BEFORE THE HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION SHIMLA

Miscellaneous Application No: 100 of 2025
Instituted on: 19.02.2025
Heard on: 19.12.2025
Decided on: 21.01.2026

CORAM:

YASHWANT SINGH CHOGAL
MEMBER (Law)-cum-Chairman.

SHASHI KANT JOSHI
MEMBER .

<u>In the matter of:-</u>

The HP Power Transmission Corporation Limited.
Through its DGM (C&M),
Himfed Bhawan, Shimla-171005. **…. Applicant**

Versus

The HP State Electricity Board Limited.
Through its Chief Engineer (System Operation),
Vidyut Bhawan, Shimla-171004. **….. Respondent 1**

Government of Himachal Pradesh (GoHP)
Through its Secretary (MPP & Power),
Secretariat, Shimla-171002. **….. Respondent 2**

Application for approval for taking over/transfer of 400 kV S/C Transmission line on D/C Towers from PGCIL 400/200 kV Sub-Station of HPSEBL at Reru (Nalagarh) to 400/200 kV Sub-Station of the HPSEBL at Kunihar from the HPSEBL to the HPPTCL alongwith Proposal for its utilization to Maximise Public Benefit in compliance with the Government of Himachal Pradesh directions dated 19.10.2024 for the 5th MYT Control Period from FY 2024-25 to FY 2028-29.

Present:-

Sh. Vikas Chauhan, Ld. Counsel for the Petitioner.
Sh. Kamlesh Saklani, Authorized Representative for the Respondent No.1.
Sh. Shanti Swaroop, Ld. Legal Consultant for the Respondent No. 2.

ORDER

The Petition has been filed seeking the following prayer:-

1. To allow the instant Petition;
2. To provide in-principle approval for
    a) Taking over/transfer of 400kV S/C Transmission line on D/C Towers from PGCIL 400/220kV Sub-station at Reru (Nalagarh) to 400/220kV Sub-station of HPSEBL at Kunihar from HPSEBL to HPPTC;
    b) Proposal for its utilization to Maximise Public Benefit in compliance to Govt. of HP (GoHP) directions dated 19.10.2024 by: -
        i. interconnecting 400/220kV Nalagarh Sub-station and 220/132kV Kunihar Substation with stringing of one additional 220kV Twin Moose line by charging already constructed 400kV (Twin Moose) S/C line on D/C Towers from Reru (Nalagarh) to Kunihar at 220kV and
        ii. providing of additional 220/132kV, 200MVA Transformer at 220/132kV Kunihar Sub-station of HPSEBL.
3. To provide approval to HPPTCL towards transfer of said Transmission line alongwith that of proposal for its utilization to Maximise Public Benefit subject to approval of prudent cost by Hon'ble Commission against intimated cost of Rs. 118.30 Cr payable to HPSEBL only after Capital Cost approval on filing of Tariff Petition for above Transmission line(alongwith fresh Transmission assets to be developed for optimal utilisation of the same) alongwith submission of related Financial Statements by HPSEBL through tariff petition .
4. Condone any error/omission and to give opportunity to modify/ rectify the same.

2. The H.P. Power Transmission Corporation Limited (HPPTCL/ Applicant for short) is a Transmission Licensee under the Electricity Act, 2003 (the Act for short) for transmitting the electricity in the State of Himachal Pradesh. According to it, consequent upon the enactment of the Act, the process for determination and approval of tariff under cost plus approach is vested with the State Commission under Section 62 of the Act on the Terms & Conditions of Tariff as specified under the Regulations framed under Section 61 of the Act and in compliance of the provisions of Section 61 of the Act, the Commission has notified Himachal Pradesh Electricity Regulatory Commission (Terms & Conditions for Determination of Transmission Tariff) Regulations, 2023 (Transmission Tariff Regulations, 2023 for short). As per Regulation 8 (7) of the Transmission Tariff Regulations, 2023, the Transmission Licensee may establish, operate or augment capacity of a transmission system not been approved in the Capital Investment Plan by filing an application duly support by an affidavit to the Commission in accordance with Himachal Pradesh Electricity Regulatory Commission (Conduct of Business) Regulations, 2024, as amended from time to time for approval of the project capital cost and financing plan before taking up a project. Accordingly, the present application has been filed

under Regulation 8(7) of the Transmission Tariff Regulations, 2023 and Section 39 of the Act.

3. It is averred that the Commission in the Tariff Order dated 02.07.2004 in the Petition of the Himachal Pradesh State Electricity Board Limited (the HPSEBL/ Respondent No. 1 for short) for the determination of Annual Revenue Requirement (ARR), Transmission and Bulk Supply tariff and Distribution & Retail Supply tariff for the FY 2004-05, had issued directions to the HPSEBL for justification of 400kV Transmission line from PGCIL 400/220kV Sub-station at Reru (Nalagarh) to HPSEBL Sub-station at Kunihar in para 9.4.19, which has been reproduced as under:-

> ***"9.4.19 400 KV Line from Nalagarh to Kunihar and 400 KV Sub-station at Kunihar***
>
> *9.4.19.1 The Commission directs the Board to review the justification for 400 KV transmission line from Nalagarh to Kunihar and 400 KV Sub-Station at Kunihar in view of the fact that the 25% share of power under NJPC together with some proportion of free power shall be exported out of the State and does not belong to the licensee. Besides PGCIL has established 400 KV sub-station at Nalagarh which could be used for meeting additional load on the existing 220 KV sub-station at Kunihar in future. The Board is entitled to only the State of the Region Share of 2.47%, which does not justify the established of a 400 KV sub-station at Kunihar. The justification should be got examined in collaboration with the CEA and the Power Grid Corporation of India Ltd. and, submitted to the Commission for its approval by November 30, 2004. In the meantime, there shall be a stay on further actions in regard to tendering, award of the work etc. in respect of these works."*

4. Further, prior to the present proposal for transfer of Transmission line from HPSEBL to HPPTCL, a 220kV D/C Kashang-Bhaba Transmission line was transferred to the HPPTCL and as per the

records of the HPPTCL, substantial amount of expenditure i.e. Rs. 66.08 Crores (out of the total Capital Cost of Rs 86.99 Crores) was incurred by the HPSEBL and balance expenditure amounting to Rs 20.91 Crores was incurred by the HPPTCL. However, the Commission vide Order dated 26.08.2020 has approved Capital cost of Rs 71.89 Crores.

5. It is mentioned in the background for filing the Petition that in the 62nd Meeting of Northern Regional Power Committee (NRPC) held on 31.01.2023, the matter was discussed by NRLDC regarding N-1 violation related issues in Himalayan states of NR winter 2022-23 and following was recorded in the Minutes of Meeting (MoM for short): -

> *"A.10.1 NRLDC representative stated that apart from Rajasthan, winter months are also associated with high demand season in Himalayan states such as HP, Uttarakhand and J&K and Ladakh U/Ts. During this period, the primary internal generation source which is hydro generation is available in limited amount, therefore these states are mostly dependent on grid for import of power and meeting their demand. During this high import, some constraints are observed in real-time grid operation which are regularly being discussed in OCC meetings and also submitted to CTUIL/CEA by Grid India as quarterly operational feedback. Some of these constraints at interstate level along with remedial measures as discussed in the meeting are shown below:*

CONSTRAINTS	***REMEDIAL ACTION TO MITIGATE THE CONSTRAINTS***
N-1 Contingency of 3*315 MVA ICT at Nallagarh	***New ICT/ Capacity augmentation to be proposed by HPPTCL/*** *PSTCL*
N-1 Contingency of	***New lines or additional supply may be***

220kV Nallagarh - Uperlanangal	***provided**. Switchgear ratings at Nallagarh end to be uprated for utilising full line capacity. POWERGRID informed bay equipments under ownership of HPSEB.*

***Himachal Pradesh:** It was informed by HPSEB representative that equipment at both Nallagarh and Uper Nangal end of 220kV Nallagarh-Uper Nangal are of sufficient ratings. POWERGRID representative stated that CT ratio need to be changed at Nallagarh (PG) 220kV level and would be done in next shutdown of the line. **Regarding future proposals for capacity augmentation to draw more power from 400/220kV Nallagarh, it was mentioned that proposals may be first discussed internally between HPSEB, HPPTCL and HPSLDC.**"*

6. Accordingly, the HPPTCL vide letter dated 21.08.2023 (Annexure-1) apprised HPSEBL with reference to its letter dated 19.06.2023, citing reference of the aforesaid MoM of 62nd NRPC Meeting dated 31.01.2023 regarding its planning to interconnect 400/220kV Nalagarh Sub-station and 220/66kV Uperla Nangal (HPSEBL) Station with one additional 220kV Twin Moose line by charging already constructed 400kV (Twin Moose) S/C line on D/C Towers from Reru (Nalagarh) to Kunihar at 220kV alongwith its LILO at 220/66kV Uperla Nangal Station apart from augmentation of ICTs at 400/220kV PGCIL Sub-station at Reru (Nalagarh) to be executed by HPPTCL being STU and approval from the NRPC.

7. Also, in view of discussions with Director (F&A), of the HPSEBL regarding the issue of utilization of 400kV D/C Reru (Nalagarh) to

Kunihar line (currently charged at 11kV for anti-theft) and proposal for its optimum utilization, the HPPTCL submitted the proposal vide its letter dated 05.10.2024 to the GoHP for further decision/directions of the State Govt. under intimation to the HPSEBL (Annexure-2). In the said proposal, load flow analysis was carried out with load projections up to 2028 and overall planning horizon for next 10-15 years. It was clarified that as per load projections, 400kV Sub-station at Kunihar is not justified, however, as an alternative proposal, it was submitted that it shall cost around Rs. 30 Crore for charging 400kV D/C line from Reru (Nalagarh) to Kunihar Sub-station of the HPSEBL at 220kV. Also, to ensure the seamless supply of power to Shimla, Barotiwala and Solan areas, additional 220/132kV, 200MVA Transformer will be required at 220/132kV Kunihar Sub-station of the HPSEBL with approximate cost of Rs. 35 crores which will further ensure integrated operation of 220kV and 132kV Bus at Kunihar Sub-station. It is mentioned that above cost indicated in the aforesaid proposal was based on preliminary estimation to be firmed up later after detailed survey and finalization of BoQ. It has also been mentioned in the background of the matter as under:-

a) *With reference to HPPTCL proposal dated 05.10.2024, GoHP vide its letter dated 19.10.2024 requested HPSEBL to transfer/hand over 400kV line from Reru (Nalagarh) to Kunihar in public interest to maximise public benefit(Annexure-3).*

b) *Accordingly, HPPTCL vide its letter dated 06.12.2024(Annexure-4), requested HPSEBL to transfer the said line in view of GoHP directions dated 19.10.2024 as well as in line with the discussion/confirmation in the 2nd STU Coordination Technical Meeting dated 21.11.2024 (MoM circulated vide letter dated 27.11.2024) to transfer said 400kV line after approval of HPSEBL BoD. Further, it was requested by HPPTCL to transfer/hand over the said 400kV line without further delay so as to ensure that HPPTCL proposal for executing necessary system strengthening by charging of 400kV D/C line from Reru (Nalagarh) to Kunihar Sub-station of HPSEBL at 220kV and providing of additional 220/132kV, 200MVA Transformer at 220/132kV Kunihar Substation of HPSEBL, for integrated operation of 220kV and 132kV Bus at Kunihar Substation to ensure the seamless supply of power to Shimla, Barotiwala and Solan may be covered under HPPSDP (Himachal Hydro Power Sector Development Programme) funded by World Bank. Thus, any delay in handing over the said 400kV line will seriously damage the proposal. Also, to avoid further delay in initiation of associated activities for execution of said works under Himachal Hydro Power Sector Development Programme funded by World Bank, HPPTCL vide letter dated 06.12.2024 has issued necessary instructions to initiate the work of detailed survey, preparation of BoQ & estimate for framing necessary scheme & financial tie up.*

c) *The above matter of utilisation of 400kV Reru-Kunihar Transmission line at 220kV level was discussed in the 52nd Meeting of STU Coordination Committee held on dated 10.12.2024, wherein HPSEBL stated that matter regarding transfer of said asset was discussed in HPSEBL BoD meeting and the financial assessment of the said asset is being worked out & shall be shared with HPPTCL for further formalities regarding transfer. Finally, it was decided in the said meeting that said asset be transferred by HPSEBL on priority for its execution under Himachal Hydro Power Sector Development Programme with funding tied up with World Bank. It was also agreed that HPSEBL will sign the Transmission Service Agreement with HPPTCL for execution of the said project at the earliest(Annexure-5).*

d) *In line with MoM of 52nd Meeting of STU Coordination Committee, HPSEBL vide its letter dated 26.12.2024 intimated HPPTCL to provide consent for payment of Rs. 11830.13 lakhs (i.e. Rs.118.3013 Crore) as the cost of said asset alongwith any differential amount determined after evaluation by an independent evaluator so as to enable HPSEBL to initiate the process of transferring said line of HPSEBL to HPPTCL(Annexure-6).*

e) *In response to HPSEBL letter dated 26.12.2024, HPPTCL vide letter dated 03.01.2025 has expressed its consent to bear the intimated cost of Rs. 118.3013 Crores subject to approval from HPERC. Further it has also been clarified to HPSEBL that any cost, not considered by HPERC during filing of petition for capital Cost determination & ARR approval for the same shall not be borne by HPPTCL. Accordingly, HPSEBL has been requested to handover all the relevant documents pertaining to said 400kV line and a Committee has also been formulated by HPPTCL to take over the said line alongwith all related documents from HPSEBL(Annexure-7).*

8. On the proposal of asset transfer and development of associated Transmission system, as proposed in the application, it has been mentioned as under:-

a) *Taking over/transfer of 400kV S/C Transmission line on D/C Towers from PGCIL 400/220kV Sub-station at Reru (Nalagarh) to 400/220kV Sub-station of HPSEBL at Kunihar from HPSEBL to HPPTCL.*
b) *Proposal for its utilization to Maximise Public Benefit in compliance to Govt. of HP (GoHP) directions dated 19.10.2024 by:*
   (i) *interconnecting 400/220kV Nalagarh Substation and 220/132kV Kunihar Substation with stringing of one additional 220kV Twin Moose line by charging already constructed 400kV (Twin Moose) S/C line on D/C Towers from Reru (Nalagarh) to Kunihar at 220kV; and*
   (ii) providing of additional 220/132kV, 200MVA Transformer at 220/132kV Kunihar Substation of HPSEBL.

Purpose of Investment

9. It is averred that the HPPTCL intends to charge 400kV D/C line from Reru (Nalagarh) to Kunihar Sub-station of the HPSEBL at 220kV and to ensure the seamless supply of power to Shimla, Barotiwala and Solan areas and that an additional 220/132kV, 200MVA Transformer will be required at 220/132kV Kunihar Sub-station of the HPSEBL which

will further ensure integrated operation of 220kV and 132kV Bus at Kunihar Sub-station.

10. The detail of capital Infrastructure has also been given as under:-

“Capital Infra-structure

S. No.	Name of Element	Cost (in Rs. Crore)	Remarks
1.	400kV S/C Transmission line on D/C Towers from PGCIL 400/220kV Sub-station at Reru (Nalagarh) to 400/220kV Sub-station of HPSEBL at Kunihar	118.3013*	Taking over/transfer from HPSEBL to HPPTCL for its optimal utilization in the public interest HPERC in the Tariff Order dated 02.07.2004 in the HPSEBL petition for the determination of Annual Revenue Requirement (ARR), Transmission & Bulk Supply tariff and Distribution & Retail Supply tariff for the FY 2004-05, had issued directions to HPSEBL for justification of 400kV Transmission line from PGCIL 400/220kV Sub-station at Reru (Nalagarh) to HPSEBL Sub-station at Kunihar being huge investment(Annexure-8).
2.	Additional circuit stringing for existing 400kV S/C Nalagarh to Kunihar Transmission line on D/C Towers alongwith associated work	30	To be developed by HPPTCL as per requirement of S.No.1 for its optimal utilization
3.	Additional 220/132kV, 200MVA at Kunihar alongwith associated work	35	

** HPSEBL vide its letter dated 26.12.2024 has appraised costing of said Transmission line as Rs 11830.13 lakhs. HPPTCL vide its letter dated 03.01.2025 has consented that HPPTCL shall bear the intimated cost of Rs 118.3013 Crores subject to its approval from HPERC. Any cost which shall not be passed over/not considered by HPERC during CAPEX approval/ the determination of ARR, shall not be borne by HPPTCL."*

11. It is averred that the total financial implication for the associated transmission system (i.e. for S.No. 2 & 3 above under the capital infrastructure) for optimal utilization of 400 kV S/C Transmission line from PGCIL Reru (Nalagarh) to 400/220 kV Sub-station Kunihar of the HPSEBL will be around 65 Crore based on tentative estimation, however, the same is yet to be finalized based on survey and finalization of BoQ for which activities have been initiated and liberty has also been sought to submit the detailed estimate and DPR in due course of time.

Capitalisation Schedule:-

12. The overall scheme is scheduled to be commissioned within 30 months after award of contract for associated Transmission system.

Financing Plan:-

13. The above proposal for transfer of HPSEBL asset to HPPTCL shall be met by taking over the liabilities from HPSEBL (if any) and shall be met through domestic funding. However, the development of associated Transmission system shall be by tie up of funds from World

Bank under Himachal Hydro Power and Renewable Power Development Programme.

Cost-benefit analysis:-

14. This proposal alongwith associated scheme has been framed on the basis of the 62nd Meeting of Northern Regional Power Committee (NRPC) held on 31.01.2023, as per agenda placed by NRLDC regarding N-1 violation related issues in Himalayan states of NR during winter season. During this period, the primary internal generation source which is hydro generation is available in limited amount, therefore Himalayan states are mostly dependent on grid for import of power and meeting their demand. During this high import, some constraints have been observed in real-time grid operation which are regularly being discussed in OCC meetings and also submitted to CTUIL/CEA by Grid India as quarterly operational feedback. These constraints for Himachal Pradesh at interstate level along with remedial measures as discussed in the meeting are shown below:-

CONSTRAINTS	REMEDIAL ACTION TO MITIGATE THE CONSTRAINTS
N-1 Contingency of 3*315 MVA ICT at Nallagarh	New ICT/ Capacity augmentation to be proposed by HPPTCL/ PSTCL
N-1 Contingency of 220kV Nallagarh - Uperlanangal	New lines or additional supply may be provided. Switchgear ratings at Nallagarh end to be uprated for utilising full line capacity. POWERGRID informed bay equipments under ownership of HPSEB.

15. Further, during 62nd Meeting of NRPC, regarding future proposals for capacity augmentation to draw more power from 400/220kV Nallagarh, it was mentioned that proposals may be first discussed internally between the HPSEBL, the HPPTCL and the HPSLDC.

16. It is also averred that the above proposal shall improve power supply through system strengthening ensuring power drawl from ISTS system and further integrated operation of 220kV and 132kV Bus at Kunihar Sub-station to improve power quality and enhance power system reliability.

REPLY OF THE RESPONDENTS

17. The HPSEBL and the Directorate of Energy have filed separate replies.

REPLY OF RESPONDENT NO. 1

18. In reply to application, it has been submitted by the Respondent No. 1/ HPSEBL that in compliance of direction issued by the Govt. of H.P on 19.10.2024, the subject 400 kV single Circuit Transmission Line from PGCIL 400/220 kV AIS Sub-station Rehru (Nalagarh) to the HPSEBL 220/132 AIS Sub-station Kunihar (Arki) has been physically handed over to the HPPTCL on 21.01.2025 as per certificate (Annexure-1). Further on 06.02.2025, the HPPTCL Officials visited the

Office of HPSEBL at Kunihar for taking records and minutes of meeting were drawn (Annexure-2). Further during scrutiny of record, the HPPTCL desired some additional documents which have been supplied to the HPPTCL on 13.03.2025 after collecting from various sources and a letter (Annexure-3) in this regard was issued to the HPPTCL. However, the HPPTCL has not physically taken the record of the line from the HPSEBL despite number of reminders.

19. According the HPSEBL, the Capital Cost amounting to Rs. 118.30 Crore, may be approved by the Commission and payment thereof be made to the HPSEBL, in lieu of the of the 400 kV Single Circuit (S/C) Transmission Line from PGCIL 400/200 kV AIS Sub-station Reru (Nalagarh) to the HPSEBL AIS Sub-station, Kunihar as mentioned in letter (Annexure-4).

REPLY OF RESPONDENT NO. 2

20. The Respondent No. 2 in its reply has submitted vide letter dated 19.10.2024, the GoHP had requested the HPSEBL to transfer/ hand over the subject line to the HPPTCL which has been physically taken over by the HPPTCL on 21.01.2025. Further, a meeting was held on 21.08.2025 under the Secretary (Power), GoHP for resolving pending

issues between the HPPTCL and the HPSEBL wherein following Minutes of Meeting (MoM) were drawn:-

> 1. *"HPPTCL to go ahead with the execution of scheme in phased manner wherein in first phase, the system proposed by HPPTCL for Construction of 222/66 kV, 2 x 200 MVA Sub-station at Akkanwali, Baddi, Distt. Solan (H.P) & Additional Circuit stringing of 400 kV D/C line from Reru (Nalagarh) to Kunihar along with charging of this line at 220 kV level will be executed as per decision taken in STU Coordination committee. The 220 kV line lines to Kunihar and Medical Devices Park (Majholi) shall emanate from PGCIL Reru.*
> 2. *HPPTCL shall ensure that land acquisition at Akkanwali and Layout Design shall be finalized keeping in view the upgradation of substation to 400 kV level in future with likely timeframe of 10 years.*
> 3. *In case LILO of 400 kV Reru Kunihar line at Upperla Nangal Substation is executed in stage by utilizing R.O.W. acquired by HPSEBL, it shall be on M/C towers with upper two circuits on 400 kV and lower two circuits on 220 kV level.*
> 4. *The towers of D/C LILO of 220 kV D/C Upperla Nangal to Baddi line to be executed at Akkanwali for Construction of 220/66 kV Akkanwali Substation shall be 400 kV towers for Loop In portion to be charged at 220 kV level to ensure charging at 400 kV as and when 400 kV Akkanwali is executed.*
> 5. *It was agreed that HPSEBL shall sign TSA immediately after release of Minutes of meeting."*

21. It is averred that any further action for augmentation of the asset will be taken by the HPPTCL for better utilization of the assets.

<u>POINTS FOR DETERMINATION</u>

22. We have heard Sh. Vikas Chauhan, Ld. Counsel for the Petitioner, Sh. Kamlesh Saklani, Authorised Representative for the Respondent No. 1 and Sh. Shanti Swaroop, Ld. Legal Consultant for the Respondent No. 2 and perused the entire record carefully. On the basis of pleadings and record, the following points arise for determination in the present Petition:

<u>Point No. 1</u>: Whether the proposal for taking over/transfer of 400 kV S/C transmission line on D/C towers from PGCIL 400/220 kV Sub-station at Reru (Nalagarh) to 400/220 kV Sub-station of the HSPEBL at Kunihar from HPSEBL to the HPPTCL is in the best interest of the HPPTCL and the HPSEBL and will result in better utilization of the asset?

<u>Point No. 2</u>: Final Order

23. For the reasons to be recorded hereinafter in writing, our point wise findings are as under.

Point No. 1: Yes.

<u>Point No. 2:</u> The Petition allowed per operative part of the Order.
(Final Order)

<u>REASONS FOR FINDINGS</u>

<u>Point No. 1</u>

24. Undisputedly, the asset in question i.e. the subject transmission line has been physically handed over by the HPSEBL to the HPPTCL on 21.01.2025 per handing over/ taking over certificate (Annexure-1 to the reply of the HPSEBL). Para 7 of the reply of the Respondent No. 1 in this regard is reproduced as under:-

> *"7. That the contents of this para are also admitted being matter of record. It is submitted that in the compliance to the Govt. of H.P. (GoHP) directions dated 19.10.2024, 400 kV S/C Transmission Line from PGCIL 400/220 kV AIS Sub-station Reru (Nalagarh) to the HSPEBL 220/132 AIS Sub-station Kunihar (Arki) was physically handed*

over to the HPPTCL on 21.01.2025 (Annexure-1) and on 06.02.2025, the HPPTCL team visited the HPSEBL Office Kunihar for taking over of records pertaining to this line (Annexure-2). During the scrutiny of records, Petitioner/ HPPTCL desired some additional documents which were submitted to the HPPTCL on 13.03.2025, after collecting the same from various different offices of the HSPEBL (Annexure-3). It is pertinent to submit here that the HPPTCL has not physically taken over the record of the line from the HPSEBL yet inspite of number of reminders."

25. Not only this, the DoE/ Respondent No. 2 in its reply has also mentioned that on 19.10.2024, the GoHP had requested the HPSEBL to transfer/ hand over the subject line to the HPPTCL which has been physically taken over by the HPPTCL on 21.01.2025. Further, a meeting was held on 21.08.2025 under the Secretary (Power), GoHP for resolving pending issues between the HPPTCL and the HPSEBL in which following has been agreed:-

1. *"HPPTCL to go ahead with the execution of scheme in phased manner wherein in first phase, the system proposed by HPPTCL for Construction of 222/66 kV, 2 x 200 MVA Sub-station at Akkanwali, Baddi, Distt. Solan (H.P) & Additional Circuit stringing of 400 kV D/C line from Reru (Nalagarh) to Kunihar along with charging of this line at 220 kV level will be executed as per decision taken in STU Coordination committee. The 220 kV line to Kunihar and Medical Devices Park (Majholi) shall emanate from PGCIL Reru.*
2. *HPPTCL shall ensure that land acquisition at Akkanwali and Layout Design shall be finalized keeping in view the upgradation of substation to 400 kV level in future with likely timeframe of 10 years.*
3. *In case LILO of 400 kV Reru Kunihar line at Upperla Nangal Substation is executed in stage by utilizing R.O.W. acquired by HPSEBL, it shall be on M/C towers with upper two circuits on 400 kV and lower two circuits on 220 kV level.*
4. *The towers of D/C LILO of 220 kV D/C Upperla Nangal to Baddi line to be executed at Akkanwali for Construction of 220/66 kV Akkanwali Substation shall be 400 kV towers for Loop In portion to be charged at 220 kV level to ensure charging at 400 kV as and when 400 kV Akkanwali is executed.*

5. *It was agreed that HPSEBL shall sign TSA immediately after release of Minutes of meeting."*

26. Since, the physical possession of the asset/ subject line has already been taken over, a question which now requires consideration is about the cost of the aforesaid transmission line/ asset which is required to be paid by the HPPTCL to the Respondent No. 1/ HPSEBL.

27. In this regard, the detailed commercial aspects of the asset have been submitted by the Chief Engineer (Commercial) HPSEBL on 01.07.2025 as under:-

"1. *I say that I am duly authorized and competent to affirm this affidavit for and on behalf of the Respondent No. 1.*

2. I say that I and my office was not associated in the execution of works of the scheme for construction of 400kV transmission line from 400 / 220 kV PGCIL Reru, Nalagarh Sub-station to proposed 440/220 kV Kunihar Sub-Station since the subject matter is not in the jurisdiction of this office.

3. I say that the competent authority of HPSEBL has already authorized the Chief Engineer (ES), HPSEBL, Hamirpur to deal /present and to file the reply in present MA No. 100 of 2025 regarding the shifting of 400 kV Transmission Line from HPSEBL to HPPTCL ,being custodian of the said asset and is presently doing the works related to the said line whether watch and ward or temporary charging for theft prevention and capitalization of the said work.

4. That this Hon'ble Commission in the daily order dated 17.06.2025 ordered that let the detailed commercial aspect in the matter be filled within a week by Chief Engineer (Commercial) by way of affidavit with advanced copy to the opposite parties failing which the Executive Director (Pers.) shall remain present on the next date of hearing.

5. That since this office was not associated for said work along-with processing the case for handing over and the demand of Rs. 118.30 Cr. the details have been sought from various offices of HPSEBL in order to carry out the said analysis which has taken some time.

6. That the commercial analysis is being done purely as per the provisions of relevant Tariff Regulations, True up of the Controllable parameters done by this Hon'ble Commission and the impact of such transfer to HPPTCL for additional Capital cost as filed for Business Plan for FY 25 to FY 29 by HPPTCL.

7. It is submitted that to create an asset a scheme is prepared and included in the MYT Business Plan under capital investment plan with the scheme completion and other parameters such as debt to equity ratio (funding pattern), cost benefit analysis, completion schedule and justification / rational behind the scheme for proposed capital investment being done by the utility.

   a) That after studying various orders passed by this Hon'ble Commission, it is inferred that the Commission has not initially approved the scheme rather imposed stay on the works being executed by HPSEBL based on the approval / sanction done during the year 1996. It is also the fact that this scheme for C/O 400 kV D/C T/L from Nalagarh to Kunihar. (REC CODE 5837) has been approved by this Hon'ble Commission in the 3rd MYT Control Period at Annexure-II (Page No. 277) of the order dated 12.06.2014 with the following details:

Scheme Details	**COD**	**Approved Capital Expenditure for 3rd MYT Control Period (Rs Cr)**					
		FY15	**FY16**	**FY17**	**FY18**	**FY19**	**TOTAL**
C/O 400 kV D/C T/L from Nalagarh to Kunihar(REC CODE 5837)	2019	68.42	66.49	74.80	83.72	118.35	411.77

   b) That the capital work, capitalization and associated costs in the tariff order includes the following major components:-

      i) Interest on capital loan
      ii) Depreciation up to salvage value
      iii) Return on equity.
      iv) R&M and impact on interest on working capital

Apart from above, the expenditure towards employees cost and A&G Cost including other ancillary costs is also part of the work execution but the same is covered under controllable parameters and true up has been done *by this Hon'ble Commission from time to time based on actuals cost as per balance sheet of the company for the respective Business.It is not out of context to mention here that the work was got executed and awarded through Chief Engineer(Generation) which has been transferred to ES Wing at later stage.*

c) ***Capitalization done for the said scheme for 3rd MYT Control Period (FY15 to FY 19) and 4th MYT Control Period (FY 20 to FY24)***

i) ***True up of 3rd control period FY 15 to FY19.***

It is submitted that this Hon'ble Commission has approved True Up for 3rd MYT Control period against the said scheme in the Tariff order dated 29.03.2022 as under:-

Scheme	***Funding Pattern***	***Capitalization True Up for 3rd Control Period (Rs Cr)***					
		FY15	***FY16***	***FY17***	***FY18***	***FY19***	***Total***
C/o 400 kV S/C line on D/C Structure from PGCIL Sub-Station Reru Majra Nalagarh to Kunihar - Scheme Code 5837	*90:10*	*0*	*0.68*	*2.65*	*4.54*	*4.36*	***12.23***
Debt		*0*	*0.612*	*2.385*	*4.086*	*3.924*	*11.01*
Equity		*0*	*0.068*	*0.265*	*0.454*	*0.436*	*1.223*

True Up of Controllable Parameters has been worked out for the scheme based on the True Up done by this Hon'ble Commission and estimation is as under:-

Depreciation

Particulars	***FY15***	***FY16***	***FY17***	***FY18***	***FY19***
Opening Balance	*0*	*0*	*0.68*	*3.33*	*7.87*
Addition	*0*	*0.68*	*2.65*	*4.54*	*4.36*
Closing Balance	*0*	*0.68*	*3.33*	*7.87*	*12.23*
Wt. Average Rate for Depreciation for FY 15 to FY 19	*5.17*	*4.65*	*4.38*	*4.2*	*4.23*

Particulars	FY15	FY16	FY17	FY18	FY19
approved by Commission					
Depreciation	**0**	**0.02**	**0.09**	**0.24**	**0.43**

Interest on Capital Loan

Particulars	FY15	FY16	FY17	FY18	FY19
Opening Loan	0	0.00	0.60	2.89	6.74
Addition	0	0.61	2.39	4.09	3.92
Loan repayment equivalent to Depreciation	0	0.02	0.09	0.24	0.43
Closing Balance	0	0.60	2.89	6.74	10.24
Rate of Interest taken in True Up FY 15 to FY 19	12.19%	12.17%	11.98%	11.59%	10.99%
Interest on CAPEX Loan	**0.00**	**0.04**	**0.21**	**0.56**	**0.93**

Return on Equity

Particulars	FY15	FY16	FY17	FY18	FY19
IDC adjustment done in 3rd True Up					
Addition	13.49	20.65	23.93	30.14	25.92
LESS: IDC	5.8	11.28	6.56	26.63	4.23
Ratio of IDC to Equity	0.43	0.55	0.27	0.88	0.16
Equity for the Scheme	0	0.068	0.265	0.454	0.436
Equity after adjustment of IDC in the ratio as per True Up for 3rd Control Period	0.00	0.03	0.19	0.05	0.36
Opening Equity for Scheme	0	0.00	0.03	0.22	0.28
Addition	0.00	0.03	0.19	0.05	0.36
Closing Equity	0.00	0.03	0.22	0.28	0.64
Average Equity	0	0.02	0.13	0.25	0.46
Rate of Return	16%	16%	16%	16%	16%
ROE on the Scheme	**0.00**	**0.00**	**0.02**	**0.04**	**0.07**

ii) True up of 4th MYT Control Period FY 20 to FY24.

It is submitted that HPSEBL had submitted the True Up for 4th MYT Control Period with the ARR for FY 2025-26 and this Hon'ble Commission has not done the True Up due to shortcomings observed in the True Up. The major observation was w.r.t. part capitalization and non-availability of Commissioning Certificates issued by the Chief Electrical inspector for the works which are Commissioned and put to use. The true up submitted for the present scheme as received from Finance Wing of HPSEBL was as under:-

Scheme	***Funding Pattern***	***Capitalization filed for 4th Control Period (Rs Cr)***					
		FY20	***FY21***	***FY22***	***FY23***	***FY24***	***Total***
C/O 400 kV S/C Line on D/C Tower from PGCIL S.Stn. ReruMajra (Nalagarh) to Kunihar & 400/220 kV, 1x315MVA S/Stn. At Kunihar.	*90:10*	*12.53*	*3.95*	*28.36*	*5.87*	*0.00*	*50.70*

Now, as per latest status received from Chief Engineer (ES) there is change in the capitalization figures which are to be reconciled at the time of true up.

It is further submitted that as per observation by Commission the capitalization & Commissioning certificate and put to use certificate is required and for this asset the same cannot be furnished since as per the field report that asset has not been commissioned till date since the terminal Sub-Station of 400/220 kV at Kunihar is not available and has not been taken up for execution by HPSEBL rather the work has been completed and line has been charged at 11 kV for theft protection only.

It is submitted that till date limited pass through of the said Asset has been done which is infractions or almost negligible as compared to the expenditure done by HPSEBL for creation of asset.

d) ***Actual Loan disbursement, repaid and interest on the scheme till date***

It is submitted that M/s REC has sanctioned load amounting to Rs. 130.19 Cr. against the scheme during the year 2012-13 and the details of payment made till date is as under:-

FY	***Actual Paid to REC (Rs Cr)***

	Interest paid	Principal Paid	Total amount paid
2012-13	0.04	0.00	0.04
2013-14	1.87	0.00	1.87
2014-15	3.70	0.00	3.70
2015-16	3.94	0.00	3.94
2016-17	4.13	3.88	8.00
2017-18	4.54	4.64	9.18
2018-19	4.35	5.01	9.36
2019-20	4.09	5.31	9.40
2020-21	3.82	5.78	9.60
2021-22	3.40	6.30	9.70
2022-23	2.39	6.69	9.08
2023-24	1.85	6.69	8.54
2024-25 (up to Feb-25)	1.06	0.00	1.06
TOTAL	**39.19**	**44.28**	**83.47**

Copy of sanction from REC and Statement of Interest from F&A Wing is enclosed at ***Annexure-A****.*

It is submitted that HPSEBL has drawn an amount of Rs. 57.65 Cr from REC against the loan and till Feb-25 an amount of Rs. 83.47 has been re-paid in terms of interest and principal as per condition of loan sanction after availing the moratorium a per loan and an amount of Rs. 13.37 is still to be paid to REC.

It is submitted that till date capital expenditure of Rs. ____ Cr (Copy of letter from ES Wing is enclosed at ***Annexure-B****) has been done by HPSEBL and it is estimated that only an amount of Rs. 2.50 Cr (Rs. 1.74 Cr interest + 0.76 Cr Depreciation) has been passed in the tariff till date (worked out as per True up of Controllable Parameters done by this Hon'ble Commission).*

e) ***Impact on ARR of HPSEBL and HPPTCL :***

It is submitted that the cost of Rs. 118.30 Cr. is subject to valuation and prudence check and may change. However, for working out the impact on tariff , the amount of Rs. 118.30 has been taken into consideration. The impact of Capitalization of the scheme for HPSEBL and HPPTCL has been estimated based on the tariff regulations of the Distribution and Transmission *licensee notified by HPERC, the MYT Business Plan for FY 20 to 24 and FY 25 to FY 29 for HPSEBL and MYT Business Plan for FY25 to FY 29 in respect of HPPTCL.*

Impact on ARR of HPSEBL on account of capitalization of the Asset:

*The impact on major components of Depreciation, Interest, ROE, R&M and interest on working capital has been estimated and has been enclosed at **Annexure-**C. The year-wise capitalization for 3rd MYT Control Period has been taken as per Ture Up already done and for the FY 20 to FY 25 has been taken proportionately to match the figure of Rs. 118.30 Cr for the purpose of comparison and actual values may change .The summary of impact is worked out as under:-*

Particulars	***FY20***	***FY21***	***FY22***	***FY23***	***FY24***
Depreciation	*0.71*	*1.07*	*2.24*	*3.33*	*3.43*
Interest on Loan	*1.76*	*2.82*	*6.35*	*9.53*	*9.46*
ROE	*0.20*	*0.38*	*0.95*	*1.49*	*1.54*
O&M Charges	*0.15*	*0.29*	*0.41*	*1.15*	*1.22*
Interest on working capital	*0.002*	*0.003*	*0.005*	*0.013*	*0.016*
Total ARR Estimated ARR for the Scheme	***2.82***	***4.56***	***9.96***	***15.51***	***15.66***

Particulars	***FY25***	***FY26***	***FY27***	***FY28***	***FY29***
Depreciation	*4.52*	*4.84*	*4.84*	*4.84*	*4.84*
Interest on Loan	*8.43*	*8.67*	*8.19*	*7.71*	*7.23*
ROE	*1.46*	*1.57*	*1.57*	*1.57*	*1.57*
O&M Charges	*1.09*	*1.25*	*1.25*	*1.25*	*1.25*
Interest on working capital	*0.015*	*0.018*	*0.018*	*0.018*	*0.018*
Total ARR Estimated ARR for the Scheme	***15.51***	***16.36***	***15.88***	***15.40***	***14.93***

Impact on ARR of HPPTCL on account of capitalization of the Asset:

*The impact on major components of Depreciation, Interest, ROE, O&M and interest on working capital has been estimated and has been enclosed at **Annexure-D**. The capitalization of Rs. 118.3 Cr has been taken* *during FY 2025-26 for calculations which may subject to change as per actuals. The summary of impact is worked out as under:-*

Particulars	***FY26***	***FY27***	***FY28***	***FY29***
Depreciation	*2.51*	*5.03*	*5.03*	*5.03*
Interest on Loan	*4.75*	*9.20*	*8.61*	*8.01*
ROE	*2.48*	*4.97*	*4.97*	*4.97*
O&M Charges	*0.00*	*1.15*	*1.15*	*1.15*
Interest on working capital	*0.000*	*0.032*	*0.032*	*0.032*
Total ARR Estimated ARR for the Scheme	***9.75***	***20.38***	***19.79***	***19.20***

8. *That based on the above commercial analysis and estimation of the impact on ARR of HPSEBL, following has emerged:-*

    i) *That the Asset has been capitalized/ being capitalized under Book of Accounts but yet to be Trued Up under controllable parameters so as to get pass through in tariff and therefore, the book transfer on depreciated value may not be applicable for such asset in view of huge outstanding amount to be paid against the scheme for which expenditure has been incurred by HPSEBL.*

    ii) *That HPSEBL will be sole beneficiary of the said asset /line after transfer to HPPTCL on Commissioning either at 400 kV or other supply voltage and accordingly entire impact of ARR of HPPTCL will have to be on HPSEBL/ consumers of the State.*

    iii) *That comparison of impact on ARR for initial years is not comparable due to part/ partial capitalization of the asset but after complete capitalization from FY 27 onwards, the calculations show a major impact on the ARR. This impact in respect of Depreciation, Interest on Capex loan, R&M Charges and working capital interest are comparable which will subject to prudence check and rate of depreciation / interest at the time of True Up. However, the estimates show that there is major impact on account of ROE.*

    iv) *It is submitted that a major difference is on account of Return on Equity, which shall be retained by HPPTCL and can be availed at maximum limit of 30% since the company may be under profit as per balance sheet or Equity infusion by HP. Govt. Alternatively, the calculations of ROE for 10% equity in respect of HPSEBL is also further subject to internal accrual since HP Govt. has not infused any equity in the company in the recent past few years. The total* *implication is estimated to be Rs. 84.49 Cr taking useful of the Asset as 17 years as per provisions Transmission Regulations which is direct earning to HPPTCL on account of this transfer. Thus on account of this aspect, transfer may not be beneficial to HPSEBL and consumers of the State.*

v) That the Sales proceeds of Rs. 118.3 Cr or as per valuations /as may be approved by the Commission cannot be a pass through to the consumers as non-tariff income in the instant case since it is to be used to clear the outstanding liabilities of expenditure done by HPSEBL for creation of asset and payment has been made either by taking more loans or diversion from other funds/sources/ schemes and such amount has been reflected in the P& L account of the company which needs to be corrected/ cleared. It is further submitted that Board of Directors have approved the transfer of asset to HPPTCL with cost.

vi) That it has also come on record through Chief Engineer (ES) that HPSEBL has also approved a scheme for "Construction of 220 kV S/C Transmission line with twin moose conductor on 400 kV Towers from Tower No 11 of 400 kV S/C line Reru-Kunihar to 220 kV Uperla Nangal sub-station along-with terminal bays at both 220 kV Kunihar and Uprela Nangal Sub-Station ends of HPSEBL during April, 2019 with financing from REC under Scheme Code 15353 with funding pattern of 85:15 (Debt: Equity). Copy of A&A and ES accorded for the scheme is enclosed at ***Annexure- E****. The Chief Engineer (ES) has also intimated that an amount of Rs. 3.48 Cr. has also been capitalized in the book of accounts till date against this scheme. In the event of transfer of the main asset to HPPTCL, the purpose of the scheme will be defeated which needs to be looked into.*

9. That the contents of aforesaid affidavit are true and correct to the best of my knowledge, information as derived from the official record duly maintained in its ordinary course of business by the respective offices of HPSEBL. No part of it is false and nothing material has been concealed therefrom."

28. Not only this, the Commission vide order dated 13.10.2025 directed the Respondent No. 1 to submit the detailed calculations of working out the cost of Rs. 118.30 Cr. of the asset/ line. Said detailed

calculations have been submitted under affidavit on 11.01.2025 as under:-

"2. In compliance to the above direction the deponent herein submits as under:-

i. ***Detailed Calculation of Costing of 400 kV single circuit transmission line (400kV Nalagarh to Kunihar).***

The said 400 kV transmission line has been constructed under REC funded Scheme, Scheme Code 5837. The total Expenditure incurred under this scheme till 30-9-2025 is 11776.727 Lacs. The detail of expenditure 11776.727 Lac is as under.

Expenditure under Scheme Code 5837 as on 30-09-2025

S. No.	***Particulars***	***Amount (Lacs)***	***Remarks***
1	*Capitalized Expenditure including IDC*	*10779.149*	*Detail attached as* ***Annex-A i.e.*** *Expenditure booked in the field office.*
2	*Actual Interest Capitalized on account ofIDC, Scheme* ***Code 5837***	*2978.342*	*Detail attached as* ***Annex-A***
3	*Interest Paid by the Board Against the scheme as on 30****-09-2025***	*3975.920*	*As calculated by Loan Section of HPSEBL, Copy Enclosed as* ***Annex-B***
4	*Difference in Interest Paid and Actual Interest Capitalized on account of IDC (3-2) =3975.920-2978.342*	*997.578*	*Interest paid by Board, in addition to Capitalized IDC*
5.	*Actual Expenditure under Scheme Code 5837 as on 30-09-2025(1+4)****= 10779.149+997.578***	*11776.727*	
Or Say117.77 Crore (One Hundred Seventeen Crore and Seventy-Seven Lacs Only)			

The detailed calculation of capitalized expenditure including IDC, attached as Annexure-A which includes the month wise and year wise detailed expenditure amounting to 10779.149Lacs, same has been verified by the Chief Account office on 29-10-2025. Therefore, the above said *details along with supporting documents are hereby submitted for kind consideration please.*

ii. Asset Financing and Loan Status.

a. The REC has approved/sanctioned financial assistance of 13018.91Lacsto HPSEBL i.e. 90% of 14465.46 Lacs (Cost of the project) vide letter no. REC /PO/HP-TD-DIS-338-2012-5837/2012-13-27, Dated 20-04-2012, Copy attached As Annexure-C.

b. As received from the Sr. Account Officer, F&A Wing HPSEBL Shimla-4, There is Outstanding balance of 668.68 Lac under REC funded Scheme, scheme code 5837. The total interest paid by the HPSEBL till 30-09-2025 is about 3975.92 Lacs and out of 3975.92 Lac, field office has capitalized 2978.342Lacs on account of IDC, Signed Copy from Sr. Account officer F&A Wing HPSEBL Shimla-4 is attached as Annexure-B."

29. The Applicant has submitted the following reply to the affidavit dated 01.11.2025:-

"2. In reply to the averments made by the Respondent No. 1 in para 2 regarding the calculation of the costing of 400 kV S/C transmission line on double circuit towers from PGCIL 400/220 kV Sub-station at Reru (Nalagarh) to 400/220 kV Sub-station of the HPSEBL at Kunihar, the Petitioner humbly submits that the calculation provided by the Respondent needs to be thoroughly checked before arriving at the prudent cost incurred at the date of transfer of the asset. Further, it is observed that the Respondent has considered the expenditure under the said scheme up to 30.09.2025. The Petitioner seeks the liberty to submit that the Hon'ble Commission should prudently check the following and decide on merit:

(i) Was the capital expenditure of the scheme approved by the Hon'ble Commission to the DISCOM.

(ii) There was no logical/technical closure to the scheme as the present asset in question had not been planned to feed any substation/there was no power flow through asset as neither did it have any emanating bay nor it had any termination bay. So, since it was unthoughtful and illogical expenditure, should the capital expense be regularized or not.

(iii) The IDC amounting to Rs. 39.76 Cr. should not be allowed to be capitalized in the present asset placed before the Commission and the capital cost if allowed should be the hard cost only. Further, it is suggested that any tariff that has been allowed to HPSEBL towards

said scheme by Hon'ble Commission required to be suitably adjusted before determining the transfer price."

30. The Commission has analyzed the entire matter carefully. In the tariff order dated 02.07.2004 in the HPSEBL's Petition for the determination of Annual Revenue Requirement (ARR), Transmission & Bulk Supply tariff and Distribution & Retail Supply tariff for the FY 2004-05 (as mentioned by the HPPTCL in the application) had issued the following directions to the HPSEBL for justification of 400kV Transmission line from PGCIL 400/220kV Sub-station at Reru (Nalagarh) to HPSEBL Sub-station at Kunihar being huge investment:-

"9.4.19 400 KV Line from Nalagarh to Kunihar and 400 KV Sub-station at Kunihar

9.4.19.1 The Commission directs the Board to review the justification for 400 KV transmission line from Nalagarh to Kunihar and 400 KV Sub-station at Kunihar in view of the fact that the 25% share of power under NJPC together with some proportion of free power shall be exported out of the State and does not belong to the licensee. Besides PGCIL has established 400 KV sub-station at Nalagarh which could be used for meeting additional load on the existing 220 KV sub-station at Kunihar in future. The Board is entitled to only the State of the Region Share of 2.47%, which does not justify the established of a 400 KV Sub-station at Kunihar. The justification should be got examined in collaboration with the CEA and the Power Grid Corporation of India Ltd. and, submitted to the Commission for its approval by November 30, 2004. In the meantime, there shall be a stay on further actions in regard to tendering, award of the work etc. in respect of these works."

31. Subsequently, the Commission vide tariff order dated 12.06.2014 in Petition No. 141 of 2013 approved the Capital Expenditure works of the HPSEBL. Para 7.15.2 thereof reads as under:-

> *"7.15.2 In view of the large capital investment proposed by the Petitioner, the Commission is of the view that expenditure against many schemes proposed by the Petitioner during the Third Control Period had been approved in the previous MYT Order. Due to delay in implementation of these schemes, capital expenditure on these schemes have been included in the Third Control Period by the Petitioner. The Commission has not trued-up the capital investment and capitalization for the Second Control Period. The Commission, in the event of absence of detailed information and considering the past experience of implementation of capital expenditure, has provisionally considered an amount of Rs. 2,220 Cr. towards capital expenditure for the Control Period for the purpose of ARR projections as against an amount of Rs. 3622 Cr. submitted by the Petitioner. However, the schemes amounting to Rs. 3622 Cr. submitted by the Petitioner are approved as per Annexure II.*
>
> *a. The Petitioner is directed to submit the complete details of the proposed schemes along with the cost benefit analysis and obtain the scheme wise approval (excluding the central sponsored schemes like R-APDRP and RGGVY etc.) in accordance with the provisions of the Regulations for the capital expenditure to be incurred during each year of the Third Control Period as per the annual investment plan drawn for the purpose. The licensee shall also indicate the sources of funding including its own contribution and consumer contribution. The licensee's financial contribution to the scheme will be treated as normative loan. However pending such submission, the Commission has provisionally considered capital expenditure of Rs. 2,220 Cr. for ARR projection.*
>
> *……………………………..."*

32. The schemes approved by the Commission at Annexure II (as mentioned in aforementioned para 7.15.2 of Petition No. 141 of 2013) also include the EHV scheme i.e. 400KV D/C transmission line from

Nalagarh to Kunihar (the line/ asset in question). However, since the asset/ scheme had not been centrally sponsored like R-APDRP and RGGVY etc., therefore, it was required to take scheme wise approval of the Commission, as per the above direction of the Commission and as per the provisions of the Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2011. The Regulation 9 of the aforesaid Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2011, inter-alia, provides as under:-

> *"9. Capital Investment*
> *(1) The Commission shall approve capital investment plan of the licensees for the control period commensurate with load growth, rural electrification, system extension, distribution loss reduction and quality improvement proposed in the business plan.*
> *(2) The distribution licensee shall be required to take scheme wise approval for capital investment for creation of new assets at 33 kV and above, but for creation of new assets below 33 kV and network augmentation approval will be required as block of scheme."*

33. It is relevant to mention here that prior approval from the Commission has not been obtained in respect of the asset/ line, as such, the cost calculation of Rs. 118.30 Cr. has never been prudently checked by the Commission.

34. In the 62nd Meeting of Northern Regional Power Committee (NRPC) held on 31.01.2023, the following agenda was placed & discussed by NRLDC regarding N-1 violation related issues in Himalayan states of NR winter 2022-23 and following was recorded in the MoM:-

"A.10.1 NRLDC representative stated that apart from Rajasthan, winter months are also associated with high demand season in Himalayan states such as HP, Uttarakhand and J&K and Ladakh U/Ts. During this period, the primary internal generation source which is hydro generation is available in limited amount, therefore these states are mostly dependent on grid for import of power and meeting their demand. During this high import, some constraints are observed in real-time grid operation which are regularly being discussed in OCC meetings and also submitted to CTUIL/CEA by Grid India as quarterly operational feedback. Some of these constraints at interstate level along with remedial measures as discussed in the meeting are shown below:

CONSTRAINTS	***REMEDIAL ACTION TO MITIGATE THE CONSTRAINTS***
N-1 Contingency of 3*315 MVA ICT at Nallagarh	***New ICT/ Capacity augmentation to be proposed by HPPTCL/*** *PSTCL*
N-1 Contingency of 220kV Nallagarh - Uperlanangal	***New lines or additional supply may be provided***. *Switchgear ratings at Nallagarh end to be uprated for utilising full line capacity. POWERGRID informed bay equipments under ownership of HPSEB.*

……………………………..

Himachal Pradesh: *It was informed by HPSEB representative informed that equipment at both Nallagarh and Uper Nangal end of 220kV Nallagarh-Uper Nangal are of sufficient ratings. POWERGRID representative stated that CT ratio need to be changed at Nallagarh (PG) 220kV level and would be done in next shutdown of the line. Regarding future proposals for capacity augmentation to draw more power from 400/220kV Nallagarh, it was* *mentioned that proposals may be first discussed internally between HPSEBL, HPPTCL and HPSLDC."*

35. Accordingly, the HPPTCL vide letter dated 21.08.2023 apprised HPSEBL w.r.t. its letter dated 19.06.2023, citing reference of said MoM of 62nd NRPC Meeting dated 31.01.2023 regarding its planning to interconnect 400/220kV Nalagarh Sub-station and 220/66kV Uperla Nangal (HPSEBL) Station with one additional 220kV Twin Moose line by charging already constructed 400kV (Twin Moose) S/C line on D/C Towers from Reru (Nalagarh) to Kunihar at 220kV alongwith its LILO at 220/66kV Uperla Nangal Station apart from augmentation of ICTs at 400/220kV PGCIL Substation at Reru (Nalagarh) to be executed by the HPPTCL being STU after approval from the NRPC.

36. The record suggests that the HPPTCL submitted the proposal vide its letter dated 05.10.2024 to the GoHP for utilization of the 400kV D/C Reru (Nalagarh) to Kunihar line (currently charged at 11kV for anti-theft) for its optimum utilization under intimation to the HPSEBL. In the said proposal, load flow analysis was carried out with load projections up to 2028 and overall planning horizon of next 10-15 years. It was clarified that as per load projections, 400kV Sub-station at Kunihar is not justified. However, a cost of Rs. 30 Crore shall be required as an alternative proposal for charging the 400kV D/C line from Reru

(Nalagarh) to Kunihar Sub-station of the HPSEBL at 220kV. Also, to ensure the seamless supply of power to Shimla, Barotiwala and Solan areas, additional 220/132kV, 200MVA Transformer will be required at 220/132kV Kunihar Substation of the HPSEBL with approximate cost of Rs. 35 crores which will further ensure integrated operation of 220kV and 132kV Bus at Kunihar Substation.

37. The record further shows that with reference to the HPPTCL proposal dated 05.10.2024, the GoHP vide its letter dated 19.10.2024 requested the HPSEBL to transfer/hand over 400kV line from Reru (Nalagarh) to Kunihar in public interest to maximise public benefit. Accordingly, the HPPTCL vide its letter dated 06.12.2024 requested the HPSEBL to transfer the said line in view of GoHP directions dated 19.10.2024 as well as in line with the discussion/confirmation in the 2nd STU Coordination Technical Meeting dated 21.11.2024 to transfer said 400kV line after approval of HPSEBL BoD. Further, it was requested by the HPPTCL to transfer/hand over the said 400kV line without further delay so as to ensure that the HPPTCL proposal for executing necessary system strengthening by charging of 400kV D/C line from Reru (Nalagarh) to Kunihar Sub-station of the HPSEBL at 220kV and providing of additional 220/132kV, 200MVA Transformer at 220/132kV

Kunihar Sub-station of the HPSEBL, for integrated operation of 220kV and 132kV Bus at Kunihar Sub-station to ensure the seamless supply of power to Shimla, Barotiwala and Solan areas may be covered under HPPSDP (Himachal Hydro Power Sector Development Programme) funded by World Bank.

38. It has been submitted by the authorised representative that the above matter of utilisation of 400kV Reru-Kunihar Transmission line at 220kV level was discussed in the 52nd Meeting of STU Coordination Committee held on 10.12.2024, wherein the HPSEBL stated that matter regarding transfer of said asset was discussed in the HPSEBL BoD meeting and the financial assessment of the said asset is being worked out and shall be shared with the HPPTCL for further formalities regarding transfer. Finally, it was decided in the said meeting that the asset be transferred by the HPSEBL on priority for its execution under Himachal Hydro Power Sector Development Programme with funding tied up with World Bank. It was also agreed that the HPSEBL will sign the Transmission Service Agreement with the HPPTCL for execution of the said project at the earliest.

39. It is evident from Annexure-4 of reply of the Respondent No. 1 that the HPSEBL intimated the HPPTCL to provide consent for payment

of Rs. 11830.13 lakhs (i.e. Rs.118.3013 Crore) as the cost of said asset alongwith any differential amount determined after evaluation by an independent evaluator so as to enable the HPSEBL to initiate the process of transferring said line of the HPSEBL to the HPPTCL.

40. In response, the HPPTCL vide letter dated 03.01.2025 has expressed its consent to bear the intimated cost of Rs. 118.3013 Crores subject to approval from the HPERC. Further it has also been clarified in said letter by the HPPTCL that any cost, not considered by the HPERC during filing of petition for capital Cost determination and ARR approval for the same shall not be borne by the HPPTCL. The HPSEBL was also requested to handover all the relevant documents pertaining to said 400kV line.

41. It is evident from the record that eversince the construction, the 400 kV transmission line built by the HPSEBL (asset in question) has remained unutilised. The Commission is, therefore, satisfied that the taking over of the asset/ line will improve the power supply through system strengthening ensuring power drawl from ISTS system and further integrated operation of 220 kV and 132 kV Bus at Kunihar Sub-station to improve power quality and enhance power system reliability. Also, additional 220/132kV, 200MVA Transformer proposed at

220/132kV Kunihar Sub-station of the HPSEBL, shall ensure N-1 Contingency. Keeping in view the above, the line has physically been handed over to the HPPTCL by the HPSEBL.

42. On the issue of the approval, treatment and recovery of the cost incurred by the HPSEBL till now on the said transmission line, the Commission is of the opinion that the capital cost for the asset i.e. 118.30 Cr. as claimed by the HPSEBL cannot be approved, as such, as it requires a detailed scrutiny and prudence check. Further, the determination of the capital cost of the asset/ line incurred till now by the HPSEBL would require audited cost of the scheme i.e. line/ asset in question. Also, since the expenditure has been incurred by the HPSEBL on this transmission line/ asset without getting prior approval from the Commission, which is a must for an asset having voltage level 33 kV and above. The Commission will also have to do the detailed prudence check before coming to the actual cost of the line/ asset, which is to be recovered from the HPPTCL by the HPSEBL.

43. In the circumstances, the Commission is of the considered opinion that the HPSEBL may file a Petition for determination/ approval of the cost of the scheme incurred by it based upon the audited CAG accounts during truing up of the controllable parameters of its CAPEX

works as per the HPERC Regulations. In alternative, the HPPTCL may file a Petition for approval of the capital cost incurred based on the documents supplied by the HPSEBL in respect of the scheme including the CAG accounts when the complete asset is capitalised and put to use. The Commission shall accordingly approve the capital cost based upon the filings and required prudence check. The said cost so determined till its transfer/ taking over of the asset/ line by the HPPTCL shall have to be paid by the HPPTCL to the HPSEBL. The capital cost can only be determined after the asset is put to use. The Commission, therefore, is of the opinion that a period of 30 months as mentioned in the application, from the date of the its physical take over shall be sufficient for the capitalization and putting the asset to use. Point No. 1 is accordingly decided in favour of the Applicant.

FINAL ORDER

44. In view of the aforesaid discussions and findings the application succeeds and allowed subject to the following terms and conditions:-

i. The HPSEBL may file a Petition for determination/ approval of the cost of the scheme incurred by it based upon the audited CAG accounts during truing up of the controllable parameters of its CAPEX works as per the HPERC Regulations.
ii. In alternative, the HPPTCL may file a Petition for approval of the capital cost incurred based on the documents supplied by

the HPSEBL in respect of the scheme including the CAG accounts when the complete asset is capitalised and put to use. The cost so determined till its transfer/ taking over by the HPPTCL shall have to be paid by the HPPTCL to the HPSEBL.

iii. The Commission shall accordingly approve the capital cost based upon the filings and required prudence check.

iv. The HPPTCL shall capitalize the asset/ line within a period of 30 months from the date of its physical take over from the HPSEBL.

v. The HPSEBL is directed to hand over the complete documents of the line/ asset to the HPPTCL within a period of 30 days from the date of this order and the HPPTCL shall also take possession of the record/ documents pertaining to the asset/ line accordingly so that further steps are taken for getting the cost approved.

45. Let a copy of this order be supplied to the parties.

The file after needful be consigned to records.

Announced
21.01.2026

-Sd-	**-Sd-**
(Shashi Kant Joshi)	(Yashwant Singh Chogal)
Member	**Member(Law)-cum-Chairman**