

**BEFORE THE GUJARAT ELECTRICITY REGULATORY COMMISSION
AHMEDABAD**

•Shri G. Subba Rao, Chairman
Shri K.P. Gupta, Member
Dr. Man Mohan, Member

Date August 22, 2007

Order No. 3 of 2007

**In the matter of: Determination of Operation and Maintenance Charges
to be levied from Dedicated Users of Transmission Lines**

Background

- 1 GETCO had filed petition (Case No. 862 / 2006) for the approval of its ARR for FY 2006-07 wherein GETCO had proposed to levy O&M charges from the dedicated users of transmission system according to the norms of O&M expenses as specified in the GERC Terms and Conditions of Tariff. The GETCO had proposed to levy such O&M charges on the dedicated transmission line which is set up by user but its O&M is being carried out by GETCO.
- 2 While passing the order (for the Case No. 862/2006), dated 6.5.2006 the Commission directed that the existing practice be continued for the present and an appropriate decision would be taken separately
3. Thereafter, GETCO had filed petition (Case No. 897/2006) for the approval of its ARR for FY 2007-08 wherein they again proposed to levy O&M charges from the dedicated users of transmission system according to the norms of O&M expenses as specified in the GERC Terms and Conditions of Tariff as shown below:

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O&M charges for dedicated Transmission Lines

	2007-08
O&M expenses (Rs. in lakh per CKt. Km)	0.255
O&M expenses (Rs. in lakh per bay)	31.63

- 4 While passing the order for the Case No. 897/2006 dated 31.3.2007 the Commission observed as follows:

“Commission’s view

The organizations / consumers of dedicated transmission lines have strongly objected to the recovery of O&M charges based on the norms specified by the Commission. Some of them even stated that there is no case for recovery of O&M charges for dedicated transmission lines as beneficiaries are already paying the O&M charges for the entire transmission system.

The Commission is of the view GETCO is attending to the O&M of the dedicated transmission lines, they have to be compensated for the expenditure incurred in attending to this work. The Commission however considers that it is not reasonable to claim the charges based on the norms specified by the Commission’s regulations. GETCO may continue the existing practice. This will be examined separately and appropriate decision will be taken.

5. The issue of rationalization of O&M charges was earlier also discussed during a high level meeting of Wind Power Policy held under the chairmanship of the Chief Secretary, Government of Gujarat at Gandhinagar on 5th October 2006. Relevant portion of the minutes of abovementioned meeting is reproduced as follows:

“5) O & M charges: The charges prescribed by GETCO in the estimates served to GEDA/Developer towards operation and maintenance of the “bays” created at the evacuation end by the

Group



Developer is around Rs. 30 lacs per year with escalation every year. This cost of the O&M is almost equivalent to the capital cost of the bays. Normally the O&M need not exceed 1.5 to 2% of the capital cost. The Chairman GUVNL agreed to look into the matter and do the needful."

6. The O&M Charges to be levied as some percentage of the the capital cost of bay and transmission line is the prevailing practice of GETCO being charged from the PGCIL as under.

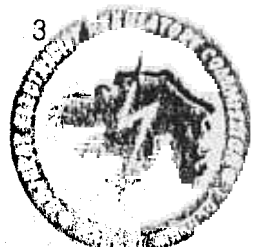
"O & M charges:

1 st year	2.00% of capital cost
2 nd year	2.20% of capital cost
3 rd year	2.42% of capital cost
4 th year	2.66% of capital cost
5 th year	2.93% of capital cost

On completion of 5th year the same will be reviewed by the GETCO Board following the same terms and conditions or as mutually agreed at that point of time.

7. The Energy & Petrochemicals Department, Government of Gujarat vide its fax letter dated 18.6.2007 referred the issue of the O&M charges suggested to be kept around 1.5-2% of the Bay cost or actual whichever is lower per annum as against Rs. 20-28 lakhs per bay per year as O&M Charge.
8. The Indian Wind Energy Association (InWEA) vide its letter dated 3.7.2007 proposed that the O&M charges for the transmission line as well as bays at GETCO end be fixed at 1% of the estimated cost (on the basis of which GETCO is being paid the supervision charges for transmission line as well as bays) or actual cost, whichever is lower.
9. Considering the various suggestion received as cited above as well as the Commission's wind energy tariff order dated 11.8.2006 wherein

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the O&M cost has been considered at the rate of 1.5% of Capital cost of the wind energy project(WEP)(which includes evacuation infrastructure cost) with 5% escalation every year (which is borne by the developers but maintained by the Transmission licensee), Commission deems it reasonable to fix the Operation and Maintenance Charges to be levied from Dedicated Users of Transmission Lines at the rate of 1.5% of estimated Capital cost of Transmission line and associated Bay (at GETCO end) and with 5% escalation every year. Such estimate of the cost of Transmission line and associated Bay shall be based on the latest cost data which is to be published annually by the Transmission Licensee according to the requirement under the Gujarat Electricity Regulatory Commission (Licensee's Power to Recover Expenditure incurred in providing supply and other Miscellaneous Charges) Regulations, 2005. (Notification: No. 9 of 2005)


Sd/-
(G. Subba Rao)
Chairman

Sd/-
(K.P. Gupta)
Member

Sd/-
(Man Mohan)
Member

Place: Ahmedabad

Date: 22/8/2007


(P.S. Shah)

SECRETARY

Gujarat Electricity Regulatory Commission

