

**PUNJAB STATE ELECTRICITY REGULATORY COMMISSION
SCO NO. 220-221, SECTOR 34-A, CHANDIGARH**

**Petition No. 32 of 2014
Date of Order: 10.10.2014**

In the matter of: Petition for approval of capital expenditure for the distribution schemes to be executed by PSPCL for reduction of AT & C losses in towns below 15% under R-APDRP (Part-B) scheme of MOP/GOI.

AND

In the matter of: Punjab State Power Corporation Limited (PSPCL), The Mall, Patiala.

Present: Smt.Romila Dubey, Chairperson
Shri Virinder Singh, Member
Shri Gurinder Jit Singh, Member

ORDER

This petition was filed by Punjab State Power Corporation Limited (PSPCL) for seeking approval under Regulation 22(6)(iii) of Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005 as amended vide notification dated 17.09.2012 to incur capital expenditure amounting to Rs.122.97 crore for distribution schemes to be executed by PSPCL for reduction of AT & C losses in towns namely Jalandhar, Mohali, Khanna and Nawanshehar covered under R-APDRP (Part-B) scheme of Ministry of Power, Government of India MoP/GoI. PSPCL has submitted that the scheme (R-APDRP – Part B) has been launched by GoI/MoP for reduction of AT & C losses to below 15% in urban areas, throughout India. The scheme aims at reducing the AT & C losses by strengthening of sub-stations, transmission and distribution system and shifting of meters outside consumer premises. Board of Directors of PSPCL have already accorded administrative approval to float tender enquiry for execution of works in six towns out of which estimated cost for four

towns namely Jalandhar Cantt, Khanna, Mohali and Nawanshehar is more than 10 crore each and therefore approval of the Commission is required in terms of Regulation 22(6)(iii) of Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005 as amended vide Notification dated 17.09.2012. The Commission admitted the petition on 03.06.2014. PSPCL was requested vide letter dated 18.06.2014 to submit reply to the deficiency observed by the Commission after scrutiny of the petition. PSPCL sought time to file reply during hearing on 24.06.2014. PSPCL was directed to do so by 03.07.2014. PSPCL was further directed to file revised DPRs by 09.09.2014 after attending to the discrepancies pointed out by the Commission. PSPCL filed revised DPRs (except cost component) of Jalandhar, Mohali and Khanna town vide C.E./ARR & TR memo No.5046 dated 11.09.2014. After hearing the petitioner on 16.09.2014, the Commission decided to close the hearing of the petition. Order was reserved.

The Commission observes that as per Regulation 22(6)(iii) of Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005 as amended vide notification dated 17.09.2012 PSPCL was required to take prior approval of the Commission where capital expenditure is estimated to exceed ₹10 crore but this petition was filed after approval of the schemes by PFC and after floating of tender for allotment of work. This is gross violation of the Regulations and the Commission is making one time exception to entertain such request for approval in public interest but shall not allow any violation in future.

During scrutiny of the DPRs, numbers of discrepancies were observed in the DPRs which were pointed out during various hearings as mentioned above. The loss reduction trajectories, payback period and town data were found to be incorrectly mentioned in the DPRs. Even after revision of DPRs, it has been observed that although Internal Rate of Return (IRR) of these schemes ranges from 45.4% to 103% but payback period is from 5 to 7 years. The abnormal values of IRR and payback period may be due to mismatch of loss reduction trajectory projected to be achieved with the implementation of the scheme vis-à-vis investment. Also the average tariff of Khanna town has been mentioned as ₹7.6 per unit which appears to be wrong. Since these

DPRs have been sanctioned by Power Finance Corporation (PFC), the nodal agency for implementation of R-APDRP, so the Commission assumes that techno-commercial viability of all the DPRs have been checked as per prevailing guidelines of MoP/Gol.

The Commission accordingly accords approval in terms of Regulation 22(6)(iii) of Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005 as amended vide notification dated 17.09.2012 to incur capital expenditure by PSPCL for execution of R-APDRP schemes for the towns of Jalandhar, Mohali, Khanna and Nawanshehar amounting to ₹122.97 crore. However, the expenditure shall be incurred in a judicious manner and in accordance with the guidelines of R-APDRP to achieve the targets approved in these schemes. Since as per R-APDRP, 50% of the project cost including interest shall be converted into grant by MoP/Gol after successful implementation and achievement of target of the scheme by PSPCL, so any non-conversion of loan into grant as envisaged in the scheme due to failure of the utility to achieve desired parameters and implementation targets, shall be borne by PSPCL. PSPCL is also directed to submit the reports of third party audit carried out under the scheme to the Commission as and when the same is available.

The petition is disposed of accordingly.

Sd/-
(Gurinder Jit Singh)
Member

Sd/-
(Virinder Singh)
Member

Sd/-
(Romila Dubey)
Chairperson

Chandigarh
Dated: 10.10.2014