



Uttar Pradesh Electricity Regulatory Commission

Petition No. 1707 of 2021

BEFORE

THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

LUCKNOW

(Date of Order: 12-07-2021)

QUORUM:

Hon'ble Shri Raj Pratap Singh, Chairman

Hon'ble Shri Kaushal Kishore Sharma, Member

Hon'ble Shri Vinod Kumar Srivastava, Member (Law)

IN THE MATTER OF:

Approval of incurring capital expenditure of an estimated cost of Rs. 60.03 Crore for implementation of 02 nos. new transmission scheme, approved in 4th quarter of FY 2020-21, in terms of Regulation 32.2 of Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution and Transmission) Regulations, 2019.

Uttar Pradesh Power Transmission Corporation Limited,

5th Floor, Shakti Bhawan,

14 - Ashok Marg, Lucknow.

.....Petitioner

The following were present:

1. Shri. Anil Jain, Director (Commercial and Planning), UPPTCL along with his team.



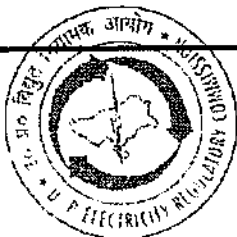


ORDER
(Date of Hearing 24.06.2021)

1. The instant Petition No. 1707 of 2021 has been filed by the State Transmission Utility i.e., UPPTCL for approval of Capital Expenditure of an estimated cost of Rs. 60.03 Crores against 2 nos. schemes in terms of Regulation 32.2 of UPERC (Multi Year Tariff for Distribution and Transmission) Regulations, 2019.
2. The Commission, after scrutinizing the Petition, had observed various discrepancies / data gaps, which were sent to UPPTCL vide email dated 12.06.2021 and 18.06.2021. UPPTCL vide its Letter No.458/Dir(P&C)/UPPTCL/2021 dated June 16, 2021 and Letter No.478/Dir(P&C)/UPPTCL/2021 dated June 22, 2021 has submitted the response to the said queries.
3. The Commission heard the matter on 24.06.2021 and during the hearing, Sh. Anil Jain, Director (Commercial), UPPTCL made a presentation and submitted that, as per regulation 32.2 of UPERC Tariff Regulations, 2019, the Petitioner is required to take prior approval of the Commission, on quarterly basis, for all capital expenditure projects of 220 kV & above and other capital expenses of value exceeding Rs. 20 Crores. He submitted that following 2 nos. schemes amounting to Rs. 60.03 Crores has been submitted for the approval of the Commission in the present Petition:

SCHEMES FOR APPROVAL OF CAPITAL EXPENDITURE

| Sl. No. | Scheme No. | Name of Scheme | Type | TWC Approval | ETF Approval | Amount (Rs. in Crore) |
|---------|------------|-------------------------------------------------------------------------------------|-------------------------------------------|-----------------------------------|--------------|-----------------------|
| 1 | Scheme-1 | Augmentation at 400/220kV Panki S/s from 2x315MVA to 2x500MVA transformer | Transformer augmentation | 13/42 nd 15.02.2021 | N/A | 33.28 |
| 2 | Scheme-2 | LILO of one ckt of 400kV DC Shami-Aligarh line at THDC Khurja Power Plant (2x660MW) | System strengthening, Evacuation of Power | 13/42 nd 15.02.2021 | N/A | 26.75 |
| Total | | | | | | 60.03 |





4. The Commission has considered the submissions and pleadings made by the Petitioner and the views/ observations / directions of the Commission is detailed in subsequent paras:

Scheme No. 1 (Augmentation of 400/220kV 2x315MVA to 2x500MVA Transformer at Panki Substation)

Petitioner's Submission

- (i) The Petitioner submitted that at present 02 nos. 315 MVA transformers are installed at 400/220/132kV Substation Panki (Kanpur). Considering the peak loading of substation & to ensure availability of capacity of substation in N-1 contingency, increasing capacity of this substation from 2x315MVA to 2x500MVA is approved by TWC in 42nd meeting of 13th Plan held on 15.02.2021. Further the augmentation of 400kV Panki s/s has also been discussed in 3rd NRPC (TP) of CEA held on 19.02.2021. The Augmentation cost of the project is Rs. 33.28 Crores where two Transformers of 315 MVA capacity will be replaced by two Transformers of 500 MVA is to be carried out at existing substations which is owned, operated and maintained by the Petitioner.
- (ii) Further, the Petitioner submitted that the Commission had asked the query on treatment of assets being replaced in accordance with the Regulation 18.8 of UPERC MYT Regulation, 2019 in Panki (Kanpur) substation scheme. In response to the query the Petitioner submitted that in case of replacement of asset (including capacity augmentation/ increase cases), the old asset taken down is transferred to AG 16 (Assets not in use account) at its carrying value, i.e., Gross Value minus accumulated depreciation. AG 16 is not a part of Fixed Assets and is not subject to depreciation. Any asset lying under AG 16 at the year-end is transferred to AG 22 (Stores) and remains there unless it is disposed of or re-issued. Further the Petitioner submitted that the same





practice is uniformly followed in all zones of the Petitioner. Further, the Petitioner submitted that the existing Transformers of 315 MVA has been shifted from 400 kV Azamgarh and 400 kV Agra substation to Panki Substation and the same will be used at 400 kV Sultanpur Substation augmentation project approved in 29th TWC and 400 kV Jaunpur substation augmentation project approved in 39th TWC meeting.

- (iii) Additionally, the Petitioner submitted that the Commission vide its Order dated 10.02.2021 in Petition No.1653 of 2020 had directed that all new transmission projects above 220kV shall be implemented through TBCB Tariff Based Competitive Bidding in view of the difficulties and issues associated with it. The petitioner submitted that if Augmentation/modification works at existing substations are implemented through TBCB, the following operational as well as commercial issue will arise:
- (i) There may be issues with regard to sharing of common facilities in the existing substation, such as firefighting system, control equipment, DC supply system protection system etc. which may jeopardize the operationalization of augmentation works.
 - (ii) There may be jurisdictional issues in operation of the equipment and may not be cost effective, or the developer has to enter into O&M agreement for 25-35 years with existing owner of the sub-station for carrying out O&M of the augmentation works.
- (iv) The Petitioner further stated that as per revised Tariff Policy notified by Ministry of Power on 28.01.2016, there is exemption of technical up-gradation schemes of ISTS (Inter State Transmission system) from TBCB as reproduced below:

"7.1 Transmission pricing

(7) While all future inter-state transmission projects shall, ordinarily, be developed through competitive bidding process, the Central Government may give exemption from competitive bidding for (a) specific category of





projects of strategic importance, technical upgradation etc. or (b) works required to be done to cater to an urgent situation on a case to case basis."

- (v) Furthermore, it is pertinent to mention that Empowered Committee on Transmission (ECT) in 2nd meeting dated 06.08.2018 have also deliberated the issue of exemption of implementation of augmentation/modification works at the existing ISTS substations from TBCB and has agreed for exemption of implementation of augmentation/modification works at the existing ISTS substations from TBCB.
- (vi) In view of difficulty and issues associated with implementation of augmentation/modification works at existing ISTS substation, the Petitioner requested the Commission to exempt the work (Augmentation at existing 400kV Panki S/s) to be implemented through TBCB and allow the implementation through EPC (Open Tender) mode.

Commission's View

- (i) The Commission observed that the IRR of the said scheme claimed by the Petitioner is 134.75% as the Petitioner has considered load factor of 50% for first 10 years and 70% thereafter for the remaining life. The Commission while calculating the IRR of the said scheme has also considered load factor of 50% for first 10 years and 70% thereof for the remaining life in line with the approach adopted in the previous approval of schemes of 1st, 2nd and 3rd Quarter. The Commission has also calculated IRR of 134.75% for the said scheme, which is much more than 10.12%, i.e. the last approved rate of interest on loan/debt as per Tariff Order dated 29.06.2021 for FY 2021-22 and hence considers the same in order. Further, it has also been observed that these investments are catering to the load requirement of coming years.
- (ii) Further, in regard to the request of the Petitioner to exempt the execution of augmentation scheme through TBCB route, the Commission has observed that





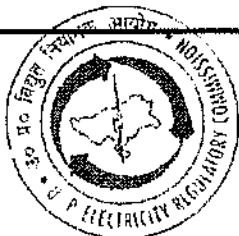
the Petitioner was directed vide Order dated 10.02.2021 in Petition No. 1653 of 2020 that all new transmission projects above 220 kV shall be implemented through TBCB in view of the difficulties and issues associate with it. Hence, the Commission is of the view that it has already provided the relaxation to certain extent and therefore no further relaxation can be provided in this regard. However, the Petitioner can approach on case-to-case basis and the Commission if considers deem fit, may relax the same.

- (iii) Hence in view of the above, Schemes No. 1 (Augmentation of 400/220kV 2x315MVA to 2x500MVA Transformer at Panki Substation) of Rs. 33.28 Crore is approved subject to the conditions mentioned in para 6 of this Order. Further, the request of the Petitioner to exempt the scheme from TBCB route is not being accepted.

Scheme No. 2 (LILO of one circuit of 400kV Shamli - Aligarh D/C Twin Moose line on Khurja STPS)

Petitioner's Submission

- (i) The Petitioner submitted that 2 X 660 MW Khurja Super Thermal Power Project is being implemented by THDCIL in Bulandsahar District of Uttar Pradesh. The MoU for implementation of the project was signed between THDCIL, GoUP and UP Power Corporation Ltd. Power Purchase Agreement (PPA) has been carried out by U.P. Power Corporation Ltd for 60% part of generated power of Khurja S.T.T.P. Power evacuation from Khurja S.T.T.P. is approved by CEA in 2nd meeting of NRPC (TP) dated 01.09.2020 and for share of Uttar Pradesh, LILO of one circuit of 400kV Shamli - Aligarh D/C Twin Moose line on Khurja STPS has been approved. Further the construction of LILO was principally approved by UPPTCL in 41st TWC meeting of 13th Plan. The Petitioner submitted that the 400kV Shamli-Aligarh line is already under construction in EPC mode (work is likely to be completed by June, 2021) and for evacuation





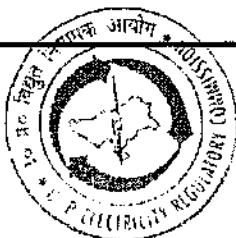
of share of power allocation to U.P. from Khurja TPS, LILO having 13Km. length of this line has been planned.

- (ii) Further, the Petitioner stated that as the proposed LILO work will include modification in the already planned and under construction work which is being carried out through EPC mode and also being smaller project of only 26.75 crore, the tariff discovered through TBCB may not be attractive or sufficient enough to generate interest of bidders who may have to incur the costs upfront while operating the system for 25 years to get the return in the form of fixed tariff. Alternately, the Petitioner will have to wait till other projects are approved and are available for clubbing so as to go for bidding of combined projects, with a cumulative substantial total value of say Rs. 500 crore (approx.), before TBCB project is put up before competent authority/ Bidding Process Coordinator. Further in view that part of the line (after LILO) will be owned by the Petitioner and part by TBCB developers, there would be operational/ jurisdictional issues, in case of faults/ shutdown works etc.

Hence in view of the above, the Petitioner requested the Commission to exempt the work to be implemented through TBCB and allow the implementation through EPC (Open Tender) mode.

Commission's View

- (i) The Commission observed that the IRR of the said scheme claimed by the Petitioner is 381% as the Petitioner has considered load factor of 50% for first 3 years and 90% thereafter for the remaining life. The Commission while calculating the IRR of the said scheme has considered load factor of 50% for first 10 years and 70% thereof for the remaining life in line with the approach adopted in the previous approval of schemes of 1st, 2nd and 3rd Quarter. The Commission has calculated IRR of 378.03% for the said scheme, which is much more than 10.12%, i.e. the last approved rate of interest on loan/debt as





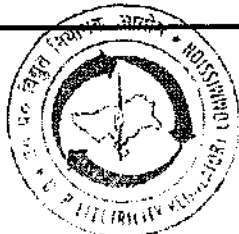
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per Tariff Order dated 29.06.2021 for FY 2021-22 and hence considers the same in order. Further, it has been observed that these investments are catering to the load requirement of coming years. Accordingly, Schemes 2 of Rs. 26.75 Crore is approved subject to the conditions mentioned in para 6 of this Order.

- (ii) Further, in regard to the request of the Petitioner to exempt the execution of augmentation scheme through TBCB route, the Commission has observed that the Petitioner was directed vide Order dated 10.02.2021 in Petition No. 1653 of 2020 that all new transmission projects above 220 kV shall be implemented through TBCB in view of the difficulties and issues associate with it. Hence, the Commission is of the view that it has already provided the relaxation to certain extent and therefore no further relaxation can be provided in this regard. However, the Petitioner can approach on case-to-case basis and the Commission if considers deem fit, may relax the same.
- (iii) Hence in view of the above, **Scheme No. 2 (LILO of one circuit of 400kV Shamli - Aligarh D/C Twin Moose line on Khurja STPS) of Rs. 26.75 Crore is approved subject to the conditions mentioned in para 6 of this Order. Further, the request of the Petitioner to exempt the scheme from TBCB route is not being accepted.**

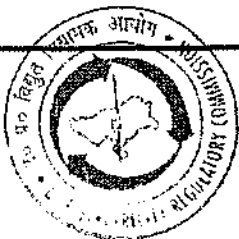
5. In view of above deliberations, the Commission approves the capital expenditure schemes for 4th quarter of FY 2020-21 are as under:

| Sl. No. | Scheme No. | Name of Scheme | Claimed | | Approved | |
|-------------------|------------|---------------------------------------------------------------------------------------|--------------------|---------|--------------------|---------|
| | | | Amount (Rs. Crore) | IRR (%) | Amount (Rs. Crore) | IRR (%) |
| 1 | Scheme-1 | Augmentation at 400/220 kV Panki S/s from 2x315 MVA to 2x500 MVA transformer | 33.28 | 134.75% | 33.28 | 134.75% |
| 2 | Scheme-2 | LILO of one ckt of 400kV DC Shamli-Aligarh line at THDC Khurja Power Plant (2x660MW). | 26.75 | 381.26% | 26.75 | 378.03% |
| Total (Rs. Crore) | | | 60.03 | | 60.03 | |





6. The approval of the above discussed schemes is subject to the following conditions: -
- (i) The Scheme shall be executed within the stipulated time frame as indicated. No time overrun or cost overrun shall be allowed.
 - (ii) The various equipment and material or execution of the schemes shall be procured through a fair and transparent competitive bidding process.
 - (iii) All works shall be carried out in compliance with the Act/ Regulations Rules/ Standards. Further, the work shall be executed by adopting best industry practices, duly keeping in view the aesthetics, in case of all overhead works. The Licensee shall follow the construction standards as approved by CEA.
 - (iv) The Licensee shall submit the completion report indicating the actual cost incurred in implementation of the schemes. The final cost and quantity will be subject to verification by way of prudence check/truing up at the time of final approval/ capitalization.
 - (v) Reclamation of material, wherever applicable, shall be made and credit thereof shall be given at the time of finalization of scheme costs.
 - (vi) The Licensee shall submit six monthly progress report to the Commission indicating the financial and physical progress of the implementation of the schemes.
 - (vii) Taxes are to be levied as per actuals and it shall be accounted for accordingly at the time of finalization of account.
 - (viii) The Licensee shall submit the following prescribed certificates on completion of the schemes: -
 - a. Electrical Inspector's Certificate/ Report. It is also specified that the work shall be commissioned only after obtaining the requisite statutory certificates, including Electrical Inspector's Certificate.





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- b. Contractor's Certificate for proper execution of work
- c. Statutory Auditor's Certificate for the full and final actual cost disbursed for execution of work.

7. Accordingly, the Petition is disposed of.

(Vinod Kumar Srivastava)
Member (Law)

(Kaushal Kishore Sharma)
Member

(Raj Pratap Singh)
Chairman

Place: Lucknow
Dated: 12.07.2021

