

JOINT ELECTRICITY REGULATORY COMMISSION
(FOR THE STATE OF GOA & UNION TERRITORIES)
GURUGRAM

Coram:

Alok Tandon, Chairperson
Jyoti Prasad, Member (Law)

Petition No. 120/2024

Date of Hearing: 18.04.2024

Date of Order: 22.05.2024

In the matter of:

Miscellaneous application Petition in compliance to Hon'ble Commission order dated 1st August, 2023 in Case No. 89/2022 for Review of ARR of ARR of FY 2022-23 based on revised estimates and determination of ARR & Tariff for FY 2023-24 for the Distribution Business of Dadra & Nagar Haveli and Daman & Diu.

And in the matter of:

1. Dadra & Nagar Haveli and Daman & Diu Power Distribution Corporation Limited (DNHDDPDCL)**Petitioner**

And in the matter of:

1. DNH and DD Power Corporation Limited, UT of Dadra and Nagar and Daman and Diu, Silvassa.**Respondent**

Present for the Petitioner

1. Ms. Deepa Chawan, Advocate, DNHDDPDCL
2. Ms. Ruchi Patil, Advocate, DNHDDDPDCL
3. Sh. Chetan Bundela, Executive Director, DNHDDPDCL
4. Sh. Jignesh Langalia, General Manager, DNHDDPDCL
5. Ms. Luna Pal, General Manager, DNHDDPDCL
6. Sh. Mihir Thakkar, DNHDDPDCL

Present for the Respondent

1. Sh. C.A. Parmar, DNHDDPCL
2. Hemant Shah, DNHDDPCL

ORDER

1. The Petitioner (DNHDDPDCL) has filed the Miscellaneous Petition in compliance with the Commission's order dated 1st Aug 2023 in Petition no.89/2022 wherein the Commission had directed to file a separate Petition for approval of capital expenditure for setting up power supply centers (PSC) etc.

The Submissions of the Petitioner, in brief, are as under:

2. Dadra and Nagar Haveli and Daman and Diu Power Distribution Corporation Limited, hereinafter referred to as the "Petitioner" or "DNHDDPDCL" is the licensed distributor for the Union Territory of Dadra and Nagar Haveli and Daman and Diu. DNHDDPDCL commenced its distribution operations from April 1, 2022.
3. DNHDDPDCL filed a Petition (No.89/2022) seeking a review of the Annual Revenue requirement (ARR) for the fiscal year 2022-23 based on revised estimates and requested the determination of ARR & Tariff for the fiscal year 2023-24 for the distribution business in Dadra and Nagar Haveli and Daman and Diu. This Petition included details of its capital expenditure plan. Subsequently, the Hon'ble Commission, through its order dated August 1, 2023, approved the Petition submitted by the Petitioner.
4. In relation to the capital expenditure plan outlined in the Petition, specifically concerning the proposed capital expenditure for Power Supply Centres, the Hon'ble Commission has instructed for submission of a new Petition seeking approval for the Capital Expenditure related to Power Supply Centres (PSCs). Consequently, the Petitioner is submitting the current Petition, which includes a detailed project report (DPR) along

with justifications and a cost breakdown by expense category, for each component.

I. The details of the project report are as follows:

1.	Name of Project/Scheme	Capex for setting up Power Supply Centres during the period FY 2023-24 to FY 2027-28.
2.	Funding	Capital infusion/internal accrual from financial institutions/ internal resources with a debt: equity ratio of 70:30.
3.	Commissioning Schedule	The projects are expected to be Commissioned in phased manner during the period FY 2023-24 to FY 2027-28.
4.	Scheme	Development of Power supply centres, Customer care centres and other Office Infrastructure.

II. Under the Transfer Scheme, no civil infrastructure has been allocated to DNHDDPDCL for administrative offices, warehouses, meter labs, or quality assurance/control labs. Additionally, some of the existing office locations/facilities are inadequate to serve the widespread consumer base in the area. Therefore, it is imperative to develop new civil infrastructure for offices, warehouses, and consumer centres in a phased manner to enhance the efficiency of the distribution network operations and improve customer services. This infrastructure development is essential to meet the performance benchmarks. Consequently, the proposal includes the construction of new building infrastructure for business operations at strategic locations within the Union Territory (UT).

- III. Currently, certain low tension/high tension activities are managed centrally while others are decentralized. The establishment of Power Supply Centres (PSCs) will involve staffing with necessary personnel and materials to oversee network development, manage complaints, and address consumer needs within designated areas.
- IV. The Power Supply Centres serve as a centralized service point near consumers' locations for various activities, eliminating the need for consumers to travel long distances. They are crucial for enhancing operational efficiency and improving customer service by reducing response times for complaints, connection requests, and other consumer inquiries.
- V. The Power Supply Centres are planned to be strategically located across the Union Territory (UT) with the aim of enhancing operational efficiency and improving service quality, particularly in addressing complaints, facilitating new connections, and promptly attending to consumer requests.
- VI. The implementation of Power Supply Centres will lead to a significant reduction in travel distance, estimated to be at least 3-4 kilometres in one direction. This reduction in travel distance will not only streamline the provision of comprehensive customer services but also contribute to improved customer satisfaction and quicker resolution of supply issues and connection requests. Similar improvements are anticipated across all six proposed PSC locations.
- VII. Moreover, if rental premises are required, the anticipated annual rental cost at market rates would be approximately Rs. 4 Crore. It is expected that this rental cost would increase annually due to inflation and other socio-economic factors. Therefore, establishing

the Power Supply Centre is proposed in the best interest of consumers at large, ensuring enhanced service delivery and operational efficiency while managing rental costs effectively over time.

VIII. The Capex plan for land is under:

Particulars	Area (sq.m)	Unit Rate (Rs.)	Cost (Rs. Cr.)
LT PSC at Daman	4000	35000	14.00
LT PSC at DNH	4000		14.00
HT PSC at Diu	5000		17.50
HT PSC + Head Office at Daman	6000		21.00
LT PSC at DNH	4000		14.00
HT PSC at DNH	5000		17.50
Main Store	8000		28.00
Total			

IX. Bill of Quantity – PSC Building/Civil Cost

Particulars	LT PSC	HT PSC	HT PSC+ Head Off.	Main Store
Civil construction	17.39	35.85	30.45	14.32
Furniture & Interior Works	1.77	4.19	3.12	0.69
HVAC Works	1.59	4.07	3.12	0.19
Electrical Works	2.26	4.08	4.08	1.40
Landscaping Work	0.75	1.34	1.34	0.09
Utility	1.99	2.85	2.85	1.37
Lift and associated	0.60	1.35	1.35	0.35
Statutory	0.60	0.88	0.88	0.66
Consultancy	1.91	2.66	2.34	1.55
Contingencies and Mis. Works	2.16	4.30	3.71	8.90
Total	31.02	61.57	53.24	29.53

X. Total Capex Plan

Particulars	Land	Building/ Civil Cost	Total
LT PSC at Daman	14.00	31.02	45.02
LT PSC at DNH	14.00	31.02	45.02
HT PSC at Diu	17.50	53.24	70.74
HT PSC + Head Office at Daman	21.00	61.57	82.57
LT PSC at DNH	14.00	31.02	45.02
HT PSC at DNH	17.50	53.24	70.74
Main Store	28.00	29.53	57.53
Other Miscellaneous/infrastructure works	-	4.00	4.00
Call Centre	-	0.52	0.52
Total	126.00	295.16	421.16

XI. Capex and capitalisation

All Figures in Rs. Cr.	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Capex	42.50	133.51	138.85	67.02	39.28
Opening CWIP	-	38.50	171.49	157.03	121.50
Capitalisation	4.00	0.52	153.31	102.55	160.78
Closing CWIP	38.50	171.49	157.03	121.50	-

XII. The capital expenditure (CAPEX) for the scheme will be financed with a Debt-to-Equity ratio of 70:30. The equity portion will be sourced from fresh capital infusion or internal accruals. The debt portion will be sourced from financial institutions or internal resources. The estimated interest rate for the debt is at approximately 8.5%. It is important to note that this interest rate is indicative and subject to change based on actual market conditions at the time of implementation.

XIII. Based on the specified timelines for capitalization, a Debt-to-Equity ratio of 70:30, an interest rate of 8.50%, and operation and maintenance (O&M) expenses maintained at existing levels as a percentage of Gross Fixed Assets (GFA), the average tariff impact is estimated to be approximately 6 Paise per kilowatt-hour (kWh) upon full implementation of the project.

5. (a) The total land required for establishing the Power Supply Centres, essential for ensuring efficient operations and achieving desired reliability, is approximately 3.85 Lac sq. ft as indicated in the Detailed Project Report (DPR). However, the current allocation by ED-DD and DNHDD PCL amounts to only 1.90 Lac sq. ft. for use as Office, Control Centre, Material Storage, and Customer Care Centre. Additionally, the Petitioner has leased approximately ~1.3 Lac sq. ft. from private parties. The Petitioner has been actively pursuing ED-DD for the tenure of lease and rent for premises in the Daman and Diu areas. Recently, approval has been obtained from Daman for a 3-year period starting from 29.02.2024, and confirmation for Diu is expected.

(b) Below are the details of all areas (in square feet) available with DNHDD PDCL along with the assessed age of the building:

Usage	Upto 10 Years			10 to 20 Year			above 20 Years			Grand Total
	DIU	DMN	DNH	DIU	DMN	DNH	DIU	DMN	DNH	
ED-DD/ DNHDD PCL										
CC						879				879
Office									8,700	8,700
CC + Office		5,326				23,515				28,841
Storage		18,213		3,200	2,588	5,093	96,594			1,25,687
NPC Centre	857	1,937	613	1,782		5,847	1,862	5,930	6,652	25,479
Total	857	25,476	613	1,782	3,200	32,829	6,955	1,02,523	15,352	1,89,587
Private										
CC							643			643
Office		3,768					6,531			10,299
Storage		19,551	1,00,584							1,20,135
Total	-	23,319	1,00,584	-	-	-	7,174	-	-	1,31,077
Grand Total	857	48,795	1,01,197	1,782	3,200	32,829	14,129	1,02,523	15,352	3,20,665

* Customer Care Centre

(c) Additionally, the Petitioner has recently been allotted an additional storage space of approximately 51,000 sq. ft. at Kharadpada Substation in DNH. The tenure and rate for this space are yet to be finalized. The leased area from ED-DD/DNHDD PCL comprises approximately 65% storage space out of the total leased area, whereas the leased area from private owners consists of more than 90% storage space.

(d) The majority of the premises are old, and structural stability reports are unavailable. Certain allotted premises are residential quarters, necessitating safe and structured office premises for the employees. Currently, there is only one customer care center in Daman covering a 70 sq. km area, whereas there are two customer care centers in DNH covering a 491 sq. km area. Consequently, consumers have to travel considerable distances for service. Furthermore, more than 50% of the premises allotted by ED-DD/DNHDD PCL either require repairs or are nearing the end of their useful life. Indeed, over 20% of these premises are deemed unsafe and necessitate immediate attention.

(e) Below are the details of rent (in Rs/sq. ft./month) for the available space:

Rent	Upto 10 Years			10 to 20 Year			above 20 Years			Grand Total
	DIU	DMN	DNH	DIU	DMN	DNH	DIU	DMN	DNH	
ED-DD/ DNHDD PCL										
CC	-	-	-	-	-	7.9	-	-	-	7.9
Office	-	-	-	-	-	-	-	-	5.5	5.5
CC + Office	-	14.8	-	-	-	23.2	-	-	-	18.9
Storage	-	1.7	-	-	13.5	8.0	13.0	1.7	-	2.6
NPC Centre	13.0	14.8	21.6	13.0	-	9.4	13.0	11.9	11.0	11.8
Private										
CC	-	-	-	-	-	-	11.2	-	-	11.2
Office	-	68.8	-	-	-	-	11.2	-	-	32.3
Storage	-	6.2	3.9	-	-	-	-	-	-	4.3

* Considered at the rate for which Customer Care Centre space is available from UT.

(f) The rent agreed or conveyed by the Department/UT amounts to approximately Rs. 1.41 Crore per annum for Daman and DNH. The additional rent for Kharadpada Storage (DNH) and Diu has not yet been conveyed by the Department/UT. Currently, based on rents conveyed by ED-DD and DNHDD PCL, the total amount is approximately Rs. 1.50 Crore per annum. Additionally, the Petitioner incurs rent of about Rs. 1.02 Crore for the area obtained from private developers. Therefore, the total rent is about Rs. 2.52 Crore per annum. Furthermore, DNHDD PDCL will need to incur expenses for premises where the rent is yet to be decided by ED-DD and DNHDD PCL.

(g) The premises are provided on a lease for 3 years without any commitment or certainty for extensions beyond this period, and there is a lack of clarity regarding the costs associated with such extensions. This situation makes it challenging to establish necessary infrastructure permanently to provide state-of-the-art consumer services, establish a Consumer Grievance Redressal Forum, deploy fault management teams for network reliability, set up proper workstations, and provide essential standard amenities to employees.

(h) Approximately 60% of the premises face parking-related issues, with inadequate or no parking available. Proper parking facilities are essential for company vehicles used by fault management and power supply teams, ensuring clear corridors and space for swift movement. Adequate parking is also necessary for employees' vehicles and consumers visiting the premises. Many vehicles are parked on the road, causing traffic congestion and safety hazards.

(i) Further the fundamental objective of privatization is to ensure the highest level of reliability, which necessitates the development of essential infrastructure. Consequently, The Petitioner has formulated plans to make

necessary arrangements that align with the long-term interests of stakeholders. Furthermore, it is essential to highlight Clause 2.2.10 of the Bidding Documents (RFP), which mandates bidders to make provisions for land, buildings, and offices, and to vacate premises of ED-DD and DNH PDCL.

Analysis and Findings

The Commission heard the Ld Counsel for the Petitioner at length. The Respondent submitted that they had nothing to state in this matter.

The Commission observed that the Petitioner has comprehensive plan for capital expenditure aimed at setting up Power Supply Centers within a specified period i.e FY 2023-24 to FY 2027-28, to enhance operational efficiency and improved customer service. Further the proposed capex for setting up Power Supply Centres and a Main Store is essential for modernizing infrastructure, to enhance service quality and reliability.

The Commission has further noted that Petitioner has proposed multiple Power Supply Centres in the area of Daman and DNH in the name of PSCs for HT and LT consumers. The Commission is of the view that the geographical area of DNH, DAMAN and DIU is very small and number of consumers are also very less therefore, establishment of a separate Power Supply Centre for HT and LT consumers does not seem prudent. Moreover, the consumers complaints are also generally less than a percent on daily basis. Thus, a single Power Supply Centre shall be sufficient to handle efficiently all the complaints of HT and LT consumers. At the same time Daman and Diu are fragmented and geographically located far apart therefore Separate Power Supply Centre may be created at Daman and Diu. The Commission has observed that the petitioner has specified the cost of Power Supply Centre at various level ranging from Rs. 45.02 Cr to Rs. 70.74 Cr at six locations. The Commission is of the view that Two Power

Supply Centres at Diu and DNH, One Power Supply Centre plus Head Office at Daman and One Main Store at DNH are sufficient for establishment.

In view of the aforementioned facts and circumstances the Commission hereby accords its approval for the capital expenditure inclusive of land cost of Rs. 230.13 Cr for creation of the following assets:

1. Main Store, DNH – Rs 57.52 Cr.
2. Power Supply Centre at Diu - Rs.45.02 Cr.
3. Power Supply Centre + Head Office at Daman – Rs.82.57 Cr.
4. Power Supply Centre at DNH – Rs.45.02 Cr.

The Commission also directs the Petitioner to submit quarterly progress report to the Commission and accordingly the capital expenditure shall be claimed by the Petitioner in a phased manner from FY 2024-25 to FY 27-28.

Ordered accordingly.

Sd/-
(Jyoti Prasad)
Member (Law)

Sd/-
(Alok Tandon)
Chairperson

Certified True Copy


(S.D. Sharma)

Secretary (I/c), JERC