

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

PRESENT: Sri.K.J.Mathew, Chairman
Sri.P.Parameswaran, Member
Sri.Mathew George, Member

May 23 , 2011

Petition No. TP-87/2011

Dt 30.11.2010

In the matter of

Approval of cost data for transmission works

Kerala State Electricity Board - Petitioner

ORDER

1. Background

1.1 Kerala State Electricity Board (*hereinafter referred to as Board or KSEB*) filed a petition for the approval of cost data for transmission works. As per Section 46 of the Electricity Act, 2003 and clause 7 and 8 of Kerala Electricity Supply Code Regulations, 2005, KSEB is authorised to charge from a person requiring a supply of electricity, any expenses reasonably incurred in providing any electric line or electric plant used for the purpose of giving that supply.

1.2 In cases where works involving construction of electric plants and lines above 11 kV level is required, KSEB at present collects charges based on an estimate prepared for each work as per the site conditions and load requirements. The estimates are prepared as per sub clauses 2, 3 and 4 of clause 8 of Kerala Electricity Supply Code Regulations, 2005. In order to facilitate notification of uniform estimate rate for transmission works required for giving supply to consumers having large power requirement, estimates are proposed to be standardised based on the methodology detailed in Table 1 and was submitted before the Hon. Commission for approval.

2. Petition

2.1 The estimate rates for distribution and transmission works were submitted by KSEB before the Commission as per letters dated 13-07-2005 and 16-11-2005 respectively. Commission had approved the estimate rates for distribution works which were being followed with effect from 01-09-2005. Subsequently, due to the increase in the cost of materials and the changes in the Schedule of Rates for labour charges, the revised rates for distribution works were approved by the Commission with effect from 01-09-2009.

2.2 As directed by the Commission vide letters dated 31-07-2010 and 04-10-2010, KSEB prepared standard estimate rates for works above 11 kV level, which may require construction of substations / transmission lines or upgradation of existing transmission lines / substations to cater to larger capacity load requirement of a prospective consumer. In order to facilitate notification of uniform estimate rates for transmission works required for giving supply to consumers having large power requirement, estimates are proposed to be standardised based on the methodology detailed in Table 1 and was submitted before the Commission for approval.

Table - 1 : Methodology for estimation of cost of Transmission works

Sl. No.	Description	Amount
1	Cost of materials	= A
2	Spares	= 3% of A
3	Contingency	= 3.75% of A
4	Erection & Commissioning	= 10% of A
5	Transportation & Insurance	= 10% of A
6	Civil works	= B
7	Total	= (1+2+3+4+5+6) = C
8	Survey & Tree cutting compensation if any	= 10% of C = D

9	Total	= C + D = E
10	Overhead / Supervision charges	= 10% of E = F
11	Total	= E + F = G

2.3 Based on the above methodology, KSEB had prepared the estimate rates for major works and the detailed estimates were submitted for approval.

Provision for tree cutting compensation has been included for the construction of transmission lines. In the case of construction of new substations, cost of land @ Rs. 25,00,000/- per acre has also been included, in addition to the items included in Table - 1, for arriving at the estimate rate of works.

2.4 In the case of construction of new substations, to facilitate introduction of SCADA operations, provisions for remote metering, remote controls etc. are essential, the cost of which are not included in the estimate. The necessity of introduction of such facilities would be determined based on the relative importance of the substation in the grid network request to permit realisation of the cost of such equipment at actuals in addition to the proposed rates.

2.5 In certain instances, the requests of the consumer for a new connection or additional demand could be met by enhancing the transformer capacity alone in an existing substation. Permission was sought by KSEB to collect expenditure incurred for such works at actuals from the prospective consumers.

3. Hearing of the matter

3.1 A public hearing was held on 04.04.2011 at the Commissions office. The petitioner and the representative from Kerala High Tension and Extra High Tension Industrial Electricity Consumer's Association were present. The petitioner presented the necessity of the petition and argued in support of the claims as given in the Petition. The petitioner was asked to explain the rationale for arriving at the various percentages for spares, contingencies etc. But they could not provide any clear basis for the suggested percentages. KSEB was asked whether they had the system of closing of accounts of works done in favour of out side parties and refunding the excess realisation. The answer even though in the affirmative was not convincing.

3.2 The representative from the Kerala High Tension and Extra High Tension Industrial Electricity Consumer's Association stated that what the Commission had authorised to charge was only the reasonable expense for providing the connection. Nothing else is chargeable. He argued that there is no provision either in Electricity Act 2003, or in Kerala State Electricity Supply Code 2005 to levy development costs relating to Infrastructural Development from consumers of the Kerala Electricity system. Development of electricity infrastructure is the responsibility of the Electricity Licensee. The Maximum Demand/ Fixed charges levied from the consumers are for the readiness of the Licensee to supply the required power. There is no provision for levying any other charges. KSEB has been coercing and demanding payment of development charges from many consumers requiring new connections or increasing contract demand and many have paid the demanded amount. It is high time to stop the unfair practice followed by KSEB against the approved rules and regulations and request Commission to do the needful in this regard.

3.3 Most of the cost estimate furnished by KSEB was highly boosted, unrealistic and unreasonably high and therefore to be discarded in toto. They also alleged that KSEB had unnecessarily increased the quantum of various quantities of the works. The Association appealed that the estimates have to be referred to an Expert Committee for a close verification and evaluation before its approval. During the hearing the Commission asked the objector whether they would be satisfied if KSEB is directed to ensure that the actual cost of a work is evaluated after completion of the work and what ever amounts are payable/receivable are adjusted. The Association agreed to the proposal.

4. Analysis of the Commission

4.1 The Commission has considered the arguments made by the petitioner and objections received during the public hearing.

4.2 As per section 46 (Power to recover expenditure) of the Electricity Act 2003, *'the State Commission may, by regulations, authorise a distribution licensee to charge from a person requiring a supply of electricity in pursuance of section 43*

any expenses reasonably incurred in providing any electric line or electrical plant used for the purpose of giving that supply'.

4.3 Section (8) (2), (8) (3) and (8) (4) of the Kerala Electricity Supply Code 2005 specified the following

(8) (2) Supply where distributing main requires extension

(a) 'After the receipt of application as provided in clause 5, if the Licensee finds that the supply of electricity to premises applied for requires extension of electric lines, the Licensee shall work out expenses, if any, for such extension subject to clause 7(1) and intimate the applicant within fifteen (15) days of the receipt of application.

(b) The Licensee may require the applicant to pay the amount worked out and intimated under sub-clause (a) above within a period of 15 days or such extended period as the Licensee may allow at the request of the applicant'.

(8) (3) Supply where new Substation is to be commissioned

(a) 'After the receipt of application as provided under clause 5, if the Licensee finds that supply of electricity to premises applied requires commissioning of a new substation which is not covered as part of the investment plan approved by the Commission, the Licensee shall inspect the premises of the applicant and prepare the cost estimate for the works and intimate the applicant within one month of receipt of application.

(b) The Licensee may require the applicant to pay the cost estimate worked out under sub-clause 3(a) within a period of one month or such extended period as the Licensee may allow at the request of the applicant.'

(8) (3) Supply where new substation is to be commissioned along with extension of electric line

a) 'In case where supply of electricity to premises applied requires commissioning of a new substation along with extension of electric line, the Licensee shall inspect the premises of the applicant and prepare the cost estimate for the works and intimate the applicant within 2 months of receipt of application.

b) *The Licensee may require the applicant to deposit the amount within a period of one month or such extended period as the Licensee may allow at the request of the applicant.'*

4.4 From the above it is clear that the Licensee is entitled to recover the cost of works on the distribution side as well as transmission side based on the estimated cost of works. The estimation has to be done in a transparent and fair manner. The stake holders expect the Commission to ensure transparency and fairness in estimation and evaluation of such works. The Licensee should not be allowed to take any undue advantage from the provisions in the Electricity Act 2003 and the Supply Code cited.

At the same time standardisation of works on the transmission side is practically impossible. The nature of works would vary from site to site. Works like tree clearing, earth work, land compensation, SCADA, remote metering etc cannot be standardised. But the Licensee has to ensure that the cost of materials/equipments and the associated charges are computed correctly and realistically.

4.5 On a further analysis it was seen that most of the Electricity Regulatory Commissions do not go for the exercise of fixing standard rates for the transmission works. The Licensees are empowered to prepare and publish cost data and prepare estimates based on the cost data as per the needs of the beneficiaries ensuring transparency and fairness. Hence the Commission decided to approve general guidelines and methodology in preparing and executing transmission works.

4.6 During the hearing KSEB informed that the cost data and standard estimates submitted for transmission works was only for collecting advance amount for the work from the beneficiary. Once the work is completed then the estimate amount will have to be finalised as per the actuals and intimated to the beneficiary. If the estimate amount is in excess the balance will have be refunded to the consumer and if any short fall it will be realized from the consumer.

The commission feels that fairness and justice will be delivered

- if the methodology for preparation of estimates are prescribed by the Commission
- and if the cost data prepared by the Licensee is made available in the public domain and estimates are prepared based on such cost data
- and if evaluation of the work is done after completion of work and adjustments if any are carried out
- and if the Grievance Redressal Mechanism is made available to the beneficiary on the matter.

The Commission has carefully examined the various cost components claimed by the Board in the methodology for preparing the estimates. The Commission compared it with the components provided in other states and arrived at reasonable rates as ordered below.

5.0 Order of the Commission

5.1 Based on the above observations, the Commission hereby approves the following methodology for estimating the cost of providing HT/EHT connections and for executing transmission works in favour of other beneficiaries:

Sl. No.	Description	Amount(Provisional)
1	Cost of materials	A
2	Erection & Commissioning	B=7.5% of A
3	Transportation, Insurance & contingencies	C= 6% of A
4	Civil works and special works like SCADA etc if any	As per estimation=D
5	Tree cutting compensation if any	As per estimation=E
6	Sub-Total	F=A+B+C+D+E
7	Overhead/Supervision charges	G= 10% of F
8	Total	F+G
9	Taxes & Duties if any extra	

5.2 The Licensee shall prepare the estimate of the cost of the works based on the principles laid down above. Such estimate shall be based on the latest materials cost data as published by the Licensee in the website as well as on the notice boards of all the main transmission offices. The cost data should be based on the weighted procurement cost of the materials/equipments during the previous half-year and should be certified by the Chief Internal Auditor of the Licensee.

5.3 A copy of the estimate thus prepared should be handed over to the beneficiary under acknowledgement. On completion of works the Licensee shall prepare an evaluation statement of the work, based on actual quantities, within 3 months of completion/energisation of the works and hand over the same to the beneficiary under acknowledgment. The Licensee shall not be entitled to alter the estimate rates once the amount is remitted by the beneficiaries. The beneficiaries shall be bound to remit the excess cost if any, within one month, failing which the Licensee shall be entitled to recover the same, as if it was arrears of current charges under appropriate regulations. Excess remittances if any shall be refunded by the Licensees by adjustment in the monthly current charges/ direct refund within a period of 3 months.

5.4 Any dispute on the matter, including the rates, quantum of works executed etc shall be subject to review by CGRF and Ombudsman.

5.5 The petition is disposed of. Ordered accordingly.

Sd/-
P.Parameswaran
Member

Sd/-
Mathew George
Member

Sd/-
K.J.Mathew
Chairman

Approved for Issue

Sd/-
Secretary