

**BEFORE THE HIMACHAL PRADESH ELECTRICITY REGULATORY
COMMISSION SHIMLA**

Petition No: 42 of 2023
Instituted on: 21.03.2023
Heard on: 19.07.2023
Decided on: 09.08.2023

CORAM

Devendra Kumar Sharma

CHAIRMAN

Yashwant Singh Chogal

MEMBER (Law)

Shashi Kant Joshi

MEMBER

In the matter of:

The HP State Electricity Board Limited through its,
Chief Engineer (Comm),
Vidyut Bhawan, Shimla-171004. Petitioner

Petition for Approval of Capital Expenditure of Additional Scheme for up-gradation of existing 2x3.15 MVA, 33/11 kV Bijhar (Kotla) Sub-Station to 132 kV level GIS Sub-Station along with construction of 132 kV S/C transmission line on D/C towers from 132/33 kV Sub-station Jahoo to proposed 2x16/20 MVA, 132/33 kV GIS Sub-Station Bijhar (Kotla).

Present:

For the Petitioner: Sh. Kamlesh Saklani, Authorised Representative.

ORDER

1. This Petition has been filed by the Petitioner for the approval of the Capital Expenditure of Additional Scheme for the "Up-gradation of existing 2x3.15 MVA, 33/11 kV Bijhar (Kotla) Sub-Station to 132 kV level GIS Sub-Station along with construction of 132 kV S/C transmission line on D/C towers from 132/33 kV Sub-station Jahoo

to proposed 2x16/20 MVA, 132/33 kV GIS Sub-Station Bijhar (Kotla)” for an amount of Rs. 2368 Lakh.

2. As per the Petitioner, initial Scheme titled as “Upgradation of 33/11 kV 2x5 MVA Sub-station Bijhar to 132/33kV voltage level by LILLOing one circuit of 132kV Double Circuit Kangoo-Hamirpur Transmission line” was approved by the Commission in MYT Order dated 12th June 2014 for FY 2015-19 for an amount of Rs. 2621.60 lakhs. The same was subsequently approved in the 73rd EHV Transmission Committee meeting held on 15.06.2017.
3. It is averred that the existing Scheme was prepared during 2017 as per Cost Data of 2016-17 with provision of service tax as applicable at that time. However, the works were awarded during the year 2020-21 with hike in prices of materials. It is prayed that the additional Scheme be approved for MYT Control Period FY 2020-24 for which the HPSEBL requires more funds to the tune of Rs. 2368 Lakh.
4. As per the Petitioner, the main reason for preparation of this Scheme was to provide efficient and uninterrupted power supply to the surrounding areas viz. Bijhar, Barsar, Shahtalai, Kotla, Talai, Naswal etc. which are presently fed through the HPSEBL’s 132/33/11 KV Sub-station, Anu at Hamirpur and Anu & Naswal are being fed through 132/33/11 KV Sub-station , Kangoo.
5. The HPSEBL has further submitted that the work of repairing/overhauling of 01 No. 16/20 MVA Power transformer is also covered under the proposed additional Scheme under which the transformer will be shifted from the HPSEBL’s 132/33 KV Sub-station, Solan to proposed Sub-station Bijhar. Further, 02 Nos. 33 KV Control and Relay Panels along with terminal equipments for 03 Nos. 33 KV

Feeders Bays have been also incorporated under the proposed additional Scheme.

6. On scrutiny of the Petition, the following information/ detail was sought by the Commission from the Petitioner vide letter dated 11.04.2023:

1. *The Commission has approved the subject cited scheme in its MYT order dated 12.06.2014. Thereafter, the scheme was approved in the 73rd EHV transmission committee meeting on 15.06.2017. The scheme was prepared in FY 2016-17 and the works were awarded by HPSEBL in the year 2021. The Petitioner took a time of seven years from approval of the scheme to award the work, such inefficiencies are not acceptable. The control period for MYT period commencing from FY 2014-15 was fixed by the Commission for five years only i.e. upto FY 2018-19. Therefore, in case the Petitioner had not carried out the work in that control period it must have taken the revised approval of the Commission for executing the scheme in the next control period before initiating the works. Accordingly, the Petitioner must justify its stand to take up the work in the year 2021 without prior approval of the Commission.*
2. *It is observed that there is a confusion regarding change in scope of the work as well. The main Petition pointed out that this scheme is a part of the ongoing scheme and there is no technical change in the scope of original approved scheme. But, the report attached with the Petition informs that the work was awarded by the Design unit of HPSEBL during 2021 with change in existing scope. Therefore, this aspect needs to be clarified with proper justification.*

3. *The existing capacity of the sub-station is mentioned as 2x3.15 MVA but the same is also mentioned as 2x5 MVA under para 1.2.1 in the Petition. This may be due to typographical error but the same needs to be clarified.*
 4. *The Petitioner has claimed that the cost of the scheme has increased due to hike in the rates as well as implementation of GST in place of service tax and spreading of Covid Pandemic after award of work in 2021. In this regard, please explain as to why the expenditure incurred on account of delays should not be disallowed by the Commission.*
 5. *The Petitioner must also do the quantitative analysis of the scheme as merely saying that the cost components has increased due to the above factors does not justify the case for revision in overall cost of the Scheme. The Petitioner must submit the revised scheme along with cost of the individual components vis-à-vis the cost approved initially. Further, the increase in cost of the individual components must be justified with proper analysis.*
 6. *The Commission in its previous Tariff Orders has directed HPSEBL not to take the new EHV works/ schemes and to transfer them to HPPTCL for the execution. In spite of that, this work has been awarded by the HPSEBL in the year 2021. The rational for the same be explained with proper justification.*
 7. *The Petitioner must also submit approval of the Board of the HPSEBL for the revised scheme.*
7. The HPSEBL on 26.05.2023 submitted reply to the above observations of the Commission as under:

Sr. No.	Observation	Reply
1	<p>The Commission has approved the subject cited scheme in its MYT order dated 12.06.2014. Thereafter, the scheme was approved in the 73rd EHV transmission committee meeting on 15.06.2017. The scheme was prepared in FY 2016-17 and the works were awarded by HPSEBL in the year 2021. The Petitioner took a time of seven years from approval of the scheme to award the work, such inefficiencies are not acceptable. The control period for MYT period commencing from FY 2014-15 was fixed by the Commission for five years only i.e. upto FY 2018-19. Therefore, in case the Petitioner had not carried out the work in that control period it must have taken the revised approval of the Commission for executing the scheme in the next control period before initiating the works. Accordingly, the Petitioner must justify its stand to take up the work in the year 2021 without prior approval of the Commission.</p>	<p>The scheme for up-gradation of 33/11 kV 2x3.15 MVA sub-station at Bijhar to 132/33 kV voltage level by LILoing of one ckt of 132 kV D/C Kangoo-Hamirpur line was approved by Hon 'ble commission and same was included in the CAPEX Plan of 3rd MYT control period for FY 2014-15 to FY 2018-19. The scheme was approved in the 73rd EHV meeting held on dated 15.06.2017. The expenditure sanction was accorded by the competent authority after financial tie-up of funds with M/s REC Ltd. as conveyed by Chief Engineer (P&M) vide letter No. HPSEBL (Sectt.)402-49(New Sub-Stn.Bijhar-257)/2017-69191-99 dated 18.12.2017.</p> <p>Thereafter, the preliminary survey was carried out by the field unit and approved by the Chief Engineer (ES) vide letter No. HPSEBL/CE (ES)/DB-16/2018-19-1896 dated 17.05.2018. Thereafter detailed survey of the line was carried out by the field unit and submitted in this office by SE, ES Circle, Hamirpur vide letter NO.HPSEBL/ESCH/DB-</p>

		<p><i>Bijhar/2019-20-5275-76 dated 03.12.2019. The tower location chart (TLC) was approved by the SE (Design) on dated 10.01.2020. Accordingly, permission for floating the tender was accorded by the competent authority on dated 12.02.2020. However, due to Covid pandemic the tender was floated in the month of June, 2020 and awarded in March, 2021.</i></p>
<p>2</p>	<p><i>It is observed that there is a confusion regarding change in scope of the work as well. The main Petition pointed out that this scheme is a part of the ongoing scheme and there is no technical change in the scope of original approved scheme. But, the report attached with the Petition informs that the work was awarded by the Design unit of HPSEBL during 2021 with change in existing scope. Therefore, this aspect needs to be clarified with proper justification,</i></p>	<p><i>There is no confusion regarding change in scope of work as the Bids were invited for up-gradation of existing sub-station and construction of 132 kV S/C transmission line with the scope of work in the existing scheme except the change in following scope:</i></p> <p><i>i) The length of transmission line was increased to 22 km (Approx.) after detailed survey instead of 20 km as mentioned in existing scheme. Per km cost has also been increased by 22.78% for construction of 132 kV S/C transmission line (Non-snow Zone) based on the escalation in the cost data rate from the year 2016-17 to 2019-20 (ANNEXURE-I). Further, permission for floating the tender was accorded by the competent</i></p>

		<p>authority on dated 12.02.2020. However, due to Covid pandemic the tender was actually floated in the month of June, 2020 and awarded in March, 2021.</p> <p>ii) With regard to up-gradation of sub-station the cost of award has increased to Rs. 2556.36 lakh from Rs. 1122.75 lakh as per scheme provision. The detailed item-wise analyses of increased cost has been attached as per ANNEXURE-II. Here it is pertinent to mention that initially the tender for the work of up-gradation of sub-station was floated in the year January, 2019. But only two bidders participated. Due to less competition and higher rates quoted by the firms the tender was cancelled and re-floated in October, 2019 and work was awarded in August, 2020. Award was delayed due to nationwide lockdown from March 2020 to July, 2020 due to Covid pandemic.</p>
3	<p>The existing capacity of the sub-station is mentioned as 2x3.15 MVA but the same is also mentioned as 2x5 MVA under para 1.2.1 in the Petition. This may be due to typographical</p>	<p>The existing capacity of 33/11KV Substation Kotla at Bijhar is 2x3.15MVA instead of 2x5MVA.</p>

	<i>error but the same needs to be clarified.</i>	
4	<i>The Petitioner has claimed that the cost of the scheme has increased due to hike in the rates as well as implementation of GST in place of service tax and spreading of Covid Pandemic after award of work in 2021. In this regard, please explain as to why the expenditure incurred on account of delays should not be disallowed by the Commission.</i>	<p><i>The scheme for up-gradation of 33/11 kV 2x3.15 MVA sub-station at Bijhar to 132/33 kV voltage level by LILoing of one ckt of 132 kV D/C Kangoo-Hamirpur line was approved in the 73rd EHV meeting held on dated 15.06.2017. The expenditure sanction was accorded by the competent authority after financial tie-up of funds with M/s REC Ltd. as conveyed by Chief Engineer (P&M) vide letter No. HPSEBL (Sectt.)402-49(New Sub-Stn. Bijhar-257)/2017-69191-99 dated 18.12.2017. The detailed survey of the line was carried out by the field unit and submitted in this office by SE, ES Circle, Hamirpur vide letter NO. HPSEBL/ESCH/DB-Bijhar / 2019-20-5275-76 dated 03.12.2019. Accordingly, tower location chart (TLC) was approved by the SE (Design) on dated 10.01.2020. Accordingly, permission for floating the tender was accorded by the competent authority on dated 12.02.2020. However, due to Covid pandemic the tender was floated in the month of June, 2020 and awarded in March, 2021.</i></p> <p><i>From the above it is clear that there is no delay on part</i></p>

		of HPSEBL.
5	<i>The Petitioner must also do the quantitative analysis of the scheme as merely saying that the cost components has increased due to the above factors does not justify the case for revision in overall cost of the Scheme. The Petitioner must submit the revised scheme along with cost of the individual components vis-à-vis the cost approved initially. Further, the increase in cost of the individual components must be justified with proper analysis.</i>	<i>The detailed analysis has been attached at ANNEXURE-I and ANNEXURE-II.</i>
6	<i>The Commission in its previous Tariff Orders has directed HPSEBL not to take the new EHV works/ schemes and to transfer them to HPPTCL for the execution. In spite of that, this work has been awarded by the HPSEBL in the year 2021. The rational for the same be explained with proper justification.</i>	<i>The tender was floated as per HPERC MYT order dated 12.06.2014 and expenditure sanction accorded by the competent authority after financial tie-up of funds with M/s REC Ltd. as conveyed by Chief Engineer (P&M) vide letter No. HPSEBL(Sectt.)402-49 (New Sub-Stn.Bijhar-257)/2017-69191-99 dated 18.12.2017.</i>
7	<i>The Petitioner must also submit approval of the Board of the HPSEBL for the revised scheme.</i>	<i>The complete scope of work has been approved by the EHV Committee in its 73rd meeting held on 15.06.2017. However the scheme is being placed before Board of Directors by the office of Chief Engineer</i>

	(P&M).
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8. On careful perusal of the submission dated 02.06.2023, it was observed that the Petition lacks explanation of delay and detailed justification of Infrastructural Development Charges (IDC for short) etc., hence the Petitioner was directed to file detail in this regards to the same within two weeks time vide Order dated 22.06.2023.
9. The Petitioner submitted the justification as sought by the Commission vide order dated 22.06.2023 on 18.07.2023 as under:-
That the proposal of scheme was submitted in EHV meeting on 17.02.2017 & approved on dated 17.06.2017 in 73" EHV meeting. Thereafter the Administrative Approval was accorded by Chief Engineer (P&M) on dated 24.08.2017. The Expenditure Sanction was accorded on dated 18.12.2017 after tie of funds. Accordingly the field unit of HPSEBL started the land acquisition for surveying the Sub-station & EHV line. The estimate of Preliminary survey for the line was sanctioned by the field unit on dated 02.02.2018. and the Preliminary survey of the line was finalized by the S.E, ES, HPSEBL, Hamirpur wing on dated 16.04.2018. The pre-survey of the 132 kV line was finally approved by S.E, (D), ES, HPSEBL, Hamirpur on dated 14.05.2018. Accordingly in the meantime the U.O note seeking permission to float the tender for 132 kV GIS Sub-station was submitted by S.E, (D), ES, HPSEBL, Hamirpur on dated 07.05.2018. Thereafter some observation was raised by Director (Tech.) & the reply of observation was submitted to Director (Tech.) on dated 13.07.2018. The permission was accorded by Director (Tech.) to float the tender on dated 30.10.2018. The tender was floated by S.E, (D), ES, HPSEBL, Hamirpur on Dated 01.02.2019. Due to less competitor & higher rates quoted by the firm tender was

cancelled and the tender was re-floated in October 2019 & the work for construction of Sub-station was finally awarded in August 2020. It is submitted that the Covid-19 has also contributed towards delays.

The permission to float tender for construction of 132kV S/C Transmission line on D/C tower from 132/33kV Sub-station Jahoo to proposed 132/33 kV Sub-station Bijhar has been accorded during Feb.2020 & work was awarded on dated 25.03.2021(delay due to Covid pandemic)

*The date wise detailed explanation of delay is attached as per **Annexure-A** and the justification of sanction scheme and additional scheme and award placed by the Design unit of HPSEBL is attached as **Annexure-AI***

*It is further submitted that the provision of Infrastructure Development Charges has not been made in the subject cited scheme, may be treated as nil. However the detail of IDC (Interest during the construction) for FY 2018-19 to 2022-23 is attached as **Annexure-R.***

10. We have heard Sh. Kamlesh Saklani Authorised Representative of the Petitioner and have perused the entire record carefully.
11. After carefully analyzing the reply submitted by the Petitioner, the Commission is of the view that the explanation put forth by the Petitioner regarding the delay in execution of the Scheme is not satisfactory. The Scheme namely up-gradation of the existing 2x3.15 MVA, 33/11 kV Bijhar (Kotla) Sub-Station to 132 kV level GIS Sub-Station along with construction of 132 kV S/C transmission line on D/C towers from 132/33 kV Sub-station Jahoo to proposed

2x16/20 MVA, 132/33 kV GIS Sub-Station Bijhar (Kotla), was conceived in the year 2014 and got approved from this Commission vide MYT order dated 12.06.2014 which was supposed to be completed in the control period FY 2014-15 to FY 2018-19. But, sadly the Scheme was not even awarded during this period. Infact, the Commission observes that this is a classic case of the carelessness, mismanagement and disorganization in the HPSEBL. Also, the Petition is an indicator of malfunction as to how the Projects are being handled by the Petitioner/ HPSEBL, which highlights the poor planning and execution. Not only this, the Commission also observes lack of coordination and communication between different Units/ Departments of the Petitioner.

12. The Commission is also at pains in observing that there is lack of proper understanding and awareness about the regulatory mechanism in the Petitioner's organization. Infact, the Works/ Schemes, if not executed in the MYT control period, for which it was approved are required to be approved afresh from the Commission. Ideally, the Petitioner ought to have got the approval for the additional Capex from the Commission in respect of this Scheme during finalization of MYT tariff Order for FY 2019-20 to FY 2023-24 but, the Petitioner has approached this Commission when the Scheme is at the fag end of completion stage.
13. It is observed that the Petitioner has tendered and awarded the works of the Project during FY 2020-21, despite that the Scheme was approved by the Commission in MYT Order dated 12.06.2014, but still neither the Commission was apprised nor approval was taken for deviation. Significantly, award cost of the Scheme has been more than that approved by the Commission. In that case, the

Petitioner should have approached the Commission seeking approval of the revised cost, before awarding the Project to the eligible bidders. But, the Petitioner has chosen to award the Scheme without seeking the approval of the Commission, which is a serious lapse on the part of the Petitioner.

14. The Petitioner has requested the Commission for sanction of additional Capital Expenditure for completion of the Scheme so that the same can be completed but the Petitioner, at the same time, has informed that the Scheme is almost 95% complete. The reasons given by the Petitioner are not convincing as the Petitioner in its own wisdom has increased the expenditure/ cost of the Scheme and has completed 95% of the works but no explanation has been given time and cost overrun.
15. By way of the present Petition, the Petitioner has requested for additional funds of Rupees 2368 Lakh for completion of the Scheme vis-à-vis Rupees 2621.60 lakh approved by this Commission in its MYT Order dated 12.06.2014. It is quite evident from the Petition that the actual cost of completion of the Scheme has almost doubled to what was approved by the Commission which highlights improper planning, execution and inefficiencies in the system for which consumers of the State are paying very heavily. Strangely, even the approval from the Board of Directors of the Petitioner has also not been obtained for the revised capital expenditure.
16. Already a huge sum of money has been invested and spent in the Scheme which is meant for providing efficient and uninterrupted power supply to the surrounding areas viz. Bijhar, Barsar, Shahtalai, Kotla, Talai, Naswal etc. which are presently fed through the

HPSEBL's 132/33/11 KV Sub-station, Anu at Hamirpur and Anu & Naswal.

17. It has also come to knowledge of the Commission that due to constraints of transmission line passing through thick forest area, feeding Talai and Naswal areas through this Sub-station is not feasible. This again highlights poor planning by the DISCOM leading to wasteful expenditure.
18. Though the Petition lacks vital details and explanation of delay and Infrastructural Development Charges and time and cost overrun, yet keeping in view that the Scheme is meant to serve the Consumers of the State, the Commission taking a holistic view of the matter is of the opinion that at this stage, when 95% work is completed, refusal of the Additional Capital Expenditure, will not serve any fruitful purpose by disallowing the Scheme. Rather the same will add to the losses of the Petitioner.
19. Therefore, the Commission allows the additional Capital Expenditure submitted through this Petition and directs that it should be capitalized in this Financial Year (FY 2023-24) only. The Cost of the Scheme shall be approved after due diligence by the Commission at the time of filing of the True-up Petition.
20. The Commission is also of the view that sustainability of the DISCOM is very important for the growth of the power sector and the electricity Consumers in the State. Therefore, the Commission directs the Petitioner to initiate an enquiry in the matter against the erring officer(s)/official(s) to find out the exact reasons for time and cost overrun in the execution of the Scheme as per the procedures and conduct rules of the Company and action taken in the matter be intimated to the Commission.

Accordingly, the present petition stands disposed off. The file after the needful be consigned to records.

Announced
09.08.2023

-Sd-
(Shashi Kant Joshi)
Member

-Sd-
(Yashwant Singh Chogal)
Member (Law)

-Sd-
(Devendra Kumar Sharma)
Chairman

HPERC