

Capital Expenditure Guidelines for ESCOMs

1. Preamble:

- 1.1 Capital Expenditure planning is important for Licensees to determine the areas that need investment, and achieve the objectives as envisaged by them and those outlined by the Commission in the Karnataka State Grid Code and in form of directives issued from time to time.
- 1.2 Currently there is a need for adopting a more scientific approach to strengthen all the stages of capital investment process. Also from the Commission's point of view, current regulatory oversight through annual prudence check exercises is primarily focused at ascertaining if the results achieved through capital expenditure justify the amount invested.
- 1.3 Thus in order to streamline the capital expenditure process at all stages, Commission intends to have guidelines that would govern the entire capital investment lifecycle. The five key stages in capital investment procedure are as follows:
 - a. Planning
 - b. Investment Analysis
 - c. Execution
 - d. Monitoring
 - e. Ex-post analysis
- 1.4 The following guidelines are suggested to ascertain an efficient method of incurring capital expenditure by ESCOMs.

2. Proposed Guidelines:

2.1 Planning:

A. Objective Setting

- i. The Utilities shall adopt an objective driven approach for capex planning. They should set clear long term, medium term and short term objectives and categorize capital expenses based on the objectives that the schemes intend to achieve.
- ii. The broad objectives that shall govern capex planning of ESCOMs are:
 - a. Load Reduction and system strengthening
 - b. System expansion for meeting load growth
 - c. Policy and regulatory driven schemes
 - d. Addressing deteriorating assets and new technology investment

B. Perspective Planning Studies

- iii. ESCOMs should plan and execute capital expenditure schemes that ensure an efficient, coordinated, safe, secure, reliable and economical Distribution System for the respective areas of distribution in order to satisfy the requirements of electricity demand in the State. ESCOMs shall make efforts to plan their capex with a foresight on the long term objectives and future growth potential of the state.
- iv. Based on the objectives identified, ESCOMs shall be responsible to prepare and submit a Perspective Plan for a period of 5 years, every 3 years to KERC duly identifying the future demand

in the state and the required Distribution System expansion to cater to the demand. ESCOMs may appoint reputed third party agency/consultants in carrying out the necessary studies and develop a detailed and comprehensive perspective plan on the lines of that developed by KPTCL.

- v. Additionally ESCOMs shall carry out necessary studies to check the operation of the existing system under normal or outage conditions, to see if the existing system is capable of supplying planned additional loads, or to check and compare new alternatives for system additions to supply new load or improve system performance. The details of the studies should also be included in the Perspective Plan. The System Studies that ESCOMs may carry out are outlined below for identification of areas of investment in the distribution system:
 - Load Forecast or Demand Forecast Studies
 - System Loss Reduction Studies
 - Feeder wise Load Flow Analysis,
 - Reliability Analysis
 - Asset Life Studies for Transformers, RMUs and 33Kv substation equipment
- vi. ESCOMs have to conduct annual load forecasting studies based on robust demand forecasting models to determine the future load growth in their respective areas. The utilities should create a database of loads for each consumer category and for each Distribution Substation connected to the Distribution System and update it on annual basis.
- vii. ESCOMs should determine the peak load and energy forecasts for each category of loads, and compare it against the forecasted values in the perspective plan. Any major deviation should be flagged out and necessary corrective actions undertaken. Any new requirement from industrial consumers for HV / EHV power supply, any change in distribution network configuration, have to be updated regularly and summarily presented in the feeder wise load flow study.
- viii. Additionally ESCOMs shall submit to KPTCL details with regard to Load Forecasts and the Rolling Plan to KPTCL to aid in Transmission System Planning.
- ix. While carrying out studies the performance of assets should be assessed in light of Karnataka State Distribution Code to identify any bottlenecks in the system. Based on this assessment, capital works should be planned to achieve system improvement.

Medium Term Rolling Investment Plan

- The Perspective Plan document shall be the guiding document based on which ESCOMs shall come up with a 3 year Rolling Investment Plan detailing the major schemes proposed for each Financial Year over the next 3 years along with other relevant proposals and supporting information such as demand projections, network reliability and design criteria.
- Based on the outcome of such studies ESCOMs may set targets for network parameters, to be achieved over a period of 3-5 years and identify schemes and projects that will assist attaining the set goals which essentially will form part of the 3 year Rolling Plan.
- The rolling plan should start with a period covering year 1 to year 3. The plan shall be updated next year to cover the period from year 2 to year 4 and then to cover year 3 to year 5 and so on. In the year 4, a new perspective plan shall be prepared and a new rolling plan shall be prepared taking cues from the perspective plan.
- The scope of investments included in each scheme may cover works of New Grid Sub Stations proposed at different locations within the license area, Schemes for modernization /augmentation of the Distribution Network, loss reduction, Information Technology Schemes, SCADA, Schemes for Major Replacement of Old Equipment etc.
- The following can be adopted to classify and categorize schemes:

- Projects contributing to an objective can be clubbed together i.e. Schemes for link lines or intermediate poles of the distribution system that are contributing to improving reliability in the system can be clubbed as Scheme for improving Reliability.
- Projects of similar nature can be clubbed together i.e. New Receiving Stations proposed at different locations within the license area can be bundled together and presented as a Scheme for New Receiving Stations,
- Different Projects contributing to the improvement of a geographical area can be bundled together i.e. Rural Electrification schemes in a particular Circle
- Projects to be funded by external agencies can be bundled together i.e. R-APDRP, NJY etc.
- Projects that are not necessarily contributing to infrastructure but are essential to enable efficient operations in system i.e. Information Technology Schemes, SCADA ,Distribution Automation and Communication Equipment can be presented together

C. Identification of schemes and Prioritization

- x. Based on the perspective studies undertaken and objectives defined Utilities shall identify projects with a proactive approach.
- xi. The works in case of ESCOMs must be executed with 6 months of estimate/DPR sanction. The DPR should be revised and submitted for re-approval, in case there is a delay in award beyond 12 months.
- xii. All projects approved to be taken up during a particular year should have been prioritized and ranked giving due considerations to Investment Analysis and Risk analysis. Projects with higher IRR or BCR and low pay-back period and with less critical risks should have higher priority. Scheme prioritization is critical to allow resource allocation and program trade-offs based on relative merit.

The following principles should be considered while identifying and prioritizing schemes.

- xiii. Projects/schemes identified may be classified and categorized by the Organizational Objectives identified in the Perspective Plan
- xiv. Each scheme/project will have its individual objectives defined that align with the Organizational objectives.
- xv. Each project and scheme should be phased across years based on the following factors:
 - a. Criticality of the project to Network safety and stability
 - b. Compliance to Grid Code and Distribution code requirements and other regulatory directives
 - c. Investments that offer maximum benefit to the utility
 - d. Regulatory, Policy and Business requirements

- xvi. The projects should be listed based on priority for each of the years in the Rolling plan. The following factors should be considered while establishing priority:
- a. The criticality of the project to achieve the desired organizational objectives/targets
 - b. The amount of energy savings or improvement in targeted parameters (energy savings, voltage regulation, system reliability etc.) that can be brought to the system by taking up the project
 - c. The payback profile or returns possible for the project
 - d. The potential risks and mitigation measures possible
- xvii. All projects approved to be taken up during a particular year should be prioritized and ranked depending upon the analysis of costs and benefits to the system by using the Cost Benefit Ratio or Payback period or IRR or Net Present Value approaches.

D. Annual Capital Budget

- xviii. The annual capital budget should have a list of projects classified into three categories;
- a. The Budgetary estimates required for settling claims of contractors of commissioned works during the ensuing fiscal year
 - b. The Budgetary estimates required for the capital works which will be under execution during the ensuing fiscal year
 - c. The Budgetary estimates required for taking up new capital works during the ensuing fiscal year.
- xix. ESCOMs should consider Revenue and expenditure as well as borrowing constraints together to determine Annual Capital Budget. The budget or Annual Program of Works should cover all plan as well as non-plan or contingent works.
- xx. The projects should be listed in order of priority in the Capital Budget.
- xxi. The annual capital budget for the ensuing fiscal year should be prepared and submitted to the Commission along with the revised and updated Rolling Plan by 30th November every year.

2.2 Investment Analysis:

All capital works should have techno-commercial analysis captured in the estimate or DPR. The estimate/DPRs should be standardized and must contain justification of need, primary and secondary objectives, evaluation of alternatives considered, technical reports, design criteria, bill of material, item-wise estimated cost, Cost-Benefit Analysis, execution timelines, cash flow requirement etc.

ESCOM shall have such detailed estimates/DPRs for all the works of value equal to or above Rupees 3 lakhs. The same can be followed by ESCOMs for lower value works at the discretion of the ESCOM.

Every estimate/DPR should have a validity period of not more than 1 year. If the capex work is not taken up within that validity period, estimate/DPR should be revised for the techno-commercial aspects and be re-submitted for approval.

An illustrative format for Detailed Project Report preparation is attached in Annexure-1.

Investment analysis should be done keeping in view the following:

- a. Need for the capital work along with the data capturing the existing status of the infrastructure
- b. Defining primary and secondary objectives
- c. Alternatives evaluated

- d. Benefit to Cost Analysis
- e. Technical Justification
- f. Bill of Material and Project Costing
- g. Execution timelines
- h. Risk analysis

A. Justification of Need

- i. The need for undertaking the capital work must be clearly established along with relevant supporting information. Status of the infrastructure before taking up of the project should be captured. ESCOMs shall document and record all parameters for each critical facility in the network infrastructure, so that the same can serve as a pointer for investment decisions. Following are some examples:
 - a. Load Bifurcation: Historical peak load (in Amps and KVA) recorded taken from MUSS for last 12 months
 - b. Improve Quality of Supply: Record of existing HTVR or LTVR (details of where and when such reading is taken should also be provided) or derived from feeder wise load flow studies
 - c. Reduce interruptions: Historical record of interruptions (in numbers and hours) for the last 12 months
 - d. Addition of new substations: The % Voltage regulation and percentage distribution loss in ESCOMs, Number of pending customer applications, Estimated load growth in the area and loading of the existing substations
 - e. New feeder works: Details of new load to be connected, load relief on other feeders etc
 - f. Replacement of failed transformer: Reason for failure of the transformer and actions to be taken to avoid failure again
 - g. DTC Metering: Distribution losses on the feeder and/or losses for load connected to DTC.

B. Defining Primary and Secondary Objectives

- ii. The primary and secondary objectives which are expected to be achieved from the proposed capital works must be clearly identified
- iii. As much as possible, the primary objective should be measurable and defined in quantifiable terms so that it can be compared against the actual outcome after completion of project. Along with Primary objective the utility can also identify Secondary objectives for each investment. The secondary objectives can indicate the other benefits envisaged in qualitative as well as quantitative terms.

C. Technical Justification

- iv. Detailed Techno Feasibility analysis should be performed for all projects in order to ensure the following points:
 - a. Whether the scheme meets design criteria as per the existing norms and standards?
 - b. Whether the scheme conforms to the planning criteria of Central Electricity Authority and that of the state grid?

- c. If equipment is replaced, it has to be proved whether the existing equipment has outlived its normal life span.
- d. Average rate of technology obsolescence for the equipment to be replaced should be mentioned.
- e. The capacity planned should be in tune with the demand growth
- f. Whether redundancy in the system is being created appropriately.

D. Bill of Material and Project Costing

- v. Bills of Material (BoM) should be a complete documentation of the specific components, assemblies and sub-assemblies to be prepared for a project.
- vi. The Utilities shall ensure key element checks as outlined below in preparation of BoM:
 - a. Completeness: BoM should be complete in all respect relating to quantity, part description, item specification, supplier information, etc.
 - b. Consistency: Information in BoM should be consistent with that provided in engineering drawings and design files. A standardized format for BoM should be used across Utilities.
 - c. Correctness: Correctness should be ensured by avoiding errors such as obsolete data and incorrect part numbers, quantity, etc.
- vii. Cost estimation should be done using prevailing Schedule of Rates. The schedule of rates should be revised once every year based on market trends and impact of relevant indices.
- viii. Any revision in costs as part of project management control should be properly saved with their revised version and details of revision.

E. Benefit Cost Analysis

- ix. ESCOMs shall carry out Benefit to Cost Analysis for all projects being taken up irrespective of the value of works.
- x. ESCOMs may use any or a combination of formal financial criteria, such as Net present value (NPV), Internal rate of return (IRR), Return on investment, Payback period, Benefit to Cost Ratio.
- xi. Distribution projects can provide a wide range of benefits—economic, social, and reliability—to the consumers. Social and Government driven schemes need not be subject to investment analysis.
- xii. ESCOMs shall develop standard formats and templates to carry out the Benefit to Cost Analysis using the relevant method for all capital investments, the template given in the guidelines here can be used as reference. The energy loss computation methodology described in Annexure 7 can be used as reference.
- xiii. The analysis should capture in detail all the quantifiable benefits and additional benefits (including qualitative wherever quantifiable). ESCOMs should look to ensure all benefits are covered and captured appropriately to provide a more comprehensive analysis.
- xiv. The cost items should be escalated taking appropriate escalation rates such as inflation and average interest rates of the utility into consideration. IDC should not be neglected.
- xv. Utility can consider average cost of energy, escalating at a rate of 3% year on year for computing energy savings. Utility can compute annual energy savings using the appropriate methods (discussed in Annexure 7)

- xvi. The cash flows considered in cost benefit analysis should be discounted at Weighted Average Cost of Capital (WACC).
- xvii. If a project with BCR less than 1 or IRR less than hurdle rate is selected for implementation, the utility should documented the rationale with supporting information that justifies taking up such projects.

F. Execution timelines

- xviii. ESCOMs shall develop standard timelines for execution of different types of capital works and shall include in the form of Bar/PERT charts in the DPR outlining the schedule of project pre-award activities, supply, erection and commissioning schedules etc.
- xix. Any delay foreseen due to certain project risks, should be identified in the planning stage and appropriate duration should be factored in the standard timelines and incorporated in the agreements with contractors and vendors.

G. Evaluation of Alternatives

- xx. ESCOMs shall elaborate on all the alternatives considered for arriving at a capital investment decision. The basis on which the proposed scheme has been selected out of several alternatives considered by the Utilities will have to be mentioned.
- xxi. If the proposed investment includes repair and maintenance of substations then since the expenses of repairs are already provided for in the O&M expenses and, therefore, justification for claiming these expenses under capital investment must be clearly brought out.
- xxii. To evolve the least cost alternative, subject to their meeting the technical requirements, the total cost of the various alternatives should be estimated. The least cost optimal solution may be finalized considering the capital cost and net present value of losses over the life of the project.
- xxiii. The alternatives should be analyzed in terms of their respective cost and benefits, to finalize the least cost plan with maximum benefits.
- xxiv. The format attached in Annexure-4 can be used for evaluation of alternatives.

H. Risk Analysis

- xxv. The Utilities shall assess risk associated with a project and all its alternatives during planning phase.
- xxvi. The distribution projects, like other infrastructure projects face various risks in different stages of the life cycle. A risk management plan/ matrix/ strategy should address these risks in all phases of the project- viz, design, approvals, financing, procurement, construction, completion and have mitigation strategies for various risks.
- xxvii. A detailed risk evaluation matrix should be prepared at a scheme level or project level depending on the value, scale and criticality of the project.
- xxviii. ESCOMs should ensure the evaluation of risks for the minor works as well. The DPR/Estimate copies should include a minimum of a write-up on the possible issues/risks that the Field Officer foresees in implementation of the said project.
- xxix. After identification and impact assessment of risks, appropriate response strategy should be decided by the ESCOMs. The probable response strategies are outlined in Annexure-3.

2.3 Execution Process

A. Time and cost control

- i. The contractor should be selected using a Competitive Bid process. And the bidding documents for all types of works should be standardized.

- ii. Major schemes, which are dependent on survey schemes, survey reports prepared by Utilities shall have a validity of 12 months. In case the project is being taken up for execution at a period later than 12 months of survey report preparation, then adequate time and effort should be directed towards conducting new detailed surveys.
- iii. The Utility shall ensure that the execution timelines as agreed upon during the time of work award is being adhered to and there are no delays in project completion or over runs in costs.
- iv. The utility shall ensure quality execution of works as per the industry guidelines (Ex. Alignment of primary /secondary lines, erection of poles, stringing of conductors in terms of sag, providing guards at the road crossing, grounding of poles carrying 11kV lines etc.)
- v. Utility shall apply for all the necessary approvals and clearances from host of stakeholders (for example: PTCC, forest department, railways, approvals for road/river crossing, defense, wild life sanctuary clearance, aviation, environment clearance etc) immediately after completing detailed survey without waiting till the work is awarded to a contractor. Wherever possible, the agency performing the detailed survey shall assist in filling and submitting required documents for obtaining necessary approvals and clearances
- vi. Utilities shall take adequate measures to identify RoW issues at the survey phase and adopt means to minimize their incidence. Technological /design interventions like, underground cabling system, insulated lines (ABC) usage etc can be used to minimize RoW issues.
- vii. For partial-turnkey projects or projects in which material is to be supplied by the utility, care should be taken to ensure that the required resources are procured in time and made available for timely execution.
- viii. The material requirement should be correctly and accurately estimated and forwarded to Tendering and Procurement wing after allowing sufficient lead time for procurement.
- ix. Monthly reporting of field teams to material procurement wing on use of actual materials vis-à-vis estimated should be done.
- x. Utilities should have quick and alternative sources of procuring material to handle contingencies.
- xi. Inventory audit shall be done annually, for physical inspection of division stores to check for the inventory position.

B. Quality control

- i. Utilities shall take following steps towards effective Quality Management and Control
 - a. Inclusion of Quality Requirement in the Contract & Selection of good quality vendors/sub vendors
 - b. Approval of unambiguous Manufacturing Quality Plan (MQP)
 - c. Finalization of Field Quality Plan (FQP) ensuring regular, timely and consistent inspection at various stages, viz. raw material, during in- process stage and final inspection and testing prior to installation.
 - d. Analyze the equipment failures in association with Engineering and Operation services departments and use feedback for improvement of systems.
 - e. Implementation of Quality Systems and Procedures as per ISO – 9001 for System of Vendor and Sub Vendor Approvals
 - f. A standard format is to be developed for the approval of Manufacturing Quality Plan (MQP) which includes the quality requirements at the raw material stage, In process testing and final inspection and testing requirements as per Technical specifications of the contract and well known good engineering practices of the industry

- ii. Vendor Rating Database should be maintained by utility in order to evaluate the performance and rate the contractors and suppliers with respect to parameters such as Timeliness, Quality, Technology, Flexibility and Pricing. The vendor rating framework is attached in Annexure-6.

2.4 Project Monitoring

- i. The utilities shall have a project management and monitoring team with a composition of technical and finance personnel at the corporate level.
- ii. Project Monitoring Tools such as MS Project, Primavera, etc. should be used or the ones similar to PMS developed by KPTCL Engineers.

A. Project Monitoring System

- iii. ESCOMs should institute a project management and monitoring team (PMO) with a composition of technical and finance personnel to effectively track monitor and review the progress of projects undertaken.
- iv. Monitoring should start right from the time a project is conceptualized either during perspective planning or annual planning exercise.
- v. ESCOMs will ensure a PMS tool such as PMS Lite (KPTCL) shall be developed to track the entire lifecycle of projects till the Ex-Post analysis stage and customized to distribution system requirements. Once a project obtains administrative approval, a docket must be raised in the IT tool for the work/project. The same shall be maintained till the work/project is commissioned and ex-post analysis is completed for a period of 2 years post commissioning
- vi. Till the time PMS tool is not developed or there are areas where software does not provide information, PMOs will interact directly with concerned departments and obtain information and compile using a simple excel based system.
- vii. Preparation of detailed project plan for all projects is a key role of Project Monitoring Unit or Office (PMO). To start with, PMO officials can use MS Project to prepare the plan which should incorporate all the activities involved and the time for completion of each activity for different types of works in the distribution system. PMO officials can use methods like Critical Path Method (CPM), Program Evaluation & Review Technique (PERT) for planning and scheduling.
- viii. PMOs will be monitoring weekly/ bi-weekly / monthly progress of pre award and post award activities of projects, as decided at the start based on criticality of project. Progress monitoring reports regarding status of projects will be shared as summary reports to top management.
- ix. ESCOMs shall ensure that the project pre-construction activities as well as the activities post award are being carried out as per the agreed timelines. Any cases of deviations should be flagged through Project Monitoring System and necessary corrective actions undertaken.
- x. Alerts shall be sent in case of deviations(post and anticipatory) from Execution Schedules to the concerned entity(For e.g. delay in submission or approval of drawings should be flagged out at the appropriate time)
- xi. The Utilities shall conduct Monthly Review Meetings at the zone/circle level to discuss the status of projects of their respective zones/circles.
- xii. The Utilities shall conduct Quarterly Review Meetings at the corporate level to discuss the status of projects and take corrective actions as and when necessary.
- xiii. The detailed Responsibility matrix for carrying out various project monitoring activities is attached in Annexure-5.

- xiv. After completion of any project, the completion certificate should be prepared and sent to accounts section within a period of 15 days from completion.
- xv. The project completion report should be comprehensive and organized to reflect all relevant project information. An indicative list of information to be captured is given below:
 - a. Name of the project:
 - b. Date of Commissioning:
 - c. Material envisaged as per the DPR, Material drawn from the store and Material utilized
 - d. Estimated Date of Commissioning:
 - e. Time Overrun:
 - f. Actual Cost:
 - g. Estimated Cost as per LoA:
 - h. Cost Overrun:
 - i. EPC Contractor Name:
 - j. Engineer In Charge:
 - k. Materials drawn and labor cost:
 - l. Key issues faced in execution:
 - m. Photographs of the completed work (Time and location stamped using GPS for soft copies):

B. Centralized Data Documentation

- xvi. The Utilities shall maintain a centralized data repository of information at the corporate office and made accessible to all respective circles, division and sub division offices.
- xvii. An indicative list of project specific documents to be maintained is as follows:
 - a. Survey Reports
 - b. Detailed Work Award (DWA)/Letter of Award (LoA)
 - c. DPR/ Technical specifications/BoQ
 - d. Manufacturer's & pre-commissioning test results for comparison during regular maintenance
 - e. Drawings (SLD etc.), cable schedules, (all actual documents created and used for project implementation)
 - f. Any other labor and material contracts or any other related document
 - g. Minutes of all review meetings
 - h. Photographs taken during field visits
 - i. Project completion certificate
- xviii. The corporate office shall keep a quarterly record of all the works executed and categorized. The same shall be available for review for KERC at any point of time. The corporate office shall maintain the following information
 - a. Date of completion of the work
 - b. Estimated value of the work as per the estimate/DPR
 - c. Amount Categorized

- d. Date of Categorization
- e. Delay in Categorization
- f. Reasons for any delay in categorization

It is expected that the amount categorized as per the above mentioned record shall match with the amount capitalized as per the books of accounts.

2.5 Ex-post Analysis

- xix. The utility should periodically record the benefits achieved from the projects. The year on year details related to energy savings, reduction in interruptions, additional supply of power, additional capacity evacuated, etc. achieved should be compared with the estimated benefits in terms of:
 - a. Whether the primary and secondary objectives as listed out are met
 - b. Benefit Cost analysis - estimated vs actual recorded
 - c. Payback period is in line with the estimated number in the DPR
- xx. Utility will have to document the performance on the primary and secondary objective every quarter from the date of commissioning of the project for a period of two years.
- xxi. The performance and effectiveness of various types of projects shall be analyzed with respect to the achievement of objectives.
- xxii. Till such time an IT tool to document the Ex-Post analysis is established, Ex-post analysis reports should be submitted to the Commission yearly for all the projects capitalized and commissioned 12 months before. The format for Ex-post analysis reports should be duly approved by the Commission.
- xxiii. A summary report should be submitted to the Commission for all completed projects, ongoing projects along with its details with focus on time overruns, cost overruns and other related issues on a half-yearly basis.
- xxiv. Commission can review the prudence reports and call for details for sample projects from among the completed projects on a random basis in a specific month. Commission may ask for supporting documents or ask for explanation in case of any particular project.
- xxv. After completion of each project, the project is automatically subject to prudence check. Utility shall measure the benefits achieved for a period of 3 months and fill the capex prudence formats, self-evaluate the project and submit the report along with findings to the Commission.
- xxvi. Utilities can deploy an IT tool which can document all aspects related to capital investment starting from planning till ex-post analysis stage. Once such IT system is available, utilities can upload/document the performance on the primary and secondary objective every quarter from the date of commissioning of the project for a period of two years..
- xxvii. A view access can be given to KERC for the software, from which KERC will monitor data points such as what is the extent of projects taken up by the utility, projects initiated, completed, amount spent in a year and data provided by ex-post analysis etc. This would be the mechanism for prudence check from Commission's end.
- xxviii. The Commission will review the reports and in case recorded benefits do not matchup to the envisaged benefits, Utilities shall be asked to provide justification to the Commission.

- xxix. In case the utility cannot provide explanation/ proof to the satisfaction of the Commission that the reasons for failure to meet the objectives as envisaged is due to factors beyond the control of the utility, the Commission may consider the said Capex as imprudent and disallow the related costs.

- xxx. Until the necessary processes and procedures are put in place by ESCOMs for the above mentioned guidelines, the Guidelines for Carrying out Prudence Check of Capital Expenditure will remain in force and Prudence check will be carried out by the Commission for investments made by ESCOMs in a particular year.