

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 309/MP/2022**

**Coram:**

**Shri Jishnu Barua, Chairperson  
Shri I. S. Jha, Member  
Shri A. K Goyal, Member  
Shri P. K Singh, Member**

**Date of Order: 18.07.2023**

**In the matter of:**

Petition under Regulation 35(3)(c) of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 for approval and recovery of Security Expenses for the transmission systems for the period from 1.4.2019 to 31.3.2024

**And in the matter of:**

Teestavalley Power Transmission Limited,  
604 (6<sup>th</sup> Floor),  
Bhikaji Cama Bhawan, New Delhi – 110066.

**.....Petitioner**

**Versus**

1. PTC India Limited,  
2nd Floor, NBCC Tower,  
15, Bhikaji Cama Place, New Delhi – 110066.
2. Energy and Power Department,  
Government of Sikkim,  
Kazi Road, Gangtok – 737101, Sikkim.
3. Teesta Urja Limited,  
604 (6<sup>th</sup> Floor), Bhikaji Cama Bhawan,  
Bhikaji Cama Place, New Delhi – 110066.
4. Sneha Kinetic Power Projects Private Limited,  
Sonam Complex, Jeevan Theng Marg Development Area,  
Near Little Pixel International School,  
Gangtok – 737101, Sikkim.



5. Powergrid Corporation of India Limited,  
Saudamini, Plot No.2, Sector 29,  
Near IFFCO Chowk  
Gurgaon – 122001, Haryana.
6. Punjab State Power Corporation Limited,  
The Mall, Patiala – 147001, Punjab.
7. Uttar Haryana Bijli Vitran Nigam Limited,  
Vidyut Sadan, Plot No. C16, Sector-6,  
Panchkula – 134109, Haryana.
8. Dakshin Haryana Bijli Vitran Nigam Limited,  
Vidyut Sadan, Vidyut Nagar,  
Hisar – 125005, Haryana.
9. Haryana Power Purchase Centre,  
Shakti Bhawan, Sector-6,  
Panchkula – 134109, Haryana.
10. Ajmer Vidyut Vitran Nigam Limited,  
Vidyut Bhawan, Panchsheel Nagar,  
Makarwali Road,  
Ajmer– 305004, Rajasthan.
11. Jaipur Vidyut Vitran Nigam Limited,  
Vidyut Bhawan, Janpath,  
Jaipur - 302005, Rajasthan.
12. Jodhpur Vidyut Vitran Nigam Limited,  
New Power House, Industrial Area,  
Jodhpur – 342003, Rajasthan.
13. Rajasthan Urja Vikas Nigam Limited,  
Vidyut Bhawan, Janpath,  
Jyoti Nagar Jaipur – 302005, Rajasthan.
14. Uttar Pradesh Power Corporation Limited,  
Shakti Bhawan, 14, Ashok Marg,  
Lucknow – 226001, Uttar Pradesh.

....Respondents

**For Petitioner** : Shri Tarun Johri, Advocate, TPTL  
Shri Ankur Gupta, Advocate, TPTL



**For Respondent** : None

## **ORDER**

The instant petition has been filed by Teestavalley Power Transmission Limited (TPTL) for approval and recovery of the security expenses already incurred and to be incurred, in relation to the transmission project of the Petitioner during the period from 1.4.2019 to 31.3.2024. The security expenses for 2019-20, 2020-21, and 2021-22 are being claimed based on the actual costs incurred, whereas the estimated security expenses for 2022-23 and 2023-24 are claimed considering an escalation rate of 3.52% per annum as per the 2019 Tariff Regulations.

2. The Petitioner has made the following prayers in the instant petition:

- i. “Approve the Security Expenses, for the period 01.04.2019 to 31.03.2024 along with the Interest on Working Capital at prevailing bank rate as on 1st April of respective financial year as mentioned under paras 20 to 22 above;*
- ii. Allow the Petitioner to bill (Bill-1) the approved annual Security Expenses on monthly basis alongwith the interest on working capital;*
- iii. Allow the Petitioner to adjust the amounts based on actual expenses on a year on year basis and approach the Hon’ble Commission after the end of the control period 2019-24 with actual audited figures for truing up of Security Expenses for 5 years period alongwith carrying cost*
- iv. Approve the reimbursement of the petition filing fee;*
- v. Pass such other order(s) as the Hon’ble Commission deems fit and appropriate under the circumstances of the case.”*

### **Background**

3. The facts of the matter are succinctly stated as follows:

- a. The Petitioner, TPTL, an inter-State transmission licensee and a Government of Sikkim Enterprise is a Joint Venture of Powergrid Corporation of



India Limited ('PGCIL') and Teesta Urja Limited ('TUL'), a Government of Sikkim Enterprise.

b. The Petitioner has been entrusted with the implementation and operation of the 400 kV D/C Teesta III- Kishanganj quad moose transmission line along with 2 nos. line bays and 2 nos. 63 MVAR switchable line reactor bays at Kishanganj Sub-station (hereinafter referred to as the 'transmission project') as a part of the master plan for evacuation of power from the 1,200 MW Teesta III Hydro Electric Project (HEP) as well as other hydro-electric projects in the State of Sikkim.

c. The above said transmission project comprises of the following assets (hereinafter to be called 'transmission assets'):

Sl. No.	Details of Asset	COD	No. of bays
1.	Section of 400 kV D/C Teesta-III HEP - Kishanganj Transmission Line from Teesta III HEP to LILO Point at Rangpo <b>(Ckt 2)</b>	17.1.2017	-
2.	Section of 400 kV D/C Teesta-III HEP - Kishanganj Transmission Line from Teesta III HEP to Dikchu <b>(Ckt 1(a))</b>	14.4.2017	-
3.	Section of 400 kV D/C Teesta-III HEP - Kishanganj Transmission Line from Dikchu HEP to LILO Point at Rangpo <b>(Ckt 1(b))</b>	2.7.2018	-
4.	Section of 400 kV D/C Teesta-III HEP - Kishanganj Transmission Line from Rangpo LILO Point to Kishanganj <b>(Ckt 2(a))</b> along with 1 no. of line bays and 1 no. of 63 MVAR switchable reactor at Kishanganj Sub-station	6.1.2019	2
5.	Section of 400 kV D/C Teesta-III HEP - Kishanganj Transmission Line from Rangpo LILO Point to Kishanganj <b>(Ckt 1(c))</b> along with 1 no. of line bays and 1 no. of 63 MVAR switchable reactor at Kishanganj Sub-station	13.2.2019	2

4. The Petitioner has made the following submissions in support of its claim:



- a) The instant petition is for approval and to allow the Petitioner to recover the security expenses already incurred and to be incurred, in relation to the transmission project of the Petitioner during the period from 1.4.2019 to 31.3.2024.
- b) The Commission, vide order dated 22.3.2022 in Petition No. 35/TT/2021, had tried-up the transmission tariff for the 2014-19 period and determined the transmission tariff for 2019-24 period for the above transmission assets. In the said Petition No. 35/TT/2021, security expenses had not been claimed for the 2019-24 tariff period, and it was submitted that a separate petition shall be filed before the Commission for claiming the overall security expenses and consequential Interest on Working Capital (IoWC) on the same as envisaged in the 2019 Tariff Regulations.
- c) Accordingly, the Commission, vide its order dated 22.3.2022 in Petition No. 35/TT/2021, has mentioned that the Petitioner's claim, if any, shall be dealt with in accordance with the provisions of the 2019 Tariff Regulations as and when the same is submitted by the Petitioner.
- d) The Petitioner has filed an Appeal DFR No 235 of 2022 before the APTEL against the order dated 22.3.2022 in Petition No. 35/TT/2021 challenging certain disallowances by the Commission. The recovery of security expenses for the transmission system for the period from 1.4.2019 to 31.3.2024 being claimed under this instant Petition was not claimed in Petition No. 35/TT/2021 and has also not been claimed/challenged under the Appeal DFR No 235 of 2022.



e) The security expenses incurred / to be incurred by the transmission licensee have been omitted from the norms of the O&M Expenses from the 2019 Tariff Regulations and are to be considered separately after a prudence check. The 2014 Tariff Regulations did not specify any separate norms for claiming security expenses, and the same was included in the norms for Operation and Maintenance Expenses.

f) In this regard, Para No. 10.7.5 of the Statement of Objects and Reasons (SOR) for Tariff Regulations 2019 issued by the Commission vide notification No. L-1/236/2018/CERC provides that the security expenses for transmission systems for the tariff period 2019-24 shall be approved on an estimate basis, which shall be trued up at the time of truing up.

g) The transmission line is 215 km in length and comprises 589 towers while passing through extremely difficult hilly terrain with altitude as high as 2,600 metres in the North District, East District and South District of the State of Sikkim and Darjeeling District of the State of West Bengal. The transmission line also passes through Kishanganj District of the State of Bihar, which is affected by frequent storm, cyclone, and floods.

h) The transmission line also passes through the Gorkhaland area of the State of West Bengal, which is highly vulnerable and prone to sabotage and insurgencies. Such issues were also faced by the Petitioner during construction. Due to Gorkhaland issues, the NH-31 remains closed, and thus the movement of materials from the State of West Bengal to the State of Sikkim is hampered.



i) The transmission assets are critical for evacuating power from hydro generating stations located in Sikkim for further transmission to the load centres in the Northern Region and Western Region. This inter- State transmission line has been planned and constructed to evacuate power from various projects of the large Hydro Generating Complex in Sikkim, with a capacity of around 2,900 MW. Presently, the transmission line is evacuating power from Teesta III HEP (1,200 MW), Dikchu HEP (96 MW), Jorethang HEP (96 MW), Tashiding HEP (97 MW), and Chuzachen HEP (99 MW). The transmission line also evacuates power from Teesta V HEP (510 MW) under contingency. Owing to the criticality, the Petitioner is maintaining the availability of the transmission line higher than the normative transmission line availability of 98% as notified in the 2019 Tariff Regulations. The availability of the last three financial years is as follows:

Financial Year	2019-20	2020-21	2021-22
Availability	98.801%	99.758%	99.982%

j) In the difficult terrain of the Great Himalayan Range, inner Himalayan Range and Shivalik Range, coupled with transportability constraints due to difficult geographical conditions, movement of material from plains to hills is sometimes not possible for weeks together, whereas considering the geographical area through which the transmission line passes and evacuates power from Sikkim's large hydro generating complex to the rest of the country, some critical components are required to be kept as capital spare and supplied when required.

k) In view of the abovesaid and for the ease of movement of the manpower and the material in the above states, the following three stores for storage of large quantities of capital spares, namely tower materials, conductors, insulators,



hardware fittings, earth wires, various tools & plants, as well as safety equipment, are maintained:

- i) At Belwa Kishanganj is for the Bihar & West Bengal plain areas.
  - ii) At Matigara, in Darjeeling district of West Bengal, is for the West Bengal hilly areas.
  - iii) At Mangan, in the North District of Sikkim is for the Sikkim hilly areas.
- l) Further, the transmission line passes through the North, East and South Districts of Sikkim, the Darjeeling District of West Bengal, and the Kishanganj District of Bihar, which is adjacent to the Uttar Dinajpur District of West Bengal, as well as Bangladesh and Nepal. This area is highly theft-prone and there have been repeated instances of theft and attempts during construction and charging of the line. There had been incidents of theft of conductors, insulators and hardware fittings from the transmission line in this area. Besides, as stated above, the Gorkhaland area of the West Bengal hills is highly vulnerable and exposed to sabotage and insurgencies. During the transmission line construction stage, the Petitioner faced extreme difficulties due to the Gorkhaland issue. However, due to the presence of petitioner's personnel, such sabotage/insurgency/theft did not occur. The whole transmission project therefore needs to be protected by proper security arrangements.
- m) The requirements for manning the Transmission Systems of the Petitioner can be categorized as below:

- i. Security Arrangements for Stores
- ii. Security Arrangement for the Transmission Line enroute.
- iii. Security Arrangement for the Corporate Office





n) Personnel have been engaged for the complete line length of the transmission line on a 24x7 basis, due to which no theft/damage/sabotage has been observed in the last 3 financial years, i.e. 2019-20, 2020-21, and 2021-22.

o) Further, there is a need for security arrangements for the Corporate Office of the Petitioner where the offices of the Managing Director, Director (Projects), Chief Financial Officer, Company Secretary and other key personnel of the Petitioner along with their officials, are situated. Various important documents of the Petitioner related to Contracts Management, Financial Management, Human Resources, Company Secretarial Affairs etc. are kept in the Corporate Office of the Petitioner. Therefore, Security Guards have been placed at the Corporate Office of the Petitioner for proper security and watch & ward of the Corporate Office.

p) The details of actual Security Expenses for the transmission line for the financial years 2019-20, 2020-21, and 2021-22 as per the audited accounts are as follows:

(₹ in lakh)			
Item Description	2019-20 (Actual)	2020-21 (Actual)	2021-22 (Actual)
Security Expenses of the Transmission Line	106.00	110.29	120.11
<b>Total</b>	<b>106.00</b>	<b>110.29</b>	<b>120.11</b>

q) It is also submitted that 2 No. of 400 kV bays and 2 No. of 63 MVAR switchable reactor bays of Petitioner are located at Kishanganj Sub-station of PGCIL. The security of the same is taken care of by the security engaged by PGCIL, and TPTL is not claiming any security charges towards the sub-station in the instant petition. After completion of the control period 2019-24, a petition based on the actual audited figures will be filed by the Petitioner for approval of the truing up of security expenses.



r) The estimated security expenses for 2022-23 and 2023-24, considering an escalation rate of 3.52% per annum as per the 2019 Tariff Regulations, are as follows:

(₹ in lakh)	
2022-23	2023-24
124.34	128.71

The estimated security expenses may be trued up/ adjusted annually against the actual expense for the year, and the amount may be recovered/refunded, as the case may be, as per the Tariff Regulations.

s) The above annual expenses may be shared on a monthly basis. Since the above expenses would be recovered with a time gap of 2 months, there would be a component of interest on working capital as per the SOR (para no 10.6.3) which provides that security expenses will also be included in operation and maintenance expenses for computing the normative working capital requirement. Accordingly, interest on working capital is also required to be allowed to be recovered along with the estimated security expenses.

t) The annual security expenses may be allowed to be billed on a monthly basis and recovered along with the consequent interest on working capital in Bill#1 from DICs.

5. During the hearing on 27.3.2023, the Petitioner reiterated the submissions made in the Petition. In response to the Commission's query regarding the provision under which the security expenses are claimed by the Petitioner, the learned counsel for the Petitioner referred to paragraph 10.7.5 of the Statement of Reasons (SOR) for the 2019-24 Tariff Regulations.



6. None appeared on behalf of the Respondents despite having been served the notice. Further, no reply has been submitted by any of the Respondents.

**Analysis and Decision:**

7. We have gone through the submissions made by the Petitioner. The Petitioner has prayed for approval and recovery of the security expenses already incurred and to be incurred in relation to the transmission project of the Petitioner during the period from 1.4.2019 to 31.3.2024.

8. While seeking approval of the tariff for the transmission assets for the 2019-24 tariff period in Petition No. 35/TT/2021, the Petitioner submitted that the security expenses would be sought in a separate petition as per the 2019 Tariff Regulations. While disposing of Petition No. 35/TT/2021, the Commission took note of the submission and, in its order dated 22.3.2022 in Petition No. 35/TT/2021, observed that the Petitioner's claim towards the security expenses shall be dealt with in accordance with the provisions of the 2019 Tariff Regulations as and when the same is submitted by the Petitioner. The relevant portion of the order dated 22.3.2022 is as follows:

**“Security Expenses**

*107. The Petitioner has submitted that as per Regulation 35(3)(c) of the 2019 Tariff Regulations, the Security Expenses and Capital Spares for transmission system are be allowed separately after prudence check. A separate petition shall be filed for claiming the overall Security Expenses and consequential IWC. Consider actual security expenses of 2018-19 for claiming estimated Security Expenses for 2019-20 which will be subject to true up at the end of the year based on actual expenses. Thus, petition for Security Expenses will be filed on a year to year basis with annual true-up. Similarly petition for security expenses for 2020-21, 2021-22, 2022-23 and 2023-24 will be filed on the basis of actual expenses of previous year subject to true up at the end of the year on actual expenses. The difference, if any, between the estimated Security Expenses and actual Security Expenses calculated as per audited accounts, on year to year basis may be allowed to recover from beneficiaries. Further, the Petitioner will claim capital spares at the end of tariff block as per actuals. Accordingly, Security*



*Expenses and capital spares are not claimed in the instant petition and will be claimed separately in a separate petition along with all other assets. The Petitioner has sought liberty to approach the Commission with a separate petition.*

*108. We have considered the submission of the Petitioner. The Petitioner has submitted that a separate petition will be filed for security expenses and capital spares. Any petition/ application filed by the Petitioner in this regard will be dealt in accordance with the applicable Tariff Regulations.”*

9. We have examined the submissions of the Petitioner. With regard to security expenses, Regulation 35(3)(c) of the 2019 Tariff Regulations provides as follows:

*“(c) The Security Expenses and Capital Spares for transmission system shall be allowed separately after prudence check:*

*Provided that the transmission licensee shall submit the assessment of the security requirement and estimated security expenses, the details of year-wise actual capital spares consumed at the time of truing up with appropriate justification.”*

As per the above Regulation, the security expenses for transmission systems shall be allowed separately after a prudence check, which shall be trued-up after assessment of the year-wise details submitted by the Petitioner with proper justification.

10. The Petitioner has claimed that it has actually incurred the following expenses towards the security on the above-mentioned heads during 2019-20, 2020-21, and 2021-23, towards which the audited statement of account has been submitted by the Petitioner:

Item Description	(₹ in lakh)		
	2019-20 (Actual)	2020-21 (Actual)	2021-22 (Actual)
Security Expenses of the Transmission Line	106.00	110.29	120.11
<b>Total</b>	<b>106.00</b>	<b>110.29</b>	<b>120.11</b>

11. To justify the said expenditure on security, the Petitioner has submitted that it is operating and maintaining the said transmission line, which is very critical for the evacuation of power from hydro projects located in Sikkim. According to the Petitioner



this transmission line is 215 km in length and comprises 589 towers, and it is passing through very inhospitable terrain in the districts of Sikkim and Darjeeling of the State of West Bengal, which is susceptible to landslides, etc. Some areas have issues like insurgencies and theft as well.

12. The Petitioner has further submitted that because of these inhospitable conditions, it finds the supply of capital spares and manpower to areas through which the transmission line passes difficult. The Petitioner has therefore to maintain three stores each in Belwa, Matigara, and Mangan for the ease of movement of manpower and material in the Districts of Bihar and West Bengal. According to the Petitioner, the security expenses sought by the Petitioner are therefore towards the security of the above stores, as well as the transmission line and the corporate office.

13. The Petitioner has filed the Audited Balance Sheet of the company, duly endorsed by the Chartered Accountant of the company, according to which the actual expenditure on the security by TPTL for the years 2019-20, 2020-21 and 2021-22, is Rs. 106.00 lakh, 110.29 lakh, and Rs. 120.11 lakh respectively, which matches the Petitioners claim.

14. Accordingly, based on the actual cost of the security expenses supported by the Audited account, the following security expenses are allowed for the transmission project for the 2019-24 tariff period in terms of Regulation 35(3)(c) of the 2019 Tariff Regulations:

Item Description	(₹ in lakh)		
	2019-20	2020-21	2021-22
Security Expenses of the Transmission Line	106.00	110.29	120.11
<b>Total</b>	<b>106.00</b>	<b>110.29</b>	<b>120.11</b>



15. The Petition has submitted further that for 2022-23 and 2023-24, the estimated expenditure on security would be as follows at an estimated escalation rate of 3.52%:

Item Description	(₹ in lakh)	
	2022-23	2023-24
Security Expenses of the Transmission Line	124.34	128.71

The Petitioner has requested that the estimated security expenses be trued up/ adjusted annually against the actual expense for the year, and the amount may be recovered/ refunded, as the case may be, as per the Tariff Regulations.

16. The Petitioner has claimed an escalation rate of 3.52% per annum towards the estimated expenditure. However, we note that an escalation rate of 3.51% has been provided for O&M Expenses in respect of transmission systems for projecting O&M expenses norms for the tariff period from 2019-20 to 2023-24. The same is explained in the Statement of Objects and Reasons (“SOR”) dated 22.3.2019 for the 2019 Tariff Regulations as follows:

*“10.7.2.....Keeping in view the rising trend of indices, the Commission has decided to provide an additional margin of 3.00%, thereby fixing the escalation rate of 3.51% for thermal generating stations and transmission systems and 4.77% for hydro generating stations. These escalation rates have now been considered for projecting O&M expenses norms for the tariff period from FY 2019-20 to FY 2023-24. ....”*

17. Accordingly, the escalation rate of 3.51% has been considered for projecting O&M Expenses norms for transmission systems for the 2019-24 tariff period. In view of the fact that security expenses are also O&M Expenses and in line with the escalation rate for O&M Expenses as provided in the 2019 Tariff Regulations, we approve the security expenses for the periods of 2022-23 and 2023-24 with the escalation rate of 3.51% per annum with respect to base rate of security expenses for 2019-20.



18. Accordingly, the following estimated expenditure is allowed for the years 2022-23 and 2023-24, respectively, at a rate of 3.51% escalation rate:

Item Description	(₹ in lakh)	
	2022-23	2023-24
Security Expenses of the Transmission Line	124.32	128.68

19. The Petitioner is directed to submit the audited year-wise actual security expenses incurred along with their cost break-up as well as the manpower deployed at various locations at the time of true-up.

20. The Petitioner has prayed to allow the bill for security expenses along with interest on working capital and to adjust the amounts based on actual expenses on a year to year basis. In this regard, Regulation 34(1)(c) of the 2019 Tariff Regulations provides the working capital to cover:

*“(c) For Hydro Generating Station (including Pumped Storage Hydro Generating Station) and Transmission System:*

- (i) Receivables equivalent to 45 days of annual fixed cost;*
- (ii) Maintenance spares @ 15% of operation and maintenance expenses including security expenses; and*
- (iii) Operation and maintenance expenses, including security expenses for one month.”***

21. Towards the rate of interest on working capital, Regulation 34(3) and Regulation 34(4) of the 2019 Tariff Regulations, provide as follows:

*“(3) Rate of interest on working capital shall be on normative basis and shall be considered as the bank rate as on 1.4.2019 or as on 1st April of the year during the tariff period 2019-24 in which the generating station or a unit thereof or the transmission system including communication system or element thereof, as the case may be, is declared under commercial operation, whichever is later:*

*Provided that in case of true-up, the rate of interest on working capital shall be considered at bank rate as on 1st April of each of the financial year during the tariff period 2019-24.*



*(4) Interest on working capital shall be payable on normative basis notwithstanding that the generating company or the transmission licensee has not taken loan for working capital from any outside agency."*

22. Accordingly, O&M Expenses, including security expenses, for one month shall be considered to work out the interest on working capital as per the rate of interest as stipulated in the relevant regulation as above. As far as the billing and adjustment of amounts on a year to year basis are concerned, the same shall be taken up at the time of true-up.

23. The Petitioner has also prayed for reimbursement of filing fees paid by it for filing the instant petition. In the facts and circumstances, the Petitioner's prayer for reimbursement of the filing fees is not allowed.

24. This order disposes of Petition No. 309/MP/2022 in terms of the above discussions and findings.

**sd/-**  
**(P.K. Singh)**  
**Member**

**sd/-**  
**(Arun Goyal)**  
**Member**

**sd/-**  
**(I. S. Jha)**  
**Member**

**sd/-**  
**(Jishnu Barua)**  
**Chairperson**

