



**KERALA STATE ELECTRICITY BOARD Ltd**

(Incorporated under the Companies Act, 1956)

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### ABSTRACT

Supply of 12 Nos. of 400 kV Current transformers (under PSDF Scheme) by M/s.Toshiba Transmission & Distribution systems (India) Pvt. Limited, Telengana – Releasing liability amount - Sanctioned - Orders issued.

### Corporate Office (Procurement&Supply Chain Management)

B.O.(FTD) No 157/2024 (SCM/SS/AEE6/101/2015-16/I/8075/2023I/22888/2024) Thiruvananthapuram

Read : 1. P.O.No.SCM.105/2015-16/4238 dated 22.12.2015 issued to M/s.Toshiba Transmission & Distribution Systems (India) Pvt. Limited, Telengana.  
2. Note No.SCM/SS/AEE6/101/2015-16/I/8075/2023I/21824/2024 dated 15.02.2024 of the Chief Engineer (P&SCM) submitted to the Full Time Directors, KSEBL (Agenda No. 16 -04/2024).

### ORDER

M/s. Toshiba Transmission & Distribution Systems (India) Pvt. Limited, Telengana had supplied 12 Nos. of 400kV Current transformers at 400kV Substation, Madakkathara (under PSDF scheme) as per Purchase Order read as 1<sup>st</sup> above. The Executive Engineer, Transmission Division, Madakkathara was requested from the office of the Chief Engineer (P&SCM) to intimate Non Liability Certificate (NLC) of the supplier against the above Purchase order to release the Bank Guarantees furnished by the firm towards Security deposit and Performance guarantee. The Executive Engineer, Transmission Division, Madakkathara reported as follows.

*“The above 400kV Current transformers were supplied to 400kV Substation, Madakkathara on 04.10.2016, guarantee period of which expired on 18.06.2019. The contractor replaced the defective CTs within the guarantee period, but the replaced CTs are having tan delta values in an increasing trend, though within the limits. The values have increased drastically within 2 years after replacement works conducted by M/s.Toshiba and it is expected that the values will exceed the permissible values very soon. Though the CTs are in service at present it can be concluded from periodical testing that CTs are to be replaced urgently. As M/s.Toshiba had stopped the production of 400kV Current transformers, the firm may be asked to replace all Current transformers with Current transformers of new manufacturer. NLC may be issued to M/s.Toshiba only after replacement of the Current transformers”.*

Accordingly, the Deputy Chief Engineer, Transmission Circle, Thrissur was intimated from the office of the Chief Engineer (P&SCM) that as per Purchase Order conditions, the above stand of the Executive Engineer, Transmission Division, Madakkathara is not valid. The Bank guarantees are to be released to the firm within 3 months after expiry of guarantee period. If there is any defect noticed within the guarantee period, then liability is to be fixed for delayed rectification/replacement, if any, and realized from the firm, so that the Bank guarantee can be released. For any defect noticed after guarantee period, the manufacturer may be asked to rectify the same within reasonable limit at reasonable charges. The conditions of Purchase order being as mentioned above, the Executive Engineer is required either to furnish NLC or inform the liability if any to be realized. Moreover no intimation regarding the defect is seen issued to the firm. M/s.Toshiba is requesting to release the

Bank guarantees amounting to Rs.3,86,900/- and Rs.7,73,800/-. Also the Bank guarantees cannot be extended indefinitely.

In reply, the Deputy Chief Engineer, Transmission Circle, Thrissur informed that the trending of  $\tan \delta$  values in case of above CTs indicate a clear deterioration of insulation and this may lead to breakdown which may even cause damage to the system. Hence the Bank guarantees may be withheld and at present NLC could not be issued. The firm may be advised to carry out urgent rectification / replacement free of cost and extend the guarantee period.

M/s.Toshiba Transmission & Distribution systems (India) Pvt. Limited, Telengana was requested to replace / rectify the defective CTs as per the terms and conditions of Purchase Order, since the defect occurred during the guarantee period and the same was intimated to the firm in guarantee period.

In reply, M/s.Toshiba Transmission & Distribution systems (India) Pvt. Limited intimated that upon receipt of site test result, it is observed that  $\tan \delta$  values in their supplied 400kV Current transformers are within limit. PET Sub Division, Madakkathara also not given unsatisfactory report after  $\tan \delta$  test done on 09.09.2021 & 10.09.2021 on Current transformers at site. They have not received any communication from KSEBL regarding performance of their supplied 400kV Current transformer from last 21 months as those are performing satisfactorily at site.

When the matter was then taken up with the Chief Engineer, Transmission North, Kozhikode, it was informed as follows.

*"In a very critical substation like 400kV Madakkathara, the availability of network elements is of utmost importance. Therefore there was no other option left but to continue with the CTs unless and until the spare equipment is made available. M/s.Toshiba is well aware about the deteriorating condition of the CTs, since this was already communicated and the reports of the PET testing of the reinstalled CTs were given to the firm vide email dated 17.11.2021.*

*As per Purchase order condition clause (15), it is mentioned that "Even after the guarantee period, suitable service personnel should be deputed to the respective stations for rectifying the defects of malfunctions of the equipment within reasonable time at reasonable charges". M/s. Toshiba had stated that they have discontinued the manufacturing of 400kV CTs. Hence even if the current Toshiba CTs are continuing in service, OEM support which is very much required cannot be expected. The life of expectancy of CT is nearly 15 to 20 years. The persisting issue of increasing  $\tan \delta$  values even after conducting necessary repair works by the OEM clearly infers the incompetency on the part of the manufacturer. The only way forward is to replace the CTs with CTs from different competent manufacturer.*

*Therefore the liability on this account is estimated considering the cost of purchase of new 400kV CTs, dismantling and erection charges already incurred and that would be required for replacement of these poor performance CTs. In addition to these, testing and commissioning charges incurred that would be necessary for replacement of the CTs are also included. The premature replacement of the CTs on account of poor performance causes additional financial burden to KSEBL. Also the loss if any on account of reduced transformer/ line availability occurred/ would occur on account of frequent replacement of CTs also needs to be considered.*

Considering the above factors, the liability amount reported by Chief Engineer (Transmission North) comes to Rs.1,06,93,599.00 plus loss if any on account of reduced Transformer/line availability which is to be obtained from SOC, Kalamassery.

*The NLC and performance guarantee cannot be released and necessary direction shall be issued to levy the estimated liability charges from the firm".*



extended up to 30.12.2023 (For six months) and informed that the BGs will not be extended any further.

On seeking the remarks the LA&DEO, KSEBL has observed as follows.

*"It is seen that the facts have been comprehended in its correct perspective by that office. As per the civil law followed in the land, an actionable claim will lie against a supplier / manufacturer during the guarantee period as per the terms specified in the said period. Thereafter any claim for damages can be made as per the agreement provisions, if any. Otherwise the law of Limitation will be attracted and the party who is raising claim for damage has to do so within a period of 3 years on raising dispute and the same has to be adjudicated by an independent authority like a court of law or Arbitrator.*

*In the instant case, it is an admitted fact that the guarantee period expired on 18.06.2019 and the officials concerned are having no case that they have initiated any proceedings known to law against the supplier for the alleged damages within the period permitted under the statute. Added to that, it is seen that to the belated queries, the firm in question has raised serious objections. Therefore prima facie, the chance of getting meaningful result seems to be remote in demanding the liability as fixed by the Chief Engineer (Transmission North)".*

As per the Agreement condition clause(10) the security deposit shall be returned to the supplier within three months after the expiration of the contract, but in the event of any dispute arising between the KSEBL and the supplier, the KSEBL shall be entitled to deduct out of the deposits or the balance thereof, until such dispute is determined the amount of such damage, cost, charges and expenses as may be claimed the same may also be deducted from any other sum which may be due at any time from KSEBL to the supplier. In the above Guarantees may be released to the firm after recovering an amount of Rs.6,77,520/- (Rupees Six Lakh Seventy seven thousand Five Hundred and twenty only) towards penalty for delayed replacement of materials. Since the CTs are still in service.

M/s.Toshiba Transmission & Distribution Systems (India) Pvt. Limited, Telangana has submitted a request to the Chairman & Managing Director, KSEBL for releasing Security deposit and Performance guarantee.

Considering the above, direction was requested whether the Bank Guarantees amounting to Rs.3,86,900/- and Rs.7,73,800/- of Security deposit and performance respectively by M/s.Toshiba Transmission & Distribution Systems (India) Pvt. Limited, Telangana against the supply of 400kV Current transformers may be released after recovering an amount of Rs.6,77,520/- (Rupees Six Lakh Seventy Seven Thousand Five Hundred and Twenty only) towards penalty for delayed replacement of materials, even though the Chief Engineer (Transmission North) has assessed the liability amount as Rs.1,06,93,599/- as the Current transformers are still in service at 400kV Substation, Madakkathara.

In this regard note was submitted to the Chairman and Managing Director through the Director (Distribution, SCM&S) on 02.02.2024.

The Chairman and Managing Director has directed to place the matter before the Full Time Directors.

Accordingly the matter was placed before the Full Time Directors on 15.02.2024:

Having considered the matter in detail, the Full Time Directors resolved to accord sanction to release the Bank Guarantees amounting to Rs.3,86,900/- and Rs.7,73,800/- of Security deposit and performance respectively by M/s.Toshiba Transmission & Distribution Systems (India) Pvt.

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Limited, Telangana against the supply of 400kV Current transformers after recovering an amount of Rs.6,77,520/- (Rupees Six Lakh Seventy seven thousand Five Hundred and twenty only) towards penalty for delayed replacement of 400 kV Current Transformers for supply against the purchase order dated 22.12.2015.

Orders are issued accordingly.

By order of the Full Time Directors

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LEKHA G  
COMPANY SECRETARY

To  
The Chief Engineer (Procurement & Supply Chain Management)

Copy to:  
The Company Secretary / Chief Engineer (IT,CR&CAPS) / Financial Advisor / LA&DEO / Chief Internal Auditor / Chief Vigilance Officer  
The TA to the Chairman & Managing Director / Director (Generation-Civil) / Director (Distribution, Safety, SCM & IT) / Director (Transmission, SO & Planning) / Director (Generation - Electrical, REES, SOURA, Sports & Welfare)  
The PA to the Director (Finance & HRM)  
The Sr.CA to the Secretary (Administration)  
The RCAO/ RAO  
Stock File.

Forwarded / By Order

*[Signature]*  
Assistant Executive Engineer