by GoU.

12. The Petitioner has proposed REC's loan assistance at the rates prevailing on the date of each disbursement. The rate prevailing at the date of sanction was as under:

Option I	Option II
Effective interest rate with reset after every 3 years	Effective interest rate with reset after 10 years
12.00%	12.25%

13. As per the REC's sanction letter, tenure of the loan is 15 years and the Petitioner would pay interest on the loan at the above applicable rate of interest for the entire period of 15 years from the date of release of first installment. However, with regard to repayment of principal there is a moratorium period of 3 years from the date of disbursement of first installment of the loan. The principal installment is payable in equal annual installments on 15th of the month in which the 1st disbursement is made.

14. 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.

15. According to the petitioner the present load of Champawat and Lohaghat area is around 3.40 MW and 7.24 MW respectively. This load is being catered through long 33 kV feeders from 132/33 sub-station Pithoragarh of PTCUL and 132/33 kV sub-station Almora resulting in voltage drop and frequent interruptions and breakdowns. Considering the

future load growth in and around Champawat and Lohaghat area and for better utilization of 220/132 kV sub-station of PGCIL at Pithoragarh need for the proposed sub-station is being felt. With the construction of the proposed sub-station not only the length of the 33 kV feeders shall reduce considerably but also the loading on 132 kV sub-stations at Pithoragarh and Almora shall also reduce which shall ensure quality and reliable power to the consumers of the area.

16. The Petitioner has cited the decision of its Board to henceforth construct GIS sub-stations in hilly areas as the reason for change of scope from AIS to GIS sub-station at Lohaghat. The Commission would like to reiterate its views expressed in the investment approval Order dated 26.12.2014 for construction of 132 kV (6x5MVA) GIS substation at Bageshwar:

"The Act imposes a duty on the transmission licensee to develop an intra-State system economically. Decision of the Board of the licensee to go in for only higher cost option in hilly areas cannot be sustained. This will have to be examined on case to case basis and lower cost option of AIS need only be rejected where land availability poses an unsurmountable problem."

Therefore, the Commission as in the case of Bageshwar directs the Petitioner to critically re-examine the land availability with them at Lohaghat and adequacy thereof for housing an AIS substation. If it is found to be adequate, the licensee is further directed to again approach its Board and revert back to AIS substation. This exercise needs to be completed within two months. Alternatively, if the land availability is not adequate to house an AIS substation, report in this regard be submitted to the Commission within one month of this order. As the execution of this work has already inordinately delayed, if it emerges, that an AIS substation cannot be created in the available land the licensee is permitted to proceed for creation of the GIS substation.

17. In the absence of any justified reasons for including 20% quantity variation, 3% contingency, government guarantee fee, the Commission disallows these provisions in the estimate. Accordingly, the Commission hereby approves the project cost of ₹ 67.41 Crores as considered by REC subject to prudence check. Further, subject to the compliance to directions contained in Para 16 above 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 ₹ 67.41 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 and GoU for loan assistance and equity infusion respectively.
- (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