



# ASSAM ELECTRICITY REGULATORY COMMISSION

FILE NO. AERC. 823/2022

Petition No.: 02/2022

## ORDER SHEET

**CORAM:** SMTI. B. BORTHAKUR, MEMBER,  
SMTI. S. N. KALITA, MEMBER

**In the matter of**

Petition No. 02 of 2022 miscellaneous petition filed by AEGCL for approval of creation of Sinking Fund in the name of the Self Insurance Reserve (SIR) at 0.1 % per annum of the total cost of the asset subject to the limit of 10% of the Gross Fixed Assets (GFA) from FY 2019-20 onwards.

**In the matter of**

Assam Electricity Grid Corporation Ltd. (AEGCL)

----Petitioner

**Present:**

Petitioner

Mr. Loknath Choudhury, CGM (PP&D)  
Mr. S. Kaimal, DGM (F&A)  
Mr. Debasish Paul, AGM (F&A)  
Mr. Anjan Choudhury, AGM  
Ms. Dipmoni Nath, AM  
Mr. Bijoy Boro, AO(F&A)  
Mr. B. B. Das, Consultant

## ORDER

**Dated 24.05.2022**

1. The Commission took up the Petitions at 12 noon and initiated the proceeding by directing the Petitioner to give a brief on the Petitions filed before the Commission.
2. The summary of the petition filed by APDCL is given below.
  - a) The Petitioner submitted that, during the 76th meeting of the Board of directors of AEGCL held on 27.09.2019 at Bijulee Bhawan, Guwahati -781001, the Board of Directors of AEGCL has approved the "creation of Sinking Fund in the name of the Self Insurance Reserve (SIR) at 0.1 % per annum of the total cost of the asset subject to the limit of 10% of the Gross Fixed Assets (GFA) and to implement the same on receiving the approval from the Hon'ble Commission".
  - b) The Self-insurance Reserve is required to meet the future losses arising from the uninsured risks for replacement/repair of the damaged assets. The losses of assets caused shall be adjusted against insurance reserve and the beneficiaries shall not be charged for the adjusted amount.
  - c) The amount so set aside in the insurance reserve has not been separately claimed and the expenses shall be met from the O&M Expenses under the tariff and AEGCL shall incorporate the reserve in the respective Annual Accounts. The same shall be shown as "Self-Insurance Reserve" under Reserves & Surplus in the respective Annual Accounts.
  - d) The policy of self-insurance has been followed by several central utilities such as NHPC, PGCIL, NETCL where the rate of 0.1 % as booked under the O&M expenses towards self-insurance reserve which is very much lower than the insurance premium charged by the insurance companies for the risks covered in the self-insurance policy.
  - e) To accord approval for creation of Self-Insurance Reserve (SIR)@ 0.1 % per annum of the total cost of the assets subject to the limit of 10% of the Gross Fixed Assets w.e.f FY 2019-20.
3. The Commission raised the following issues and asked the Petitioner to explain the following-
  - 1) The board approval was taken in 27.09.2019, why it took so long to submit the petition for approval?  
The petitioner explained that, after the approval, because of the change in the management and because of the protest of CAA (Citizen Amendment Act) and COVID 19 situation the delay happened.
  - 2) How the accounting treatment will be taken care of this Self-Insurance Reserve (SIR)?  
The petitioner explained that, a separate account will be created for SIR and the same will be under "Reserves and Surplus" in the respective Annual Accounts.

### **Analysis and Decision of the Commission**

The Commission, after examining the petition filed by AEGCL and other details presented before the Commission, approves the creation of Sinking Fund in the name of the Self Insurance Reserve (SIR) at 0.1 % per annum of the total cost of the asset subject to the limit of 10% of the Gross Fixed Assets (GFA). the Commission also directs AEGCL to submit the progress report of the same within 3 months.

Accordingly, the **Petition No. 02/2022** is disposed off.

**Sd/-  
(B Borthakur)**

**Member, AERC**

**Sd/-  
(S N Kalita)**

**Member, AERC**