

ORISSA ELECTRICITY REGULATORY COMMISSION

**BIDYUT NIYAMAK BHAWAN
UNIT-VIII, BHUBANESWAR - 751 012**

Present : Shri B.K. Das, Chairperson
Shri K.C. Badu, Member

Case No.31/2008

M/s. OPTCL

.... Petitioner

In the matter of : Investment proposal to be taken up from the FY 2008-09 for construction of 2x160 MVA, 220/132 KV and 2X20 MVA, 132/33 KV substation at Karadagadia availing loan assistance from REC/PFC Ltd.

Date of hearing : 30.12.2008

Date of Order : 18.05.2009

ORDER

Mr. N. Dash, CGM (Const.), Mr. L.R. Dash, Manager (TP & Const.), OPTCL are present for the petitioner.

2. Mr. Dash stated that OPTCL have complied with the Commission's order of 02.7.2008 regarding the investment proposal of OPTCL to be taken up for construction of 2x160 MVA, 220/132 KV and 20X20 MVA, 132/33KV substation along with associated transmission line at Karadagadia, as below :-

- i) The detailed cost estimates annexed to the DPR in respect of the proposed sub-stations along with 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% in the estimate to which the Director (Tariff) stated that the price escalation should have been 5% per annum. It was explained that when 2006-07 has been considered as the base year, if we go on loading the price escalation thereafter, the execution period from 2007-08 to 2010-11, comes to 20% for the four years. Therefore, the estimated cost as well as the benefits for the projects does not require any updation.

- 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 regard 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 bringing in a piecemeal manner, the petitioner stated that as a principle, at the first instance 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 to the Govt. for ensuring that the identified patch of land could be finally alienated in favour of the licensee. After the land is 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 go in view of the inordinate delay in firming of the allotment of land. As and when the allotment of land is firmed up, the DPR is prepared and the projects 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) The Commission is unable to accept this approach at all. It must be made clear to OPTCL that these investments are CAPEX proposals and must be reflected in their Business Plan as a properly appraised investment proposal. Business Plans are not meant to be done in the fashion stated by OPTCL in the foregoing para. They are to be carefully thought out with clear objectives to be achieved by the proposed investments. Unless they are planned and action taken accordingly, well in advance, OPTCL will continue to flounder in piece-meal, disjointed and un-coordinated, spur of the moment, emergency action and delay in land assembly is happening precisely for this reason. While every effort should be made to obtain land in the possession of Govt., it cannot be a universal policy. Survey and investigation for Transmission projects must proceed on technical considerations and objectives of planned expansion rather than on availability of Govt. land. Project implementation must therefore be done on whatever land is available. If private lands need to be acquired, there can be no hesitation in acquiring such land and paying the appropriate market value or by outright purchase, depending on the most feasible method applicable in the circumstances. Non-availability of Govt. land cannot derail Transmission Projects and make OPTCL dysfunctional. Such an approach will not only cause delays but can completely alter the technical feasibility and financial viability of a project. We state in no uncertain terms that land assembly is being made an excuse for complete lack of management in project planning and implementation and a proper CAPEX plan as an integral part of their Business Plan. This requires immediate rectification. The Annual CAPEX plan as reflected in the

Business Plan for the relevant control period must be filed at the beginning of the year with clear itemized projects with appropriate estimates of investments required along with a proper financial and economic analysis of costs and benefits. This is absolutely essential and shall be adhered to by OPTCL.

- vi) Regarding NPV & IRR methods to be adopted, the petitioner stated that the same would be incorporated in the investment proposal of forthcoming projects.
3. The Commission, therefore, grants an in-principle approval to the above project 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. Specific responsibility should be given to the concerned officer to ensure that the project is completed in time and for this all logistic support should be provided to the officer entrusted with timely completion of the project. As explained in the previous paras, OPTCL's assertion that an annual investment proposal cannot be brought up, unless Govt. land as such is available, is not acceptable to the Commission. The annual investment proposal as such be submitted as indicated in para 2 (v) above.

Accordingly, the case is disposed of.

Sd/-
(K.C. Badu)
Member

Sd/-
(B.K. Das)
Chairperson