BEFORE THE HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION SHIMLA

Petition No: **162 of 2026**
Date of Filing: 24.08.2026
Arguments Heard on: 14.10.2026
Decided on: **21.10.2026**

CORAM

SHASHI KANT JOSHI
MEMBER-cum-CHAIRMAN

In the matter of:-

The Himachal Pradesh State Electricity Board Ltd.
Vidyut Bhawan, Shimla-171004

……Petitioner

Miscellaneous application under Regulation 31 of the HPERC (Multi Year Wheeling Tariff and Retail Supply Tariff) Regulations, 2023 for seeking approval for inclusion of Eight (08) Capital Investment Schemes in the Capital Investment Plan of the Fifth Control Period (FY 2024-25 to FY 2028-29) and grant of CAPEX Approval.

Present:-
Sh. Rajesh Kashyap, Ld. Counsel for the Petitioner.

ORDER

This Petition has been filed by Himachal Pradesh State Electricity Board Limited (HPSEBL/ Petitioner for short) under Section 86(1)(b) of the Electricity Act, 2003 ('Act' for short) which empowers the Himachal Pradesh Electricity Regulatory Commission (Commission for short) to regulate the tariff of, and to determine matters relating to the working of, distribution licensees, alongwith Regulation 31 of the HPERC (Multi Year

Wheeling Tariff and Retail Supply Tariff) Regulations, 2023 ('MYT Regulations, 2023' for short) framed by the Commission in exercise of power under Section 181 of the Act, seeking approval of the Commission for inclusion of the following Capital Investment Schemes in the approved Capital Investment Plan of the Fifth Control Period (FY 2024-25 to FY 2028-29) and grant of investment approval for their execution:-

1	Scheme for Strengthening and Modernization of Electricity Supply System in Kandrori-Damtal-Lodhan Industrial Area under ED HPSEBL, Indora.	
1.1	Total amount (In Rs. Cr.)	46.8679
1.1.1	Loan (In Rs. Cr.) 85%	39.8377
1.1.2	Equity (In Rs. Cr.) 15%	7.0301
1.2	Justification / Benefits	
1.2.1	Reduction of losses(in % age)	Intended for improvement in Operational Efficiency.
1.2.2	Increase in reliability of power supply index	Implementation of scheme will help in the improvement of voltage regulation. Further, the scheme shall provide uninterrupted/reliable power supply to the consumers of the area, which shall also improve the reliability power supply index.

1.3	Salient Features	After implementation of the scheme, following infrastructure will be added in the power supply system:- 1) Aug. of 33/11 kV, 1x5+1x4 MVA to 2x10 MVA Sub-Station Surajpur along with renovation / modernization of switching equipments. 2) Aug. of 33/11 kV, 2x6.3 MVA to 2x10 MVA Sub-Station Damtal along with addition of 2 Nos. new 11 kV outgoing feeders. 3) Aug. of 33/11 kV,1x6.3 MVA + 1x3.15 MVA to 2x6.3 MVA Sub-Station Thapkour along with renovation/modernization of switching equipments. 4) Const. of new 33/11 kV, 2x6.3 MVA, GIS Sub-Station Damtal Local along with construction of 4.895 km new 33 kV line. 5) Augmentation/Reconductoring of 44.508 Km. of 33 kV single circuit HT line from ACSR 6/1/4.72 mm Dog to HTLS ACSS/RW 129/7 Conductor from 132/33/11 kV Kandrori S/Stn. to 220/132/33/11 kV Jassure S/Stn. 6) Const. of 7 km, 11 kV double circuit HT Line by shifting of 11 kV airforce

		and Dhangupeer feeders from 33/11 kV Thapkour S/Stn.to 33/11 kV Damtal S/Stn. 7) Strengthening and reorganization of 32 Km, 11 kV distribution network of existing 33/11 kV S/Stn. and creation of 11 kV feeders from new 33/11 kV Damtal (local) S/Stn. 8) Providing tapping to existing 33 kV Meternare line for feeding of 33/11 kV Sub-Stn. at Surajpur during re-conductoring of 33 kV Kandrouri-Surajpur line.
1.4	Scheme Duration	3 Years
1.5	IRR	13.07%

2.0	Scheme for Construction of 33/11 kV, 2x6.3 MVA GIS Sub-Station at Ghumarwin (Manned) under Electrical Division, HPSEBL, Ghumarwin .	
2.1	Total amount (In Rs. Cr.)	12.0412
2.1.1	Loan (In Rs. Cr.) 85%	10.2350
2.1.2	Equity (In Rs. Cr.) 15%	1.8061
2.2	Justification / Benefits	
2.2.1	Reduction of losses(in % age)	Intended for improvement in Operational Efficiency.

2.2.2	Increase in reliability of power supply index	Implementation of scheme will help in the improvement of voltage regulation. Further, the scheme shall provide uninterrupted/reliable power supply to the consumers of the area, which shall also improve the reliability power supply index.
2.3	Salient Features	After implementation of the scheme, following infrastructure will be added in the power supply system:- 1) 33/11 kV, 2x6.3 MVA GIS Sub-Station Ghumarwin along with construction of 4.56 Km, 33 kV HT line and 7.89 Km, 11 kV HT line.
2.4	Scheme Duration	3 Years.
2.5	IRR	15.39%

3	System improvement Scheme for construction of 33/11 KV, 2 X 3.15 MVA GIS Sub-Station at Koti under Electrical Division No. II, HPSEBL, Shimla.	
3.1	Total amount (In Rs. Cr.)	11.2490
3.1.1	Loan (In Rs. Cr.) 85%	9.56165
3.1.2	Equity (In Rs. Cr.) 15%	1.68735
3.2	Justification / Benefits	
3.2.1	Reduction of losses(in % age)	Intended for improvement in Operational Efficiency.
3.2.2	Increase in reliability of power supply index	Implementation of scheme will help in the improvement of voltage regulation. Further, the scheme shall provide uninterrupted/reliable power supply to the consumers of the area,which shall also improve the reliability power supply index.

3.3	Salient Features	After implementation of the scheme, following infrastructure will be added in the power supply system:- 1) 33/11 kV, 2x3.15 MVA GIS Sub-Station Koti along with construction of 9.85 Km, 33 kV HT line and 6.050 Km, 11kV HT line. 2) 33 kV Bay at 33/11 kV, 2x6.3 MVA Ashwani Khad S/Stn.
3.4	Scheme Duration	3 Years
3.5	IRR	19.34%

4.0	Construction of 33/11 kV, 2x3.15 MVA GIS S/Stn. Dehrian under Electrical Division, HPSEB Ltd., Jawalamukhi.	
4.1	Total amount (In Rs. Cr.)	15.7863
4.1.1	Loan (In Rs. Cr.) 85%	13.4184
4.1.2	Equity (In Rs. Cr.) 15%	2.3679 (as approved by the WTD on 03.07.26)
4.2	Justification / Benefits	
4.2.1	Reduction of losses(in % age)	Intended for improvement in Operational Efficiency.
4.2.2	Increase in reliability of power supply index	Implementation of scheme will help in the improvement of voltage regulation. Further, the scheme shall provide uninterrupted/reliable power supply to the consumers of the area, which shall also improve the reliability power supply index.

4.3	Salient Features	After implementation of the scheme, following infrastructure will be added in the power supply system:- 1) 33/11 kV, 2x3.15 MVA GIS Sub-Station Dehrian along with construction of 26 Km, 33kV HT line and 12 Km, 11kV HT line. 2) 33 kV Bay at 33/11 kV, 2x3.15 MVA Jawalamukhi S/Stn.
4.4	Scheme Duration	3 Years
4.5	IRR	14.07%

5.0	Augmentation of 132/33 kV, 2 x 25/31.5 MVA Power Transformer to 132/33 kV, 2x 50/63 MVA at 132/33 kV Sub-Station Bajaura under ES, Division HPSEBL, Mandi (H.P).	
5.1	Total amount (In Rs. Cr.)	23.4030
5.1.1	Loan (In Rs. Cr.) 85%	19.8926
5.1.2	Equity (In Rs. Cr.) 15%	3.5104
5.2	Justification / Benefits	
5.2.1	Reduction of losses(in % age)	Intended for improvement in Operational Efficiency.
5.2.2	Increase in reliability of power supply index	To address the increasing load demand of area falling under jurisdiction of Kullu, Keylong & Thalout (OP) Divisions. The maximum demand to the tune of 55.36 MVA was recorded during the month of Mar 2025 against installed capacity of 2*25/31.5 MVA and existing capacity of Power Transformers is not sufficient to meet the growing load demand of the area.

5.3	Salient Features	After implementation of the scheme, following infrastructure will be added in the power supply system:- 1) Addition of 50/63 MVA capacity at 132/33 kV level at 132/33 kV Sub-Station Bajaura by augmenting 2 x 25/31.5 MVA, 132/33 kV, 3-Ø Power Transformers to 2x 50/63 MVA capacity.
5.4	Scheme Duration	2 Years
5.5	IRR	16 %

6.0	Augmentation of Existing 132/33 kV, 2X25/31.5 MVA, 3 Phase Power Transformers to 132/33 kV, 2X50/63 MVA, 3 Phase Power Transformers at 132/33/11 kV Substation HPSEBL Kangra.	
6.1	Total amount (In Rs. Cr.)	23.5608
6.1.1	Loan (In Rs. Cr.) 85%	20.0267
6.1.2	Equity (In Rs. Cr.) 15%	3.5341
6.2	Justification / Benefits	
6.2.1	Reduction of losses(in % age)	Intended for improvement in Operational Efficiency.
6.2.2	Increase in reliability of power supply index	To address the increasing load demand of Kangra, Dharamshala, Sidhpur, Nagrota, Shahpur & Gaj etc. The maximum demand to the tune of 60.63 MVA was recorded during the FY 2023-24 against installed capacity of 2*25/31.5 MVA and existing capacity of Power Transformers is not sufficient to meet the growing load demand of the area.

6.3	Salient Features	After implementation of the scheme, following infrastructure will be added in the power supply system:- 1) Addition of 50/63 MVA capacity at 132/33 kV level at 132/33/11 kV Sub-Station Kangra by augmenting 2 x 25/31.5 MVA, 132/33 kV, 3-Ø Power Transformers to 2x50/63 MVA capacity.
6.4	Scheme Duration	2 Years
6.5	IRR	15 %

2. As per the Petitioner, the proposed schemes are technically and economically justified and are essential for strengthening and modernization of the distribution network. The schemes are intended to cater the increasing load demand, improve voltage profile, reduce loading on existing substations and feeders, enhance operational flexibility and ensure reliable and quality power supply to consumers, particularly in industrial and rapidly developing areas. The implementation of the proposed schemes shall improve operational efficiency and contribute towards achieving the performance standards prescribed by the Commission.

3. Regulation 31(b) of the MYT Regulations, 2023, provides that where the capital expenditure exceeds Rs.10 Crore and the work is not already approved in the Capital Investment Plan, the Distribution

Licensee shall obtain prior investment approval of the Commission by filing a separate Petition.

4. In addition to above schemes, a scheme for Special Repair and Maintenance of Residential Staff Quarters/Colonies of HPSEBL has also been submitted for inclusion in the Capital Investment Plan of the 5th Control Period (FY 2024-25 to FY 2028-29). As per the Petitioner, the proposed works under this scheme are not normal R&M works rather are inclusive of replacements of equipment/structures which have already completed their useful life. Therefore, the Petitioner has proposed the works to be covered under CAPEX as additional Capitalization on the same analogy as per the scheme approved by this Commission vide its letter No. HPERC-MYT/CAPEX/HPSEBL-Vol-IV/2026-1131-32 dated 11.08.2026.

5. The Petitioner has informed that the residential staff quarters (Type-I to Type-V) were constructed during the years 1980s and 1990s and with passage of time the structures have significantly deteriorated subject to natural wear and tear and regular use. In FY 2025-26, a condition assessment survey of these quarters was conducted which revealed that severe structural and habitable issues due to seepage, damaged roofs, dilapidated flooring and tiling, obsolete and unsafe electrical wiring, and unhygienic conditions in sanitary facilities, which

have out lived through useful life thus are required to be replaced. The detail of the proposed scheme is as under:

7.0	Scheme for Special Repair and Maintenance of Residential Staff Quarters/Colonies of HPSEBL.	
7.1	Total amount (In Rs. Cr.)	20.19
7.1.1	Loan (In Rs. Cr.) 85%	17.16
7.1.2	Equity (In Rs. Cr.) 15%	3.03
7.2	Justification / Benefits	
7.2.1	Improving the conditions of staff quarters.	To address the issue of non-availability of habitable and conducive residential quarters of HPSEBL, adversely affecting the posting of essential operational and maintenance staff in critical locations.
7.3	Salient Features	The proposal are expected to increase the useful life of assets by an estimated 20-25 years, thereby safeguarding the capital assets of HPSEBL.
7.4	Scheme Duration	3 Years

6. It is averred that the ibid schemes were not part of the approved Capital Investment Plan at the time of issuance of the MYT Order dated 15.03.2024. However, subsequent system studies, approval by the competent authority of HPSEBL and emerging network requirements have necessitated their inclusion in the approved Capital Investment Plan. Accordingly, the present Petition is being filed as per the provisions of Regulation 31(b) of the MYT Regulations, 2023.

7. The Petitioner has further submitted that the Commission in its MYT order dated 15.03.2024, vide clause no. 8.7.68 had approved amount of Rs. 21.15 Crore towards the procurement of Computer and Other IT Hardware but had provisionally considered the scheme to be funded under RDSS with 90% grant. However, RDSS Nodal Agency has not approved the procurement of hardware components under RDSS and thus, the funding for subject scheme could not be arranged under RDSS.

8. Accordingly, the Petitioner, vide letter No. HPSEBL/ CE (Comm.)/ SERC- 45/2026-27-3150 dated 30.07.2026 had submitted the scheme amounting to Rs. 31.49 Crore for the procurement of computer systems for various offices of HPSEBL alongwith centralized monitoring and control for improving the cyber security posture across field locations of HPSEBL. In response, the Commission, vide letter No HPERC-MYT/CAPEX/HPSEBL-Vol-IV/2026-1129 dated 11.08.2026 had observed that estimated cost of the Scheme is now Rs. 31.49 Crore against Rs. 21.12 Crore approved in the MYT Order dated 15.03.2024. Although, the Scheme had been approved but there has been significant deviation of more than Rs. 10 Crore in respect of the cost and the funding pattern, already approved by the Commission, has been proposed to be revised.

9. The Commission, therefore, had directed HPSEBL to submit the scheme in form of Petition for seeking the approval for inclusion in the CAPEX Plan of 5th Control Period.

10. Considering the criticality and urgency, the Petitioner has informed that the scheme for the procurement of computer systems for various offices of HPSEBL alongwith centralized monitoring and control for improving the cyber security posture across field locations of HPSEBL has been approved by the Whole Time Directors (WTD) of HPSEBL for an amount of Rs. 31.49 Crore as against Rs. 21.15 Crore approved by the Commission in order dated 15.03.2024. The details of the scheme are as under:-

8.0	Scheme for Procurement of Computer Systems for various offices of HPSEBL along with centralized monitoring and control for improving the cyber security posture across field locations of HPSEBL.	
8.1	Total amount (In Rs. Cr.)	31.4925
8.1.1	Loan (In Rs. Cr.) 90%	28.3432
8.1.2	Equity (In Rs. Cr.) 10%	3.1493
8.2	Justification / Benefits	
8.2.1	Modernize and strengthen the end-user computing infrastructure across HPSEBL	To generate significant operational, technical, cyber security and financial benefits for HPSEBL. The investment will not only address the challenges arising from obsolete computing infrastructure but will also strengthen

		the foundation for ongoing and future digital transformation initiatives across the organization.
8.2.2	Cyber Security Benefits	Deployment of modern computer systems will enable implementation of the latest operating systems, security patches and endpoint protection mechanisms in accordance with prevailing cyber security guidelines and best practices. The proposed systems will support advanced security features such as secure boot, hardware-assisted encryption, device control, endpoint security, centralized log collection and security event monitoring.
8.3	Salient Features	The proposed project will significantly improve the efficiency and effectiveness of day-to-day operations across field offices and administrative units of HPSEBL. Modern computing systems will facilitate faster execution of enterprise applications such as SAP ERP, SAP IS-U, AMI, e-Office, GIS and other utility management platforms, thereby reducing response times and improving overall system performance. Faster processing of consumer-related transactions, billing operations, complaint redressal activities, business process transaction, reporting functions and field-level operational tasks will contribute towards improved consumer service delivery and enhanced stakeholder satisfaction.
8.4	Scheme Duration	1 Year

11. It is averred that the approval of the present Petition is in the larger public interest and will facilitate timely execution of the schemes, strengthen the electricity distribution infrastructure and ensure reliable, efficient and quality power supply to consumers.

12. The Petitioner has, therefore, prayed the Commission to accord investment approval under MYT Regulations, 2023 for the eight Capital Investment Schemes submitted through the present Petition and to permit capitalization of the assets upon completion in accordance with the applicable Regulations and allow consideration of the capital expenditure for tariff determination in the relevant Annual Revenue Requirement (ARR) proceedings.

REPLY OF THE RESPONDENTS

13. During the course of the proceedings, the Commission gathered that since the Petition/Application is related to the approval of CAPEX by the Petitioner and shall have an impact on tariff of the Electricity Consumers and accordingly, the Commission issued notice to the major Stakeholders to file their objections /suggestion, if any, in the matter.

14. No objections/suggestions have been received from the Stakeholders in the matter.

SUBMISSIONS OF THE PARTIES

15. Heard Rajesh Kashyap, Ld. Counsel for the Petitioner and have pursued the entire record with minutes care.

POINTS FOR DETERMINATION

16. Commission has gone through the submissions filed by the Petitioner and perused the record carefully. On the basis of the pleadings and submissions, the following points arise for determination:-

Point No. 1: Whether the Petitioner can be accorded investment approval under MYT Regulations, 2023, for the eight Capital Investment Schemes submitted and be allowed the consideration of the capital expenditure for tariff determination in the relevant Annual Revenue Requirement (ARR) proceedings after capitalization of the assets upon completion in accordance with the applicable Regulations.

Point No. 2: Final Order.

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

Point No. 1: Yes.

Point No. 2: The Petition allowed per operative part of the Order. **(Final Order)**

REASONS FOR FINDINGS

Point No. 1:

18. Section 62 of the Act entrusts the Commission for the determination of Tariff for retail sale and wheeling of electricity in accordance with the provisions of the Act. Sub-section(5) further provides that the Commission may require a licensee or a generating company to comply with such procedures as may be specified for calculating the expected revenues from the tariff and charges which he or it is permitted to recover.

19. Further, section 181 empowers the Commission to make Regulations consistent with the Act and the rules made thereunder generally to carry out the provisions of the Act. Sub-section (2) further provides that such Regulations may provide for details to be furnished by licensee or generating company under sub-section (2) of section 62 as well as the methodologies and procedures for calculating the expected revenue from tariff and charges under sub-section (5) of section 62.

20. In exercise of the powers conferred under section 181 of the Act, the Commission has notified the MYT Regulations, 2023 on 29.11.2023.

21. Regulation 31 of the MYT Regulations, 2023 provides as under:-

> *"**31. Capital Expenditure.***
> *(a) Capital expenditure shall be considered on scheme wise basis, as approved in the Capital Investment Plan;*

(b) For capital expenditure greater than INR 10 Crore, the Distribution Licensee shall seek prior investment approval of the Commission by filing a separate Petition if the work is not already approved in the Capital Investment Plan;

(c) The Distribution Licensee shall submit detailed supporting documents while seeking investment approval from the Commission:

Provided that supporting documents shall include but not be limited to purpose of investment, capital structure, capitalization schedule, financing plan and cost- benefit analysis;

(d) The approval of capital expenditure by the Commission for the ensuing year shall be in accordance with load growth, system extension, rural electrification, distribution loss reduction or quality improvement as proposed in the Distribution Licensee's supporting documents;

(e) The Distribution Licensee shall not propose any new transmission line/Sub-station of 66 kV and above voltage level. However, for augmentation and strengthening of the existing transmission system, the Distribution Licensee shall take separate approval of the Commission on case to case basis;

(f) The Commission may also undertake a detailed review of the actual works undertaken compared with the works approved in the previous Tariff Order while approving the capital expenditure for the ensuing year;

(g) In case the capital expenditure is required for emergency work, the licensee shall submit an application, containing all relevant information alongwith reasons justifying the emergent nature of the proposed work, seeking post facto approval of the Commission;

(h) The Distribution Licensee shall take up the work prior to receiving the approval from the Commission provided that the

emergent nature of the scheme has been certified by its Whole Time Directors (WTD);

(i) In case the capital expenditure incurred for ongoing approved schemes exceeds the amount as approved in the capital expenditure plan, the balance amount and the incidental cost shall be trued up by the Commission after prudence check at the end of Control Period. However, for schemes those are completed shall be trued up while doing the truing of the respective year. The completed schemes once trued up shall be considered to attain finality and shall not be re- opened for consideration at the time of true-up of remaining schemes to be done at the end of Control Period:

Provided that any additional capital expenditure incurred on account of time over run and/or unapproved changes in scope of approved schemes, except for reasons beyond the control of Licensee and duly submitted in writing may not be allowed by the Commission:

Provided that capital expenditure incurred on unapproved schemes shall not be allowed by the Commission;

(j) If capital expenditure is less than INR 10 Crore and already approved by the Commission in the Capital Investment Plan, the Distribution Licensee shall undertake the execution of the plan with simultaneous notification to the Commission with all the relevant supporting documents;

(k) Consumer's contribution towards cost of capital asset shall be treated as capital receipt and credited in current liabilities until transferred to a separate account on commissioning of the assets;

(l) An amount equivalent to the depreciation charge on such assets for the year shall be appropriated from this account as income to the profit and loss account over the useful life of the asset;

(m) All the prudent costs incurred by the distribution licensee for creating the assets for development and maintenance of distribution system in accordance with Sub-section (1) of section 42 of the Act shall be pass through:

Provided that such pass-through of the cost for the assets created by the distribution licensee shall be subject to following conditions:-

(i) the asset has been created in accordance with the Capital Investment Plan for the licensee approved by the Commission;

(ii) the asset has been procured in competitive and transparent manner; and

(iii) the asset is geo-tagged and properly recorded in Fixed Asset Register."

22. The Commission observed that the Schemes submitted by the Petitioner are for strengthening and modernization of the distribution network to cater the increasing load demand, improve voltage profile, reduce loading on existing substations and feeders, enhance operational flexibility and ensure reliable and quality power supply to consumers, particularly in industrial and rapidly developing areas.

23. The Commission further observed that the proposed Schemes bear the approval of the Whole Time Directors (WTD) of the HPSEBL.

24. Further, all the Schemes submitted for approval vide the present Petition are new Schemes, except the scheme for the procurement of

Computer Systems for various offices of HPSEBL alongwith centralized monitoring and control for improving the cyber security posture across field locations of HPSEBL.

25. The Schemes proposed now were not a part of the Capital Investment Plan of the HPSEBL as approved by the Commission for the current MYT Control Period vide Order dated 15.03.2024 (MYT Order).

26. The Commission had approved the Capital Expenditure for the HPSEBL for the 5th MYT Control Period vide Order dated 15.03.2024 as under:-

"8.7.78 Based on the discussions above with respect to each scheme, the Commission, has provisionally considered a total amount of Rs. 5,736.18Cr. against Rs. 7,011.80 Cr. proposed by the Petitioner towards capital expenditure during the fifth Control Period as summarized in the table below:

Table 1: Capital Expenditure approved by the Commission (Rs. Cr.)

Particulars	FY25	FY26	FY27	FY28	FY29	Total
Ongoing Schemes						
EHV Schemes	130.50	70.10	31.28	20.00	11.69	263.57
HV Schemes	62.01	70.21	3.22	0.00	0.00	135.44
IPDS Ph-II	0.00	4.14	0.00	0.00	0.00	4.14
Call Centre	0.00	1.04	0.00	0.00	0.00	1.04
GSC	76.66	29.52	1.00	0.00	0.00	107.18
Total Ongoing Works (A)	**299.69**	**145.49**	**34.50**	**20.00**	**11.69**	**511.37**
New Schemes						
EHV Schemes	**95.32**	**79.12**	**117.73**	**71.39**	**37.54**	**401.10**
Augmentation,	92.85	60.63	80.74	34.41	9.19	277.81

Particulars	FY25	FY26	FY27	FY28	FY29	Total
System Improvement, Renovation and Modernisation						
Construction of Lines and Substations	2.47	18.49	36.99	36.99	28.36	123.29
HV Schemes	**280.53**	**272.52**	**187.00**	**96.65**	**54.21**	**890.91**
Construction of Substation and Lines	141.51	158.22	108.23	47.49	26.71	482.16
Augmentation and System Improvement	91.82	80.09	57.79	37.98	20.02	287.70
Building Works	35.93	27.61	16.42	6.90	2.76	89.61
Miscellaneous	11.27	6.60	4.57	4.29	4.72	31.45
GSC	100.00	125.00	125.00	125.00	125.00	600.00
Rooftop Solar	25.00	25.00	25.00	25.00	25.00	125.00
RDSS Smart Metering	89.57	208.99	0.00	0.00	0.00	298.56
RDSS Loss Reduction	500.00	1,412.00	0.00	0.00	0.00	1,912.00
World Bank	50.00	100.00	150.00	150.00	135.00	585.00
Border Area	80.00	75.00	75.00	75.00	75.00	380.00
Vibrant Village	0.00	6.08	0.00	0.00	0.00	6.08
Computer and other IT hardware	7.05	7.05	7.05	0.00	0.00	21.15
Upgradation and replacement of Non IT Infra	0.00	2.50	2.50	0.00	0.00	5.00
Total New Works (B)	**1227.47**	**2313.26**	**689.28**	**543.04**	**451.75**	**5224.81**
Grant Total (A+B)	**1527.16**	**2458.75**	**723.78**	**563.04**	**463.44**	**5736.18**

”

27. The Commission further observed that the estimated cost of the proposed Schemes at Sr. No 5 & 6 falling under EHV Schemes is Rs. 46.96 Crore. Besides, the Commission during the current MYT Control Period, has already approved several new works/Schemes particularly relating to Augmentation, System Improvement, Renovation and Modernisation and Construction of Lines and Substations under EHV Schemes. The Commission has already approved Rs 277.81 Crore towards Augmentation, System Improvement, Renovation and Modernisation works under EHV Systems in the MYT Order. Therefore, the cost under EHV systems cannot go beyond the overall CAPEX approved in the MYT Order.

28. Further, in respect of Scheme at Sr. No. 2 i.e. the Scheme for Construction of 33/11kV, 2x6.3MVA GIS Sub-Station at Ghumarwin (Manned) under Electrical Division, HPSEBL, Ghumarwin, the Commission observed that on the one hand, the HPSEBL is proposing a GIS Sub-station at Ghumarwin while on the other hand, the Sub-station is proposed as manned. In this context, the Commission has also directed the HPSEBL in the past that it should restructure its schemes / works in respect of technological intervention and the Sub-stations be constructed in such a manner that full utilization of latest technology is taken care of so that material cost and manpower requirement during construction as well as during operation and maintenance of the assets

are minimized. It is a fact that the employee cost of the HPSEBL is already quite high and such proposals with deployment of man-power at GIS Sub-stations does not auger well for the HPSEBL. Thus, the Commission approves the proposal for construction of the 'Unmanned' GIS Sub-station at Ghumarwin. However, in case of any operational difficulties in the operation of the proposed GIS Sub-station as Unmanned Sub-station, the HPSEBL shall justify its case for deployment of manpower at the time of true-up of CAPEX before the Commission.

29. Regarding the scheme for Special Repair and Maintenance of Residential Staff Quarters/Colonies of HPSEBL submitted for inclusion in the Capital Investment Plan of the 5th Control Period (FY 2024-25 to FY 2028-29), the Commission observes that the proposed works are in relation to various Buildings which include replacement of equipment/structures which may have completed their useful life of operation. Thus, the proposed works should be covered under additional Capitalisation works. Further, the Commission has already approved CAPEX under the head 'Building works' in the MYT Order dated 15.03.2024.

30. With respect to the Scheme for the procurement of Computer Systems for various offices of HPSEBL alongwith centralized monitoring and control for improving the cyber security posture across field locations of HPSEBL, it is observed that the Scheme was proposed as a part of

Capital Investment Plan by the HPSEBL in its Business Plan Petition and was approved by the Commission with an estimated cost of Rs. 21.15 Crore in the MYT Order dated 15.03.2024 as under:-

"8.7.68 On scrutiny, the Commission has found that the proposed works under IT initiatives are necessary for better consumer service. However, it is observed that the Petitioner had also included several IT related works under the modernization works - RDSS scheme which are expected to be undertaken subsequent to the loss-reduction works. In view of the fact that the State of Himachal Pradesh is designated as a special category State and receives significant amount of grant under the central government sponsored schemes, the Petitioner must take all efforts to undertake such works under the RDSS scheme which would help in reducing the tariff impact of such expenditure on the consumers. Accordingly, the Commission has provisionally approved the capital investment of Rs. 21.15 Cr. towards IT initiatives as proposed by the Petitioner. However, funding pattern of this scheme is considered in ratio of Grant and debt as 90:10, similar to funding pattern of RDSS scheme. The appropriate treatment of the capital investment and corresponding funding shall be done at the time of truing up of respective years based on actual data."

31. In this context, the Petitioner has submitted that the RDSS Nodal Agency has not approved the procurement of hardware components under RDSS. On perusal of the letter dated 21.02.2023 from Power Finance Corporation Ltd (PFC for short), it is observed that with reference to HPSEBL letter regarding clarification on eligibility of grant

for procurement of field Infra (PCs and UPS) provisioned in approved DPR, it was informed by the PFC that the above mentioned field Infra was approved as an associated works for ERP and E office. Therefore, the HPSEBL was requested to float the tender for ERP and E-office works and it was clarified that the procurement of field Infra (PCs and UPS) only could not be permitted.

32. In view of the above, the HPSEBL has decided to proceed with the procurement of Computer Systems for various offices of HPSEBL along with centralized monitoring and control for improving the cyber security posture and has submitted the Scheme with a revised cost of Rs. 31.49 Crore and revised financing plan of 90% debt and 10% equity.

33. The Commission finds that the proposed works by the Petitioner form part of the Licensee's capital investment programme for strengthening the electricity distribution network, meeting the anticipated growth in demand, improving the reliability and quality of supply, reducing technical losses, relieving overloading of existing infrastructure and ensuring safe and efficient operation of the distribution system. The proposed schemes include, inter alia:-

(a) Construction of new 33 kV and 132 kV lines and associated substations to cater to load growth and extend the network to underserved areas;

(b) Strengthening of existing lines through reconductoring, replacement of undersized conductors, improvement of line configuration and associated works;

(c) Augmentation of existing substations by installation of additional transformers, enhancement of transformer capacity, addition of line and transformer bays and improvement of busbar arrangements;

(d) Replacement of old, damaged, obsolete or inadequate equipment and modernisation of protection, control, metering, communication and auxiliary systems;

(e) Improvement of system reliability, operational flexibility, redundancy and restoration capability;

(f) Equipping the manpower with the IT infrastructure required for efficient operation;

(g) Additional capitalization and renovation after completion of the useful life of its residential colonies; and

(h) Other technically justified works necessary for maintaining and improving the performance of the Licensee's distribution network.

The Commission has examined the petition, supporting documents, technical justifications, cost estimates, implementation schedules and other material placed on record, subject to the findings and conditions set out in this Order.

34. Regulatory framework and jurisdiction

The Commission has considered the Petition in accordance with the provisions of the Act, particularly the applicable provisions concerning the functions of the State Commission, tariff determination, duties of distribution licensees and the principles governing efficient, economical and reliable electricity supply. The relevant regulatory framework, as applicable, includes,-

(a) The HPERC (General Conditions of Distribution Licence) Regulations, 2004, including provisions relating to prudent investment and distribution-system planning;

(b) The HPERC (Conduct of Business) Regulations, 2024, as amended from time to time, governing proceedings before the Commission;

(c) The HPERC (Multi Year Wheeling Tariff & Retail Supply Tariff) Regulations, 2023, as amended or replaced from time to time, governing capital investment planning, annual revenue requirements and tariff treatment;

(d) The HPERC (Distribution Performance Standards) Regulations, 2010, as amended from time to time;

(e) The applicable electrical safety regulations, technical standards, grid code, Indian Electricity Grid Code provisions where applicable, and other statutory and technical requirements; and

(f) Any other applicable orders, directions, licence conditions and regulations in force.

35. The Commission has considered the proposed schemes in the light of the Licensee's stated requirements for network development, capacity enhancement, reliability improvement, replacement of ageing infrastructure and modernisation of existing facilities. The Commission is of the view that capital investment in electricity distribution infrastructure is required to be planned and executed prudently, having regard to consumer demand, network performance, technical feasibility, economy, safety and the long-term interests of consumers.

36. In view of the discussions in the previous paras, the Commission grants in-principle approval for the eight Capital Investment Schemes submitted in the present Petition and to allow the consideration of the capital expenditure for tariff determination in the relevant Annual Revenue Requirement (ARR) proceedings after capitalization of the assets upon completion in accordance with the applicable Regulations as under:-

S. No.	**Name of the Scheme**	**Proposed Cost (in Rs. Cr.)**	**Loan (in Rs. Cr.)**	**Equity (in Rs. Cr.)**	**Duration (in yrs)**	**IRR (%)**
1.	Scheme for Strengthening and Modernization of Electricity	46.87	39.84	7.03	3	13.07

	Supply System in Kandrori-Damtal-Lodhan Industrial Area under ED HPSEBL, Indora					
2.	Scheme for Construction of 33/11kV, 2x6.3MVA GIS Sub-Station at Ghumarwin **(Un-Manned)** under Electrical Division, HPSEBL, Ghumarwin**.**	12.04	10.24	1.81	3	15.39
3.	System improvement Scheme for construction of 33/11KV, 2X3.15 MVA GIS Sub-Station at Koti under Electrical Division No. II, HPSEBL, Shimla**.**	11.25	9.56	1.69	3	19.34
4.	Construction of 33/11kV, 2x3.15MVA GIS S/Stn. Dehrian under Electrical Division, HPSEB Ltd., Jawalamukhi**.**	15.79	13.42	2.37	3	14.07
5.	Augmentation of 132/33kV, 2x25/31.5 MVA Power Transformer to 132/33 kV, 2x50/63 MVA at 132/33kV Sub-Station Bajaura under ES, Division HPSEBL, Mandi (H.P).	23.40	19.89	3.51	2	16
6.	Augmentation of Existing 132/33 kV, 2X25/31.5 MVA, 3 Phase Power Transformers to 132/33 kV, 2X50/63MVA, 3 Phase Power Transformers at 132/33111 kV Substation HPSEBL Kangra.	23.56	20.02	3.53	2	15
7.	Scheme for Special Repair and Maintenance of Residential Staff Quarters/Colonies of HPSEBL.	20.19	17.16	3.03	3	
8.	Scheme for Procurement of	31.49	28.34	3.15	1	

	Computer Systems for various offices of HPSEBL along with centralized monitoring and control for improving the cyber security posture across field locations of HPSEBL.					
	Total	**184.59**	**158.47**	**26.12**		

37. The Commission clarifies that approval of a capital investment scheme is subject to the approval requirements and thresholds prescribed under the applicable licence conditions and Regulations. Such approval shall not be construed as a determination of the final capital cost or an unconditional entitlement to tariff recovery. The prudence and admissibility of the actual expenditure shall remain subject to verification of the completed scope, actual cost, commissioning status, financing arrangements and compliance with the applicable Regulations.

38. The approval of these schemes shall be subject to the following conditions:-

(a) The approved expenditure shall remain within the scheme-wise and aggregate ceilings specified;

(b) The Petitioner shall execute the schemes in accordance with the approved technical scope, applicable standards and implementation schedule;

(c) The Petitioner shall obtain all requisite statutory, land, environmental, technical and interface approvals before commencement of the relevant works;

(d) The Procurement of materials and services shall be transparent, competitive and economical, supported by appropriate documentation and cost-reasonableness checks;

(e) Material changes in scope or expenditure shall be referred to the Commission for prior approval wherever required by the applicable Regulations;

(f) The Petitioner shall submit the prescribed progress reports and commissioning details;

(g) Actual expenditure and capitalisation shall be separately reported and reconciled with the approved investment plan;

(h) Final capital cost and tariff treatment shall be subject to prudence check and admissibility under the applicable tariff Regulations;

(i) Any grant, subsidy, consumer contribution or other non-debt funding shall be appropriately accounted for;

(j) No duplicate recovery of expenditure shall be permitted;

(k) The Petitioner shall preserve the records relating to the approved schemes and make them available for inspection, audit and verification whenever required by the Commission or another competent authority;

(l) Before a scheme is declared commissioned, the Licensee shall ensure completion of all applicable inspections, tests, protection checks, safety checks and commissioning procedures;

(m) The Licensee shall maintain commissioning certificates, test reports, as-built drawings, equipment details, asset identification numbers and records of the date on which each asset is placed in service;

(n) The Petitioner shall maintain an updated fixed-asset register and ensure that the capitalisation date is supported by the actual commissioning and availability of the asset for its intended use, in accordance with applicable accounting and tariff requirements; and

(o) Any equipment or asset removed or replaced during modernisation shall be appropriately accounted for, including treatment of the original asset's gross block, accumulated depreciation, salvage value and any write-off, as permitted under the applicable Regulations.

39. The Commission reserves the right to review the implementation of the approved schemes, call for additional information, undertake prudence checks and issue further directions in accordance with law.

40. Nothing in this Order shall be construed as granting any exemption from applicable statutory requirements or as approving any asset falling outside the Commission's jurisdiction.

As such, the Point No. 1 is accordingly decided in favour of the Petitioner.

FINAL ORDER

41. In view of the above said discussions and findings on Point No. 1, the Petition succeeds and allowed subject to the conditions stipulated in para 38 of this order.

42. Let a copy of the order be supplied to the parties forthwith.

The file after needful be consigned to the records.

Announced
21.10.2026

-**sd-**
(Shashi Kant Joshi)
Member-cum-Chairman

HPERC