

**IN THE JHARKHAND STATE ELECTRICITY REGULATORY  
COMMISSION AT RANCHI**

Case No. 07 of 2022

Jharkhand Urja Sancharan Nigam Limited (JUSNL) ..... Petitioner

**CORAM: HON'BLE JUSTICE MR. AMITAV K. GUPTA, CHAIRPERSON  
HON'BLE MR. MAHENDRA PRASAD, MEMBER (LAW)  
HON'BLE MR. ATUL KUMAR, MEMBER (TECH)**

**For the Petitioner: Mr. Shyam Mahali, G.M. (C&RA) and Mr. Ajit Kumar, DGM (C&RA),  
Jharkhand Urja Sancharan Nigam Limited**

**Date: 10<sup>th</sup> January, 2023**

1. This Review Petition has been filed by Jharkhand Urja Sancharan Nigam Limited (hereinafter referred to as 'JUSNL' or 'Petitioner') under the JSERC (Conduct of Business) Regulation 2016 for review of the tariff Order dated 30.12.2020 passed by the Jharkhand State Electricity Regulatory Commission (hereinafter referred to as 'JSERC' or the 'Commission') in case(T) no. 06 of 2018 related to *True Up for FY 2015-16 & FY 2016-17 and Annual revenue Requirement for FY 2017-18 and FY 2018-19 for the Petitioner JUSNL.*
2. The Petitioner has prayed for the following reliefs: -
  - a. To admit the Petition for Review of the Hon'ble Commission's order on the Petitioner's True Up Petition for FY 2015-16 and FY 2016-17.
  - b. For expeditious hearing of the review Petition
  - c. Approve the Capital expenditure of INR 750.75 Crore for FY 2015-16 and INR 274.49 crore for FY 2016-17 as stated in this Review Petition.
  - d. Approve CWIP as per the following and also as stated in this review petition-
    - i. For FY 2015-16, Opening- Rs. 1050.07 Crore, Closing- Rs. 1501.94 Crore
    - ii. For FY 2016-17, Opening- Rs. 1501.94 Crore, Closing- Rs. 1733.12 Crore
  - e. Approve capitalisation of INR 298.99 Crore for FY 2015-16 and INR 43.31 Crore for FY 2016-17 as mentioned in this Review Petition.
  - f. For issuance of appropriate directives if any
  - g. To condone any inadvertent omissions/errors/ rounding off difference/shortcomings/ deficiencies in this review petition and permit the petitioner to add/modify/alter statements made in the petition and to make further submissions if required in future date.
  - h. To pass such further orders, as the Hon'ble Commission may deem fit and appropriate, in view of the facts and circumstances of the case.
3. The Petitioner has prayed for review on following two issues.

**Issue I: Capital Expenditure and Capital Work in progress approved during the FY 2015-16 and FY 2016-17**

4. The Petitioner has submitted that the CWIP has not been completely represented the items in its Accounts in correspondence to the respective years. It is contended that as per generally accepted accounting principles, loans and advances, capital advances, advances to suppliers and stocks of material at capital site are considered part of capital work in progress (CWIP). It is further submitted that CWIP considered in the

true-up petition submitted was not correct as the CWIP in the audited accounts is accumulative of four items namely,

- a. Capital works in progress (detailed under Note no. 13 in audited account of FY 2015-16 & FY 2016-17)
  - b. Long term loans and advances under the sub-item “Capital Advances” (detailed under Note no. 15 in audited account of FY 2015-16& FY 2016-17)
  - c. Short term loan and advance under sub-item “Advance to suppliers” (detailed under Note no. 21 in audited account of FY 2015-16& FY 2016-17)
  - d. Inventories under the sub-item- “Stock of materials at construction site (capital)” (detailed under note no. 18 in audited account of FY 2015-16 & FY 2016-17).
5. It has been pointed out that this incomplete capturing of CWIP under the line item “CWIP” in the Accounts has led to the same being “under-submitted” in the True-up Petition. Accordingly the Petitioner has re-submitted the correct CWIP in this Review Petition as tabled below and prayed to revise the CWIP for FY 2015-16 & FY 2016-17 on the basis of the details mentioned in the review petition.

**Table 1 Capital Work in Progress (CWIP) for FY 2015-16 & FY 2016-17 as submitted by the Petitioner for review petition (Rs. Cr.)**

Particulars	FY 2015-16			FY 2016-17		
	Opening	Addition	Closing	Opening	Addition	Closing
Capital Expenditure	2105.15	750.75	2855.90	2855.90	274.49	3130.39
Capitalization	1055.08	298.89	1353.97	1353.97	43.31	1397.28
<b>CWIP</b>	<b>1050.07</b>	<b>451.87</b>	<b>1501.94</b>	<b>1501.94</b>	<b>231.18</b>	<b>1733.12</b>
Asset (CWIP)		227.49			157.39	
Capital Advances		0.05			0.00	
Advances to Suppliers		221.29			71.08	
Stock of Materials at site		3.14			2.71	

6. On the above grounds the Petitioner has prayed for Review on the basis of the new information available in audited account and resubmitted the Capital work in progress for approval by the Commission.

**Issue 2: Capitalization approved during FY 2015-16 and FY 2016-17/Addition to GFA**

7. The Petitioner has submitted that it had claimed the capitalization of INR 298.89 Crore and INR 43.31 Crore during the year for FY 2015-16 and FY 2016-17 in line with the annual audited account but due to absence of supporting documents the Commission had disallowed INR 0.64 Crore and INR 0.70 Crore for FY 2015-16 and FY 2016-17 respectively. It is stated that details of capitalisation are not directly maintained at the headquarters of JUSNL and it is compiled while preparing the annual accounts for the year and collection of information regarding the capitalisation at various field units is time consuming exercise and it requires meticulous effort.
8. On the above reasoning and facts the petitioner has submitted revised figures for GFA and Asset Capitalized and has prayed for review of the same for FY 2015-16 and FY 2016-17 as follows.

**Table 2 Gross Fixed Asset and Capitalization for FY 2015-16 & FY 2016-17 as submitted by the Petitioner for review petition (Rs. Cr.)**

Particulars	FY 2015-16			FY 2016-17		
	Petition	True-Up Approved	Review Petition	Petition	True-Up Approved	Review Petition
Opening GFA	1066.54	1055.08	1055.08	1365.43	1353.33	1353.97
Capitalisation during FY	298.89	298.25	298.89	43.31	42.61	43.31
Closing GFA	1365.43	1353.33	1353.97	1408.74	1395.94	1397.28

9. The petitioner has prayed for Review on the grounds of the new facts and detailed informations collected from Circle offices on the asset capitalized in year FY 2015-16 and FY 2016-17.

**Commission's observation and findings**

10. With regards to Issues No. I and II this Commission has gone through the submission made by the Petitioner on Capital Expenditure, Capital Works in Progress & Capitalization during the FY 2015-16 & FY 2016-17, and it is observed that the issues raised by the Petitioner has already been discussed and dealt in Paras 5.10 to 5.15 of the order dated 30.12.2020 passed by the Commission.

*"5.10 It is observed that in the absence of scheme-wise details of capitalization, DPR's of the scheme, funding etc., the Commission had provisionally approved the capital expenditure as Rs. 616.28 Crore for FY 2015-16 in its Order dated December 14, 2015 based on the information submitted by the Petitioner.*

*5.11 The Commission vide its letter dated December 05, 2018 directed the Petitioner to provide Scheme-wise capitalization and its mode of financing. In compliance to Commission's query, the Petitioner vide its reply dated December 05, 2019 submitted the Scheme-wise detail of assets capitalization as Rs.298.25 Crore for FY 2015-16.*

*5.12 Subsequently, the Commission in its true-up Order dated February 01, 2019 for FY 2013-14 and FY 2014-15, did not approve any capital expenditure and capitalization for FY 2013-14 (6th Jan'14 - 31st Mar'14) & FY 2014-15, stating that all the schemes which have been submitted for capitalisation were not part of any planning exercise and without prior approval of the Commission. The Commission further directed the Petitioner to approach the State Government for converting any previous loans taken into grant.*

*5.13 The Commission had outlined the provisions related to Capital Investment Plan of the JSERC Transmission Tariff Regulation, 2010. The relevant clause is outlined below:*

*"Capital Investment Plan*

*6.7 The Commission shall approve the system augmentation plan submitted by the Transmission Licensee, based on the load growth forecast during the Control Period. The same would be considered for computation of ARR, wherein the amount of electricity transmitted by the Transmission System shall be projected considering the estimated growth plan of its Beneficiaries and any plans of new transmission system, based on network expansion plans within the State.*

*6.8 Capital investment plan submitted by the Licensee shall also provide details of ongoing projects that will spill into the Control Period and new projects that will commence during the Control Period but may extend beyond the Control Period....."*

*5.14 The Petitioner had filed Review Petition against the Commission's Order dated February 01, 2019. The Commission has disposed the Review Petition vide its Order dated December 03, 2020. The relevant extract of the Review Order is reproduced below:*

*"31. In the order dated 01st February 2019 also, the Commission had directed the petitioner to submit scheme wise capitalization and capital expenditure for FY 2013-14 and FY 2014-15. The Petitioner initially had submitted Rs. 557.17 Crore as capitalization for FY 2014-15 but after Commission's directive to submit asset wise capitalization, the Petitioner submitted capitalization details of assets vide letter 313 dated 15th October 2018 and letter 349 dated 21st November 2018 amounting to Rs. 545.70 Cr. The Commission during the preparation of the order, had reviewed the schemes submitted and observed that most of the schemes were commissioned in the period from 2009 to 2013. The schemes were capitalized in FY 2014-15 and were submitted to the Commission in the Petition. Hence the Commission was of the opinion that all the schemes which have been submitted for capitalization now and schemes wherein expenditure has been incurred in the past were not part of any planning exercise and prior approval of the Commission which were supposed to have been under taken, was not taken. Also, most of the assets were commissioned in the period from 2007 onwards. The erstwhile JSEB should have capitalized these assets and it would have been considered in tariff. In view of the same, the Commission has not allowed the*

capital expenditure and capitalization submitted by the Petitioner for the period FY 2013-14 (6th Jan – 31st Mar) to FY 2014-15 in the order dated 01st February 2019.

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35. The Petitioner in the review Petition contended that the schemes being referred to were transferred to it as part of CWIP for the year FY 2013-14 by the Transfer scheme and the Petitioner capitalized the commissioned projects in FY 2014-15 (first full year for JUSNL). After capitalization and audit of the accounts, the petitioner submitted the capitalization and CWIP details before the Commission.

36. The Commission has reviewed the details of the schemes capitalized and CWIP details submitted. It is observed that most of the schemes were undertaken in the erstwhile JSEB period and some of these lines were critical for supplying electricity to the Ranchi city itself. Even though the assets were commissioned and were in operation, the same were not capitalized by JSEB. During the transfer scheme, the same was passed on to JUSNL as CWIP. It is important to note that JSEB being the board would have executed the projects considering the on-ground infrastructure requirement of the State.

37. The Commission reviewed the details and figures submitted along with the transfer scheme and as part of the review petition. Also, senior officials of JUSNL has submitted in affidavit dated 05th October' 20 before the Commission stating the following

“5. That it is humbly and respectfully submits that the figures submitted by JUSNL in the review petition w.r.t GFA and CWIP are in accordance with the Final Transfer Scheme of Govt. of Jharkhand. The Transfer scheme had approved (as on 06th Jan 2014), GFA and CWIP of Rs. 507.97 Cr and Rs. 779.21 Cr for JUSNL. The same have been considered as the respective opening balances for FY 2013-14 by JUSNL in the review petition.

6. That it is humbly and respectfully submits that the assets proposed to be capitalized during FY 2013-14 and FY 2014-15 have never been capitalized earlier and are currently under full usage and unavoidable for power supply to a vast area of Jharkhand including the state capital.

7. That it is humbly, and respectfully submitted that the schemes which are considered under CWIP in their review petition were finalized at the time of JSEB.”

38. The Commission after analyzing the data submitted and after considering the complete information, is of the view that the assets were part of critical infrastructure for many districts in the state and specially for supplying electricity to Ranchi city. The assets were commissioned but there was delay in capitalizing the same. The same has been capitalized now. Based on the data submitted along with details, the Commission is considering the CWIP and Capex details as submitted by JUSNL .....

5.15 The Commission in this Order has considered the opening CWIP for FY 2015-16 equal to the approved value of closing CWIP for FY 2014-15 in the Review Order dated December 03, 2020. Similarly, the Commission has considered opening GFA for FY 2015-16 equal to closing GFA for FY 2014-15 as approved in its Review Order dated December 03, 2020”

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11. Similarly, for FY 2016-17 the Commission in Para 6.7 to 6.12 of the order dated 03.12.2020 has passed as follows

“6.7 The Commission has approved the capital expenditure and capitalization for 2nd Control period in its MYT Order dated February 24, 2018 subject to true-up based on actual.

6.8 The Commission observed that the Petitioner has claimed the capex and capitalization as per audited accounts however, the Petitioner has not provided any detail of scheme/project. The Commission in its letter dated December 05, 2018 directed the Petitioner to provide the scheme wise detail for the capex and capitalization as claimed in the petition.

6.9 The Petitioner in its reply dated December 24, 2018 requested the Commission for additional six weeks' time to submit the detailed reconciled capitalization figures as the scheme wise data was being compiled from the field.

6.10 The Commission vide its letter dated April 12, 2019 once again directed the Petitioner to submit the scheme wise detail of capitalization for FY 2016-17. In compliance to Commission's reminder, the Petitioner submitted the scheme wise details of capitalization of Rs. 41.83 Crore vide its letter dated May 10, 2019.

6.11 The Commission has scrutinized the detail submitted by the Petitioner and found discrepancy between the capitalization values as submitted in petition and that submitted in its reply dated May 10, 2019.

6.12 After several reminders from the Commission, the Petitioner reconciled the scheme wise details of capitalization amounting to Rs. 42.61 Crore vide its letter dated December 05, 2019.

6.13 Even after repeated reminders, the Petitioner was not able to provide the satisfactory detail and proper justification for mismatch in the capitalization numbers. The Commission has therefore approved the capitalization as Rs. 42.61 Crore as submitted by the Petitioner in its reply dated December 05, 2019.

## **ORDER**

12. The Commission has observed that the Petitioner has not provided any new facts and figures to the Commission regarding Capital work in progress neither the Petitioner has provided any detail on the scheme wise CWIP, DPR, mode of financing for the capital expenditure for FY 2015-16 to FY 2016-17 in the instant review petition. Consequently, the Issue No. 1 is devoid of merit or substance requiring any interference or review and hence it is hereby rejected.
13. With respect to Issue No. 2 the Commission has gone through the detailed information as submitted by the Petitioner and observed that the Petitioner has not provided any scheme wise capitalization details, new assets addition, asset replaced, any decapitalisation detail due to replacement of old assets, asset created due to system augmentation etc. Thus the Issue No. II lacks merit for review and stands rejected.
14. Accordingly, the Petition stands disposed off in view of the discussion and aforementioned observation.

Sd/-  
**(ATUL KUMAR)**  
**MEMBER (TECH)**

Sd/-  
**(MAHENDRA PRASAD)**  
**MEMBER (LAW)**

Sd/-  
**JUSTICE AMITAV K. GUPTA**  
**CHAIRPERSON**