

ORISSA ELECTRICITY REGULATORY COMMISSION

BIDYUT NIYAMAK BHAWAN
UNIT-VIII, BHUBANESWAR – 751 012

Present : **Shri S.K. Jena, Member**
 Shri K.C. Badu, Member

Dated the 5th August, 2008

Case No.15, 19 & 20 of 2008

Orissa Power Transmission Corporation Ltd. (OPTCL) ... **Petitioner**
Janpath, Bhubaneswar

ORDER

Mr. Dillip Kumar Choudhury, Sr. GM (TP & Const.), Mr. L.R. Dash, Manager (TP & Const.), OPTCL are present for the petitioner in all the three cases, namely Case Nos.15, 19 & 20 of 2008 regarding investment proposal.

As all the three cases are analogous in nature, the Commission heard the cases analogously.

2. Mr. Choudhury stated that as per order of the Commission in all the three cases i.e. investment proposal for projects at Nuapada, Dabugaon, Chandpur, Padampur, Kuchinda, Bhawanipatna and Boudh, they have complied the aforesaid order which is as follows:
 - i) The detailed cost estimates annexed in the DPRs in respect of proposed sub-stations alongwith associated transmission lines have been framed in a realistic manner after completion of detailed survey of associated transmission lines. As desired by the Commission, all the estimates are based on the Cost Data for the year 2006-07 which was submitted before the Commission for approval vide letter No.6310 dtd.11.10.2006 of Sr. GM (CPC).
 - ii) As per the prevailing norms of Rural Electrification Corporation Ltd., the price escalation has been considered as 20% while preparation of the estimate to which the Director (Tariff) stated that the price escalation should have been 5% per annum. Accordingly, when we have considered 2006-07 as the base year, if we go on loading the price escalation thereafter, the execution period from 2007-08 to 2010-11, the same comes to 20% for the four years. Therefore, the estimated cost as well as the benefits for the projects need not be updated.

- iii) According to DPR, the working capital would be made available from own resources of OPTCL. Funding for the balance amount is sought for as loan assistance from the funding agency i.e. REC.
- iv) With regards to the observation of the Commission that all the remaining projects for the current year should be brought in one shape in the form of a comprehensive investment proposal instead of coming in a piecemeal manner, the petitioner stated that as a principle, only suitable patch of Govt. land is being identified by OPTCL in order to avoid complications towards acquiring the same. But, it takes considerable time from the date of submission of proposal before the Govt. for ensuring that the identified patch of land can be finally alienated in favour of the licensee. After the land alienated in favour of OPTCL, the survey in respect of the associated transmission line is taken up. As there are a number of projects, the identified sites were to be shifted to different alternate sites resulting in inordinate delay. He also stated that it was not possible to submit a comprehensive investment proposal with all the remaining projects in one shape in view of the inordinate delay in firming of the allotment of land. As and when the allotment of land is firming up, the DPR is being prepared and the projects are submitted for approval of OERC. If we take up the DPR at a time for a number of projects there would be inordinate delay to start up the project and consequently avoidable cost escalation.
- v) Regarding NPV & IRR methods to be adopted, the petitioner stated that the same would be incorporated in the investment proposal of forthcoming projects.
- vi) Regarding transmission charge, the DPRs for the proposed sub-stations at Nuapada & Dabugaon were prepared during 2007-08 and Chandpur during early 2008-09 during which the transmission tariff was not communicated as 21 p/u. Therefore, the same was considered as 22 p/u. But presently the transmission tariff is being taken as 21 p/u in respect of DPRs of subsequent projects.
- vii) The benefits arising due to reduction in losses on account of implementation of the proposed transmission project is considered as a gain of the State. Therefore, equal amount of power need not be procured by the State from the costliest source. Accordingly, the rate of costliest NTPC EREB power during the month of April'07 to August'07 i.e. Rs.2.06 per unit had been considered. However, during interaction, the Director (Tariff) indicated that the rate of anticipated revenue per unit may be calculated @Rs.2.17 p/u which is the average purchase price of EREB power during 2007-08 approved by OERC. In the process, the average annual rate of return of the proposed projects would be enhanced.
- viii) Regarding transmission loss, the DPRs for the proposed substations at Nuapada and Dabugaon were prepared during 2007-08 and Chandpur during early 2008-09 during which the transmission loss was not communicated as 4.5%. Therefore, the same was considered as 5%.

But, presently the transmission loss is being taken as 4.5% in respect of DPRs of subsequent projects.

- ix) The basis for loss load factor has been adopted in accordance with the guidelines of the funding agency.
 - x) The additional power available for sale on account of establishment of new transformers in respect of the proposed projects has been calculated by way of considering the load diversity factor as 0.7 and the load factor as 0.6.
3. In the course of the hearing the petitioner was asked about possible equity participation by the State Govt. in the above projects, rate of interest applicable to the debt component, whether OPTCL's cost estimates included supervision charges, possibility of availing grants from GOO etc. The petitioner replied that the works allotted to PGCIL will have an additional supervision charges of 12%.
4. The Commission grants in principle approval to the above projects and directs that no time and cost over run shall be allowed over and above the actual cost estimate to be submitted after finalization of the tendering which shall clearly mention the date of completion and submitted to the Commission.

Accordingly, the cases are disposed of by this common order.

Sd/-
Member (B)

Sd/-
Member (SK)