

# बिहार ग्रिड कम्पनी लिमिटेड

(संयुक्त उपक्रम बिहार स्टेट पावर (होल्डिंग) कं० लि० एवं पावरग्रिड)

## BIHAR GRID COMPANY LIMITED

(Joint Venture of Bihar State Power (Holding) Co. Ltd. & POWERGRID)



बिहार ग्रिड

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CIN : U40100BR2013PLC019722

Ref: JV/PT/BG/Comml/BERC/TP/Case-19/2021 / 119

Date: 07/02/2022

To,

The Secretary,  
Bihar Electricity Regulatory Commission,  
Vidyut Bhavan – II, Bailey Road,  
Patna - 800021

Ref: BERC-Case No. 19/2021

Letter no. BERC Tariff Case No.- 19/2021-105 Patna, dated 01-02-2022

**Sub: 5<sup>th</sup> Additional submission / response based on comments from Sh. Nand Sharma in Tariff Petition for True-up Petition for FY 2020-21, APR for FY 2021-22, ARR for FY 2022-23 to FY 2024-25 and Transmission Charges for FY 2022-23.**

Dear Sir,

This is in reference to the aforementioned case no. 19/2021 for assessment of Tariff Petition filed by BGCL for True-up for FY 2020-21, APR for FY 2021-22, ARR for FY 2022-23 to FY 2024-25 and Transmission Charges for FY 2022-23.

BGCL response has been sought by Hon'ble Commission vide above referred letter dtd 01.02.2022 based on comments/suggestion/objection received from Sh. Nand Sharma vide letter dtd 30.01.2022. The response of BGCL is provided as index.

You are requested to consider the additional submission for processing of the subject Tariff Petition.

Thanking you,

Yours faithfully,

(Rajesh)

GM (O&M, Commercial)  
BGCL, Patna

Encl. As above

## Appendix - I

### Replies to comments/ suggestions/ objections submitted by Nand Sharma

#### **1. State Transmission Loss:**

BGCL submits that the actual Transmission loss for the FY 2020-21 is 1.27% as per data certified by SLDC. Further, Petitioner has claimed the Transmission loss for FY 2021-22 as approved by the Hon'ble Commission (refer Order dated 15.02.2019) for each year of the Control period FY 2019-20 to FY 2021-22 which is 2%. It needs to be emphasized that the Petitioner has undertaken several Capital works which are ongoing because of which the actual transmission loss is not available at present with BGCL for the entire network undergoing construction. Therefore, it has claimed the Transmission loss at 2% only for the control period FY 2022-23 to FY 2024-25.

It is stated that the methodology used by the Objector for computing Transmission losses is not appropriate as BGCL and BSPTCL form an integrated transmission system for the state of Bihar. The overall transmission loss of the state is computed based upon the total transmission loss of the system to the total input energy wheeled into the state transmission system. In this sense, the Transmission loss for the state of Bihar would not be arithmetic sum of %age Transmission loss of BGCL and BSPTCL.

#### **2. Allowance of Incentive:**

Considering the rapid load growth and the upcoming generating stations in the State of Bihar, a comprehensive study was carried out by Central Transmission Utility (CTU) in 2011-12 in association with Central Electricity Authority (CEA) and the then Bihar State Electricity Board (BSEB). As per the study, transmission and system strengthening schemes were planned and BGCL was entrusted to undertake Strengthening works for the schemes identified under Phase IV of the plan. Accordingly, BGCL has proposed its Business plan and the Hon'ble Commission had approved the schemes pertaining to the Phase IV related works by way of Business Plan Order.

The projects entrusted to BGCL are essential from strategic point of view. Such as connectivity with generators at Barh, Kahalgaon, Navinagar & Buxar has been planned at 400 kV level through 400/220/132/33 kV Naubatpur & Jakkanpur GIS Sub-station. Connectivity from ISTS network has been envisaged at 220 kV level through Khizersarai, Khagaul & Hajipur Extension and same is being pumped in North & South Bihar through emanating 220 kV lines. Further the projects are always being envisaged to cater the future load demand scenario. The Respondent's submission that BGCL has increased the investment cost by Rs. 4000 Cr. is devoid of any meaningful rationale and therefore merits no consideration.

*Sanjai*

Further, it is mentioned that the Petitioner's claim of ARR items are in line with the Tariff Regulations 2018 and the methodology adopted by the Hon'ble Commission in previous Orders.

### **3. Depreciation**

The Petitioner has claimed depreciation based on the capitalization schedule of the assets commissioned/ to be commissioned. The Weighted average rate of depreciation for the opening GFA and for the Additions is considered to be 4.97% and 3.29% respectively which is as per the Audited Accounts of the Petitioner for the FY 2020-21 and are in the line of the BERC MYT Regulations 2018 & MYT Regulations 2021. The same rate of depreciation has been considered by the petitioner for computing depreciation for FY 2021-22 (APR) and FY 2022-23 (ARR) also. The Petition depicts the computation of Weighted average rate of depreciation. It is further iterated that since the depreciation is allowable on 90% of the asset value and the Petitioner has ensured that the claimed depreciation is within the 90% of the asset value (GFA) claimed. The Petitioner submits that the claim is in accordance with the methodology adopted by the Hon'ble Commission in the past Orders. It may be submitted that the asset wise Rate of depreciation is fixed (as considered by BERC) in such a way that it takes into account the useful life of the asset over which it has to be depreciated in the books of accounts.

### **4. IDC and IEDC**

It is humbly submitted that IDC (interest during construction) and IEDC (incidental expenditure during construction) are legitimate expenses that are to be borne by the Petitioner for the Capital Works that are under progress and yet to attain capitalization. While the elements of Interest expenses, O&M Expenses are being allowed on the assets that have already attained capitalization (put to use); for the Capital assets under process, such expenses are booked under IDC and IEDC respectively. As per the Tariff Regulations, IDC and IEDC (soft cost) are prudent financial liabilities that are borne by the company, the same needs to be capitalized along with the asset cost. The respondent submission of the petitioner increasing the ARR is fallacious and void of any rationale. Infact, such is the nature of these liabilities, that if not recognized in the Regulations, it would cause huge financial injury to the Licensee. For the True up of FY 2020-21, the Petitioner has claimed the same based on the Financial Statements.

It needs to be mentioned that the Contribution to contingency reserve is a legitimate ARR item as per the Tariff regulations 2018 and tariff Regulations 2021, that is in place to accommodate for any sort of emergent expenditure that may arise due to events of natural calamity and keep consumers (beneficiaries) bereft of any Tariff shock. As submitted in the Petition, the Petitioner will deposit the requisite amount in the fund once accorded approval by the Hon'ble Commission. The proceedings to open a separate account for this purpose is already initiated.

*Sanjay*

## 5. R&M Expenses

Since a number of assets are yet to attain capitalization, BGCL submits that for True up of FY 2020-21, it has claimed R&M at actuals and allowing the R&M based on the norms would invite significant deviations wrt actuals. In this regard, the Petitioner submits that once the entire asset base attains DOCO, it shall propose the O&M Expense based on the norms. Till then, it has proposed R&M expenses based on the methodology adopted by the Hon'ble Commission of determining % factor based on the past 3 years actual R&M expenses.

For the true up of FY 2020-21, the R&M Expenses are claimed as per the Audited Accounts.

## 6. Employee cost

At the outset, it is submitted that BSPHCL and POWERGRID formed a 50:50 JV in the name of BGCL in 2013 under the provision of Companies Act, 1956. Further, BGCL has been granted Transmission License on 21.06.2013 vide Letter No. BERC/Case No.7/2013-792-01-Tr.L. The above facts establish that BGCL and BSPTCL are independent agencies which manage its respective assets. In this regard, BGCL owns and operates its assets through its own employees and thereby incurs employee expenses. It is further submitted that there is only 1 STU in the state *i.e.* BSPTCL (as per the Act) while BGCL is the Transmission Licensee only. The details of substations and lines currently under operation and substation & lines under development are already submitted in the each year tariff petition and are in line with the approved business plan. In the matter of employee strength, petitioner submits that details of employee strength of BGCL is already being provided under Tariff Formats (F14) of the Tariff Petition. Further in addition to above it is to submit that third party manpower is being hired for support in operation & maintenance of substations. The details of third party manpower is as below:

Sl.	Employee Description	No of Employee at the end of FY 2020-21
1	Engineer & Jr Engineer	82
2	Electrician & Fitter	63
3	Security Guard	104
4	Housekeeping	63

## 7. ROE and Interest:

The Petitioner submits that the ARR estimated submitted by it in the Tariff Petitions are in consonance with the capitalization of assets being estimated for the FY 2021-22 and beyond. The Interest charges and RoE are claimed by the Petitioner in accordance with the provisions of the Tariff Regulations 2018 and Tariff Regulations 2021. In fact, the transmission network under development/ developed is to ensure development of efficient, coordinated and economical transmission system in the state.

## 8. Units handled:

*Sankar*

BGCL submits that the energy transmitted through the BGCL network is provided in the Tariff formats submitted along with the Tariff Petition.

*Sanjay*



**बिहार विद्युत विनियामक आयोग**  
**Bihar Electricity Regulatory Commission**

Vidyut Bhawan-II, Bailey Road, Patna – 800 021  
Tel No.: 0612-2505280/2504489 Fax : 0612-2950376  
Website : www.berc.co.in E-mail : bercpat@berc.co.in

Letter No.-BERC-Case No.- 19/2021 -105 Patna, dated 01-02-2022

To,

**The Sr. G.M (O & M/Comm.)**  
Bihar Grid Company Ltd. (BGCL)  
2nd Floor, Alankar Place, Boring Road, Patna-800001

**Sub: Submission for response on comments/suggestion/objections received from Stakeholders/General Public on the tariff petition for determination of true-up for FY 2020-21 APR for FY 2021-22, and approval of Business Plan along with Determination of Annual Revenue Requirement (ARR) for the control period from FY 2022-23 to FY 2024-25 & determination of Transmission Tariff for the FY 2022-23 for Bihar Grid Company Limited (BGCL).**

Ref.: BERC Case No-19/2021

Sir,

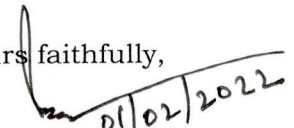
With reference to the subject noted above, I am directed to enclose a copy of the comments/suggestion/objections submitted by the following general public and stakeholders on the Tariff petition filed by Bihar Grid Company Limited (BGCL):-

Sl. No	Name of Persons & Stakeholders	Name of Organization & Address
1.	Shri Nand Sharma	38, New Purandarpur Patna-800001

It is therefore, requested to submit your response by 08.02.2022 positively.

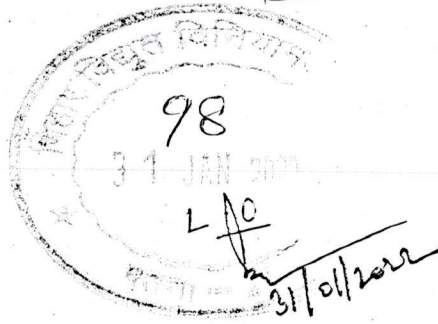
Encl: As above

Yours faithfully,

  
01/02/2022  
Secretary



30.01.2022



To  
The Secretary ,  
Bihar Electricity Regulatory Commission,  
Vidyut Bhavan 2 Patna -800021

Subject :- Suggestions and Objections on the tariff petition of BGCL for  
FY2022-23 -- Regarding.

Case no,--- 19 of 2021.

Sir,

Due to Covid 19 and Cold wave the situation like Force Majeure conditions is prevailing in the state .

However the suggestions and Objections are submitted for consideration of the Honble commission.

**1. State Transmission losses :-**

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In the state there are two transmission Licensees , and their line losses are as follows :-

FY 2020- 21

BSPTCL --- 2.92% and BGCL - 1.27%

Total Transmission losses- 4.19%

FY 2021- 22

BSPTCL --- 3.92% and BGCL-2.0%

Total Transmission losses- 5.92%

FY 2022-23

BSPTCL----3.5%and BGCL-- 2.0%

Total Transmission losses -5.5%

The State Electricity Regulatory Commission of Bihar is competent enough to judge the improvement in the efficiency and economy in Transmission sector by appointing multiple STU in Bihar .

**2. Allowance of Incentive-----**

The operation of BGCL in the state has increased the additional cost of investment of about Rs 4000crs . The state Transmission tariff has also increased manifold The transmission losses is also above normal range in the range of 4.2%to5.5%.

Whereas BGCL is claiming incentive on availability of transmission capacity and reduction of losses.

It is well admitted fact that if the capacity is considerably more than demand in that case availability will be more than hundred percent.

BERC should consider itself for allowing incentive.

**3. Depreciation ---**

The Depreciation of Assets can be calculated by two methods --

- ( i ) Straight Line method ,
- (ii) Written Down method.

The Commission has adopted straight line method . According to the St. Line Method :

Annual Depreciation = Value of Asset - 10% of Asset as residual value divided by the total years of useful life of the Asset . One can not calculate the annual Depreciation without fixing the years of useful life and residual value of the Asset.

However the commission may justify themselves that whether the calculation of depreciation is being done as per St. Line method or some others.

The amount of depreciation every year is the major portion of the ARR.

The details of depreciation claimed is stated below :-

Fy2020- 21----- Rs 95.40 crs.

FY 2021-22 -----Rs150.01 crs

Fy2022-23----- Rs 187.19 crs.

But Honble commission , without stating it's observation on the Objections of the stake holders allowing the depreciation on the basis of the method of the BGCL.

The commission should be kind enough to justify and say that the objections are not correct.

#### **4. Interest during construction (IDC)**

**And**

#### **Incidental Expenditure during construction (IEDC)**

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BGCL is claiming the above two expenditure which are being capitalized as Asset . The Incidental Expenditures should not be allowed during construction period when other cost as Employees cost , Administrative cost are allowed to all employees.

Also the interest during construction should be minimal and it should not be added in the GFA. IDC is interest and so it should be booked under interest and finance charges.

A huge amount of IDC Rs 143.99 crs( 8.58+ 52.04+ 83.37 ) has been claimed in these three years to be capitalize as Asset . As soon as it is capitalize it will become an asset and earn R & M expenditure , Depreciation , RoE and most fantastically it will also earn interest on loan , because all the aforesaid items are calculated on the basis of GFA.

BGCL is intelligent organization and their consultant are also wise . They know the cult how to increase the ARR and decrease the Income.

The above facts can be appreciated by the reply given by the BGCL to the Honble commission, wherein it has been stated that Accounts of contingency Reserve has not been opened till now however provisions



of Rs 4.72 crs has been claimed during FY 2020-21 and the amount will be deposited in the ongoing year. This fact proves beyond doubt that efforts are being made to get higher ARR .

#### **5. R & M Expenditure -**

The Repairs and Maintenance expenses should not be allowed on the basis of GFA. BGCL has charged the R&M Expenditure as stated below :-

FY 2018-19 -----Rs 6.07Crs .

FY 2019- 20-----Rs 8.52 Crs.

FY 2020-21 ----- Rs 20.46 Crs.

FY 2021-22-----Rs14.73 Crs.

FY 2022-23----Rs 25 .69 Crs ( claim)

-----  
Total -----Rs 75.47 Crs.

The commission is not justified in allowing the R&M Expenditure on normative basis . It should be actual and for specific work , because transmission plants do not require frequent repair . For maintenance work they have to notify the prior schedule of planned shutdown.

The commission while allowing the cost should verify with documentary evidence.

#### **6. Employment and Employee Cost.**

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Employee cost of BGCL can be summarised as below :-

FY2020-21 -----Rs 11.29 Crs

FY2021-22 -----Rs 11.97 Crs.

FY2022-23-----Rs 12.69 Crs.

Besides above BSPTCL employee cost of Rs 226.23 crs has been claimed in FY 2022-23.

The above cost has to be passed on to the Consumers of Bihar , but almost all the post of BGCL has been filled up with the staff and officers of POWERGRID , either retired or working. Question arises that whether the staff and officers of BSPTCL are not capable of working in the BGCL or there is something other causes. Whereas BSPTCL is a deemed STU under the provisions of the Act. Our honorable Prime Minister has also declared that local will be the first choice.

Therefore it is suggested that there should be one STU in the state to reduce the establishment cost and BGCL should work on turn-key basis . After closure of the work they should hand over to STU for maintenance.

The commission should ask the BGCL to submit the names of the dedicated Transmission lines and Grid sub station being operated and maintained by them and the details list of employees location wise and

shift wise working in the Grid sub station. If they submit the details , then the BGCL may be called Transmission Licensee.

#### 7. RoE and Intrest -

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BGCL has claimed Rs 252.52 Crs as Interest on loan and Rs 254.25 Crs as RoE for Fy 2022-23 and a total ARR of Rs 646.07 Crs.

As we remember the total project cost was around Rs 3800 crs and for that the Consumers has already paid the following amount to BGCL -  
Fy2018-19----- Rs 253.66 crs. Truing  
Fy2019-20----- Rs275.44crs .Truing  
FY 2020-21----Rs 338.05 crs. Truing  
Fy2021-22----- Rs 486.19 crs.APR.  
Fy2022-23-----Rs 646.07 crs Est.

.....  
Total ----- Rs 1799.41 crs

Honble commission should seriously consider on the issue, because such project cost and their effect on consumers does not justify the provisions of section 39(2)(c) which goes like " to ensure development of an efficient, co- ordinated and economical system of intra- state transmission lines ---"

#### 8. Unit Handled :-

There are two Transmission Licensee in the state . Total unit received at the transmission periphery as per the public notice of SBPDCL and NBPDCCL is as below -

FY 2022-23

-----  
NBPDCCL ---- 17976.63 Mu.

SBPDCL-----21778.35 Mu.

-----  
Total ----- 39754.98 Mu.

Now any one can want to know that how much Mu passes through the system of BGCL and how much through the BSPTCL.

These data should be provided in the tariff order for the sake of transparency.

It is appreciated that Honble commission should take appropriate consideration on the suggestions as deem fit and justified .

Honble commission may consider the suggestions and comments to arrive at correct decisio

With Regards

*D. Nand Sharma*  
30/01/2022  
Er. Nand Sharma,

38 New Puranderpur PG Line Rd,  
Patna 800001.

Mob:- 9386149418.