

**RAJASTHAN ELECTRICITY REGULATORY COMMISSION**

**Petition No: RERC/1854/20**

In the matter of Petition filed by M/s Rajasthan Rajya Vidyut Prasaran Nigam Limited for Review of the Commission's Order dated 08.10.2020 passed in Petition No. 1582/19

**Coram** : **Dr. B. N. Sharma, Chairman**  
**Sh. S. C. Dinkar, Member**  
**Sh. Prithvi Raj, Member**

**Petitioner** : Rajasthan Rajya Vidyut Prasaran Nigam Ltd.

**Respondents** :

1. Jaipur Vidyut Vitran Nigam Ltd.
2. Ajmer Vidyut Vitran Nigam Ltd.
3. Jodhpur Vidyut Vitran Nigam Ltd.

**Date of hearing** : **01.07.2021**

**Present:**

1. Sh. Sudhir Jain, Authorised Representative for Petitioner
2. Sh. R.N. Birda, Authorised Representative for Respondent

**Date of Order** : **14.07.2021**

**ORDER**

1. Rajasthan Rajya Vidyut Prasaran Nigam Limited (hereinafter referred as 'RVPN' or "Petitioner"), has filed instant Petition under Regulation 58A of the RERC (Transaction of Business) Regulations, 2005 for review of Commission's Order dated 08.10.2020 in the matter of approval of Investment Plan for FY 2020-21.
2. Notices were issued to Respondents on 03.12.2020 for reply. Accordingly, the Respondent submitted their comments/suggestions on 07.04.2021. RVPN submitted its reply on the comments/suggestions on 09.06.2021.
3. The matter was heard on 01.07.2021. Sh. Sudhir Jain, Authorised

Representative, appeared for Petitioner, Sh. R.N. Birda Authorised Representative, appeared for Respondent.

4. RVPN has filed the instant Petition seeking review of the said Order, because of non-approval of the investment under the following heads:
  - i) Smart Transmission Operation Management System (STOMS);
  - ii) Construction of Vidyut Bhawan Phase II Annex Building;
  - iii) Institutional Strengthening works: Construction of Administration & Residential buildings (New circles/divisions/sub offices etc. Furniture, Fixtures and office equipment's)
5. The Commission has considered the submissions of Petitioner and Respondents on each issue and are summarised as below:

**Issue No. (i) : Smart Transmission Operation Management System (STOMS)**

**RVPN's Submission & reply to Respondents Comments:**

6. RVPN proposed Rs. 50.00 Crore in developing STOMS project to implement Intra-State Deviation Settlement Mechanism (DSM).
7. The Petitioner submitted that the Smart Transmission Operation Management System (STOMS) project has been implemented in accordance with the DSM Regulations, 2017.
8. As per the regular directions of the Commission to implement the ABT Regulations at Intra-State level, the work order has been placed on M/s L&T Limited, Navi Mumbai on 16.09.2016.
9. The STOMS project was also submitted for the PSDF grant to PSDF on 24.08.2016, which was approved on 19.05.2017 with grant of 90% only on the IT hardware application and system software part amounting to Rs. 11.86 Crore on the accepted project cost of Rs. 13.18 Crore.
10. The Petitioner further submitted that PSDF has not denied for the implementation of infrastructure for implementation of DSM Regulations, but it excludes any expenditure on hardware such as meters, CT-PT set or any other item required for its interfacing.
11. The grant of Rs. 11.86 Crore was also disbursed to the Petitioner, but could

not be utilized as the work order was issued prior to PSDF approval, which is not permissible as per PSDF grant guidelines. Since, the approval was to take substantial time and because of regular direction for implementation of Intra-State ABT/DSM Regulations by the Commission, the management decided to issue the work order for implementation.

12. The Petitioner submitted that for financial year 2018-19, 2019-20 & 2020-21, the difference between the net payable to Northern Region(NR) and net payable by three Discoms is Rs. 46.50 Crore for FY 2018-19, Rs. 141 Crore for FY 2019-20 & Rs. 200 Crore for FY 2020-21. Whereas in absence of proper DSM billing, the complete payable amount to NR was to be paid by three Rajasthan Discoms. Therefore, net payable amount by three Discoms to Rajasthan DSM pool shows substantial savings. The total implementation cost of the project amounts to Rs. 32.11 Crore only.
13. The Petitioner submitted that the SAMAST report is not a mere guideline. It has been prepared by a technical committee of Forum of Regulators in which Member, RERC was also signatory and it is required to be implemented by the State Utilities.
14. In order to implement the ABT/ DSM Regulation under STOMS project, the periphery of measurement for drawl by Discoms is made on the terminal substation of RVPN, feeding the particular Discom, which has optimized the numbers of ABT metering points, but the SAMAST has defined the Discom and STU boundary in their report.
15. The SAMAST report also emphasizes on preparedness of 5 minutes block, instead of existing 15 minutes block based on the emerging market scenario. The Forum of Regulators subgroup report of February, 2018 has also detailed the migration plan for adopting the 5 minutes block with its detailed functional and implemental requirements, which is prepared in consultation with all the Stakeholders including SERC/POSOCO/ SLDC's.
16. In view of above, the complete DPR for STOMS extension was prepared with objective of implementation of SAMAST report in terms of ABT metering points on the defined periphery with provision to migrate from 15 minutes block to 5 minutes block as and when it is mandated at National level and subsequently, on State level.

17. The Coordination Committee in 10<sup>th</sup> meeting has approved the DPR for implementation with emphasis to accurately measure the energy on all outgoing feeders to Discoms with estimated cost of Rs. 191.39 Crore. In the 26<sup>th</sup> Coordination Committee meeting of State power sector companies dated 30.12.2020 further reconsidered the revised estimate with provision to implement SAMAST report and only considered few loss making circles of Discoms for energy measurement on outgoing feeders utilizing the spare ToD meters from transformer incomer points of RVPN substation, where ABT meters are proposed to be installed. This has further optimized the estimated project cost to Rs. 151.07 Crore. The Coordination Committee approved the revised methodology & estimate in the 26<sup>th</sup> Coordination Committee meeting.
18. The STOMS extension project is not submitted for PSDF grant, as major contributing cost component such as Meter, Meter Box, CT-PT set, cables etc. are not admissible as per their guidelines. The remaining hardware and software components shall have only incremental cost to accommodate additional meter data and the configuration of logic in existing software.
19. In view of above, the proposed project of STOMS extension is for the implementation of philosophy as per SAMAST report with a provision for future readiness for 5 minutes block schedule as is being emphasized by Forum of Regulators looking to the energy market requirements.
20. The other utilities are also implementing the SAMAST report, as it is evident from the PSDF approvals, wherein they have only given the grant for software & IT component with respect to proposed estimate cost by State Utilities.
21. The above justification enumerates the importance of implementing the SAMAST report with readiness to implement 5 minutes block schedule. Therefore, the Petitioner requested the Commission that project of STOMS extension be considered for investment approval.

### **Respondent's Comments/Suggestion**

22. The Respondent submitted that the guidelines provided by Forum of

Regulators (FOR) are a general guidelines and it is not mandatory. However, the decision and need to implement such guidelines is up to the individual utilities. Thus, before claiming such an investment, the Petitioner needs to justify for such an investment, along with the associated Cost Benefit Analysis based on SAMAST guidelines.

23. The Commission has not approved any such expense vide Order dated 08.10.2020, which is read as below:

*"3.30 For Smart Transmission Operation Management System (STOMS) project, the Nodal agency, i.e., National Load dispatch Centre has not approved any grants through PSDF. Therefore, the Commission does not find it appropriate to approve the investment under the STOMS project. Accordingly, the Commission has allowed the capital expenditure of Rs. 403.00 Crore as against Rs. 453.00 as proposed by the Petitioner for FY 2020-21 under the head of PSDF funded schemes".*

24. The Review Petition filed by the Petitioner states that the PSDF has not allowed any grant on the hardware part, i.e., meter, meter boxes, CT/PT sets, DCUs etc. and the same is to be funded through RVPN's own sources. Thus, it is essential to reiterate that the Petitioner needs to provide adequate justification of claiming this investment despite that the Commission have already disallowed the same. The Respondent requested the Commission not to allow any additional expenditure against it.

### **Commission's Analysis**

25. During the Process of approval of Investment Plan for FY 2020-21 against Petition No. 1582/19, the Commission had asked the Petitioner to submit the justification of schemes under other works (Excluding Deposit Works), which included investment against STOMS. However, vide the replies dated 03/02/2020 and 17/06/2020, the Petitioner did not submit the proper justification. Again, with respect to PSDF funded scheme, the Commission asked:

- a) Total cost of the project;
- b) Cost incurred till date;
- c) Cost funded by Central Govt.;

d) Cost born by RVPN.

26. Against this, RVPN vide its replies dated 27.08.2020 for STOMS Extension submitted that "PSDF not accepted STOMS project for Grant" without any detailed justification.
27. The Petitioner has not submitted the proper details at the time of processing of Investment Plan Petition. However, the Petitioner now as part of Review Petition has submitted the details which will require detailed examination by the Commission.
28. Further, as the FY 2020-21 is already over, the Petitioner may approach the Commission in the Investment Plan Petition for subsequent years with the complete details alongwith justification of actual capital expenditure to be incurred where the Commission will examine the same based on the details furnished.

**Issue No. (ii) & (iii) : Construction of Vidyut Bhawan Phase II Annex Building and institutional Strengthening Works : Consturction of Administration & Residential Buildings (New Circles/Divisions/Sub-Offices etc., Furniture, Fixtures and Office Equipment's)**

**RVPN's Submission & reply to Respondent's comments:**

29. RVPN claimed Rs. 30.00 Crore in extension of corporate building and Rs. 5.49 Crore for Construction of Administration & Residential buildings (New Circles/Divisions/Sub Offices etc. Furniture, Fixtures and Office Equipment's)
30. The Petitioner submitted that the construction of new administrative building adjacent to existing Vidyut Bhawan, i.e., Vidyut Bhawan, Phase-II is proposed, as there is acute shortage of space for accommodating offices in existing Vidyut Bhawan, which was constructed in the year 1995 by Rajasthan State Electricity Board, i.e., before formation of six (6) nigams.
31. In the proposed building, Offices of JVVNL, RUVNL, JdVVNL, AVVNL shall be accommodated for coordinate working. Presently various offices are functioning in rented building or with insufficient constrained

accommodation. Further, for any organization to work smoothly, proper administrative buildings, furniture and other facilities are essential.

32. It is further submitted that the Regulation 3(2) of the RERC (Investment Approval) Regulations, 2006 stipulates that *“the capital works is mainly done on Power Evacuation Scheme, Loss Reduction Scheme, Sub Transmission and Distribution Schemes, Augmentation and Capacitor Installation Schemes”*. For proper installation of all these schemes, the organization have corporate as well as execution wings. The sole purpose of construction of Vidyut Bhawan Phase - II is to accommodate its officers and officials to support, supervise and monitor the execution wing to achieve the targets stipulated in Regulation 3(2) of the RERC (Investment Approval) Regulations, 2006.
33. Also, as per the Indian Accounting Standards 16, the cost of an item of Property, Plant and Equipment should be recognized as an assets if and only if:
- a) It is probable that future economic benefits associated with the item will flow on the entity;
  - b) The cost of an item can be ascertained reliably;
  - c) Held for use in the production or supply of goods or services or rental to others or for administrative purpose;
  - d) Are expected to be used during more than one period. Hence, in accordance to above provision, if any new building is constructed for use of administrative purpose that should be capitalized.
34. Further, the Petitioner submitted that any organization requires offices all through the business area for efficient implementing of target schemes/works. The works are covered under Institutional Strengthening as this brings overall efficiency.

### **Respondent's Comments/Suggestion**

35. The Petitioner claimed the Construction of Vidyut Bhawan Phase-II building under its Capital Expenditure Plan. However, the Commission vide Order dated 08.10.2020 against Petition No. 1582/2020 ruled as below:

*“3.34 Regulation 3(2) of the RERC (Investment approval) Regulations, 2006 stipulates that the capital works is mainly done on Power Evacuation Schemes, Loss Reduction Schemes, Sub Transmission and Distribution Schemes, Meter Schemes, Augmentation and Capacitor Installation Schemes.”*

36. Whereas for Institutional Strengthening Works, the Commission vide Order dated 08.10.2020 against Petition No. 1582/19 ruled as below:

*“3.37 With regards to the institutional strengthening works, the Petitioner submitted that all activities covered under the head are not the part of a DPR. Further, the Petitioner submitted that these works are being capitalized under the fixed assets and are non-recurring in nature.*

*3.38 Regulation 3(2) of the RERC (Investment Approval) Regulations, 2006 stipulates that the institutional strengthening schemes “will include technical advisory services, consultancy services to meet institutional strengthening, including efficiency improvement in licensee's business operation & training to the personnel.”*

*3.39 In the view of above, the Commission does not find it appropriate to consider it as capital works, as the same is to be considered as a part of R&M expenses”.*

37. Therefore, for Construction of Vidyut Bhawan Phase – II and Institutional Strengthening Works, the Commission is of the view that these works cannot be considered as capital works, as they are not linked to any of the transmission schemes. Hence, the cost claimed under these works is not admissible.

38. The Respondent submitted that the Regulation 3(2) of the RERC (Investment approval) Regulations, 2006 states as below:

*“3. Appraisal of schemes*

*(2) Scheme preparation will be based on guidelines given at Annexure-I”*

Whereas the Petitioner vide instant Petition submitted as below:

*“The proposal is as per Regulation 7 of the RERC Investment approval regulations 2006 as it would result in efficiency improvement in licensee's business operations.”*



In this regard, the Respondent submitted that the Regulation 7 is not available in RERC (Investment Approval) Regulations, 2006. However, Institutional Strengthening has been mentioned under in Annexure-I which states as below:

*"This will include technical advisory services consultancy services to meet institutional strengthening including efficiency improvement in licensee's business operation and training to the personnel"*

39. Therefore, the Petitioner needs to quantify and justify the need for Construction of Vidyut Bhawan Phase-II and Institutional Strengthening Works under relevant Regulation as stated above.

### **Commission's Analysis**

40. The Commission in its Order dated 08.10.2020 has given detailed reasoning on the issue raised by the Petitioner. The Commission observes that a review of an order may be considered under section 94 (1) (f) of the Electricity Act, 2003 read with Order No. XL VII Rule 1 of Civil Procedure Code, on the following grounds:

- a) Discovery of new and important matter or evidence which after exercise of due diligence was not in the knowledge of the applicant and could not be produced by him at the time when the decree or order was passed;
- b) Some mistake or error apparent on the face of the record; and
- c) For any other sufficient reason.

41. RVPN has neither pointed out any error apparent nor provided any new information which satisfies the conditions for review of the impugned order. Hence, the submissions of RVPN on this issue are not maintainable and accordingly, the review sought is not admissible in this regard.

42. The review Petition stand disposed of in above terms.

(Prithvi Raj)  
Member

(S.C. Dinkar)  
Member

(Dr. B. N. Sharma)  
Chairman