

PUNJAB STATE ELECTRICITY REGULATORY COMMISSION

SITE NO. 3, BLOCK B, SECTOR 18-A MADHYA MARG, CHANDIGARH

Petition No. 59 of 2023

Date of Order: 11.12.2024

Petition under Section 86 (1) (b) of the Electricity Act, 2003 and PSERC, MYT Regulation 9.14 for addition of work for revival of GHTP Unit # 2 by restoration of ESP of Unit # 2 of stage -1 at GHTP, Lehra Mohabbat.

In the matter of: Punjab State Power Corporation Limited, The Mall, Patiala, Punjab

.....Petitioner

Commission: Sh. Viswajeet Khanna, Chairperson
Sh. Paramjeet Singh, Member

ORDER

1. Punjab State Power Corporation Limited (PSPCL) has filed the present petition for approval of the work of Revival of GHTP Unit # 2 by restoration of ESP of Unit # 2 of Stage-1 at GHTP, Lehra Mohabbat. PSPCL has submitted that the 210 MW Unit No. 02 was commissioned in January 1999. The ESP of this unit collapsed on 13.05.2022. The WTDs (Whole Time Directors) in its 271st meeting held on 20.10.2022 formed a committee to give its recommendation regarding the restoration/non-restoration of the damaged ESP of the Unit. The committee comprising of CE/NRSE & Thermal Designs, CE/GGSSTP, Ropar, CE/O&M, GHTP, Lehra Mohabbat, Chief Auditor, PSPCL, Patiala and Dy. Chief Engineer/MM-1/O&M, GHTP, Lehra Mohabbat as convener considered the issue and gave its recommendation for the revival of the Unit by restoration of the damaged ESP. The BoD approved the Agenda No. 08/MM-1/O&M/GHTP dated 09.03.2022 in its 99th meeting held on 14.03.2023 for the revival of the inoperative Unit #2 by restoration of the damaged ESP and approved the allocation of capital funds amounting to Rs. 235 Crore (including Administrative expenses @ 25%) for execution of the following works:

Sr. No	Description	Total Cost (Rs.)
1	Restoration of ESP (Supply and E&C Services)	141.6 Cr.
2	Restoration of ESP (Civil Works)	31.47 Cr.
3	Restoration of Ash Evacuation System	21.91 Cr.
4	Turbine, Boiler, BOP Control System up-gradation	40.12 Cr.
	Total	235.1 Cr Say 235 Cr.

Further, PSPCL submitted that it has become necessary to make the said Unit operational at the earliest to meet the power requirement of the state for which the work of dismantlement and erection of the civil foundation, supply and erection of mechanical and electrical part of ESP, supply and erection of the damaged ash evacuation part and upgradation of SGTG and BOP of C&I control system are required to be carried out. The work of civil foundations and electrical and mechanical part of ESP erection will be done by M/s BHEL and the damaged ash evacuation part of ESP will be done by M/s DCIPS Noida. The upgradation of SG, TG and BOP will be done after exploring various options to keep the expenditure within the allotted budget. The whole work of the revival of the Unit will be completed during FY 2023-24 and 2024-25.

2. PSPCL, vide e-mail dated 22.01.2024, was asked to submit the following information:
 - a) provide the detailed justification as to why the works of restoration of ESP has been categorized as "Capital Cost on Renovation and Modernization" and not under "Repair and Maintenance".
 - b) justify the emergent nature of the Restoration of Ash Evacuation System and Upgradation of the Turbine, Boiler and BOP Control System.
 - c) The committee was formed by WTDs to give its recommendation regarding the restoration of the damaged ESP, PSPCL to submit the report of the committee.

- d) submit the revised DPR clearly specifying the various elements like scope and justification, estimated life extension, improvement in performance parameters etc. in line with the provision of Regulation 9.10 of the PSERC MYT Regulations, 2022.

PSPCL in its reply to the e-mail dated 22.01.2024 submitted the information vide memo no. 5093 dated 23.01.2024, alongwith the copy of MOM of the committee dated 23.12.2022 and the revised DPR and stated as under:

- i. This work is not for repairing of the damaged ESP, but is to revive Unit # 2 by restoration of the damaged ESP which involves laying of new civil foundations for the ESP, erection of a new ESP (mechanical and electrical part) and Ash Evacuation system along with replacing of the obsolete C&I system with a new max DNA system. As this part of the system has to be erected as a new one and is going to become an additional asset, this work has been categorized as a capital cost work instead of a “repair and maintenance” one for which capital funds have been allotted by the BOD of PSPCL.
 - ii. Restoration of the Ash Evacuation system is part of the damaged ESP and work of restoration of ESP cannot be completed without restoration of the Ash Evacuation system. With regard to the upgradation of the Turbine, Boiler and BOP Control System, PSPCL submitted that the existing C&I system has become obsolete and the revival of Unit #2 is not possible without an upgradation of the system to a new one.
3. The information submitted by PSPCL was not found comprehensive as such vide order dated 30.01.2024, PSPCL was directed to provide further information as under:

- i. As per MoM of PSPCL's Committee dated 23.12.2022, the balance life of the unit has been shown to be 4 years and 1 month with a note that as per CEA guidelines, the life of the unit can be extended by another 15-20 years beyond its original 25 years after conducting a Residual Life Assessment (RLA) study and carrying out requisite R&M activities. PSPCL should submit the expected balance extended life of GHTP Stage-1 Units, which is currently more than 23 years old, supported by the required RLA study.
- ii. PSPCL to provide the latest status of the work.
- iii. PSPCL to submit the estimated life extension, improvement in performance parameters etc. in line with Regulation 9.10 of the PSERC MYT Regulations 2022.

PSPCL, in response to the order dated 30.01.2024, submitted the information vide memo no. 5499 dated 05.04.2024 as under:

- i. GOI, Ministry of Power vide memo No. 11/3/2022, dated 01.08.2023 has given a phased plan to enhance the life of Thermal Power Plants (which have completed 20 Years of operations) by R&M/LE works to meet the increasing demand of power in India. As per this plan, the time line of R&M /LE works for 20 to 25 years old power plants is from 01.01.2031 to 30.06.2033. For an RLA study of the plant, mainly the RLA of the Turbine and Boiler is to be carried out. RLA study can only be carried out during the Capital overhauling of the unit, when Turbines are in a dismantled condition. The Capital overhauling of unit #2 is to be done in Oct-Nov 2024. Thus, the RLA study will be carried out during the Capital overhauling of Unit #2 after taking approval from the competent authority as the expenditure involved is Rs. 90 lakhs to 1Crore +GST for each unit. GHTP

stage I Units are of BHEL make. Similar capacity BHEL make units of GGSSTP, Ropar are 36 years old and are operating at full capacity. Keeping this in view, the life of the GHTP units may be considered to be 35 years. The expected balance extended life may be considered as 10-12 years. However, as detailed above, the RLA study report cannot be submitted in support of this premise at this stage.

ii. Status of the Work:

- a) Allotment no. 395/PCM-452/23-24 Dated 16-08-2023 has been placed on M/s BHEL for civil works. Laying of the foundation work is under progress and is likely to be completed by May 2024.
- b) Work Order no. 48/MM-1/BMC-376/GHTP Dated 16-08-2023 has been placed on M/s BHEL for mechanical and electrical works. The work will get started after the completion of civil works and is likely to be completed by Dec -24.
- c) The work cum purchase order no. 223/C&I/ATRS/WO- 47 dated 05.12.2023 has been placed on M/s BHEL for the upgradation/R&M of obsolete C&I system. Work is likely to be completed by Dec-24.
- d) The issuance of WO to M/s BHEL for Ash evacuation part of ESP is under process. The work is likely to be completed by Dec-24.

iii. Regarding life extension and Improvement in performance parameters, PSPCL has submitted that this work is necessary for the revival of the 210 MW Unit #2 of GHTP. There is no direct effect on the life extension of the whole unit #2 but life of ESP part of Unit #2 will be extended by about 20 years and life of the C&I system by 10-15 years. With regard to improvement in performance

parameters it has been submitted that this work is necessary for the revival of the 210 MW Unit #2 of GHTP. There is no direct effect on the performance parameters of the whole unit #2 but performance of the ESP part of unit #2 is likely to be improved.

4. The petition was taken up for hearing on 09.04.2024. PSPCL was directed to submit an undertaking/affidavit that GHTP unit 2 shall be operative for a minimum of 35 years from the date of commissioning and further to submit an affidavit as to the capital investment required, based upon the capital expenditure envisaged as per the work orders placed upon BHEL. PSPCL submitted the affidavit and undertaking vide memo no. 5692 dated 07.05.2024. PSPCL further intimated an increase in the anticipated capital cost from Rs. 235.1 Crore to Rs. 269.84 Crore. After a perusal of the information submitted by PSPCL, PSPCL was directed, vide order dated 05.07.2024, to provide further information as under:
 - i. PSPCL had indicated a capital investment of Rs. 235 Crore in the petition with the approval of its BoD. PSPCL has now submitted an expenditure of Rs. 269.84 Crore (Rs. 34.84 Crore more than submitted in the petition). BoD of PSPCL has not approved the revised expenditure. The major increase in expenditure is for the restoration of the ash evacuation system for which the basic capital cost has increased from Rs. 13.92 Crore to Rs. 34.25 Crore for which a work order has been placed on 13.03.2024. PSPCL is directed to explain the reason for the nearly 2.5 times increase in the cost of the said work compared to the originally envisaged by PSPCL in March 2023, alongwith the approval of its BoD to the revised expenditure.
 - ii. PSPCL has loaded Rs. 67.46 Crore on the basic capital cost as administrative charges citing it to be 25%. However, the

administration charges of Rs. 67.46 Crore comes out to be as high as 39% of the basic capital cost of Rs. 171.5 Crore. PSPCL was directed to submit the basis of charging of administrative charges alongwith the rationale of loading the same on the basic capital cost. All administrative expenses of PSPCL have already been provided in the ARR of the Discom. Thus, why should administrative expenses be charged again for its own works thus imposing a double jeopardy on the consumers.

- iii. PSPCL is directed to provide the up to date status of insurance claim for the collapse of the ESP of GHTP Unit 2.
- iv. PSPCL had submitted that the balance life of the plant can be assessed by doing a RLA study which will be carried out during the capital overhauling in Oct/Nov 2024 and Unit 2 will be operated for 35 years from its COD after carrying out R&M/LE works, whenever required. PSPCL to submit the rationale of deferring the RLA study to Oct/Nov 2024 and starting these works of an estimated cost of Rs. 269 Crore without assessing the potential life extension and cost of R&M/LE works required for the extension in the life of the plant.
- v. PSPCL was directed to bring the above points specifically to the notice of its Board of Directors and communicate the BoD's deliberations on the above issues by way of an affidavit for the consideration of the Commission for an appropriate decision.

In response to the order dated 05.07.2024, PSPCL submitted the information vide memo no. 6263 dated 13.08.2024 as under:

- i. For the ash evacuation system, initially it was proposed to get the work done from the OEM, M/s DCIPS. Due to a poor response from M/s DCIPS for supplying the material against the already placed purchase orders given to it, it was noticed that the financial condition of M/s DCIPS has

deteriorated. ASE/AHP visited the firm's premises at Kolkata in June, 2023 and SE/MM-II visited the firm's premises during August, 2023. On both occasions, the factory was found to be non-functional and in bad shape which indicated the firm's incapability to supply the material required for the restoration of the ash evacuation system of Unit #2 which was likely to delay making the Unit #2 of GHTP operational. Therefore, to avoid any delay, Work Order No. 41/AHP-138(N/(O&M) dated 13-03-2024 was placed with M/s BHEL for the ash evacuation system after negotiation of rates, after obtaining the approval from WTDs.

- ii. Agenda No.14/GHTP/C&I dated 11.07.2024 for ratification of the decision taken by WTDs regarding restoration of Ash evacuation system of 210 MW Unit #2 GHTP, Lehra Mohabbat form M/s BHEL on a single tender basis and allocation of additional capital funds was placed in the BOD's meeting held on 18.07.2024 at Chandigarh. However, this agenda was not discussed in the meeting and would be considered in the next meeting.
- iii. Financial Advisor, PSPCL, Patiala, vide Memo No.897/BB-371/2024-25 dated 09-08-2024, intimated that for capital works 75% value is allotted to the concerned office of PSPCL for utilization by them while the remaining 25% amount is kept for expenses to be capitalized under heads like establishment, H.O works and interest during construction. This proportion of 75% and 25% has already been approved by the BoD of PSPCL in its 43rd meeting held on 02.07.2015 at Mohali.

- iv. As per the investigation committee report, the probable cause of the incident is the structural failure of any portion of the CD path of the ESP resulting in a collapse of the CD path with a further cascading effect, damaging the AB path of the ESP due to aging. As per the Divisional Manager of the National Insurance Company from whom the Plant's standard fire and special perils policy no. 240700112210000006 was taken, accident or structure failure is not a peril insured under the policy. As such, insurance claim is not entertained by the Insurance Firm.
- v. RLA study of the LP/IP/HP Turbine and Generator can only be done after dismantling of the equipment which can only be done during its capital overhauling which is scheduled during Oct./Nov.2024. PSPCL had formed a committee of three Chief Engineers and the Chief Auditor of PSPCL for giving its recommendation whether to restore/not to restore the damaged ESP after doing a techno economic study. The committee after doing a techno economic study gave its recommendation to revive the Unit # 2 after restoration of its damaged ESP and upgradation of the obsolete C&I control system. In this techno economic study, the Committee worked out that the payback period of the expenditure on the revival of Unit # 2 will be less than 2.5 years even if the PLF of the Unit is upto 50%.
- vi. All facts & figures regarding the life of Unit # 2, running hour, remaining running hours etc. alongwith the detailed techno economic study report of the committee giving its recommendation for revival of Unit # 2 after restoration of the damaged ESP of Unit # 2 had been brought before the

BoD in Agenda No.08/MM-1/O&M/GHTP dated 09.03.2023. The BoD in its 99th meeting held on 14.03.2023 accorded its Administrative approval for the revival of Unit # 2 after restoration of damaged ESP, and allotted capital funds amounting to Rs. 235 Crore. The BoD also authorised WTDs for taking any decision required for making the Unit # 2 of GHTP Operational. Various work orders have been placed upon M/s BHEL after the approval of the BoD & WTDs of PSPCL and the present status of the commissioned works are as under:-

- (i) The work of laying of new foundations of the ESP has been completed on 14.05.2024. 98% Civil Work has been completed and only some flooring work is pending.
- (ii) Work order cum-contract agreement no. 48/MM-1/BMC- 376/GHTP dated 16.08.2023 for the restoration of the Electrical & Mechanical work of the ESP has been placed upon M/s BHEL. BHEL has started supplying the material. 60% material has been received at the site. Erection work has started on 14.05.2024 and is likely to be completed in December 2024. 18% erection work has been completed.
- (iii) Work order cum-contract agreement no. 41/AHP-138(N)/O&M dated 13.03.2024 was placed upon M/s BHEL. Work will be started after the completion of Electrical & Mechanical work of the restoration of ESP.
- (iv) Work Order No. 223/C&I/ATRS/WO47 dated 05.12.2023 has been placed upon M/s BHEL for

upgradation of the obsolete C&I control system of Unit #2.

As the above works are already under progress and are likely to be completed in December 2024, Unit # 2 will most likely be operational in January 2025.

5. The petition was taken up for hearing on 14.08.2024 and it was observed by the Commission vide order dated 22.08.2024 as under:
- i. PSPCL was directed, vide order dated 05.07.2024 to submit the reason for nearly 2.5 times increase in the cost for the restoration of the ash evacuation system work for which the basic capital cost has increased from Rs. 13.92 Crore to Rs. 34.25 Crore. PSPCL was also directed to attach the approval of its BoD to the revised expenditure. PSPCL submitted that it has allotted the work to BHEL on a single tender basis in place of M/s DCIPS as approved by its BoD in the meeting dated 14.03.2023 due to non-functionality of the firm (M/s DCIPS) which could have caused delay to the completion of the work. Further, PSPCL has submitted that the agenda for placing the order to BHEL as approved by its WTDs to its BoD which is pending for approval. PSPCL has not submitted any reason for the increase in the cost of this work.
 - ii. PSPCL has sought a capital fund approval of Rs. 269.84 Crore vide its letter dated 07.05.2024. PSPCL was directed, vide order dated 05.07.2024, to submit the basis of charging administrative expenses alongwith the rationale of loading the same on to the basic capital cost. PSPCL has submitted that its head office allocates 75% of the capital value to its offices and retains 25% for expenses to be capitalized on heads like establishment, H.O. works and interest during construction etc. PSPCL's thermal plant has placed the present work orders on lumpsum basis. It is noted that PSPCL has not replied to the query with regard to the works under reference in

this petition as to why the capital allocation of Rs. 67.46 Crore has been sought as administrative charges for these works since these administrative costs have already been allowed to PSPCL in the annual ARR in the Tariff Order.

- iii. With regard to the status of the insurance claim of the collapse of the ESP of Unit-2, PSPCL has submitted that the accident or structural failure has not been considered as peril insured under the policy and no claim has been entertained by the insurance company. PSPCL is required to submit a detailed reply as to whether it agrees with the Insurance Company or has challenged the decision of the Insurance Company. What is the benefit of an insurance policy if genuine claims are not being entertained.
- iv. The Commission, vide order dated 05.07.2024, had directed PSPCL that all the observations of the Commission shall be specifically brought to the notice of the Board of Directors and the BoD deliberations on the above issues shall be communicated by way of an affidavit in this petition for the consideration of the Commission. PSPCL has not submitted the same. PSPCL shall submit a detailed affidavit.

6. PSPCL in response to the order dated 22.08.2024, vide memo no. 6902 dated 18.11.2024 submitted as under:

- i. Initially it was proposed to get the work of the Ash Evacuation System done from its OEM DCIPS, Kolkata on a negotiated rate of Rs. 13.92 Crore plus GST. However, due to the non-functionality of the firm and to avoid any delay in the revival of Unit-2, the only option left was to get the work done from M/s BHEL on a single tender basis. M/s BHEL quoted rates of Rs. 43.85 Crore plus GST. A Work Order was issued to M/s BHEL at Rs. 34.25 Cr. plus GST after the approval of the WTDs and negotiation of rates by a committee comprising of Dir/Gen., Dir/Finance and CE/O&M, GHTP formed by

the WTDs. The reason for the increase in the cost is that the rate quoted by M/s BHEL includes the cost of design & engineering of the system, manufacturing and supply of material & commissioning from alternate sources and also loading of establishment & HO charges of M/s BHEL. However, timely completion of the damaged Ash evacuation system will help to revive the Unit-2 in time by making it operational which will recover the extra amount invested.

ii. Agenda No.14/GHTP/C&I dated 11-07-2024 for ratification of the decision taken by WTDs regarding restoration of the Ash evacuation system of 210 MW Unit #2 of GHTP from M/s BHEL on a single tender basis and allocation of additional capital funds was placed before the BoD for approval. BoD in its 108th meeting held on 23.09.2024 at Chandigarh, on agenda no. 14/GHTP/C&I dated 11.07.2024, has taken a decision as follows:

- (i) The Board after considering the details given in the agenda observed that M/s DCIPS should not be considered for future tenders. The Board ratified the resolutions passed by “WTDs in its 290th meeting held on 19.02.2024 on Agenda No. 04/GHTP/AHP-138(N) dated 14/02/2024 for Restoration of Ash Evacuation System of the 210MW Unit # 2 at GHTP, Lehra Mohabbat and
 - a) Accorded administrative approval to carry out the work of Restoration of the Ash Handling system of GHTP Unit-2 from M/s BHEL instead of the OEM M/s DCIPS.
 - b) Accorded administrative cum work approval for the work of Restoration of the Ash Handling system of 210MW Unit #2 of GHTP Lehra Mohabbat from M/s BHEL on a single tender basis.
 - c) Accorded approval to constitute a high-powered committee comprising of Director/Generation, Director/Finance & Chief Engineer/GHTP for negotiation of rates, terms & conditions and

completion period offered by M/s BHEL for the work of Restoration of Ash Handling system of the 210MW Unit #2 of GHTP, Lehra Mohabbat

- d) Authorized Chief Engineer/GHTP to issue a work order to M/s BHEL at the negotiated rates and terms & Conditions.
 - e) Accorded its approval to put up an agenda before the BOD for ratification of the above decisions by WTDs and allocation of additional funds.
 - f) Accorded approval to constitute a committee comprising of CE/GHTP, Dy CE/MM-II GHTP & ASE/AHP to take any decision to resolve any issues arising during the execution of the work for restoration of the ash evacuation system.
 - g) Allocated the additional capital funds of Rs. 34.84 crore for the work of Restoration of the Ash Evacuation system and for upgradation of the obsolete C&I (SG, TG & BOP) system to a single, unified DCS system at Unit-2 of GHTP from M/s BHEL under a single tender basis.
- III. That part of administrative charges which are capitalized i.e employee cost or interest are deducted from revenue expenditure and claimed before the Commission as “Capex Expenditure” only through the Business Plan including the Capital Investment Plan for the MYT Period or through a separate specific petition as in this case. Hence, these expenses are not claimed in the annual ARR in the tariff order.
- IV. Insurance covers a standard fire and special Perils Policy. Accident or structural failure is not covered under this policy. As structural failure occurred in this case, PSPCL agreed to the non-acceptance of its claim by the insurance company. The decision of the insurance company has not been challenged because of the following reasons.
- (i) Structural failure or Accident is not a peril in the insurance policy.

- (ii) The depreciated value of the damaged ESP was Rs. 2.4 Crore.
- (iii) The Insurance company asked to dismantle the damaged ESP and stack scrap separately. This damaged material will be disposed off either by PSPCL in the presence of the insurance company or by the insurance company at the time of finalization of the claim.
- (iv) M/s BHEL demanded Rs. 8.25 Crore plus GST as the cost of dismantlement.
- (v) As per oral enquiry, other contractors also demanded approx.2.5 Cr. Plus GST as the cost of dismantlement.
- (vi) In case of appeal/challenge, damaged ESP has to be kept as it is till the decision of appeal which may take a long time. Due to this delay, space cannot be evacuated in time to start the restoration work. The whole process may cause further delay in the revival of Unit-2 which is not in the interest of PSPCL and the State of Punjab due to continuous increase in Power demand.
- (vii) WTDs has formed a committee comprising of three Chief Engineers and the Chief Auditor, PSPCL to recommend how to dispose of the damaged ESP. The Committee recommended the disposal of the damaged ESP on an "As is where is basis".
- (viii) PSPCL disposed off the damaged ESP on an "As is where is basis" through a sale order by auction. PSPCL received Rs. 8.25 Crore plus GST through this disposal.

Keeping all the above factors in view, the decision of the insurance company was not challenged. Intent of the insurance policy is to cover the loss which occurs due to fire and other perils covered in the policy. The Premium of the policy is being made as per the equipment and reasons covered by the policy.

V. Clarification regarding starting the work of restoration of Unit #2, GHTP without RLA study:-

PSPCL has formed a committee comprising of three Chief Engineers and the Chief Auditor of PSPCL for giving its recommendation on whether to restore/not to restore the damaged ESP after doing a techno economic study. The Committee after doing a techno economic study gave its recommendation to revive the Unit # 2 after restoration of the damaged ESP and upgradation of the obsolete C&I control system. As per the techno-economic study, 4 years and 1 month (29665 hours) is the balance life of unit-2 GHTP, Lehra-Mohabbat. Also in this techno economic study, the committee worked out that payback period of expenditure on the revival of Unit # 2 will be less than 2.5 years even if the PLF of the Unit is upto 50%. Govt. of India, Ministry of Power vide its memo No. 11/3/2022-Th.I dated 01.08.2023 has recommended to keep the old units operative after doing R&M/LE whenever required to bridge the gap in the increased demand and required installed capacity. The memo gives a timeline for the R&M/LE study. As per this proposed timeline R&M/LE study of GHTP Stage-I, Lehra-Mohabbat units fall in Phase-III which is from 01.01.2031 to 30.06.2033. Due to this, R&M/LE study of unit-2 of GHTP is not required at this stage. Moreover, RLA study of LP/IP/HP Turbine and Generator can only be done after dismantling of equipment which can only be done during the capital overhauling which is scheduled in Oct./Nov.2024. Thus, the decision of revival of unit-2 by restoration of the damaged ESP and upgradation of the obsolete C&I system has been taken to meet with the increased demand of power in Punjab. Now the capital overhauling of Unit #2, GHTP has started and RLA study will be carried out during this shutdown.

VI. As per the directions of the Commission vide order dated 05.07.2024, all the observations made by the Commission and reply given by PSPCL on these observations has been brought to the notice of the BoD through agenda no. 19/CE/GHTP/MM-1 dated 13.09.2024. Also, the observations made by PSERC vide order dated 22.08.2024 on petition 59 of 2023 alongwith the reply to be given by PSPCL on these observations has been brought in the notice of the BoD through this agenda. BOD in its 108th meeting held on 23.09.2024 has taken the decision on this agenda that considering the details given in the agenda, the Board took note of all the observations raised by PSERC on Petition No.59 of 2023 and accorded its approval to the reply to be given as detailed in the agenda.

7. After hearing the representative appearing for PSPCL on 20.11.2024, the petition was admitted and the order was reserved.

Observation and Decision of the Commission: -

8. The Commission has examined the submissions made by PSPCL in Petition, replies of PSPCL submitted during the course of hearings, has heard the petitioner's officers during various hearings and after due deliberation decides as under:-

- 8.1 The Commission notes that PSPCL in the petition has prayed for a budget of Rs. 235 Crore including 25% administration charges (expenses of establishment, and interest during construction to be capitalized) for revival of GHTP Unit #2 by restoration of the ESP of Unit #2 of GHTP Lehra Mohabbat Stage-I for meeting the Power requirements of the State. Further, PSPCL has revised the requisite capital cost including administrative charges to Rs. 269.84 Crore as under:

(Rs. in Crore)

Sr. No	Detail of Work order placed on M/s BHEL.	Basic Cost	GST @ 18%	Administrative Charges @ 25%	Total Cost
1	395/PCM-452/23-24 dated 16-08-2023 for restoration of ESP Civil work	20	3.6	7.87	31.47
2	48/MM-1/BMC-376/GHTP dated 16-08-2023 for restoration of ESP Mechanical & Electrical works	90	16.2	35.4	141.6
3	41/AHP-138(N)/O&M dated 13-03-2024 for restoration of Ash evacuation system	34.25	6.17	13.47	53.89
4	223/C&I/ATRS/WO-47 dated 05-12-2023 for upgradation of C&I Control system.	27.25	4.91	10.72	42.88
Total		171.5	30.88	67.46	269.84

8.2 The Commission notes PSPCL's submission that the increase reflected in the revised capital cost is mainly due to an increase in the basic capital cost of Ash evacuation system from Rs. 13.92 Crore to Rs. 34.25 Crore. The increase is due to the non-functionality of the firm M/s DCIPS Kolkata, the original equipment manufacturer / vendor and the subsequent placing of the order upon M/s BHEL for timely completion of the damaged Ash evacuation system for a revival of GHTP Unit-II which has a payback period of less than 2.5 years, even with a plant load factor of 50%. The Commission takes a note of PSPCL's submission that the increased quoted rate of M/s BHEL is due to inclusion of the cost of design & engineering of system, manufacturing, supply of material, commissioning from alternate sources and also loading of establishment & H.O. charges. The Commission also notes that the order has been placed with the approval of the BoD of PSPCL at the rates negotiated by a high powered committee comprising of the Director Generation, Director Finance & Chief Engineer GHTP. Further, the Commission observes that the R&M/LE study of its GHTP units fall in Phase-III which is from 01.01.2031 to 30.06.2033 as per letter dated 01.08.2023 of the Government of India, Ministry

of Power. The Commission has also taken note of PSPCL's submission that the capital overhauling of GHTP Unit #2 has started and RLA study will be carried out during the shutdown. PSPCL is directed to submit the report of the RLA study to the Commission upon completion. Also, the rates have been approved by the BoD of PSPCL. **Accordingly, accepting the detailed explanations submitted by PSPCL and keeping in view the approval given by the BoD of PSPCL after due diligence, the Commission allows the basic capital cost of Rs. 171.5 Crore along with applicable GST to be incurred on the 4 No. works mentioned in the above table subject to the true-up at the end of the 3rd MYT Control Period (FY 2023-24 to FY 2025-26) as per MYT Regulations, 2022.**

PSPCL was allowed Rs. 6047.33 Crore as capital investment for the 3rd MYT Control Period (FY 2023-24 to FY 2025-26) vide order dated 11.01.2023 in Petition No. 49 of 2022. PSPCL is directed to judiciously prioritize all the approved works to keep its total capital expenditure within the total capital investment approved for 3rd MYT Control Period (FY 2023-24 to FY 2025-26) after including and factoring in the above approval of Rs. 171.5 Crore + GST within the overall outlay approved for the 3rd MYT.

- 8.3 Regarding the claim of administrative charges, PSPCL has submitted that part of the administrative charges which are capitalized i.e employee cost or interest are deducted from the revenue expenditure and claimed before the Commission as Capex Expenditure only through the Business Plan including the Capital Investment Plan for the MYT Period or through a separate specific petition like in this case and these expenses are not claimed in the annual ARR in the tariff order. It may be noted that the Commission allows all the requisite administrative expenses (O&M cost, interest

charges etc.) of PSPCL in its ARR. However, from the perusal of the petition and subsequent submissions it is not clear what these additional administrative expenses are for and PSPCL has not been able to explain or justify the claim. While the capital funds have been sought by PSPCL for contracts that have been placed upon M/s BHEL for execution of these works, the add on internal administrative charges are a double charge being claimed having been already provided for in the ARR. PSPCL has also not provided any details as to where this capital fund of Rs. 67.46 Crore sought as administrative charges will be spent. Since the Commission allows all the administrative expenses of PSPCL in its ARR, so allowing a separate capital fund for administrative expenses as claimed by PSPCL shall impose a double jeopardy upon the consumers. **Accordingly, the Commission disallows these administrative charges of Rs. 67.46 Crore as claimed by PSPCL over and above the basic capital cost of Rs. 171.5 Crore, which has been allowed by the Commission in this petition.**

The petition is accordingly disposed of with the above observations and directions.

Sd/-
(Paramjeet Singh)
Member

Sd/-
(Viswajeet Khanna)
Chairperson

Chandigarh
Dated: 11.12.2024