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ODISHA ELECTRICITY REGULATORY COMMISSION

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NOTIFICATION

The 21st September 2026

No. 1381---13013/1/2026-tariff div-OERC---In exercise of the powers conferred under Sections 61 and 86 read with Section 181 of the Electricity Act, 2003 and all other enabling powers/provision, the Odisha Electricity Regulatory Commission hereby makes the following Regulations, namely: Odisha Electricity Regulatory Commission (Approval of Capital Investment Schemes) Regulations, 2026

Preamble:

Section 61 of the Electricity Act, 2003 requires the State Electricity Regulatory Commission to be guided by the factors which encourage competition, efficiency, economical use of the resources, good performance so that Generation, Transmission, Distribution, and supply of electricity are conducted on commercial principles with optimum investments and the consumers interest is safeguarded. Section 42 of the Electricity Act, 2003 stipulates that it shall be the duty of the distribution licensee to develop and maintain an efficient co-ordinated and economical distribution system in his area of supply. Section 181 of the Electricity Act, 2003 mandates the State Electricity Regulatory Commission to make Regulations consistent with the Act and the Rules generally to carry out the provisions of the Act. Capital Investment has a significant impact on the revenue requirement and tariff determination process for regulated entities. It is necessary to ensure that the Capital Investment is regulated in a transparent and consistent manner, while ensuring economic and efficient use of resources.

The Odisha Electricity Regulatory Commission (Approval of Capital Investment Schemes) Regulations, 2026 aims to lay down the framework to be followed by all State entities for obtaining the Commission's in-principle approval for proposed Capital Investment as well as the approval to be granted to the final completed cost.

1. Short title, extent, applicability, and commencement

1.1. These Regulations may be called the Odisha Electricity Regulatory Commission (Approval of Capital Investment Schemes) Regulations, 2026.

1.2. These Regulations shall extend to the whole of the State of Odisha.

1.3. These Regulations shall be applicable to the existing and future Generation Companies, Transmission Licensees, Distribution Licensees, State Transmission Utility (STU), State Load Despatch Centre (SLDC) for approval of Capital Investment, in all matters covered under these Regulations and shall not be applicable for approval of Capital Cost of new Generating Unit/Station and for additional capitalisation within the original scope of work of new Generating Unit/Station, which shall be regulated as specified in the OERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2024, as amended from time to time.

1.4. These Regulations shall come into force from the date of their publication in the *Official Gazette*.

2. Definitions and Interpretation

2.1. In these Regulations, unless the context otherwise requires-

1) **'Act'** means the Electricity Act, 2003 (36 of 2003), as amended from time to time;

2) **'Applicant'** means a Generating Company or Transmission Licensee or Distribution Licensee (including deemed distribution licensee) or SLDC, who has filed an Application for approval of Capital Investment in accordance with the Act and these Regulations;

3) **'Auditor' means a** Practising Chartered Accountant (CA) / Cost and Management Accountant (CMA) firm.

4) **'Capital Investment' or 'Capex'** means investment or acquisition for deployment of resources proposed by the Applicant against Project/Schemes/Assets to meet the objectives specified in Regulation 3 of these Regulations;

5) **'Capitalisation'** means the amount of Capital asset put to use, as certified by the Auditor, as specified in Regulation 6 of these Regulations;

6) **'Change in Law'** means occurrence of any of the following events:

   i. enactment, bringing into effect or promulgation of any new Indian law; or

   ii. adoption, amendment, modification, repeal, or re-enactment of any existing Indian law; or

   iii. change in interpretation or application of any Indian law by a competent court, Tribunal, or Indian Government Instrumentality. or

   iv. change of any condition or covenant by any competent statutory authority in relation to any consent or clearances or approval or Licence available or obtained for the Project; or

   v. any change in taxes or duties, or introduction of any taxes or duties levied by the Central or any State Government, Local bodies/Municipal corporation;

7) **'Commission' or 'OERC'** means the Odisha Electricity Regulatory Commission referred to in Section 82 of the Act;

8) **'Competitive Bidding'** means a transparent process for procurement of equipment, services and works conforming to Public Procurement Policy/ Guidelines of Govt. Of Odisha for such procurement.

9) **'Cost Benefit Analysis'** means the comparison of all costs associated with a particular Capital Investment Scheme with all the objectives and benefits including Financial savings, arising out of the Capital Investment Scheme;

10) **'Detailed Project Report' (or 'DPR')** means a detailed report on capital expenditure with projected capital cost exceeding the limits specified in these Regulations, for which the Generating Company or Transmission Licensee or Distribution Licensee or SLDC is required to obtain prior in-principle approval of the OERC in accordance with these Regulations.

11) **'Distribution Licensee'** means a licensee, which includes deemed Distribution Licensee, authorised to operate and maintain a distribution system for supplying electricity to the consumers in his area of supply as defined in Electricity Act, 2003.

12) **'Emergency Works'** means and include all such works necessary to be undertaken as a state of things unexpectedly arising and urgently demanding immediate action to prevent the occurrence/happening/further deterioration/ damage/ disaster/ accident/ incident or restore the system after any of the above events, which shall be completed within 90 days and cannot wait for Application to be made for prior in-principle approval;

13) **'Existing Asset'** means a Generating Unit/Station or assets of Transmission Licensee or Distribution Licensee or SLDC declared as under commercial operation prior to the date of notification of these Regulations;

14) **'Extra High Voltage (EHV)' or 'Extra High Tension (EHT)'** means all voltages above 33,000 Volts;

15) **'Force Majeure Event'** means, with respect to any party, any event or circumstance, or combination of events or circumstances, which is not within the reasonable control of, and is not due to an act of omission or commission of that party and which, by the exercise of reasonable care and diligence, could not have been prevented; and, without limiting the generality of the foregoing, shall include the following events or circumstances:

   i. acts of God, including but not limited to lightning, storm, action of the elements, earthquakes, flood, torrential rains, drought, pandemic, and natural disaster;

   ii. strikes and industrial disturbances having a State-wide or extensive impact in the area of supply of a Licensee, but excluding strikes and industrial disturbances in the Licensee's own organisation;

   iii. acts of war, invasion, armed conflict or act of foreign enemy, insurrections, riots, revolution, terrorist, or military action;

   iv. unavoidable accident, including but not limited to fire, explosion, radioactive contamination, and toxic chemical contamination;

   v. any shutdown or interruption of the grid, which is required or directed by the concerned Load Despatch Centre;

16) **'Generating Company'** means any company or body corporate or association or body of individuals, whether incorporated or not, or artificial juridical person, which owns or operates or maintains a generating Station;

17) **'Generating Station'** shall have the same meaning as defined under Sub-Section 30 of Section 2 of the Act and for the purpose of these Regulations shall also include stages or blocks or units of a generating station;

18) **'High Voltage' (or 'HV')** or **'High Tension' (or 'HT')** means all voltages above and including 650 Volt and up to and including 33 kilo Volts;

19) **'Indian Governmental Instrumentality'** means the Government of India, State Government and any Ministry or Department or Board or Agency controlled by Government of India or the Government of the State where the Project is located or regulatory or quasi-judicial authority constituted under the relevant statutes in India;

20) **'GRIDCO' -** GRIDCO Ltd is registered under the Companies Act, which is a deemed Licensee under the Act, and is authorized to trade electricity for supplying to the Distribution Licensee, it can act as intra State trader.

21) **'Licensee'** for the purpose of these Regulations shall mean a Transmission Licensee or Distribution Licensee, as the case may be, duly authorised by the Commission.

22) **"Life-cycle Cost Analysis"** means the process of assessing the total cost of ownership of an asset over its entire Useful Life, after taking into account all costs of acquiring, owning, maintaining and disposing of such asset.

23) **'Low Voltage' (or 'LV')** or **'Low Tension' (or 'LT')** means all voltages below 650 Volts;

24) **'Officer'** means an officer of the Commission;

25) **"Operation and Maintenance expenses" (or "O&M expenses")** in respect of a Generating Company as per OERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2024,-and in respect of a Licensee, means the expenditure incurred on operation and maintenance by a Transmission Licensee or Distribution Licensee, or part thereof, and includes the expenditure on manpower, repairs, spares, consumables, insurance and overheads;

26) **'OPEX Schemes'** are Schemes proposed to be undertaken by the Generating Company or Transmission Licensee or Distribution Licensee, for Operation and Maintenance/ Repair of the asset, including but not limited to system automation, new technology and IT implementation, etc.;

27) **'Other Business'** means any business undertaken by the Generating Business/Company or Transmission Licensee or Distribution Licensee for optimum utilisation of its assets, apart from the electricity business regulated by the Commission;

28) **'Prudence Check'** means the scrutiny of reasonableness of capital investment incurred or proposed to be incurred, financing plan, use of efficient technology, scope of work, cost and time over-run and such other factors as may be considered appropriate by the Commission in accordance with these Regulations;

29) **'State Grid Code'** means the Code specified by the Commission under clause (h) of sub-section (1) of Section 86 of the Act.

30) **'Tariff Based Competitive Bidding' or 'TBCB'** in case of Transmission Projects means the procurement of Transmission Services in accordance with the 'Guidelines for Encouraging Competition in Development of Transmission Projects' notified by the Ministry of Power, Government of

India, under Section 63 of the Act and OERC (Development of Intra-State Transmission Projects through Tariff Based Competitive Bidding in the State of Odisha) Order, 2022, as amended from time to time.

31) **'Transmission Licensee'** means a Licensee authorised by the Commission to establish or operate transmission lines under Section 14 of the Act.

32) **'Useful Life'** shall have the same meaning as defined in the OERC (Terms and Conditions for Determination of Generation Tariff) Regulations, for generation, OERC (Terms and Conditions for Determination of Transmission Tariff) Regulations for transmission and OERC (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, for distribution, as amended from time to time and as specified in these Regulations;

33) **'Year'** means a Financial Year.

2.2. Save as aforesaid and unless repugnant to the context or if the subject matter otherwise requires, words and expressions used in these Regulations, which are not specifically defined herein but defined in the Act, shall have the meaning assigned to them in the Act; and, if not defined in the Act, shall have the meaning assigned to them in any Act of the Parliament or the State Legislature applicable to the electricity industry and the Regulations framed by the Commission under the Act.

3. Categorisation of Capital Investment Schemes

3.1 Any one or a combination of the following objectives shall invariably need to be fulfilled by the proposed Capital Investment Schemes for being considered for approval in accordance with these Regulations:

a. New Infrastructure to meet upcoming load;

b. Augmentation of capacity of the existing project/system;

c. Increase in transformation capacity;

d. Increase in revenue from the assets;

e. Increase in operational efficiency or reliability of existing system;

f. Increase in the Useful Life of the entire project/scheme/assets;

g. Replacement of the entire asset after completion of Useful Life and which has gone beyond repair;

h. Improvement in power quality and reliability

i. Reduction in maintenance requirements;

j. Renovation and Modernisation (R&M) for life extension of entire project;

k. Improvement in system parameters;

l. Fulfilment of any statutory compliance requirement;

m. Asset replacement as envisaged under Regulation 3.2, 3.6 and 3.9;

n. New infrastructure for enhancement of safety & security;

o. Construction of new Civil infrastructure:

p. Loss Reduction and energy efficiency project

Provided that Renovation and Modernisation Schemes for Generation Business and Transmission Business shall be in accordance with relevant Guidelines notified by the Central Electricity Authority (CEA).

Provided further that the indicative list of various categories of Capital Investment Schemes specified in Regulation 3.2, 3.6 and 3.9 shall be in addition to the objectives specified in this Regulation.

3.2 The indicative list of various categories under which Generating Companies may file Capital Investment Schemes for approval are:

(a) Improvement in operational performance parameters of Generating Unit/Station;

(b) Compliance with environmental norms notified by the concerned Indian Governmental Instrumentality and requires to set up additional assets that qualify under the criteria specified for Capital Investment Schemes;

(c) Renovation & Modernization in accordance with the provisions of the OERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2024, as amended from time to time;

(d) Replacement of Asset on account of, completion of Useful Life, performance degradation, induction of new efficient technology or replacement of asset beyond repair;

(e) Emergency Restoration Works involving asset replacement;

(f) Civil work such as office building, approach road, etc.;

(g) Obsolescence of assets and absence of support from Original Equipment Manufacturer;

(h) Replacement of Battery Sets and battery charger after completion of Useful Life and assets becoming irreparable;

(i) Construction of ash bund and raising height of ash bund;

(j) Installation or upgradation of control and/or protection equipment;

(k) Interface metering and communications;

(l) Battery Storage Schemes:

Provided that the Repair and Maintenance of the existing roads and building and annual maintenance of software shall not be claimed as capital expenditure. Capital expenditure shall not be allowed in the civil works head for the next 15 years after major renovation has taken place. Additionally, expenditure on any new building constructed shall not be allowed under the CAPEX head until 50% of the depreciation has taken place at the rate of 3.34% per annum on a straight-line method (SLM) basis.

3.3 The Generating Companies shall submit separate Capital Investment Schemes for each Generating Unit/Station, as appropriate.

3.4 Under normal circumstances, the cost of premature replacement/shifting of the Generation assets because of projects of other utilities such as road widening, removal of obstacles, and freeing space for other project, shall be recovered/recoverable from the concerned infrastructure development agency:

Provided that the premature replacement/shifting of the assets because of projects of other utilities as stated above may be treated as Capex Scheme depending on circumstances and justification, in cases where the same is not recovered/recoverable from the concerned infrastructure development agency.

3.5 The Capital Investment Schemes submitted by Generating Companies shall be corelated to the remaining tenure of the Power Purchase Agreement with the GRIDCO.

3.6 The indicative list of various categories under which Transmission Licensees may file petition on Capital Investment Schemes for approval are:

a) Evacuation of power from upcoming Generation Unit/Station;

b) Erection of Air Insulated Sub-station (AIS) or Gas Insulated Sub-station (GIS) and associated transmission lines;

c) Capacity augmentation at existing Transmission Sub-station and Transmission Lines and EHV Underground Cables;

d) Construction of transmission link or tie-lines for interconnections between Sub-stations and/or Transmission Lines and EHV Underground Cables;

e) System strengthening to mitigate overloading or to provide redundancy or to improve voltage profile or reactive power management through installation of reactors;

f) Improvement in operational safety and security;

g) Network improvement to ensure reliability and availability of network;

h) Installation or Upgradation of Supervisory Control and Data Acquisition (SCADA);

i) Installation or Upgradation of communication and/or control equipment and/or protection systems;

j) Interface metering and communications;

k) Renovation & Modernisation in accordance with the provisions of the, OERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2014 as amended from time to time;

l) Replacement of Asset on account of completion of Useful Life, performance degradation, induction of new efficient technology or replacement of asset beyond repair.

m) Emergency Restoration involving asset replacement

n) Obsolescence of assets and absence of support from Original Equipment Manufacturer (OEM);

o) Civil work such as office building, approach road for transmission construction, etc.;

p) Battery Storage Schemes:

Provided that the Repair and Maintenance of the existing roads and building and annual maintenance of software shall not be claimed as capital expenditure. Capital expenditure shall not be allowed in the civil works head for the next 15 years after major renovation has taken place. Additionally, expenditure on any new building constructed shall not be allowed under the CAPEX head until 50% of the depreciation has taken place at the rate of 3.34% per annum on a straight-line method (SLM) basis.

3.7 The Transmission Licensees shall submit separate Capital Investment Schemes for each Transmission Scheme, as appropriate.

3.8 Under normal circumstances, the cost of premature replacement/shifting of the Transmission assets because of projects of other utilities such as road widening,

construction/strengthening of dams, removal of obstacles, and freeing space for other project, shall be recovered/recoverable from the concerned infrastructure development agency:

Provided that the premature replacement/shifting of the assets because of projects of other utilities as stated above may be treated as Capex Scheme depending on circumstances and justification, in cases where the same is not recovered/recoverable from the concerned infrastructure development agency.

3.9 The indicative list of various categories under which Distribution Licensees may file petition on Capital Investment Schemes for approval are:

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a. Infrastructure required for releasing new supply connections;

b. System strengthening for enhancing capacity of Sub- station, cables, conductor and Circuit Breaker to mitigate overloading or to provide redundancy or to improve voltage profile or reduce losses;

c. Agriculture related schemes;

d. Justified conversion of Overhead Wires to ABC or Underground Cables based on the approved Policy document;

e. Capital Nature Schemes funded fully/partially by Central or State Government Grants;

f. Upgradation of distribution network in a particular area including ring main system;

g. Installation of Receiving Sub-station, distribution lines and transformers to cater to demand in a particular area;

h. Capacity augmentation of distribution lines and transformers at existing Sub-stations

i. Improvement in quality of supply, safety and reliability of distribution system;

j. Emergency Restoration involving asset replacement;

k. Installation or Upgradation of Supervisory Control and Data Acquisition (SCADA);

l. Installation or Upgradation of communication and/or control equipment;

m. Setting up Distribution System Operation Centre(s);

n. All metering other than consumer metering;

o. Obsolescence of assets and absence of support from Original Equipment Manufacturer;

p. Civil work such as office building, approach road, etc.;

q. Energy conservation measures;

r. EV Charging Infrastructure Development

s. IT Schemes

t. Deposit Schemes

u. Battery Storage Scheme (Other than battery installed by the consumers)

Provided that repair and maintenance of existing roads and buildings shall not be claimed as capital expenditure. Capital expenditure shall not be allowed in the civil works head for the next 15 years after major renovation has taken place. Additionally, expenditure on any new building constructed shall not be allowed under the CAPEX head until 50% of the depreciation has taken place at the rate of 3.34% per annum on a straight-line method (SLM) basis.

3.10 Under normal circumstances, the cost of premature replacement/shifting of the Distribution assets because of projects of other utilities such as road widening, removal of obstacles, and freeing space for other project, shall be recovered/recoverable from the concerned infrastructure development agency:

Provided that the premature replacement/shifting of the assets because of projects of other utilities as stated above may be treated as capex scheme depending on circumstances and justification, in cases where the same is not recovered/recoverable from the concerned infrastructure development agency.

3.11 Capital investment proposals of Distribution Licensees for conversion of Overhead Lines to Underground Cables or ABC or covered conductor shall be allowed only if such proposals are in accordance with a comprehensive policy to be prepared by the Distribution Licensee.

3.12 The comprehensive Policy for conversion of Overhead Lines to Underground Cables, ABC or covered conductor referred in Regulation 3.11 shall be based on the following criteria:

a. Whether the proposed conversion from Overhead Lines to Underground Cables satisfies the criteria laid down by the CEA in the 'Guidelines for use of under Ground Cable System and Overhead Conductor System along with cost benefit analysis', 2018;

b. The purpose of undertaking such Scheme in terms of addressing safety concerns or improving reliability or reducing losses or combination of these need to be clearly identified;

c. Whether use of other cheaper options such as Aerial Bunched Cables or covered conductor, ring main of Overhead network, etc., would resolve the issues being faced;

d. Whether complete conversion of Overhead network (High Tension and Low Tension) to Underground network is required or partial undergrounding of network is sufficient to resolve the issues being faced;

e. Whether the conversion from Overhead Lines to Underground Cables has been prioritised based on certain intelligible criteria;

3.13 Such Schemes for conversion of Overhead Lines to Underground Cables or ABC or covered conductor shall identify quantifiable and measurable parameters to be achieved post execution of such Scheme, which shall be monitored continuously and any deviation be reported to the Commission.

3.14 In order to mitigate the impact of varied and high Road Restoration Charges or Way Leave charges levied by the Local Bodies for laying down underground distribution infrastructure, Distribution Licensees may take up this issue with Urban Development Department of the State Government for reducing/eliminating such charges, which may consider making provision of cable trench alongside the road mandatory to avoid digging of the road for laying down underground infrastructure.

3.15 The indicative list of various categories under which SLDC can file Capital Investment Schemes for approval are;

a) New Infrastructure related to setting up of Back up Load Despatch Centres in other parts of the State.

b) Information Technology related Software including cyber security

c) Hardware and software for SCADA/EMS.

d) Softwares/Servers for energy Accounting and Deviation Settlement.

e) Civil work such as office building, approach road, etc.

f) Battery Storage along with ancillaries.

Provided that the Repair and Maintenance of the existing roads and building and annual maintenance of software shall not be claimed as capital expenditure.

3.16 The indicative list of various categories of Schemes that shall **not be allowed** as Capital Investment Schemes (DPR as well as Non-DPR) for Generating companies or Transmission Licensee or Distribution Licensees or SLDC is as follows:

a. Replacement/repairing of individual items such as Current Transformer (CT), Potential Transformer (PT), Lightning Arrestor (LA), Circuit Breaker (CB), Distribution Box, Cables, LT switchgears, protection system, Insulators and Hardware after failure;

b. O&M/overhauling of the equipment such as CB, Transformers, ICTs Coal Mills, Boiler, Compressor, Generator, Alternator, Coal Handling Plant, Ash Handling Plant, etc.

c. Replacement of small part of the entire system such as Relays of Sub-stations, control, protection and communication panels of Sub-station equipment, replacement of the panel meters, reprogramming of meters;

d. Replacement of the members of the Transmission/Distribution line Towers, increasing height of the towers, replacement of few towers/poles of line, replacement of few spans of the conductor of Transmission/Distribution lines, re-earthing of Towers/poles of line, Strengthening of Towers/Poles of line, replacement of motors, gearbox, Coal Mill parts, Security System (including digital), replacement of protection and control system, water supply system, replacement of ancillary system/Street Lights, etc.

e. Re-earthing of the sub-stations, equipment, replacement of Street Lights, etc.;

f. Premature Replacement of Air Insulated Substation (AIS) with Gas Insulated Substation (GIS). (This may be permitted only in very exceptional case, when new substation cannot be established in the area, for meeting load growth requirement).

g. Premature Replacement of Underground Cables/other equipment before completion of Useful Life, and even after completion of Useful Life in cases where replacement is not justified based on the diagnostic test reports/Study report;

h. Foundation strengthening of the Towers/Poles, substation equipment, internal civil work, repair and maintenance of office/residential quarters/guest house and office building, Metal spreading in yard, furniture, Repair and maintenance of control rooms, Compound wall/fencing for the Sub-stations/DSS and empty land, R&M of existing roads and buildings, etc.;

i. Procurement of maintenance spares, Annual Maintenance Contract (AMC);

j. Beautification projects unless the same is justified as per the pre- decided Policy;

k. Distribution/Generation scope of work included in Transmission DPR, Transmission scope included in Generation DPR, etc.

l. DPR for only land without any project proposal;

m. Development of Garden, Advertisement expenses;

n. Premature replacement of the equipment, cables, rerouting of cables/lines for freeing the space for other project/infrastructure activities of Utility, except as allowed under Regulation 3.4 , 3.8 and 3.10;

o. Work required for restoration of supply post occurrence such as Tower collapse, conductor snapping, shifting of the Tower/poles on consumer request;

p. Clubbing of scope of work of O&M nature at different plants, substations, lines;

q. Opex Schemes as provided in the Regulations;

r. Expenditure that should be taken up under O&M expenses;

s. Transmission Schemes that are not included in the STU plan, except Non-DPR Schemes;

t. Schemes, that have not been processed through the Grid Coordination Committee and/or Appropriate Committee, wherever applicable;

u. Schemes that are not included in the Rolling Capital Investment Plan of the concerned Utility;

v. Schemes that have not obtained the Commission's in-principle approval, unless they are exempted;

Provided that the Commission may consider any request for revision of the normative O&M expenses on account of consideration of some Schemes under O&M rather than Capital Investment on case-to-case basis, depending on the justification to be submitted by the applicant and life-cycle cost analysis, as may be allowed under the applicable respective Tariff Regulations.

3.17 Asset replacement shall not be approved merely because the asset has completed its Useful Life as specified in the applicable Regulations, and the Applicant will have to submit adequate justification for the asset replacement based on aspects of performance degradation based on the diagnostic testing, assets beyond repair, cost-benefit analysis of repair versus replacement and amount of decapitalization in the Asset Register.

3.18 The certificate from the competent agency shall be required in case the replacement of assets is premature without completion of regulated life or obsolescence of the technology and there are alternatives to replacement under capital expenditure.

Explanation: Competent Agency shall include but not limited to entities like Central Electricity Authority, Central Power Research Institute, Electrical Research and Development Association, National Power Training Institute, Indian Institute of Technology, NIT, Government Engineering Institutes or any other reputed expert professional government agency.

3.19 Replacement of the assets shall be the last resort and not the first priority:

Provided that while proposing the assets for replacement, only essential scope shall be considered to optimise the project cost.

3.20 Schemes proposing asset replacement shall be allowed only if the following conditions are fulfilled:

a. Complete asset replacement after completion of Useful Life as per Regulations subject to asset being beyond repair, performance degradation, cost-benefit analysis of repair vs. replacement, technology and/or equipment obsolescence, no support of OEM, etc. which would ensure Operational flexibility and network reliability shall be considered while evaluating and approving capital investment schemes, etc:

b. Part asset replacement after completion of Useful Life as per Regulations, if comprising more than twenty-five (25) percent of the cost of complete equipment;

c. On account of technology obsolescence, subject to certification of Technical Expert body like CEA/other related body and normally comprising more than twenty-five (25) percent of the cost of complete equipment, considering the break-up of cost provided by the equipment supplier;

d. On account of equipment obsolescence, subject to communication from Original Equipment Manufacturer (OEM) confirming discontinuation of support;

e. Submission of details of past maintenance record of the concerned assets in digital format:

Provided that in case certain Schemes for asset replacement are allowed by the Commission under exceptional circumstances despite not fulfilling the above conditions, the Applicant may be entitled to lower rate of Return on Equity on such investment, as may be specified in the applicable Regulations.

3.21 The Applicant may also submit Opex Schemes for approval of the Commission, which shall be considered as separate from Capital Investment Schemes.

3.22 For Opex Schemes, the Applicant shall submit detailed justification and cost benefit analysis and life-cycle cost analysis of such schemes including savings in O&M expenses.

3.23 The purpose of the Scheme shall be given importance rather than the nature of the work or funding pattern, while deciding whether it is a Capex Scheme or Opex Scheme:

Provided that the onus of achievement of the proposed improvements in the set parameters shall lie with the Applicant.

3.24 Useful Life in relation to Unit of a Generating Station, Transmission system, Communication system and distribution system from the date of commercial operation shall be as specified in the relevant Tariff Regulations of Odisha Electricity Regulatory Commission.

4. Framework for Approval of Capital Investment

4.1. Capital investment value exceeding the following threshold limit shall be considered under DPR Schemes:

a) For Transmission Licensee: As per the License condition of Transmission Licensee;

b) For Distribution Licensee: As per the License condition of Distribution Licensee;

c) For SLDC: Rs. 1 Crore.

The above threshold limit shall be subject to amendment by the Commission in the License conditions or by a general or special order issued from time to time.

4.2. Capital investment value for generating companies which needs Commission's approval shall be in accordance with the provisions of OERC Generation Tariff Regulations.

4.3. The Capital Investment Schemes proposed by the Applicant shall be for entire independent system including any associated upstream/downstream works, and the Schemes shall not be submitted in parts:

4.4. Capital Investment Schemes of a value below the values specified in Regulation 4.1 shall be considered as **Non-DPR Schemes**. Capital Investment plan shall be submitted in accordance with the Format specified in **Appendix-3**

4.5. Distribution licensee and Transmission Licensee shall give all the details of Investment made as per the License condition for Distribution business and License condition for Transmission Licensee.

4.6. The Commission shall approve the Capital Investment of DPR Schemes in the following two stages:

a. In-principal approval prior to undertaking the capital investment against DPR Schemes;

b. Completed Capital cost after Asset is put to use to be duly certified by an Auditor.

4.7. Prior in-principle approval shall not be required for Non-DPR Schemes or hundred (100) percent Grant funded Schemes or Schemes that fall under emergency works.

4.8. Prior in-principle approval shall be required for DPR Schemes funded partly by Grants where the contribution or share of the Applicant is higher than the limit specified in Regulation 4.1.

4.9. In case of emergency works, the Applicant shall mandatorily intimate the Commission within 15 days from the start of the work. DPR complete in all respects shall be submitted for post-facto approval of the Commission, with due approval of its competent authority, along with the subsequent quarterly submission in accordance with Regulation 15.2.

4.10. For all Capital Investment Schemes of a value exceeding as defined in this Regulation 4.1, the Applicants shall make a presentation to the Commission on the salient features of the Capital Investment Scheme in order to facilitate better understanding of the Scheme.

4.11. The Capital Investment Scrutiny Committee (CISC) to be set up by the Commission, shall analyse in detail such Capital Investment schemes, raise deficiencies, queries on the Scheme, and after detailed analysis, put up each qualified Scheme for consideration of the Commission. An external expert or agency may be consulted by the Commission from time to time for necessary inputs and expert advice while evaluating such Schemes.

4.12. For Capital Investment Schemes of Transmission Licensee, the STU shall evaluate the technical feasibility and financial prudence of the Scheme based on least cost analysis and sensitivity analysis, in accordance with the Odisha Grid Code (OGC) Regulations, 2015 as amended from time to time and the Prudence Check

framework specified in Regulation 8 of these Regulations. While undertaking the technical evaluation of such Schemes, the STU shall bear in mind the issues related to reactive power management, associated distribution network development, load bifurcation/re-orientation, available alternatives, management of outlets for Distribution Licensees, etc.

4.13. The decision for undertaking Transmission Schemes shall be taken after due deliberation between the stakeholders in the Grid Co-ordination Committee and/or State Empowered Committee for Transmission.

4.14. The Applicant may file the Application once every year for in-principle approval of DPR Schemes on or before 30th September. The Application for in-principle approval of DPR Schemes shall be filed through a category wise Petition, along with the details of individual project/scheme, giving therein cost benefit analysis for all the Capital Investment Schemes, separately. The Distribution Licensees may club Schemes for being considered as a DPR Scheme only for the categories of capital investment schemes specified under Regulation 3, for in-principle approval under these Regulations:

4.15. Distribution Licensees shall submit a consolidated application for approval of Capital Investment covering all Circles/ regions /activities, clearly segregating zone-wise and activity-wise schemes in annexures, for Schemes related to metering, centralised purchase such as Distribution Transformers, Cable, and other equipment, which may be submitted for the Distribution Licensee as a whole. The Distribution Licensees may club Schemes for being considered as a DPR Scheme only for the categories of capital investment schemes specified under Regulation 3, for in-principle approval under these Regulations.

4.16. Transmission Licensees may club the similar type of capital work of particular Zone/Circle-wise to minimise the number of Schemes.

4.17. The Transmission Licensees or Distribution Licensees or SLDC shall not club the O&M Schemes or Non-DPR Schemes to qualify as DPR Scheme. The Transmission Licensees or Distribution Licensees or SLDC shall not club the O&M Schemes to qualify as Non-DPR Scheme.

4.18. The Applicants shall not be allowed to club unrelated Schemes for being considered as DPR Scheme for in-principle approval under these Regulations.

4.19. The Final approval of completed cost after asset is put to use shall be sought along with the claim for true-up for any financial year duly certified by an Auditor and book entry project wise in SAP/ERP and Fixed Asset Register.

4.20. The Generating Company, Transmission Licensees or Distribution Licensees or SLDC shall not split the scope of work into small parts to qualify as non- DPR Schemes.

5. Application for In-Principle Capital Investment Approval of DPR Schemes

5.1. The Application for in-principle approval of Capital Investment against DPR Schemes shall necessarily comprise the following particulars:

(1) **Overview of Scheme**

a. Name of the Scheme

b. Date of approval by competent authority, duly authorised by the Company's Board of Directors, along with documentary evidence;

c. Categorisation of Scheme under Regulation 3 of these Regulations;

d. Objective of the capital investment;

e. Brief scope of work;

f. Estimated cost and basis of the same;

g. Final or tentative location of the project including GPS co-ordinates;

h. Technical specifications of the scope of work; including relevant single line Diagram, (SLD), GIS Layouts etc.

i. Reference of Study Report or Recommendations of reputed Government Institute or Expert agency such as CPRI /ERDA, etc., as applicable;

j. Year-wise capital investment and proposed capitalisation;

k. Funding arrangement with break-up of grants, consumer contribution, debt, equity, as applicable;

l. Completion Schedule of the capital investment with Project Evaluation and Review Technique (PERT) Chart or Gantt Chart or any other suitable Project Monitoring mechanism;

m. Quantifiable, verifiable and monitorable tangible and intangible benefits of the capital investment;

n. Overall cost-benefit analysis including expected impact on tariff;

o. Checklist of the supporting documents appended;

p. Any other relevant documents required based on the nature of the scheme.

(2) **Justification for Scheme**

a. Need for the capital investment with adequate back-up documentation in terms load flow studies, projected load growth, new connection applications to the extent available, recommendations of Original Equipment Manufacturer or expert wherever relevant etc;

b. All Transmission and Distribution Schemes shall be prepared considering overall system requirement, existing infrastructure and ongoing capital investment projects, and not only for specific area, to ensure against over-investment in certain districts/areas;

c. Urgency of the capital investment in terms of scope for and impact of phasing and/or deferment, as well as implications of not undertaking the capital investment;

d. Activity-wise Single Line Diagram of relevant areas;

e. Detailed route of survey for Transmission Schemes;

f. Technical justification;

i. Basis for consideration as a Capital Investment Scheme rather than Opex Scheme or expenditure to be undertaken under O&M expenses;

ii. Statutory requirement, if any which is of capital nature;

iii. Inclusion in STU Plan for Transmission Schemes and prepared as per the provisions of the State Grid Code as amended from time to time.

iv. Expected benefits (Tangible and Intangible benefits) of Capital Investment in terms of development of the new infrastructure, augmentation of existing infrastructure, improvement in operational

parameters/efficiency; improvement in quality of supply, improved load management, increased redundancy, adoption of latest technology, and release of new connections;

v. Past trends and projections of concerned operational performance for next five years, with and without proposed capital investment, in case the Scheme is for improvement of operational performance;

vi. Justification for quantities proposed for various items;

vii. Basis/test report/diagnostic test report, etc., if the Scheme is for replacement of the existing assets;

viii. Compliances of the Central Electricity Authority (CEA) transmission and Distribution planning criteria, provisions of the State Grid Code, etc. as amended from time to time;

ix. Request letter and demand projections of phasing of load of Distribution Licensee or request letter from consumers as applicable;

x. Details of loading of asset, future load projections, and basis for load projections;

xi. NOC of CTU, in case the scheme is incidental to the ISTS;

xii. Reduction in technical and commercial loss;

xiii. Reduction in low voltage pockets or addressing low voltage issue in Distribution system;

xiv. No. of Consumers likely to be benefited due to capital investment.

g. Financial justification/Cost analysis:

i. phasing of capital investment and capitalisation;

ii. cost assessment with break-up of equipment cost, installation cost, Project Management expenses or turnkey cost, as applicable, contingencies, interest during construction etc.

iii. Reasonability/comparison of rates considered for estimation;

iv. Ensuring that only necessary scope of work is considered for execution; Efforts taken by the utilities to optimise the project cost;

v. least cost analysis considering all possible alternatives to the proposed scheme to achieve the desired objectives and merits and demerits of the various alternatives, considering the economic, technical and environmental aspects of all such alternatives, to ensure that the proposed option is the least cost option available;

vi. funding arrangements;

vii. projected revenue addition;

viii. projected reduction in operating costs;

ix. Cost-Benefit analysis in terms of comparison of the investment Cost with technical and financial benefits, quantified objective of the Scheme, overall benefit to the entity, impact on Tariff financial investment criteria such as inter-alia Payback Period, Internal Rate of Return (IRR), and Net Present Value (NPV);

x. Copy of the verification of the land cost issued by the District Revenue Authority if the land is acquired before the in-principle

approval of the scheme, along with the utilisation of the proposed land:

xi. Benefit in terms of additional revenue, reduction in technical & commercial loss and load growth.

Provided that if excess land is acquired without adequate justification, then the Commission may allow the cost of the necessary land only.

h. Methodology by which the Scheme's progress can be monitored and corrective action to be taken in case of any deviation from the schedule including geo-tagging, etc.;

i. Methodology for verification of Scheme being put to use and projected percentage utilization of the assets for the first five years after commissioning of proposed capital investment;

j. Details of required upstream/downstream arrangements, if any, for realisation of the benefits from the proposed Scheme, and their status and programme for their completion;

k. List and Status of Statutory Clearances/Approvals required to execute the project;

l. Physical and financial constraints, if any, in execution of the Scheme, and identification of all possible delays and their causes and proposed mitigation measures.

5.2. The Commission may return/reject any Application if the necessary particulars are not furnished along with the Application, unless specific relaxation is sought and granted by the Commission.

5.3. If the Transmission Scheme is removed from the STU Plan or modified for any reason, then the in- principle approval granted by the Commission to the Scheme, if any, shall be considered as null and void.

5.4. The Capex Schemes proposed by SLDC shall clearly indicate funding through utilisation of Load Despatch Centre Development (LDCD) Fund and balance funding through debt or equity or grants, as applicable.

5.5. The Applicant shall be responsible for obtaining all applicable clearances, approvals, and/or right-of-way, etc. and financial impact of any delay in obtaining the same shall be dealt with appropriately by the Commission.

5.6. The Application for in-principle approval of Capital Investment shall be submitted in accordance **with the Format specified in Appendix 1.**

The Commission may modify the format specified in Appendix 1 from time to time by general or special order.

The Commission may ask the Applicant at any stage of the approval process to submit any other relevant information for undertaking the Prudence Check of the proposed capital investment.

5.7. The following criteria must be satisfied for Capex Schemes proposed for technology upgradation and improvement at significantly higher cost:

a. Significant operational difficulties with the existing assets leading to frequent disruption of operations and/or supply;

b. The Useful Life of the asset proposed to be upgraded is either exhausted or significantly completed as validated by residual life test/diagnostic test results, and not merely because of completion of Useful Life;

c. Cost benefit analysis shall justify the asset upgradation.

Provided that in case the Applicant submits Capex Scheme for technology upgradation and improvement despite the above specified criteria being not satisfied, then the cost of the Capex Scheme shall be recovered directly from the Local Authority governing the area/consumers/ beneficiaries, etc., that shall benefit from the Capex Scheme, and shall not be socialised across the license area:

Provided further that the consent of the concerned Local Authority for recovery of the cost of the Capex Scheme shall be submitted along with the DPR Scheme for in-principle approval of the Commission.

5.8. Revised in-principle approval of Capital Investment

(a) Revised in-principle approval of Capital Investment may be accorded by the Commission in case an Applicant files an application for the same, only under exceptional circumstances related to land unavailability for the Scheme or feasibility of the Scheme being adversely affected due to force- majeure events.

(b) Revised in-principle approval may be sought only after incurring more than ninety (90) percent of the originally approved cost of the Scheme.

(c) Revised in-principle approval may be granted only for change in scope of work due to site conditions and not change in rates.

(d) The Applicant shall submit all the necessary documents and justification for the request for revised in-principle approval as may be sought by the Commission.

(e) Revised in-principle approval shall not be accorded more than once for any Scheme under any circumstances.

Provided that the application for revised in-principle approval shall be supported by necessary approval of Grid Co-ordination Committee and/or State Empowered Committee for Transmission, as applicable.

5.9. Increase in actual cost with respect to the approved cost shall be allowed to be passed through, subject to prudence check based on Force Majeure conditions and supporting documents to be submitted by the Applicant.

5.10. The Applicant may file for cancellation of in-principle approval for any Scheme at any point of time, in case such Scheme is no longer relevant.

6. Submission of details of Completed DPR Schemes

6.1. The approval of completed cost of all the DPR Schemes shall be submitted together with the Petition filed for ARR application and/or true-up for any financial year, and shall necessarily comprise the following particulars for each Scheme:

(1) Name and Reference number of Scheme along with date of in-principle approval by the Commission;

(2) Whether the stated objectives of the Scheme as submitted in the Application for in-principle approval have been achieved, and justification for variation in the same.

(3) Technical Parameters

(a) Date of asset being 'put to use' along with Certificate of Chief Electrical Inspector or authorised officer of Distribution Business/Transmission Licensee, as applicable; GIS-based mapping of all assets created under CAPEX scheme; submission of Asset handover Certificates for all assets created under CAPEX schemes.

(b) Comparison of year-wise loading of asset since the date of being put to use with year-wise loading proposed in the Application for in-principle approval;

(c) Bills of Quantity actually used vis-à-vis quantity claimed in the application for in-principle approval, with break-up of number of units and per unit cost, and justification for the variation in quantity, if any;

(d) Justification for change in scope of work with respect to the original scope of work approved in-principle by the Commission, including changes in specification of assets, if any, and cost implication due to the change if higher than 10% of the approved cost;

(e) Variation with respect to scheduled completion date, reasons and justification for the delay, if any, inter-alia, technical parameters, constraints, controllable and uncontrollable factors, mitigation measures adopted by the Applicant, and confirmation that these factors had been highlighted at the time of seeking in-principle approval;

(f) Technical Completion Certificate (TCC) issued by technical officer of Applicant, duly authorised by the competent authority;

(g) Impact on operational performance on account of delay in execution of works, if any;

(h) Final route survey report in case of Distribution Licensee, and justification for deviation from route proposed in the application for prior approval, if any, in case of cost increase higher than 10% of the approved cost;

(i) Detailed comparison of the scope and cost approved by the Commission vis-a-vis that actually incurred by the Applicant with justification for deviations.

(4) Financial Parameters

Capital Investment put to use as certified by Independent Auditor with following details:

(a) Difference between approved and actual year-wise phasing of capital investment and capitalisation;

(b) Justification for increase in Interest During Construction (IDC), if any, with respect to IDC approved by the Commission in the in-principle approval;

(c) Confirmation that the asset has been capitalised in the annual accounts of the entity, along with the date of asset capitalisation, as reflected either in the Asset Register or ERP system;

(d) Justification for variation in funding through debt or equity or grants, if any, with respect to that proposed in the Application for in-principle approval;

7. Submission of Rolling Capital Investment Plan

7.1. All Generating Companies, Transmission Licensees, Distribution Licensees and SLDC shall submit the Rolling Capital Investment Plan for 5 years period in accordance with the format specified in Appendix 2.

Provided that no new Scheme shall be taken up for consideration till the Rolling Capital Investment Plan is submitted:

7.2. The Capital Investment Plan shall be updated annually on or before September 30th of every financial year and shall be uploaded on Applicant's website.

7.3. The Rolling Capital Investment Plan shall bear in mind the previous trend in capital investment.

7.4. Adverse inference may be drawn regarding the Capital Investment Schemes of the Applicant in case of non-submission of Rolling Capital Investment Plan as per the above schedule:

8. Prudence Check for In-Principle Approval of DPR Schemes

8.1. The Commission shall undertake Prudence Check of the Application submitted for in-principle approval of DPR Schemes based on the submissions made by the Applicant in accordance with Regulation 5 of these Regulations.

8.2. The Prudence Check for in-principle approval of DPR Schemes shall comprise detailed scrutiny of the following parameters *inter-alia*:

(1) Whether the Applicant has submitted all the essential data, justification and documentary evidence, as specified in Regulation 5;

(2) **Technical Evaluation criteria**

(a) Whether the proposed Capex falls under the Categorisation of DPR Schemes specified in Regulation 3;

(b) Background, necessity, objectives, and overall suitability of proposed Capex;

(c) Whether the Scheme will result in quantifiable and verifiable benefits;

(d) Approval of competent authority of the Company;

(e) The Single Line Diagram (SLD) for the proposed Schemes and Grid maps of relevant areas, duly differentiating with the existing Schemes;

(f) The in-feed arrangements for various Schemes along with the letter of confirmation for the in-feed from the concerned agencies;

(g) The feasibility of availability of land and/or right of way approvals for the Scheme and methodology proposed for acquiring the same;

(h) The Bill of Quantity estimated by the Applicant;

(i) PERT Chart/Gantt Chart/ Project Monitoring mechanism showing completion stages and alternative plan for delays.

(j) Whether proposed Transmission Scheme fits into CEA's overall system planning study for the State of Odisha and is included in the Rolling capital Investment Plan of the Applicant and the five-year STU Plan;

(k) Whether it meets the demand projections for the period of five years from the date of commissioning of the scheme;

(l) Whether the Scheme is necessary to discharge the duties and obligations of the Applicant as per the Act or to meet any other statutory or safety requirement;

(m) Whether all possible alternatives to the proposed Capex have been submitted by the Applicant including assessment whether such works can be carried out under Opex Scheme or O&M budget;

(n) Efforts taken by the Applicant to optimise the project cost;

(o) In case proposed DPR is for asset replacement after completion of regulatory Useful Life, the Commission shall scrutinise the following aspects before according approval:

i. Whether the completion of regulatory Useful Life has adversely affected the performance of the asset;

ii. Whether the assets are beyond repair;

iii. Whether performance of the asset can be brought to the desired level through repairs or Renovation and Modernisation;

iv. Residual Life Test to assess the real residual life of the asset parameters;

v. Interruptions/faults/issues that have occurred in the last five years on the asset;

vi. Results of the diagnostic testing of the equipment/material and their analysis;

vii. Past major R&M of the asset;

viii. Recommendation of Original Equipment Manufacturer.

(p) Structural audit report of existing civil structure in case of replacement of civil structure;

(q) Load flow/ Load Growth study report in case of setting up of Distribution network;

(r) Whether all possible constraints have been realistically envisaged and mitigation measures proposed;

(s) Impact if the proposed Capex is either not carried out or is deferred for some period;

(t) Proposed framework for implementation and periodic monitoring of the Scheme;

(u) Requirement of third-party verification on case-to-case basis, if considered appropriate by the Commission;

(v) Demand/Requirement of the Distribution Licensees/consumers.

(3) Financial Evaluation criteria

(a) Cost estimates derived based on rates of components available in the Standard Cost Data Book prepared by the Government/STU.

(b) For new works of Transmission and Distribution Licensees, which are not present in the Standard Cost Data Book, estimated cost based

on average of rates previously awarded by the utility during last one year or least of the quotations received from at least 3 vendors;

(c) In case of deposit work, the consent letter from respective agency/consumer for such purpose and cost sharing arrangements between the development agencies and the Licensees;

(d) In case of works to be partially funded by Grants, whether the approval of respective Government for the same has been submitted;

(e) Whether the proposed Capex is the Least Cost Option;

(f) Cost Benefit Analysis of all possible alternatives;

(g) Proposed funding for the Scheme;

(h) Impact of proposed DPR on retail Tariff.

(i) The Licensees shall frame the Capital Expenditure Schemes for Civil Works in accordance with the Norms of OPWD for Office buildings and other civil structures. The rates estimated in the civil works should be in accordance with the OPWD - Odisha Schedule of rates, applicable as on the date of submitting the Capex Scheme. Further; the Licensee shall take utmost care to frame the specifications, so that optimum Capital Expenditure is incurred on civil structure

9. Approval of Overhead Charges as part of Capital Cost

In the in-principle approval of DPR Schemes, the Commission may allow Establishment expenses of maximum of 5 per cent of capital cost which shall be subject to true-up at the time of approval of completed cost based on head-wise justification to be submitted by the Applicant, and will be limited to lower of 5 per cent of capital cost or the actual establishment expenses capitalised.

10. Treatment of Time Overrun in Capex Schemes

10.1. Capex Schemes shall be planned considering a maximum time horizon of 5 years for Generation companies, 3 years for Transmission Licensees and 2 years for Distribution Licensees. Non- DPR scheme to be completed within a period of 1 year.

10.2. In its Application for approval of DPR, the Applicant shall provide for all expected delays and the expected increase in time for execution of projects due to such expected delays, which are beyond the control of the Applicant.

10.3. At the time of approval of completed cost, the Commission shall consider only those delays identified in the DPR Scheme by the Applicant:

Provided that the Commission may consider any delay in execution of the Scheme for reasons attributable to Force Majeure or Change in Law.

10.4. The total time taken for completion shall not normally exceed the maximum time horizon specified for the Capex Schemes during submission of approval.

10.5. The Commission may allow additional Interest During Construction (IDC) if the total time taken for completion is beyond the above specified time horizon on account of reasons attributable to Force Majeure or Change in Law.

11. Capital Investment in Projects set up through Competitive Bidding under Section 63 of the Act

These Regulations shall not normally be applicable for capital investment undertaken in Projects set up through Competitive Bidding under Section 63 of the Act.

Provided that Final approval may be sought for capital investment undertaken in such projects only in cases where the capital investment has been undertaken under specific conditions of Force Majeure Event or Change in Law.

12. Treatment of Cost Overrun in Capex Schemes

The capital cost of the DPR Scheme, as approved in-principle by the Commission in accordance with these Regulations, shall act as ceiling capital cost with a variation in cost escalation due to change in Statutory dues.

13. Pre-requisites for undertaking Capex Schemes

13.1. All Capex Schemes shall fulfil the below specified pre-requisites for being considered at the time of approval of completed cost:

a. Procurement of equipment or turnkey contracts shall be done in accordance with the Guidelines specified by Public Procurement Policy/ Guidelines of Govt. Of Odisha for such procurement, and the Applicant shall be required to submit documentary evidence of the same at the time of submission of completed cost;

b. If the Applicant fails to initiate the work, including tendering process, within a period of one year or as stipulated by the Commission, from the date of receipt of in-principle approval, the in-principle approval shall be deemed to be cancelled;

c. The Applicant shall provide regular updates on half yearly basis on status of implementation of all Capex Schemes that have received the in- principle approval of the Commission with respect to the PERT Chart/Gantt Chart/ Project Monitoring mechanism submitted along with the Application for in-principle approval, through the web-based portal being developed by the Commission for this purpose and in physical form and email till the web-based portal is operationalised as well as if the web-based portal is not functional for any reason;

d. Along with the half-yearly update, the Applicant shall furnish to the Commission the Completion Report of the Schemes put to use in the latest six months with details of item-wise actual cost incurred, escalation in cost, if any, with reasons, the scope and objectives of the Scheme and to extent to which these have been achieved, etc., in accordance with the Format specified in **Appendix 1**.

e. The Applicant shall authenticate that the Scheme has been undertaken as per the specifications proposed and approved and that standard equipment has been used;

f. Assets put to use after execution of the Capex Scheme shall be added to the Asset Register of the entity with GIS mapping;

g. The applicant should demonstrate, sufficient efforts at its end, to ensure inter-connected entities' upstream/downstream network is created as per the optimised scheduled, to avoid stranding of assets:

Provided that if the Applicant feels for any reason that the work cannot be initiated within a period of one year from the date of receipt of in- principle approval, the Applicant should clearly state accordingly in its application along with the reasons for the same and also state the additional time required in the Application.

Provided further that the onus of compliance with above pre-requisites lies on the Applicant and non-compliance may lead to partial/full disallowance of capital cost, as considered appropriate by the Commission.

14. Standard Cost Sheet for the Transmission Licensees and Distribution Licensees

14.1. The Government of Odisha/STU shall update the Standard Cost Sheet annually based on the latest discovered rates and furnish the same to the Transmission and Distribution Licensee and Commission.

14.2. The Standard Cost Sheet shall be the reference document for estimation of item-wise capital cost by the Applicant while seeking in-principle approval of DPR Scheme.

14.3. For exceptional items not listed in Standard Cost Sheet, the Applicant shall provide budgetary quotations from multiple vendors for estimation of capital cost of such items or procurement costs for earlier periods as a reference.

15. Submission and Periodic Updates of DPR Schemes

15.1. The Applicant shall submit the DPR Schemes with all supporting documents in the formats specified in Appendix 1 for the Commission's approval in physical form.

15.2. In accordance with Regulation 13 of these Regulations, the Applicant shall provide regular updates on the status of implementation of all Capex Schemes that have received in-principle approval from the Commission on a half-yearly basis through the Applicant's website/ SAP access link at Commission premises, as well as in physical form.

15.3. The five-year STU Rolling Plan and Rolling Capital Investment Plan of all Utilities shall be uploaded on the web-based portal.

15.4. The copies of the in-principle approval granted by the Commission for different Schemes shall be uploaded on the Commission's main website.

16. Role of STU in Capex Schemes for Transmission Licensee

16.1. STU shall perform all the activities mandated under the Act and Regulations notified by the Commission including the State Grid Code as amended from time to time.

16.2. The STU shall prepare the rolling five-year Plan for the State of Odisha in accordance with the State Grid Code as amended from time to time and provide technical and financial justification for all the proposed Capex Schemes to be carried out in the next 5 years of the STU plan, in the submission to the Commission

16.3. STU shall be responsible for any changes proposed in the STU Rolling Plan and shall submit proper justification for such changes to the Commission: Provided that the STU Rolling Plan may be revised annually, subject to adequate justification being submitted by the STU.

16.4. The Rolling Capex Plan prepared by the Transmission Licensee shall be in sync with the STU Plan.

16.5. No Capex Scheme submitted by any Transmission Licensee shall be considered by the Commission for in-principle approval unless the Scheme is part of the STU Plan and has been validated by the STU technically and financially.

17. Web-based Portal for Submission and Periodic Updates of DPR Schemes

17.1. The Applicant shall submit the DPR Schemes with all supporting documents in the formats specified in Appendix 1 for the Commission's approval through the

web-based portal as and when developed by the Commission for this purpose and in physical form till the web-based portal is operationalised.

17.2. In accordance with Regulation 15 of these Regulations, the Applicant shall provide regular updates on half-yearly basis on status of implementation of all Capex Schemes that have received the in-principle approval of the Commission, at the end of the month of September and March of every year, through the Applicant's website and the web-based portal as and when developed by the Commission for this purpose and in physical form till the web-based portal is operationalized.

17.3. The five-year STU Rolling Plan and Rolling Capital Investment Plan of all Utilities shall be uploaded on the web-based portal as and when developed.

17.4. The copies of the in-principle approval granted by the Commission for different Schemes shall be uploaded on the Commission's main website as well as the web-based portal as and when developed.

18. Repeal and Savings

Save as otherwise provided in these Regulations, these Regulations supersede the "Guidelines for Approval of Capital Investment Schemes".

19. Power to Relax

The Commission may, by general or specific Order, for reasons to be recorded in writing and after giving an opportunity of hearing to the Parties likely to be affected, relax any of the provisions of these Regulations on its own motion or on an application made before it by an interested person.

20. Issue of Order and Practice Directions

Subject to the provisions of the Act, the Commission may from time-to-time issue Orders and Practice Directions with regard to the implementation of these Regulations.

21. Power to Amend

The Commission may, at any time, vary, alter, modify or amend any provisions of these Regulations.

22. Power to remove difficulties

If any difficulty arises in giving effect to the provisions of these Regulations, the Commission may, by general or specific Order, make such provisions, not inconsistent with the provisions of the Act, as may appear to be necessary for removing the difficulty.

By order of the Commission.

UPENDRA KUMAR PATI
SECRETARY

APPENDIX 1:

Format for Filing of Capital Investment Scheme for In-Principle Approval

1. PART I (Particulars to be furnished in the Overview of the DPR)

1. Index with the documents Page No.	Index with the documents Page No.
2. Name of Applicant _____	(Name of the Utility proposing the capex/DPR)
3. Name of the Capital Investment Work	
4. Nature of capex Scheme (New/ Resubmitted / revised / modified / extended)	Whether the present DPR was earlier referred back/cancelled with any specific directions? If yes, whether the previous conditions are satisfied. The detailed chronology of the events is added or not. Detailed reasoning for resubmission/ revision/ modification/ extension is submitted or not
5. Details of the Location	_____ (Name of Zone, Circle/Area/Location) along with GPS Co-ordinates
6. Date of Approval by Competent Authority designated by the Board of Directors of the Company	(Documentary Proof to be furnished.)
7. Category of DPR	_____ (Under which of the categories specified in the Regulations does the capital work fall under)
8. Objective of the Capital Investment	_____(Overall objective of the work - like system strengthening, system augmentation, replacement of assets, Renovation & Modernization, etc.)
9. Need Analysis	_____(improve reliability, loss reduction, mandatory under sections of EA 2003, as per CEA Regulations, any other statutory mandate, etc.)
10. Overall cost-benefit analysis	Comparison of capital cost & corresponding tariff impact with above benefits, and analysis in terms of payback period, IRR, NPV, other financial parameters for project assessment, etc.
11. Brief Scope and Specifications of Work	
12. Any Reference of Study Report / recommendations of OEM/Expert	_____(Load Growth Report, EPS Report, Load Flow Study, Recommendations Report of Expert Agency, Report of OEM/Third Party/ Recommending Committee/Any report by competent authority based on which works is proposed to be undertaken)
13. Estimated cost Rs.	Rs. ____(Hard Cost-Supporting details) Rs. _____(IDC) Rs. _____(Establishment Cost) Rs._____ (Total Cost with IDC

	& Establishment Cost)
14. Time Frame of the expenditure	Completion Period__month 1- Start Date 2- End Date
15. Funding arrangement	_____(Name of Bank/FI from which loan is expected with expected Interest rate) _____ (In case of fully/partially grant funded scheme, same may be mentioned along with the agency providing the grant and documentary proof of grant provided) _____(In case of funding through deposit works, justification to be provided that the work which is implemented is as per Supply Code etc.) _____(Proof of infusion of Equity if any)/ (In case of funding through Internal accruals, the same is to be mentioned)
16. Whether the scheme is for replacement of asset	If yes, details of original cost of assets, commercial date of operation, value of accumulated depreciation recovered as on …..
17. Benefits/Impact	(%reduction/ increase in Tariff over a period of years, etc.) (% reduction in Loss over a period of years, etc.) % Additional sale of energy ----Augmentation of the system. For existing infrastructure –... S/s will get load relief of ... MW. Thus, S/s capacity addition will not require in next ... years. (So, if no sudden growth is observed triggering additional requirement, capacity addition will not be financially added in ARR even though executed earlier) System Improvement % VR of Feeder (name) will be reduced to .... Any other kind of Benefit (quantifiable)- Case to case basis

- STU / OPTCL must prepare Map of complete InSTS every year showing all existing and proposed infrastructure in Map as per STU plan updated every year. Position of proposed scheme must be properly marked on the State Map. In case of any instantaneous proposal, STU / OPTCL must update the State Map first and upload it on website and then issue the approval of STU for the scheme. There should not be any conflict for any existing lines / infrastructures shown on the Updated Map.

- In case of replacement of existing assets considering obsolescence, Utility needs to get the detailed explanation from OEM regarding the hurdles to keep existing assets with the life extension measures and also justification to declare assets as obsolete like errors in particular parts, Company policy to change product, hard for company to get associated parts, etc.

2. PART II (Particulars to be furnished for justification of works)

1. Need of the investment	_____(Loss reduction, increase in reliability, to fulfil new supply/load growth requirement, Creation of back up Facility, co-relation with previous Schemes (Redundancy, Reliability, Augmentation of the system in terms of increase in capacity, N-1 contingency compliance, Statutory Compliance, etc.)) _____ (The scheme shall be supported by the results of the load flow study or any other appropriate tools, study report/ OEM/Expert recommendation/impact of the scheme on network performance, MoEFCC/MOP/CEA Notification/ Guidelines, etc.)
2. Timelines of the Project	_____(Priority to be submitted for implementation of work) (i.e., Urgent/Regular) ___(Basis on which the priority is decided by the Applicant with detailed justification) _____(Possibility of deferring the investment) _____(Consequential impact, if any, of deferring the capital investment on the Applicant)
3. Scheme for revised approval / scope / cost	Compare earlier urgency and present urgency. Other way to utilize assets partially installed through earlier DPR. Clarification how the existing system is withstanding although earlier approved scheme is not executed in time? Detailed reasoning for the change/ modification / revision in scope and cost along with the documentary proof
4. Proposed Capital Investment Scheme	_____ (Applicant to provide justification on why the proposed capital investment is to be considered under Capex approval and not under Opex or Repairs and Maintenance works based on the definition of Capex specified in the Regulations) In case of revision in cost/ quantity provide broad comparison of earlier and present costs. Justify cost / quantity increment.
5. Technical Justification	Clarify whether life extension is possible or replacement is only option available. Provide detail analysis for life extension. (Submission of Field Reports/Surveys stating hindrances in regular operations of Applicant and how this investment will help in eradication of such hindrances) (Submission of justification how this investment will help in improving the performance/operational efficiency of the Applicant) (Other Technical justification such as necessary to meet planning criteria of CEA, Report/Recommendation of Expert Agency, provisions of Supply Code/Grid Code/Other mandatory rules/guidelines notified by MoEFCC/MoP/CEA or to comply with the Regulations of the Commission) If the scheme is for replacement of the existing assets, then then Past major occurrences /failures. History of major

<table>
<tr><td></td><td>repairs and to justify the assets are beyond repairable.
Prudency of the technical specifications as per market trend</td></tr>
<tr><td>6. Financial Justification</td><td>(How the investment is going to give the desired returns or savings in future) (Long term benefit to be shown in terms of increase in revenue/ income or savings in cost after the implementation of investment)
Treatment of the old assets if the scheme is for replacement of the assets.</td></tr>
<tr><td>7. Phasing of Investment</td><td><table><tr><td></td><td>Year</td><td>Capex Rs. Crore</td><td>Capitalization Rs Crore</td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr></table></td></tr>
<tr><td>8. Statutory / Safety Requirement</td><td>Whether the investment is required to comply with any duty/obligation under EA 2003 or to meet any safety / statutory requirement? (With supporting Document)</td></tr>
<tr><td>9. Cost Assessment /Cost Breakup. (Detailed breakup of each head is required. Utility may attach separate sheets with the excel working documentary proof justifying the rate reasonability)</td><td>*Unit rate as per Standard cost data book</td></tr>
<tr><td>10. Least Cost analysis/ Alternatives</td><td>Alternative ___with the lowest estimated cost and the highest quantified benefit is to be adopted</td></tr>
<tr><td>11. If not and if Deferred Analysis</td><td><table><tr><td>If not</td><td>Merits-----
Demerits-----</td></tr><tr><td>If Deferred</td><td>Merits-----
Demerits----</td></tr></table>Detailed calculations for investment not done or deferred to be shown.</td></tr>
<tr><td>12. Cost Benefit Analysis</td><td>1. Investment Cost vs. Benefits analysis
2. ROI from Beneficiary/Consumer Point of View (Comparison of tariff without the proposed investment vs. with the proposed investment)
3. Target Objective (Year wise Projection)
4. Year wise Tariff impact due to Investment in terms of % of ARR and Rs./kWh
5. Payback Period, NPV, IRR and other Financial Parameters for project assessment
6. Justification for cost increment due to proposal for only</td></tr>
</table>

	any specific quality product or increased no. of quantity than normally required. Justify, why alternatives cannot be possible.
13. Methodology of Put to use of the asset and computing Percentage utilization of Project	(Documentary evidence that shall be submitted at the time of final approval as proof of put to use after completion. For e.g. Electrical Inspector Certificate/ Metering data, / Load on the assets, etc.) (projected loading pattern for first 5 years) (Documentary evidence that shall be submitted at the time of final approval as proof of Utilisation for e.g. Transformer loading/Sub-station loading/ % VR reduction / Balance state for other Substations, etc.)
14. Constraints	1. Technical, Physical and Financial constraints, if any, in execution of the Scheme may be highlighted. 2. Likely uncertainties or risks involved in the investment. Fall back options/mitigation measures planned by Applicant if these uncertainties/risk occur. 3. Risk Mitigation plan proposed by the Applicant. 4. Possible delays, both Controllable and uncontrollable 5. RoW Issues/Land availability/Forest Area/Delay in other clearances, etc. 6. Activity wise time bound plan to obtain the various approvals/clearances. Alternatives. Other constraints (if any)
15. Works intended for adaptation of latest Technology/ Improvement/Upgradation of Existing Infrastructure	(Conditions specified in the Regulations needs to be satisfied for taking up such work) Justification for urgency to implement change. Detail checks for keeping existing one asset till completion of its useful life. (In case above conditions are not satisfied, then Licensee to show readiness with documentaryproof from / local body/ authority for recovery of such investment invariably from those consumers who are benefiting from these improvement 7.(upgradation works) (Cost Benefit analysis of latest technology w.r.t existing technology) (Balance useful life of existing assets proposed to be replaced/upgraded) (Basis/assessment for replacement of the existing assets)
16. Statutory Clearances and Project Layout	1. Approval from Competent Authority 2. National Green Tribunal (NGT) clearance, if applicable 3. Clearance if acquired such as Forest, Aviation, Defense, CRZ, Wild Life, Salt land, Mangroves, Local bodies, etc. and tentative plan to obtain such approval or at least application for forest clearance filed (List is not exhaustive; the Applicant is responsible for obtaining all applicable approvals/clearances) 4. SLD, Grid maps, Diagrams/Project layout, etc.

	5. SLD to clearly indicate in different colours the existing diagram and proposed diagram after implementation of capex. 6. Proof of land acquisition if any or any other documentary proof of ongoing negotiations/intention to sell/lease land to be provided. In case of lease land – proof of non-availability of Govt. Land. Clarify steps taken for getting Govt. Land on priority. 7. RoW clearances if acquired or Progress made on getting RoW clearances. Also, alternatives to be provided if RoW is not achieved on the proposed area/route. 8. PERT Chart/Gantt Chart/Project Monitoring mechanism for Project Implementation and possibilities of delay with fall back plan in case of delay (All these submissions to be provided as Annexure)
17. Detailed Survey	(Survey Report to assess the project requirement and Highlight difficulties in project execution/ scope / route etc.)
18. Past Trends and Future projection	(Actual trend in last five years of the components/loading/parameters/cost relating to the proposed capex (based on which is the scheme is proposed) vis-a-vis future projection for 5 years after implementation of capex) For e.g. If the scheme is for improvement of performance say increase in capacity to avoid overloading of system, then past and future expected trend of loading, voltage profile, losses, etc., to be provided
19. Detailed Justification for quantity proposed	(Justification for quantity required against the proposed scope of work) (Validating the quantity proposed with the help of SLD/Survey report etc.)
20. Check list of the documents appended	Check list with appended documents to be appended. (All documents to be numbered.

APPENDIX 2:
FORMAT FOR ROLLING CAPITAL INVESTMENT PLAN

Sr. No.	Particulars	Voltage Level	1st Year (FY _)	2nd Year (FY ____)	3rd Year (FY _)
	_____(Type of Work e.g.: New Substation, Transformer Addition, Capacitor addition etc.),		**Work 1.1** (a) Brief Scope of Work; (b) Estimated Cost; (c) Estimated COD		
			Work 1.2 (a) …		
		33 kV		**Work 2.1** (a) …	
					Work 3.1 (a) …
		…			
2	(___)				
3…	(___)				

APPENDIX 3:
FORMAT FOR ACKNOWLEDGEMENT OF NON-DPR CAPITAL INVESTMENT SCHEME BY THE COMMISSION

<table>
<tr><td>Name of Applicant</td><td></td></tr>
<tr><td>Scheme acknowledgement Code</td><td></td></tr>
<tr><td>Date of acknowledgement</td><td></td></tr>
<tr><td>Name of the Capital Work</td><td>(E.g. Construction of 33/11 kV Substation at _____, Construction of 33 kV Distribution line at_____)</td></tr>
<tr><td>Objective of the Capital Investment</td><td>(Overall objective of the work to be specified - like system strengthening, system augmentation, replacement of assets, Renovation Modernization, etc.)</td></tr>
<tr><td>Details of the Location</td><td>(Name of Zone, Circle/ Area/ Location) along with GPS Co-ordinates</td></tr>
<tr><td>Date of Approval by Competent Authority designated by the Board of Directors of the Company</td><td>(Particulars of the Documentary evidence and approval authority)</td></tr>
<tr><td>Brief Scope and Specifications of Work</td><td></td></tr>
<tr><td>Phasing of Investment</td><td>Likely completion time:
<table><tr><th>Year</th><th>Capex Rs. Crore</th><th>Capitalization Rs. Crore</th></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr><tr><td>Total</td><td></td><td></td></tr></table></td></tr>
<tr><td>Cost Breakup</td><td><table><tr><th>Particulars</th><th>Unit (No)</th><th>Rate (Rs. /unit)</th><th>Cost (in Rs. Lakh)</th></tr><tr><td>Item 1</td><td></td><td></td><td></td></tr><tr><td>Item 2</td><td></td><td></td><td></td></tr><tr><td>…</td><td></td><td></td><td></td></tr><tr><td>Erection/ Civil Work</td><td></td><td></td><td></td></tr><tr><td>Total</td><td></td><td></td><td></td></tr><tr><td>Any other cost (if any)</td><td></td><td></td><td></td></tr><tr><td>Grand Total</td><td></td><td></td><td></td></tr></table></td></tr>
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