

West Bengal State Electricity Transmission Company Ltd.

(A West Bengal Government Enterprise)

Office of the Managing Director

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Memo No.MD/WBSETCL/WBERC/41/138

Dated: 13.03.2014

To

Sri K.P. Bhar, IAS (Retd.)

Secretary

West Bengal Electricity Regulatory Commission

FD- 415A, Poura Bhaban, 3rd Floor, Sector-III

Bidhannagar, Kolkata- 700106.

**Sub: Filing of supplementary petition for determination of
Tariff charges for the years 2014-15 to 2016-2017.**

Ref: Your letter reference WBERC/TP-60/13-14/1911 Dated
6th March 2014.

Dear Sir,


We acknowledge receipt of your aforesaid letter and note your concern regarding the possibility of enhanced project cost due to delay in commissioning of ongoing project.

With regard to the explanation sought by you on means by which WBSETCL will compensate adverse effect of cost increased project cost due to delay in commissioning of ongoing projects, we would like to submit as under.

1. As already stated in our letter of 6th March 2014, the turnkey project awarded by the Company permit price variation only on self manufactured items of supply provided the delay in completion of the project is not attributable to the contractor. Further, no escalation is allowed on erection and civil works components of the work. Hence, increase in base price of the project is restricted to a large extent.
2. In instances where delay in completion of the project is attributable to the contractor, liquidated damage as per the contract terms is claimed and offset against the increased project cost.
3. Most ^{cases} of time overrun are seen in capital projects related to construction of new transmission lines, either overhead or underground. In such cases, it is difficult to visualize the sort of ROW problem that will arise at the time of undertaking the project, since resistance from local people are faced only after start of work on the field. Although negotiation with affected persons/agitators and payment of compensation remains the responsibility of the contractor, it is often observed that negotiations fail to resolve issues holding up the work and intervention at the local administration level and/or by political leaders is required to enable work to be taken up or resumed. Such negotiation/intervention inevitably takes time, with the result that project implementation time increases, leading to increase in interest during construction (IDC).
4. However, to mitigate the effect of such increase, project expenses are initially financed through internal accruals to the maximum extent possible and the Company as a rule defers draw down of sanctioned loans against ongoing projects in reimbursement of expenses already incurred till such time as funds are required for meeting routine expenditure or debt servicing obligations. This delay in drawdown of loan sanctioned for an ongoing project therefore results in reduction of IDC as part of the capitalized project cost, thus compensating the adverse effect of delay in commissioning of ongoing projects to a great extent.

The Hon'ble Commission will no doubt appreciate that apart from the measures outlined above, WBSETCL has no other option available to it to compensate the adverse effect of increased project cost due to delay in commissioning of such ongoing projects.

Yours faithfully,


(S. K. Das)

Managing Director